



Notices of Final Rulemaking

ments in all types of cases in different time periods, including monies received from various sources. This will clarify how support received is applied to specific obligations, as well as how and to whom support is disbursed. Due to the complex nature of the distribution and disbursement processes, these rules are necessary to provide obligors and obligees in Title IV-D cases with a greater understanding of these processes. The rules explain how the distribution and disbursement process occurs. The distribution and disbursement process does not involve any penalties for obligors or obligees.

**4. A list of all previous notices appearing in the Register addressing the final rule:**

Notice of Rulemaking Docket Opening: 10 A.A.R. 4119, October 8, 2004

Notice of Proposed Rulemaking: 11 A.A.R. 1711, May 13, 2005

**5. The name and address of agency personnel with whom persons may communicate regarding the rulemaking:**

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**6. An explanation of the rule, including the agency's reason for initiating the rule:**

The rules explain how all child support monies received by the Title IV-D Agency in Title IV-D child support cases are distributed and disbursed under the federally mandated child support distribution laws. The distribution and disbursement process conforms to federal distribution and disbursement law requirements. The rules do not apply to non-Title IV-D child support cases.

On August 22, 1996, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, P.L. 104-193, passed by Congress and approved by the President, became effective. This federal legislation made significant changes to the distribution and disbursement of child support in child support cases governed by Title IV-D of the Social Security Act. Additional clarification regarding the distribution of support was provided in Action Transmittal 97-17, issued by the U.S. Department of Health and Human Services (DHHS) on October 21, 1997 and in Action Transmittal 98-24 issued by DHHS and effective on August 19, 1998. Additional technical amendments were made to child support distribution in Title IV-D cases as a result of passage of The Balanced Budget Act of 1997, P.L. 105-33. State legislation was enacted to amend A.R.S. § 46-408 to prescribe how support should be distributed in conformity with federal law.

The distribution mandated by PRWORA is a "family first" model. It mandates that certain child support payments be paid to the family first before the state can retain assigned arrearages to reimburse public assistance paid to the family. Paying the family first helps families who are transitioning off Temporary Assistance for Needy Families (TANF) by providing them with additional resources. These distribution requirements took effect on October 1, 1997 and have been applied to payments with receipt dates on and after October 1, 1997. Federal legislation provided for implementation of the distribution changes in two phases. The first phase began on October 1, 1997 and continued through September 30, 2000. The second and final phase began on October 1, 2000.

Article 1 defines terms used throughout the distribution rules. Distribution is the application of support and related collections to one or more specific obligations or debts. Disbursement is the payment of monies to an obligee or other authorized recipient. Article 1 also provides that interest does not accrue and will not be paid on support and related payments held by the Clearinghouse for disbursement unless state or federal statute requires the payment of interest.

Article 6 indicates the sequence in which support is applied or distributed to obligations in a Title IV-D case. The rules also address how arrearage payments in a Title IV-D case are applied and prescribes the month in which a payment should be credited. The rules also detail how to allocate monies received from a federal income tax refund offset when the amount of the offset is not enough to pay support to multiple obligees of a single obligor. The rules also explain the distribution of futures and prepaid support, distribution of support in a Title IV-E foster care case, and distribution in cases in which support is not assigned.

R6-7-701 shows the order of disbursement of child support when the Department receives support or related payments, lists the categories of recipients of support monies, and provides the circumstances under which certain monies can be temporarily held for valid reasons. The rule explains how the Title IV-D Agency will handle support payments if payments to the obligee are returned as undeliverable. The rule establishes the procedures for disburse-

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ment of monies received by income withholding orders and other sources, and prescribes the time in which the Department must disburse payments received.

The rules in Article 7 specify the order in which the Title IV-D Agency disburses support in never, former, and current assistance cases. Distribution differs in these periods as a result of federal and state requirements. The allocation of accrued interest on the different types of arrearages is specified. Due to a change in federal child support policy from the Office of Child Support Enforcement in the U.S. Department of Health and Human Services, payment of handling fees has lower priority in the allocation process for monies collected in never assistance, former assistance, and current assistance cases, and occurs after arrearages are paid for support collected on and after January 1, 2003. The rules also prescribe the method for unassigning arrearages when a family stops receiving cash assistance.

The Department of Economic Security is conducting this rulemaking to inform parties with Title IV-D support cases of how support is distributed and disbursed to them in each type of case and to enhance their understanding of the Title IV-D Agency's procedures. This rulemaking supplements state statutory provisions dealing with the distribution and disbursement of support.

