Mark A. Hager* and Susanne McArdle

Dimensions of Sales Tax Exemption Policy: The Arizona Model

Abstract: State exemption of qualified nonprofit organizations from paying sales taxes on certain purchases is one tool by which government encourages private development and delivery of public goods. We review Arizona’s “transaction privilege” exemption for health nonprofits through review of statutes, interviews with state officials, interviews with nonprofits that seek and make use of the exemption, and secret shopping with Arizona businesses to see how they react to requests for tax-exempt purchases. We conclude that public data is inadequate for a full policy evaluation and that current exemption procedures include imprecision regarding which nonprofits qualify for the benefit. Nonetheless, given the policy goal of advancing public goods, we suggest that the exemption might fruitfully be extended to other categories of qualified nonprofits.

Keywords: sales tax exemption, nonprofit organizations, Arizona

***Corresponding author: Mark A. Hager**, School of Community Resources & Development, Arizona State University, 411 N. Central Avenue, Suite 550, Phoenix, USA, E-mail: mark.hager@asu.edu

Susanne McArdle: Boys Hope Girls Hope of Arizona, 3443 North Central Avenue, Suite 713, Phoenix, AZ 85012, USA, E-mail: smcardle@bhgh.org

Democratic governments feature a variety of policy tools they might employ in fostering public benefits. Donor exemptions from individual income taxes and organizational exemption from corporate income taxes, applied evenly at the federal and state levels, are perhaps best known (Halperin 2011). However, states and localities use other policy tools to encourage giving, including property and sales tax exemptions (Filipovitch 1990). The case study presented here outlines the sales tax exemption as established and executed in Arizona. Arizona is an occasional maverick in its approach to fostering its charitable organizations. Our case study follows De Vita and Twombly’s (2005) study of Arizona’s Working Poor Tax Credit, legislation designed to spur giving to a specific class of poor-serving nonprofits. In contrast, Arizona’s sales tax exemption is designed to reduce the drag of taxes on a specific class of health nonprofits. The research question that guides our inquiry is whether the goal of supporting public benefits is met by Arizona’s sales (or what the state calls *transaction privilege*) exemption policies.

Sales tax exemptions

Public charities and other nonprofits improve profitability through increased donations and decreased tax expense (Steinberg and Bilodeau 1999). Tax relief on purchased goods and services can be a substantial benefit to the organizations that qualify for and use it. Mikesell (2009) estimates that, for many nonprofit organizations, the sales tax exemption saves more money than the property tax exemption. Nonprofits operating in states that support the deduction of taxes on purchases of goods and services must document both their eligibility to the state and to their vendors, but this bureaucratic process pays off by way of lower costs on essential purchases.

The number of states adopting the sales tax exemption has grown in recent decades. Walker and Sipult (2011) cite Gallagher's (1999) accounting of 24 states at the end of last century that exempted nonprofits from paying state sales tax on purchased goods. However, their more recent account (Walker and Sipult 2011) documents 38 states that now exempt qualified nonprofits. Since only 45 states have a sales tax, this amounts to 84% of such states. Arizona is so restrictive in its list of organizations eligible for exemption certification that Walker and Sipult list it among the 7 sales tax states that do not grant the exemption. This classification is misleading: a specific class of Arizona nonprofit organizations *do* qualify and take advantage of the sales tax exemptions provided by state statute, as in most other states.

To take advantage of the exemption policy, nonprofits apply to the state body responsible for implementing and overseeing the sales tax. In some states, proof of a federal charitable exemption (public charity status) is sufficient. In others, the exemption is restricted to specific organizations, such as those that provide relief to the poor, hospitals, or even name-identified nonprofits (Walker and Sipult 2011). States typically issue a certification of exemption to the charities that meet the set criteria, which then serves as notice to vendors of the exempt status of the organization.

