

REFERENCE TITLE: Tax Return Inspection - Auditor General

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Stan Furley

Paul B. Johnson
William Douglas Holsclaw
Sandra Johnson

S. B. 1055

Introduced by

Ray Kottas
Harold S. Baldoni

AN ACT

RELATING TO TAXATION AND TAXATION OF INCOME; PROVIDING FOR INSPECTION OF TAX-PAYER REPORTS AND RETURNS AND THE REPORTS AND RECORDS OF THE TAX COMMISSION BY THE AUDITOR GENERAL; AMENDING TITLE 42, CHAPTER 1, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-105.01, AND AMENDING SECTION 43-145, ARIZONA REVISED STATUTES.

- 1 Be it enacted by the Legislature of the State of Arizona:
- 2 Section 1. Title 42, chapter 1, article 1, Arizona Revised
- 3 Statutes, is amended by adding section 42-105.01, to read:
- 4 42-105.01. Audit of tax commission records; limitations;
- 5 disclosure; penalty
- 6 A. THE AUDITOR GENERAL MAY INSPECT THE REPORTS OR RETURNS OF
- 7 PERSONS PAYING TAXES UNDER THE PROVISIONS OF TITLES 42 AND 43 AND THE
- 8 REPORTS AND RECORDS OF THE TAX COMMISSION FOR THE PURPOSES OF AUDITING
- 9 THE FINANCIAL ACCOUNTS OF THE TAX COMMISSION AND THE MATHEMATICAL COM-
- 10 PUTATIONS ON THE REPORTS OR RETURNS.
- 11 B. THE AUDITOR GENERAL MAY REPORT FROM HIS AUDIT FINDINGS WHICH
- 12 DO NOT REFER TO A SPECIFIC PERSON OR A SPECIFIC GROUP OF PERSONS AND
- 13 MAY REPORT, PUBLISH, MAKE AVAILABLE FOR PUBLIC INSPECTION OR OTHERWISE
- 14 DISCLOSE REPORTS OF MONIES RECEIVED AND DISBURSED BY THE COMMISSION.
- 15 C. THE AUDITOR GENERAL SHALL NOT REPORT, PUBLISH, MAKE AVAILABLE
- 16 FOR PUBLIC INSPECTION OR OTHERWISE DISCLOSE THE IDENTITY OF PARTICULAR
- 17 RETURNS, REPORTS OR RECORDS OF ANY PERSON OR PARTICULAR GROUP OF PERSONS.

1 D. THE AUDITOR GENERAL MAY NOT IN THE CONDUCT OF HIS AUDIT INQUIRE
2 OR INVESTIGATE INTO THE ACCURACY OR SOURCE OF THE INFORMATION, FIGURES
3 OR MATERIAL CONTAINED ON ANY STATE TAX RETURN OR REPORT OF ANY PERSON
4 WHICH IS FILED WITH THE COMMISSION.

5 E. UNLESS REQUIRED BY JUDICIAL ORDER OR AS PROVIDED BY THIS
6 SECTION, THE AUDITOR GENERAL, HIS AGENTS, CLERKS, STENOGRAPHERS OR
7 EMPLOYEES SHALL NOT DIVULGE GROSS INCOME, GROSS PROCEEDS OF SALES,
8 AMOUNT OF TAX PAID, THE NAME OR IDENTITY OF ANY PERSON OR PARTICULAR
9 GROUP OF PERSONS OR ANY OTHER INFORMATION ON THE RETURNS, RECORDS OR
10 REPORTS OF PERSONS.

11 F. EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, IT IS A FELONY
12 FOR THE AUDITOR GENERAL, HIS AGENTS, CLERKS, STENOGRAPHERS OR EMPLOYEES
13 TO DISCLOSE IN ANY MANNER OR USE IN ANY UNLAWFUL MANNER, INFORMATION
14 OBTAINED OR THE NAME OF ANY PERSON ACQUIRED IN CONDUCTING HIS AUDIT.