**7. A reference to any study relevant to the rule that the agency reviewed and either relied on in its evaluation of or justification for the rule or did not rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:**

The agency did not review any studies relating to these rules.

**8. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:**

The rules do not impact the authority of political subdivisions.

**9. The summary of the economic, small business, and consumer impact:**

These rules do not impose any additional costs or requirements on small businesses. Support monies disbursed to obligees may be spent in the business sector for various services or products. The economic impact of the expenditure of support monies received for goods and services in the private sector is estimated to be substantial, but cannot be quantified.

The rules provide a clear listing of the order in which support-related payments are distributed and disbursed in current assistance, never assistance, and former assistance cases. This will enhance understanding by obligees of this process. The rules also provide the details of the distribution and disbursement process and conform to the federally prescribed distribution and disbursement requirements for Title IV-D child support cases. Compliance with these requirements is necessary to obtain federal funds for the child support program. The rules do not impose any costs on obligees or obligors in Title IV-D cases.

The rules do not have an adverse economic impact on the public.

**10. A description of the changes between the proposed rules, including supplemental notices, and final rules (if applicable):**

Minor grammatical, clarifying, and formatting changes were made at the request of G.R.R.C. staff. In addition, the following non-substantive changes were made:

1. R6-7-101(23) - Clarified that the term "injured spouse claim" only applies to federal income tax refund offsets.
2. R6-7-101(35) - Clarified that an order is to be issued by an officer or entity legally authorized to do so.
3. R6-7-101(47) - Clarified that for temporarily assigned arrearages, assignment was not effective as of October 1, 2000.
4. R6-7-602 - Clarified that someone can make a payment on behalf of an obligor and the IV-D Agency will treat those as a payment made by the obligor.
5. R6-7-602 - Deleted "court" as it precedes "ordered." The definition of "order" includes others than courts, as in some states administrative authorities issue support orders.
6. R6-7-701(H) - Clarified that with regard to allowable exceptions to the disbursement of support within two business days of receipt (701.H), there is likely to be a need to hold monies if a child still receiving support under an order dies and there are no other minor children in the order receiving support.
7. R6-7-701(M)(6) - Clarified that a small payment may be disbursed by the IV-D Agency in some fashion other than a check.
8. R6-7-707(1) - Deleted a phrase that is inconsistent with federal distribution law.
9. R6-7-712 - Deleted the word "biological" to clarify that the disbursement of support owed to an obligee who leaves a child/children with a caretaker may involve a case with adopted as well as biological children.

**11. A summary of the comments made regarding the rule and the agency response to them:**

The Department did not receive any comments on the rules.

**12. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:**

Not applicable

**13. Incorporations by reference and their location in the rules:**

45 CFR 302.51(b) is incorporated by reference and is cited in R6-7-101(19) and R6-7-606.

45 CFR 302.52 is incorporated by reference and is cited in R6-7-608.

**14. Was this rule previously made as an emergency rule?**

No.

**15. The full text of the rules follows:**

**TITLE 6. ECONOMIC SECURITY**

**CHAPTER 7. DEPARTMENT OF ECONOMIC SECURITY  
CHILD SUPPORT ENFORCEMENT**

**ARTICLE 1. GENERAL PROVISIONS**

Section	
<u>R6-7-101.</u>	<u>Definitions</u>
<u>R6-7-102.</u>	<u>Interest on Support and Related Payments</u>

**ARTICLE 6. TITLE IV-D DISTRIBUTION**

Section	
<u>R6-7-601.</u>	<u>Distribution</u>
<u>R6-7-602.</u>	<u>Receipt and Use of Foreign Currency or Other Foreign Payment</u>
<u>R6-7-603.</u>	<u>Allocation of Monies Received from Federal Income Tax Refund Offset to Arrearages</u>
<u>R6-7-604.</u>	<u>Allocation of Other Than Internal Revenue Service Payments to Multiple Obligees</u>
<u>R6-7-605.</u>	<u>Distribution of Monies Received from Federal Income Tax Refund Offset to Arrearages</u>
<u>R6-7-606.</u>	<u>Distribution of Futures</u>
<u>R6-7-607.</u>	<u>Distribution of Prepaid Support</u>
<u>R6-7-608.</u>	<u>Distribution in Title IV-E Cases</u>
<u>R6-7-609.</u>	<u>Distribution in Current Assistance Cases with a Child Exempt from Assignment</u>