Arizona's version

Our case focuses on Arizona. Forty years ago, in the era when Arizona's transaction privilege exemption was conceived and passed, Walker (1969, Table 1) placed Arizona in the lower third of states in terms of speed of adoption of legislation previously adopted in other states. Walker expected neighboring states to influence the adoption of legislation in neighboring states, as innovations are replicated across borders. However, some states defied this convention: Arizona,

Table 1: Tangible personal property sold to a qualifying hospital or a qualifying healthcare organization or sold to or purchased by qualifying community health centers and healthcare organizations

2007–2008	\$ 58,791,000
2008–2009	\$ 58,908,000
2009–2010	\$ 46,910,000
2010–2011	\$ 65,431,000
2011–2012	\$ 63,060,000

Source: Arizona Department of Revenue, The Revenue Mix of Arizona’s Tax Expenditures, various years; accessed at <http://www.azdor.gov/ReportsResearch/TaxExpenditures.aspx>

Colorado, and Kansas. “There is no accounting at all in this analysis for the behavior of [these] three states,” he writes (Walker 1969, 893). The tendency of Arizona to ignore other states and write its own legislation may be rooted in its state’s rights orientation and proud conservative tradition of finding local solutions. Today, Arizona maintains its image as an innovator, offering its own recent high-profile legislation on immigration (Martinez 2012) and water allocation (Bark and Jacobs 2009) that become either outliers or models for other states.

The characterization of Arizona as a legislative innovator also holds true regarding state policies affecting nonprofit organizations. Arizona is one of a handful of states that provides income tax credits to individuals who make contributions to certain classes of charitable organizations (the “Working Poor Tax Credit”). While budget shortfalls forced draconian cuts in services in 2009, the Arizona legislature voted to simplify and therefore expand donor access to this charitable tax credit. The charitable sales (transaction privilege) tax exemption was likewise spared, with the state foregoing \$63.1 million in taxes on purchases made by approved nonprofit organizations in fiscal year 2011–2012 (Arizona Department of Revenue 2012). Table 1 illustrates that this total level of exemptions is typical over the past 5 years, except for a dip during the nadir of recession in 2009–2010. Arizona is both innovative in its legislation and supportive of incentives that promote the development and expansion of public benefits providers across the state.

More innovation: “sales tax” is a misnomer in Arizona, which does not have a traditional sales tax. Instead, it has adopted a *transaction privilege tax* that places the burden of pay on the vendor rather than on the purchaser. It is a tax on the privilege of doing business in the state. However, the vendor normally passes the tax on to the purchaser in the cost of goods sold, so the tax operates very similarly to sales taxes paid by purchasers in other states.

And more innovation: As noted above, Arizona places unique restrictions on the types of nonprofit organizations that are eligible to receive transaction privilege exemption certification. By statute, the only organizations that qualify for transaction privilege tax exemption are community health centers, qualifying healthcare organizations, licensed hospitals, nursing care institutions, and residential care facilities “either operated by the government or used for charitable purposes where no earnings can be used for the benefit of any shareholder or individual” (ARS 42–5159). Most states are much more expansive in what purposes qualify; no other state limits the exemption eligibility in precisely the same way as Arizona. Document 42–5001 of the Arizona Revised Statutes delves further into the definition of each of these categories. It defines a *community health center* as “an entity that is recognized as nonprofit under section 501(c)(3) of the United States internal revenue code, that is a community-based primary care clinic that has a community-based board of directors, and that is either the sole provider of primary care in the community or a nonhospital affiliated clinic that is located in a federally designated medically underserved area in the state.” *Hospitals, nursing care institutions, and residential care facilities* licensed by their appropriate bodies qualify without documenting how their revenues are used.

A *qualifying healthcare organization* is an “entity that is recognized as nonprofit under section 501(c)(3) of the United States internal revenue code that uses, saves, and invests at least 80% of all monies that it receives from all sources each year only for health and medical related educational and charitable services, as documented by annual financial audits prepared by an independent CPA, performed according to generally accepted accounting standards and filed annually with the department” (ARS 42-5001). Nonprofits seeking exemption send an application letter and financial statements to the Tax Policy and Research Division of the State Department of Revenue, which is the office responsible for certifying the eligibility of organizations seeking exemption from the transaction privilege tax. Exemptions must be renewed annually with a new review.