15 G. THE PROVISIONS OF THIS SECTION SHALL BE IN ADDITION TO AND NOT
16 IN LIMITATION OF THE PROVISIONS OF SECTIONS 42-1307 AND 43-145. THE
17 PROVISIONS OF THIS SECTION SHALL NOT BE DEEMED TO AFFECT ANY AGREEMENTS
18 EXISTING BETWEEN THIS STATE AND THE UNITED STATES GOVERNMENT REGARDING
19 THE USE OF TAX INFORMATION.

20 Sec. 2. Section 43-145, Arizona Revised Statutes, is amended
21 to read:

22 43-145. Publicity of returns

23 (a) Returns to be kept for at least four years. The tax commission
24 shall preserve reports and returns for four years and thereafter until it
25 orders them to be destroyed.

26 (b) Disclosure of information in returns

27 (1) Judicial order, return information disclosed pursuant to.
28 Such information may be disclosed in accordance with proper judicial
29 order in cases or actions instituted for the enforcement of this title
30 or for the prosecution of violations of this title.

31 (2) Department of law may have information - county attorneys may
32 have information when authorized by attorney general. The attorney
33 general or any county attorney authorized in writing by the attorney

1 general shall have the right to inspect the reports or returns of any
2 taxpayer filing a report or return under this title, when required for
3 the purpose of instituting action for the enforcement of this title or
4 any other law relating to taxes or for the prosecution of violations
5 of this title or any other law relating to taxes.

6 (3) Reciprocal exchange of information. The tax commission may
7 permit the commissioner of internal revenue of the United States, or
8 other tax officials of this state, or the proper officer of any state
9 imposing an income tax or a tax measured by income, or the authorized
10 representative of any such officer, to inspect the income tax returns
11 of any individual, estate, trust or partnership, or may furnish to the
12 officer or his authorized representative an abstract of the return of
13 income of any taxpayer or supply him with information concerning any
14 item of income contained in any return or disclosed by the report of
15 any investigation of the income or return of income of any taxpayer.
16 Permission shall be granted or information furnished to the officer or
17 his representative only if the statutes of the United States or of the
18 other state, as the case may be, grant substantially similar privileges
19 to the tax commission of this state.

20 (c) Penalty for disclosing information contained in the return

21 (1) In general. Except as otherwise provided in this section,
22 it is a misdemeanor FELONY for the tax commission, any deputy, agent,
23 clerk, or other officer or employee, to disclose in any manner informa-
24 tion as to the amount of income or any particulars set forth or disclosed
25 in any report or return required under this title. ~~Any violation of this~~
26 ~~paragraph shall, upon conviction thereof, be punishable by a fine not to~~
27 ~~exceed one thousand dollars or imprisonment not to exceed one year, or~~
28 ~~both, at the discretion of the court.~~

29 (2) Information, penalty for unlawful use. The information
30 furnished or secured pursuant to subsection (b) (2) or (3) shall be used
31 solely for the purpose of administering the tax acts or laws administered
32 by the person or agency obtaining it. Any unwarranted disclosure or use
33 of the information by the person or agency, or the employees and officers

1 thereof, is a misdemeanor FELONY. Any-violation-of-this-paragraph-shall,
2 upon-conviction-thereof, be-punishable-by-a-fine-not-to-exceed-one-thou-
3 sand-dollars-or-by-imprisonment-not-to-exceed-one-year,-or-both,-at-the
4 discretion-of-the-court.

5 (d) Disclosure of information, reimbursement for costs thereof.
6 Whenever under this title or any law heretofore or hereafter enacted,
7 the tax commission is required or permitted to disclose information, to
8 furnish abstracts, or to permit access to its records, to or by any
9 official, department, bureau,- or agency of this state (including its
10 political subdivisions), or any other state,- or the United States, it
11 may charge the official, department, bureau,- or agency for the reason-
12 able cost of its services.

13 (e) Statistics. Subsection (a) does not prohibit the publication
14 of statistics so classified as to prevent the identification of particu-
15 lar reports or returns and the items thereof, or the publication of the
16 percentage of dividends paid by any taxpayer which is deductible by the
17 recipients thereof under the provisions of this title.