**ARTICLE 7. TITLE IV-D DISBURSEMENT**

Section	
<u>R6-7-701.</u>	<u>Disbursement</u>
<u>R6-7-702.</u>	<u>Disbursement in Never Assistance Cases through December 31, 2002</u>
<u>R6-7-703.</u>	<u>Disbursement in Never Assistance Cases on and after January 1, 2003</u>
<u>R6-7-704.</u>	<u>Disbursement in Current Assistance Cases through December 31, 2002</u>
<u>R6-7-705.</u>	<u>Disbursement in Current Assistance Cases on and after January 1, 2003</u>
<u>R6-7-706.</u>	<u>Disbursement in Current Assistance Cases with a Child Exempt from Assignment</u>
<u>R6-7-707.</u>	<u>Disbursement Under Federal Law from October 1, 1997 through September 30, 2000 for Former Assistance Cases</u>
<u>R6-7-708.</u>	<u>Disbursement Under Federal Law from October 1, 2000 through December 31, 2002 for Former Assistance Cases</u>
<u>R6-7-709.</u>	<u>Disbursement Under Federal Law on and after January 1, 2003 for Former Assistance Cases</u>
<u>R6-7-710.</u>	<u>Disbursement of Federal Income Tax Refund Offsets Under Federal Law from October 1, 1997 through September 30, 2000</u>
<u>R6-7-711.</u>	<u>Disbursement of Federal Income Tax Refund Offsets Under Federal Law on and after October 1, 2000</u>
<u>R6-7-712.</u>	<u>Caretaker Disbursement</u>
<u>R6-7-713.</u>	<u>Past Support Judgments</u>
<u>R6-7-714.</u>	<u>Interest on Arrearages</u>
<u>R6-7-715.</u>	<u>Unassigned Arrearages</u>

R6-7-716. Interstate Collections in UIFSA Cases

**ARTICLE 1. GENERAL PROVISIONS**

**R6-7-101. Definitions**

The following definitions apply in this Chapter unless otherwise provided in a specific Article of this Chapter:

1. “Allocation” means the prorated division of collections.
2. “Arrearages” means unpaid amounts of support owed.
3. “Assistance unit” means a group of persons whose needs, income, resources, and other circumstances are considered as a whole for the purpose of determining eligibility and benefit amount for cash assistance.
4. “Business day” means a day on which state offices are open for regular business. A.R.S. § 46-408.
5. “Caretaker” means an individual other than a parent in a Title IV-D case who has physical custody of a child and may have the right to support of that child under A.R.S. § 46-444.
6. “Cash assistance” means temporary payments for needy families paid to a recipient for the purpose of meeting basic living expenses, as described by the Department at 6 A.A.C. 12.
7. “Child Not on Grant” means a child who:
  - a. Resides with an assistance unit receiving cash assistance.
  - b. Is not eligible for cash assistance due to the receipt of social security income, and
  - c. Is exempt from the assignment under A.R.S. § 46-407.
8. “Child Support Case Registry” or “Registry” means certain automated records of all Title IV-D cases, and all other cases in which a support order is established, modified, or registered in Arizona on or after October 1, 1998.
9. “Conditionally assigned arrearages” are arrearages that:
  - a. Do not exceed the total cumulative amount of unreimbursed cash assistance paid to a family as of the date the family stops receiving cash assistance.
  - b. Were temporarily assigned arrearages, and
  - c. Became conditionally assigned on the date that the family stopped receiving cash assistance or October 1, 2000, whichever date is later.
10. “Current assistance case” means a Title IV-D case in which an assistance unit is currently receiving cash assistance.
11. “Current support” means the monthly amount of money ordered by a court or an administrative entity for the support of a child, spouse, or former spouse.
12. “Department” means the Department of Economic Security.
13. “Disbursement” means the payment of monies to an obligee or other authorized recipient.
14. “Distribution” means application of support and related collections to one or more specific obligations or debts.
15. “F.A.A.” means the Family Assistance Administration, the entity within the Department responsible for administering the Department’s Cash Assistance Program.
16. “Federal income tax refund offset” means the intercept of Internal Revenue Service income tax refunds to pay support as provided in 26 U.S.C. 6402 and 42 U.S.C. 664.
17. “Fees and costs” means amounts ordered by the court or administrative entity or agreed to be paid to the Title IV-D Agency for genetic testing, service of process, or other expenses.
18. “Former assistance case” means a Title IV-D case in which an assistance unit formerly received cash assistance and is no longer receiving cash assistance.
19. “Futures” means an amount of support received by the Title IV-D Agency, excluding any federal or state income tax refund offset, which when received exceeds the amount of current support owed in a Title IV-D case with no arrearages or other unpaid obligations as stated in 45 CFR 302.51(b) (Office of the Federal Register, National Archives and Records Administration, October 1, 2004), which is incorporated by reference and on file with the Department. This incorporation by reference does not include any later amendments or editions. Futures do not include prepaid support.
20. “Handling fee” means the monthly charge prescribed in A.R.S. § 25-510, which is payable to the Title IV-D Agency’s Clearinghouse.
21. “Income withholding order” means an order that directs an obligor’s employer, payor, or the obligor to withhold monies from the obligor’s income.
22. “Initiating state” means a state from which a proceeding is forwarded or in which a proceeding is filed for forwarding to a responding state under A.R.S. Title 25, Chapter 9 or a law or procedure substantially similar to that Chapter, the uniform reciprocal enforcement of support act or the revised uniform reciprocal enforcement of support act, A.R.S. § 25-1202.
23. “Injured spouse claim” means a written request from the spouse of an obligor stating that the spouse has an interest in an income tax refund based on a joint federal income tax return.
24. “IRS tax reversal” means a rescission by the Internal Revenue Service of a federal income tax refund offset that was previously received by the Title IV-D Agency.
25. “Issuing state” means the state in which a tribunal issues a support order or renders a judgment determining parent-