We met with representatives from the state Tax Policy and Research Division to learn more about their procedures. The office declined to report the number of organizations seeking or receiving exemption, citing state privacy laws. However, only two individuals in that office review applications, one of whom only steps in for “the more complicated cases.” These cases usually concern the *80% revenue allocation test* for qualifying healthcare organizations, which is the prime source of ambiguity in the exemption statutes. The reviewers with whom we met noted that financial auditors familiar with the exemption process will, in some cases, “sign off” on the 80% allocation test.

In other cases, the application reviewers study audited financial statements to make determinations of whether 80% of revenues are allocated for health- and medical-related educational and charitable services. Nonprofits that pass the review receive an *exemption letter* that documents the categories of transactions that are exempt from tax and associated statutory references. It also stipulates that only purchases of personal property, oil, and gas used solely to provide health- and medical-related educational and charitable services are exempt from the transaction privilege tax.

How nonprofits experience the exemption

We spoke with representatives from several nonprofit organizations about how they experience the transaction privilege tax exemption. Two organizations in particular exemplify the ambiguity of which organizations qualify under the title of *healthcare organization*. Our exemplary cases do not shed light on what practices or experiences are *typical* for organizations that seek the exemption. Rather, they are examples of what is possible: they demonstrate a range of experience that we can compare with our expectations from a reading of state policy.

Boys Hope Girls Hope of Arizona is a public charity with a mission of helping academically capable and motivated children-in-need by providing value-centered, family-like homes, opportunities, and education through college. Participants' healthcare needs are facilitated with routine doctor, dentist, and vision appointments, but Boys Hope Girl Hope might be thought of as primarily a social services or educational support organization rather than health care. Nonetheless, under the rule that 80% of revenues must go to health- and medical-related educational and charitable services, the organization's programs qualify Boys Hope Girls Hope for the transaction privilege tax exemption, which it has been receiving for at least 13 years. The renewal letter provided by the Arizona Department of Revenue affirms that Boys Hope Girls Hope qualifies as an "organization related to the maintenance of health." This qualification suggests that reviewers in the Tax Policy and Research Division interpret health expenses broadly when considering whether applicants qualify under current statutes.

We also spoke to representatives of an Arizona public charity called Maggie's Place. This organization provides for the immediate physical and emotional needs of mothers, including shelter, food, clothing, and a supportive community. Maggie's Place connects client mothers to appropriate agencies and

resources like prenatal care, health insurance, low-cost housing, and education programs. The organization is concerned about the health and well-being of both mothers and children, before and just after pregnancy. Nonetheless, despite numerous attempts, this nonprofit has never been able to qualify for the transaction privilege tax exemption as a healthcare organization. On the face of their mission, they have more of a healthcare orientation than Boys Hope Girls Hope, yet Boys Hope Girls Hope qualifies while Maggie's Place does not. Whether these cases are typical or idiosyncratic, they indicate the range of experience in application of policy guidelines. While the Boys Hope Girls Hope example suggests that the state can take a broad definition of healthcare expense, the Maggie's Place example indicates that the qualifying guidelines may not always be applied consistently.

Those nonprofits that qualify receive an *exemption certificate* that is to be presented at the time of all exempt purchases. However, a regular shopper at Boys Hope Girls Hope reported that, in practice, this certificate is rarely required by vendors. However, exemptions are tracked by the state through Form 5000 (see Appendix), which also is to accompany exempt purchases. Form 5000 is a simple two-page document with spaces to fill in the purchaser's name and address, select either a single transaction or specify a designated time period, and a long checklist designating the reason for exemption, including line 23 for qualifying health organizations. The form explains that as long as the document is entirely filled-out, the vendor can accept it in good faith and the burden of proof is transferred to the purchaser to establish the accuracy of the information on the certificate. If accuracy cannot be proven, the purchaser is liable for the amount of tax that would have been paid, as well as potential penalties or interest accrued.

How Arizona vendors experience the exemption

We accompanied buyers from Boys Hope Girls Hope so that we could observe and record the reactions of vendors to normal requests to exercise the transaction privilege exemption. We recorded the experiences of our "secret shopping" in 21 stores of varying sizes. By law, vendors doing business in Arizona must grant the exemption on qualified purchases. Nonetheless, we observed that reactions from

vendors can vary dramatically when nonprofits seek to put their exemptions into practice. Vendors fell into three broad categories: (1) those immediately comfortable with granting the exemption, (2) those granting the exemption after additional consultation, and (3) those refusing to grant the exemption.

The use of the exemption by qualified health nonprofits is not so widespread for most store clerks to have much, if any, experience with it. Occasionally, a store clerk is familiar with the exemption and well-versed enough in his or her store register system to handle the transaction without commotion. Large chain stores often have a procedure or policy in place that reduces the need for clerks to be fully aware of the state's regulations regarding tax exemption. Walgreens Drug Stores, for example, has enough experience with tax exemption requests from customers that they have created an efficient system that requires little information to process the transaction. The clerk presses the appropriate button on the cash register, enters the nonprofit's exemption ID number, and the tax is immediately removed from the purchase.

Cashiers at Target were also able to handle such transactions efficiently, without the assistance of a manager. During our secret shopping, the clerk asked a series of questions presented on the register screen, such as what type of work the organization does and under what criteria it receives exemption. The Target cashier asks the buyer to fill out the address and contact information for the organization on a separate register receipt. Exemptions are then presumably reconciled by a corporate office. Some stores, such as Wal-Mart and Walgreens, required signatures for all tax-exempt purchases. Others required the purchaser to sign only if a certain dollar amount is spent: for instance, a large regional grocery store did not require a signature unless the total comes to at least \$25. Others, like Bed, Bath, and Beyond processed the transaction without additional questions and did not require a signature.

Some stores, like Albertson's and Ikea, would not complete the transaction with just the tax identification number. They wanted to see and sometimes required a file copy of the state-issued exemption letter. Some stores have their own internal system to approve nonprofits for exemption and issue them a store tax id number that facilitates all future purchases. In all these cases, purchases were quick and relatively easy.

In other cases, transactions were somewhat more difficult to complete. Clerks presented with a new and irregular request passed the transaction to a manager. We encountered store managers who were not familiar with the transaction privilege exemption for qualified nonprofits. Chain store managers

occasionally had to call headquarters to get help or authorization for the exemption.

The cases that were most interesting to study were those that are likely the most frustrating for qualifying nonprofits. In those cases, vendors simply refused to acknowledge the certificate of exemption. This was the case in our visits to Macy's, as well as several other smaller boutiques. A lighting store and a uniform store did not accept the exemption, but instead had a policy of granting a 10% discount on purchases by organizations that present the exemption certification.

Our most convoluted purchase experience was with a discount clothing store, Ross. This chain store has locations all across Arizona. Their numerous stores and large quantity and variety of merchandise put them in a category of stores that are likely to be well-versed in and ready to handle tax exempt purchases. However, when our Boys Hope Girls Hope shopper presented the exemption certificate and asked a Ross clerk to accept the exemption on a purchase, the transaction ground to a halt. The clerk had never heard of the exemption and insisted that tax had to be paid. Two other cashiers were called in, both of whom repeated the first cashier's claims. A manager was called, who said that Ross cannot and has never accepted any sort of tax exemptions. When we indicated that vendors are mandated by the state to provide the tax exemption, the manager repeated that the store has never granted an exemption. She encouraged us to also call their headquarters. We left without completing the purchase.