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- age. A.R.S. § 25-1202.
26. “Medical assistance” means benefits received from a state agency under Title XIX of the Social Security Act.
27. “Medical support judgment” means a judgment for the costs of medical insurance coverage or uncovered medical expenses of the child.
28. “Never assigned arrearages” means arrearages that:
- a. Accrue in a never assistance case, or in a former assistance case after an assistance unit’s most recent period of cash assistance ends, and;
  - b. Are not assigned.
29. “Never assistance case” means a Title IV-D case in which a family never received cash assistance, but could be receiving or has received medical assistance under Title XIX of the Social Security Act.
30. “Nonobligated spouse” means the spouse who filed an Arizona state income tax return jointly with an obligor.
31. “Non-periodic payment” means a non-recurring amount or an amount that is not paid at regular intervals.
32. “Obligee” means a person or agency entitled to receive support. A.R.S. § 25-500.
33. “Obligor” means a person obligated to pay support. A.R.S. § 25-500.
34. “OCSE” means the Office of Child Support Enforcement in the United States Department of Health and Human Services.
35. “Order” means a legal directive issued by an officer or entity legally authorized to issue orders.
36. “Past support” means the amount of support reduced to a written judgment for the care and support of a child for the period before a current child support order is established.
37. “Permanently assigned arrearages” means arrearages that do not exceed the total cumulative amount of unreimbursed cash assistance paid to an assistance unit at the time the assistance unit leaves assistance and:
- a. Accrued before the family received assistance and were assigned to the state before October 1, 1997, or;
  - b. Accrue during any period in which the assistance unit received cash assistance and were assigned to the state on or after October 1, 1997.
38. “Pregnancy and childbirth expenses” means the costs of pregnancy and childbirth, which may be reduced to a written judgment under A.R.S. § 25-809.
39. “Pregnancy and childbirth judgment” means a final court order for the costs of pregnancy and childbirth.
40. “Prepaid support” means payments for monthly support that the obligor or the obligor’s agent designate in writing as payments for support in future months, even in cases with arrearages.
41. “Related payments” means monies other than support received under an order or agreement.
42. “Responding state” means a state in which a proceeding is filed or to which a proceeding is forwarded for filing from an initiating state under A.R.S. Title 25, Chapter 9 or a law substantially similar to that Chapter, the uniform reciprocal enforcement of support act or the revised uniform reciprocal enforcement of support act. A.R.S. § 25-1202.
43. “Spousal maintenance” or “spousal support” means an amount of money ordered under A.R.S. § 25-319 or a similar law of another state, for the support or maintenance of a spouse or former spouse.
44. “State” has the meaning in A.R.S. § 25-1202(22).
45. “Support” means the provision of maintenance or subsistence and includes medical insurance coverage and uncovered medical costs for the child, arrearages, interest on arrearages, past support, interest on past support and reimbursement for expended public assistance. In a Title IV-D case, support includes spousal maintenance or spousal support that is included in the same order that directs child support. A.R.S. § 25-500.
46. “Support Payment Clearinghouse” or “Clearinghouse” means the state disbursement unit for the Title IV-D Agency established under A.R.S. § 46-441 to collect and disburse all payments under support orders or agreements.
47. “Temporarily assigned arrearages”
- a. Means arrearages that:
    - i. Do not exceed the total cumulative amount of unreimbursed cash assistance paid to an assistance unit as of the date the unit stops receiving cash assistance;
    - ii. Accrue before any period in which the assistance unit receives cash assistance for arrearages assigned to the state on or after October 1, 1997; and
    - iii. Are not permanently assigned arrearages; and
  - b. The temporary assignment is no longer effective on October 1, 2000, or when the assistance unit stops receiving cash assistance, whichever is later.
48. “Temporary assistance for needy families” (TANF) means assistance granted under § 403 of Title IV of the Social Security Act, as it exists after August 21, 1996. A.R.S. § 46-101.
49. “Title IV-A” means Title IV-A of the Social Security Act, 42 U.S.C. 601 et seq.
50. “Title IV-D” means Title IV-D of the Social Security Act, 42 U.S.C. 651 et seq.
51. “Title IV-D Agency” means the Division of Child Support Enforcement and all of its contracting entities that administer Title IV-D services
52. “Title IV-E” means Title IV-E of the Social Security Act, 42 U.S.C. 670 et seq.
53. “Title XIX” means Title XIX of the Social Security Act, 42 U.S.C. 1396 et seq.

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54. "Tribunal" means a court, administrative agency or quasi-judicial entity authorized to establish, enforce or modify support orders or to determine parentage. A.R.S. § 25-1202.
55. "UIFSA" means the Uniform Interstate Family Support Act, A.R.S. §§ 25-1201 et seq.
56. "Unassigned arrearages" means previously permanently assigned and temporarily assigned arrearages that exceed the total cumulative amount of unreimbursed cash assistance paid to a family as of the date the family stops receiving cash assistance and includes both unassigned during-assistance arrearages and unassigned pre-assistance arrearages.
57. "Unassigned during-assistance arrearages" means all previously permanently assigned arrearages that:
  - a. Exceed the total cumulative amount of unreimbursed cash assistance paid to an assistance unit as of the date the assistance unit stops receiving cash assistance, and;
  - b. Accrue during any period in which the assistance unit receives cash assistance for arrearages assigned to the state on or after October 1, 1997.
58. "Unassigned pre-assistance arrearages" means all previously temporarily assigned arrearages that:
  - a. Exceed the total cumulative amount of unreimbursed cash assistance paid to an assistance unit as of the date the assistance unit stops receiving cash assistance, and;
  - b. Accrue before any period in which the assistance unit receives cash assistance for arrearages assigned to the state on or after October 1, 1997.
59. "Unreimbursed cash assistance" means the total, cumulative amount of cash assistance for which the state of Arizona has not received reimbursement.
60. "Voluntary payment" means monies received by the Title IV-D Agency on behalf of a child for whom no order for support is established.

**R6-7-102. Interest on Support and Related Payments**

Interest shall not accrue on support and related payments retained by the Clearinghouse for disbursement and the Clearinghouse shall not pay interest on these monies unless state or federal statutes require payment of interest.

**ARTICLE 6. TITLE IV-D DISTRIBUTION**

**R6-7-601. Distribution**

- A.** The Title IV-D Agency shall distribute monies collected in a Title IV-D case in accordance with state and federal law and the provisions of this Article in the following sequence to:
  1. Current child support;
  2. Current spousal maintenance;
  3. Child support arrearage and past support judgments and the corresponding interest;
  4. Spousal maintenance arrearage judgments and the corresponding interest;
  5. Pregnancy and childbirth judgments and the corresponding interest;
  6. Medical support judgments and the corresponding interest;
  7. Child support arrearages not reduced to a written judgment and the corresponding interest;
  8. Spousal maintenance arrearages not reduced to a written judgment and the corresponding interest;
  9. Current month's handling fee;
  10. Handling fees owed to the Support Payment Clearinghouse;
  11. IRS tax reversals;
  12. Other fees or costs; and
  13. Futures.
- B.** Arrearage payments distributed in a Title IV-D case are applied first to the principal and then to the interest that accrued on that principal in the following order:
  1. The oldest written judgment's principal and interest and then to each successive written judgment's principal and interest.
  2. Arrearages not reduced to a written judgment and the corresponding interest.
- C.** The Title IV-D Agency shall credit amounts received as support from or on behalf of the obligor as the required support obligation for the month in which they are received unless they are submitted by an employer. Payments submitted by an employer as the result of an income withholding order are considered received in the month in which the income was withheld by the employer. The date of receipt for income withholding order payments is the last day of the pay period from which the payment is withheld.
- D.** A voluntary payment received in a cash assistance case shall be retained by the Title IV-D Agency and shared with the federal government. Any monies received in excess of cash assistance owed to the state and federal government shall be paid to the obligee.