We did follow up with Ross's corporate headquarters by phone. The customer service representative asked to verify that the purchase was made on behalf of a public charity. We reported that this was the case. The representative then indicated that the policy of the store was for clerks to take a copy of the exemption certificate to staple to the receipt of purchase and send to the corporate office, thereby granting the exemption. We agreed that this was reasonable and typical, but explained that the vendors we encountered were clearly unaware of the policy and would not grant the exemption even after we had presented the exemption certificate.

Our research efforts appeared to induce changes at Ross. The original customer service representative had reported the incident to a district manager who then discussed our visit with the original sales manager at the store. Several days later, the district manager called Boys Hope Girls Hope to apologize for their lack of understanding and execution. She further reported that she had

instituted new trainings at the store to increase understanding of the exemption, and posted material at each cashier stand to inform clerks on how to handle the process. We subsequently visited a second Ross store, where we again encountered a clerk who was unaware of the transaction privilege tax exemption and did not know how to handle the transaction. In that case, however, a more experienced clerk from another department came to the rescue. After some tinkering at the register, the clerk was able to process the tax-exempt purchase.

Summary observations of Arizona's tax exemption model

The research question that guided our case study is whether the goal of supporting public benefits is met by Arizona's transaction privilege exemption policy. Our exploration of this issue included review of state statutes, interviews in the state government office that reviews and grants exemption certificates, interviews with nonprofits that have received (and not received) the exemption, and secret shopping with vendors to document their processes for granting and documenting tax-exempt purchases. Our study prompts three observations about Arizona's transaction privilege exemption as both a public policy and a model for other states.

First, public data is inadequate for evaluations of the policy's penetration and efficacy. Legislators, nonprofits, the general public, and sector scholars may be interested in knowing the proportion of health organizations operating in the state that apply for and are granted the transaction privilege tax exemption. However, the relevant staffers in the Department of Revenue's Tax Policy and Research Division refused to share application figures with us. When we asked them about their own knowledge about the proportion of Arizona healthcare nonprofits that know about or seek the exemption, they claimed ignorance about the population of eligible organizations. Consequently, all stakeholders are left in the dark regarding the depth of the policy's penetration into the intended class of public benefits providers. Arizona and its citizenry could benefit from greater transparency in data that could shine light on these questions.

Second, Arizona is unique in how it defines its class of nonprofits eligible for the exemption. This restriction perhaps explains Walker and Sipult's (2011) conclusion that Arizona is in the minority of states that do not grant exemption certificates to qualifying nonprofits. Arizona does, but only to a restricted class with contested definitions. For states that grant sales tax exemptions to all public charities, the division between who qualifies and who does not is clear. In Arizona, the rule that 80% of revenues must be spent on health- and medical-related educational and charitable services introduces ambiguity into the class of qualifying organizations. We describe one case with ancillary health purposes that qualifies, and another with clear health purposes that does not. Arizona and its health nonprofits could benefit from rules that remove the judgment from state staffers with limited understanding of the purposes and operations of the nonprofits they review.

Third, the reasons why Arizona restricts its public policy support to health-care nonprofits are unknown. We spent several sessions with legislative librarians on the Capitol grounds in Phoenix, but were unable to trace deliberations on the origins of the transaction privilege exemption in Arizona beyond its passage into law in November of 1967. The size, scope, and clear public purpose of healthcare delivery may partly explain the focus. The nonprofit health subsector in Arizona is already large and vibrant when compared to other subsectors. Arizona's ten largest nonprofits are hospitals or healthcare systems, and health nonprofits account for 72% of Arizona's nonprofit sector revenues (Hager and Gardner 2010). This provides a basis for supporting nonprofit healthcare organizations through policy tools, but begs the question of why proprietary hospitals do not receive the same consideration, or why social service and other kinds of public serving nonprofits are ineligible for the exemption. The policy stands as an example of how policy makers define public purposes that are preferred by the state, and then build legislation aimed at advancing those specific purposes. However, Arizona could benefit from reviewing the experiences of other states that use this policy mechanism to encourage other public purposes, such as social service delivery, education, the advancement of science and art, preservation of the environment, and the defense of human and civil rights. Greater transparency, clearer guidelines, and debates about expansion to other public purposes could strengthen the policy and increase its reach.