**R6-7-602. Receipt and Use of Foreign Currency or Other Foreign Payment**

- A.** An obligor acting under an order for support issued by a court or an administrative entity in the U.S. shall pay support and

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other obligations in U.S. dollars. If the obligor or payor pays in a foreign currency, check, draft, or other negotiable form of payment, the Title IV-D Agency shall give the obligor credit for the U.S. dollar equivalent of the foreign currency, check, draft, or other negotiable form of payment tendered. The U.S. dollar equivalent is based on the conversion rate used by the state's bank on the date the payment is received.

- B.** If an obligor or payor tenders payment in a foreign currency, draft, check, or other negotiable form of payment under a U.S. support order and the equivalent value in U.S. dollars is less than the ordered amount, the difference between the ordered amount and the amount tendered constitutes an unpaid amount owed.
- C.** If an obligor or payor tenders payment in a foreign currency, draft, check, or other negotiable form of payment under a U.S. support order, and the equivalent value in U.S. dollars is more than the ordered amount, the Title IV-D Agency shall distribute the excess amount according to R6-7-601(A).
- D.** If an obligor or payor tenders payment in a foreign currency, draft, check, or other negotiable form of payment as required under a foreign support order, the Title IV-D Agency shall give the obligor credit for the amount tendered regardless of the conversion value in U.S. dollars.
- E.** The Clearinghouse shall disburse support and related payments it receives in U.S. dollars.

**R6-7-603. Allocation of Monies Received from Federal Income Tax Refund Offset to Arrearages**

If monies received from a federal income tax refund offset do not satisfy the total arrearages for all cases submitted by the Title IV-D Agency to OCSE for payment owed by an obligor to multiple obligees, the Title IV-D Agency shall make a proportionate allocation to each obligee whose case was submitted for federal income tax refund offset. The Title IV-D Agency shall determine the proportionate share by dividing the total arrearages owed to each obligee by the total arrearages owed by the obligor and multiplying the resulting percentage by the amount of the federal income tax refund offset.

**R6-7-604. Allocation of Other Than Internal Revenue Service Payments to Multiple Obligees**

- A.** If the Title IV-D Agency receives a support payment not paid by an income withholding order that is undesignated as to case or obligee and it does not satisfy the total current support owed by one obligor to multiple obligees, the Title IV-D Agency shall use the following procedure to determine the amount of support allocated to each obligee:
  - 1. Determine the total current support owed by the obligor to all obligees.
  - 2. Divide the current support that the obligor owes to each obligee by the total current support that the obligor owes to all obligees, and
  - 3. Multiply the resulting percentage by the payment.
- B.** If the Title IV-D Agency receives a support payment not paid by an income withholding order that is undesignated as to case or obligee and it does not satisfy the total arrearages or past support owed by one obligor to multiple obligees, the Title IV-D Agency shall use the following procedure to determine the amount of support allocated to each obligee:
  - 1. Determine the total arrearages owed by the obligor to all obligees.
  - 2. Divide the arrearages that the obligor owes to each obligee by the total arrearages that the obligor owes to all obligees, and
  - 3. Multiply the resulting percentage by the arrearage or past support payment.
- C.** The Title IV-D Agency shall not use this procedure if:
  - 1. The payment source is an income withholding order and the employer or payor has allocated under A.R.S. §§ 25-504 or 25-505.01;
  - 2. The case is governed by R6-7-715; or
  - 3. The support owed to an obligee was not submitted for the enforcement action that resulted in the collection.

**R6-7-605. Distribution of Monies Received from Federal Income Tax Refund Offset to Arrearages**

If the federal income tax refund offset received from the Internal Revenue Service on behalf of an obligor is greater than the total arrearages owed for all cases submitted for federal income tax refund offset, the Title IV-D Agency shall refund any excess monies to the obligor, unless the obligor agrees in writing that the monies may be applied to other obligations owed.

**R6-7-606. Distribution of Futures**

The Title IV-D Agency shall apply futures as provided in 45 CFR 302.51(b) (Office of the Federal Register, National Archives and Records Administration, October 1, 2004), which is incorporated by reference and on file with the Department. This incorporation by reference does not include any later amendments or editions. The Title IV-D Agency shall also follow the same regulation in never assistance and former assistance cases.

**R6-7-607. Distribution of Prepaid Support**

- A.** The Title IV-D Agency shall treat payments as prepaid support only if there is no alternative that would allow for prompt payment of support owed to an obligee in a future month.
- B.** The Title IV-D Agency shall release any prepaid support in the applicable future month for distribution in accordance with R6-7-601(A).

**R6-7-608. Distribution in Title IV-E Cases**

- A.** The Department shall retain monies collected in a Title IV-E case for reimbursement of Title IV-E expenditures under

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A.R.S. § 8-243.02.

- B.** While a case is current Title IV-E, all support collected shall be disbursed in accordance with 45 CFR 302.52 (Office of the Federal Register, National Archives and Records Administration, October 1, 2004), which is incorporated by reference and on file with the Department. This incorporation by reference does not include any later amendments or editions. If the collection is more than the current monthly support and exceeds the total Title IV-E expenditures, then the Department shall use the collection to pay any arrearages assigned to the state under A.R.S. § 46-407. If arrearages have been paid, the Department shall pay any excess in a current Title IV-E case to the Title IV-E Agency for the benefit of the Title IV-E child.
- C.** When a case is former Title IV-E and former assistance with arrearages assigned to the state under A.R.S. § 46-407 and A.R.S. § 8-243.02, the Department shall first apply arrearage collections to the arrearages assigned under A.R.S. § 46-407.

**R6-7-609. Distribution in Current Assistance Cases with a Child Exempt from Assignment**

- A.** In a current assistance case, when a child is determined to be a Child Not on Grant, the Title IV-D Agency shall distribute current support collected for a Child Not on Grant on or after the end of the month in which the current support is collected. Arrearages that accrue and are collected while the assistance unit is receiving cash assistance shall be distributed on or after the end of the month in which the arrearages are collected.
- B.** If a child support order for a Child Not on Grant covers children who are not subject to A.R.S. § 46-407(B), the Title IV-D agency shall divide the ordered child support amount by the number of children in the order. The Title IV-D Agency shall distribute the prorated share of the child support collected for the benefit of the Child Not on Grant.
- C.** Beginning July 1, 2003, for current child support and any child support arrearages that accrue during the period of assistance, the Title IV-D Agency shall distribute the prorated share of child support collected for the benefit of a child who is subject to A.R.S. § 46-292(G) on or after the end of the month in which it is collected.
- D.** If a child support order for a child subject to A.R.S. § 46-292(G) also covers children who are not subject to A.R.S. § 46-292(G), the Title IV-D Agency shall divide the ordered child support amount by the number of children in the order. The Title IV-D Agency shall distribute the prorated share of the child support collected for the benefit of the child subject to A.R.S. § 46-292(G).

**ARTICLE 7. TITLE IV-D DISBURSEMENT**

**R6-7-701. Disbursement**

- A.** The Title IV-D Agency shall disburse support and related payments that the Title IV-D Agency receives in a Title IV-D case to one or more of the following recipients:
  - 1. An obligee or an agent authorized in writing by an obligee or as determined by law;
  - 2. A Title IV-D agency of another state if the agency submits a request for support establishment or enforcement services and is authorized to receive support under U.I.F.S.A.;
  - 3. The federal government, if Arizona is providing or has provided cash assistance to the assistance unit, or a member of the assistance unit, or if Arizona is providing or has provided Title IV-E foster care maintenance payments;
  - 4. A state, if the state is providing or has provided cash assistance to the assistance unit that does not exceed the total amount of unreimbursed cash assistance;
  - 5. An obligor, if a refund is due;
  - 6. A bankruptcy trustee;
  - 7. A state or federal agency as authorized by law;
  - 8. A caretaker under Arizona statute and R6-7-712.
- B.** The Title IV-D Agency shall issue payments due to an obligee at the last known address filed with the Child Support Case Registry or the last address known to F.A.A.
- C.** If a payment to an obligee is returned to the Title IV-D Agency because it was undeliverable, the Title IV-D Agency shall make a reasonable effort to locate the obligee for the period authorized in A.R.S. § 25-503.
- D.** If the Title IV-D Agency is unable to locate the obligee by the end of the period authorized in A.R.S. § 25-503, the Title IV-D Agency shall contact the obligor to request oral or written approval to apply the funds to arrearages and any other unpaid obligations. If the Title IV-D Agency is unable after a reasonable effort to locate the obligee or obligor, and an arrearage is still owed to the state, the Title IV-D Agency shall apply the payments to the arrearage. Any remaining amounts shall be handled consistent with applicable law.
- E.** If an obligee requests that the Title IV-D Agency directly deposit support in a financial institution and the financial institution returns those monies because the obligee's account is closed, or the financial institution will not accept the deposit, the Title IV-D Agency shall make a reasonable effort to locate the obligee for the period authorized in A.R.S. § 25-503, after receiving notice that the account is closed or that the financial institution will not accept the deposit.
- F.** Neither the return of monies to an obligor due to an inability to locate the obligee, nor the application of monies to arrearages or other support-related debts terminates an obligor's obligation ordered by a court or administrative entity.