Appendix: Arizona transaction privilege exemption certificate application

Arizona Department of Revenue Transaction Privilege Tax Exemption Certificate

ARIZONA FORM

5000

This form replaces earlier forms: 5000, 5001, 5002.

This exemption Certificate is prescribed by the Department of Revenue pursuant to ARS § 42-5009. The purpose of the certificate is to document tax-exempt transactions with qualified purchasers. It is to be filled out completely by the purchaser and furnished to the vendor. The vendor shall retain this Certificate for single transactions or for specified periods as indicated below. Incomplete Certificates are not considered to be accepted in good faith. Only one form of exemption can be claimed on a certificate.

Purchaser's Name and Address _____ _____ _____ Vendor's Name _____	Check Applicable Box: ☐ Single Transaction Certificate ☐ Period From: _____ Through: _____ <i>(You must choose specific dates for which certificate will be valid)</i>
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Choose one transaction type per Certificate

☐ Transactions with a Business (Please check appropriate item from numbers 1 - 19) Arizona Transaction Privilege Tax License Number _____ SSN / EIN _____ Other Tax License Number _____ Tax number for another tax agency _____ If no license number, provide reason: _____ Precise Nature of Purchaser's Business _____	☐ Transactions with Native Americans & Native American Businesses (Please check item number 24 or 24a) Tribal Business License # _____ OR Tribal ID# _____ Name of Tribe _____ ☐ Transactions with a Government entity or certain Health Care Institutions (Please check appropriate item from numbers 1 - 23)	☐ Transactions with nonresidents (Please check appropriate item from numbers 25 - 26) State of residence _____ Driver's License# _____ Driver's License State _____ SSN/ID _____ 30 day Drive out permit # _____
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Reason for Exemption - check as applicable

- ☐ 1. Tangible personal property to be resold in the ordinary course of business.
- ☐ 2. Tangible personal property to be leased or rented in the ordinary course of business.
- ☐ 3. Tangible personal property to be incorporated into a taxable contracting project.
- ☐ 4. Food, drink, or condiments purchased by a restaurant business.
- ☐ 5. Motor vehicle fuel and use fuel subject to tax under ARS § 28-5606 or 5708.
- ☐ 6. Use fuel to a holder of a valid single trip use fuel tax permit issued under ARS § 28-5739.
- ☐ 7. Aviation fuel subject to the tax imposed under ARS § 28-8344.
- ☐ 8. Pipes or valves four inches in diameter or greater to be used for transportation of oil, natural gas, artificial gas, water or coal slurry.
- ☐ 9. Neat animals, horses, asses, sheep, rattles, swine or goats used as breeding or production stock (including ownership shares in such animals).
- ☐ 10. Aircraft, navigational and communication instruments and related accessories sold or leased to:
☐ Airlines holding a federal certificate of public convenience and necessity; or ☐ Airlines holding a foreign air carrier permit for air transportation; or
☐ Any foreign government or nonresidents of Arizona who will not use such property in Arizona other than in removing such property from this state.
- ☐ 11. Railroad rolling stock, rails, ties and signal control equipment used directly to transport persons or property for hire.
- ☐ 12. Buses or urban mass transit vehicles used directly to transport persons or property for hire or pursuant to a government mass transit program.
- ☐ 13. Central office switching equipment, switchboards, private branch exchange equipment, microwave radio equipment and carrier.
 Equipment including optical fiber, coaxial cable and other transmission media which are components of carrier systems sold or leased to persons engaged in the telecommunications business.
- ☐ 14. New machinery and equipment, used for commercial production of agricultural, horticultural, viticultural and floricultural crops and products in this state, consisting of tractors, tractor-drawn implements, self-powered implements, drip irrigation lines, and machinery and equipment necessary for extracting milk and for cooling milk and livestock.
- ☐ 15. Machinery, equipment or transmission lines used directly in producing or transmitting electrical power, but not including distribution.

(OVER)

- ☐ 16. Groundwater measuring devices required under ARS § 45-604.
- ☐ 17. Machinery or equipment used directly in the following processes:
- ☐ Manufacturing, processing or fabricating. ☐ Job printing. ☐ Refining or metallurgical operations.
- ☐ Extraction of ores or minerals from the earth for commercial purposes. ☐ Extraction of, or drilling for, oil or gas from the earth for commercial purposes.
- ☐ 18. Printed, photographic, electronic media or digital media materials purchased by or for publicly funded libraries including school district libraries, charter school libraries, community college libraries, state university libraries or federal, state, county or municipal libraries for use by the public.
- ☐ 19. Other: Cite specific statutory authority for the exemption of the tangible personal property. _____

Exemptions based on the purchaser being a government entity, public school, or a qualifying health care institution.

- ☐ 20. Food, drink or condiments for consumptions within the premises of any prison, jail or other institution under the jurisdiction of the state department of corrections, the department of public safety, the department of juvenile corrections or a county sheriff. Food, drink, condiments or accessories purchased by a school district for consumption at a public school within the district during school hours.
- ☐ 21. Tangible personal property sold or leased directly to the United States Government or its departments or agencies by a manufacturer, modifier, assembler or repairer.
- ☐ 22. Fifty percent of the gross proceeds or gross income from the sale of tangible personal property directly to the United States Government or its departments or agencies, which is not deducted under number 21 above. This exemption does not apply to leases.
- ☐ 23. Tangible personal property sold or leased directly to a qualifying non profit hospital, health care organization, community health center, or rehabilitation program for mentally or physically handicapped persons (an exemption letter for these entities must accompany this form).

Transactions with Native Americans & Native American Businesses

- ☐ 24. Sale or lease of tangible personal property including Motor Vehicles to affiliated Native Americans if the solicitation for the sale, signing of the contract, delivery of the goods and payment for the goods all occur on the reservation.
- ☐ 24a. Sale of a Motor Vehicle to an enrolled member of a tribe who resides on the reservation established for that tribe.

Transactions with nonresidents

- ☐ 25. Sales of tangible personal property to nonresidents of Arizona who are temporarily within Arizona, for their use outside of Arizona, when the vendor ships the property out of Arizona by common carrier or United States mail or delivers such property out of Arizona via the vendor's own conveyance.
- NOTE:** The vendor shall retain adequate documentation substantiating the shipment of the property out of Arizona.
- ☐ 26. Sale of a motor vehicle (vehicle must be self-propelled) to a nonresident of Arizona whose state of residence does not allow a use tax exemption for transaction privilege taxes paid to Arizona and who has secured a special 30-day nonresident registration for the vehicle (please see Arizona Form 5010).

Describe the tangible personal property or service purchased or leased and its use below. (Use additional pages if needed)

Certification

A vendor that has reason to believe that the certificate is not accurate or complete will not be relieved of the burden of proving entitlement to the exemption. A vendor that accepts a certificate in good faith will be relieved of the burden of proof and the purchaser may be required to establish the accuracy of the claimed exemption. If the purchaser cannot establish the accuracy and completeness of the information provided in the certificate, the purchaser is liable for an amount equal to the transaction privilege tax, penalty and interest which the vendor would have been required to pay if the vendor had not accepted the certificate. Misuse of this Certificate will subject the purchaser to payment of the ARS § 42-5009 amount equal to any tax, penalty or interest. Willful misuse of this Certificate will subject the purchaser to criminal penalties of a felony pursuant to ARS § 42-1127.B.2.

I, (print full name) _____, hereby certify that these transactions are exempt from Arizona transaction privilege tax and that the information on this Certificate is true, accurate and complete. Further, if purchasing or leasing as an agent or officer, I certify that I am authorized to execute this Certificate on behalf of the purchaser named above.

Signature of purchaser _____ **Date** _____

Title _____

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