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- G.** The Title IV-D Agency shall disburse support that the Title IV-D Agency receives for a current assistance case within two business days of the last day of the month in which the Clearinghouse receives the payment.
- H.** Except as provided in subsections (G), (I), (J), (K), (L), and (M), the Title IV-D Agency shall disburse support within two business days of receipt by the Clearinghouse unless the Clearinghouse is unable to disburse the support for one or more of the following reasons:
1. The Title IV-D Agency does not have the obligee's current address;
  2. The Title IV-D Agency or its payment posting contractor lacks sufficient information to identify the case to which the payment must be applied;
  3. An action is pending before the Title IV-D Agency to determine whether:
    - a. An administrative income withholding order is enforceable under A.R.S. § 25-505.01; or
    - b. A limited income withholding order is enforceable under A.R.S. § 25-505;
  4. The payment is for futures that federal law requires the Title IV-D Agency to hold for disbursement in a future month, or for prepaid support;
  5. A court or administrative order, bankruptcy stay, or state or federal law requires the Title IV-D Agency to retain support or to use a different disbursement method or time-frame;
  6. The Title IV-D Agency lacks information regarding a support order, an agreement, or any other obligation owed to the Department;
  7. Support is returned to the Title IV-D Agency or the Clearinghouse due to the obligee's incarceration or because the obligee or only child still covered by the order is deceased;
  8. A check received from an obligor or other payor has previously been dishonored, precluding the acceptance of a personal check under A.R.S. § 25-503; or
  9. Other circumstances exist that prevent proper and timely disbursement of support through no fault or lack of diligence on the part of the Title IV-D Agency.
- I.** If a federal income tax refund offset is based on a joint federal income tax return, the Title IV-D Agency shall retain the offset for 180 days after receipt of the refund monies unless the Internal Revenue Service notifies the Title IV-D Agency of the resolution of an injured spouse claim, or until the spouse signs a waiver of any right to claim a portion of the refund. The Title IV-D Agency shall distribute and disburse a federal income tax refund offset that is based on a joint tax return in accordance with R6-7-709, R6-7-710 and R6-7-711. The offset collections do not accrue interest and the Title IV-D Agency shall not pay interest on these monies.
- J.** *If a [state income] tax refund is based on a joint income tax return and the department of economic security receives a written claim from the nonobligated spouse within forty-five days after the notice of setoff for overdue child support, the setoff only applies to that portion of the refund due to the obligor. The nonobligated spouse shall provide to the department of economic security copies of both the obligated and nonobligated spouse's federal W-2 forms and evidence of estimated tax payments supporting the proportionate share of each spouse's payment of tax. The department of economic security shall retain the amount of the set off refund due to the obligated spouse determined by a proration based on the tax payments of each spouse by estimated tax payment or tax withheld from wages. A.R.S. § 42-1122(O).*
- K.** The Title IV-D Agency shall distribute and disburse an Arizona income tax refund setoff that is based on a joint income tax return in accordance with R6-7-601. The Title IV-D Agency shall not pay interest on these monies except as provided in A.R.S. §§ 42-1122 and 42-1123.
- L.** The Title IV-D Agency shall retain a state lottery prize that has been set off under A.R.S. § 5-525 for 30 days after the date on the notice of setoff and right to appeal as prescribed in A.R.S. § 5-525. The Title IV-D Agency shall not pay interest on these monies except as provided in A.R.S. § 5-525.
- M.** In addition to the reasons for retaining support already stated in this rule, the Title IV-D Agency may retain support for more than two business days if:
1. The amount received exceeds the amount due or owing, but is neither futures nor prepaid support;
  2. The obligee's and obligor's financial accounts maintained by the Title IV-D Agency are out of balance;
  3. An obligor has multiple cases and, in at least one case, has no known obligation to support a child, or a child covered by the support order is receiving social security benefits and A.R.S. § 46-407 applies;
  4. A personal or business check received for support in one case exceeds \$2,500 and there is no history of checks that exceed \$2,500 clearing in that case. In no event shall the Title IV-D Agency retain these monies for more than 10 business days;
  5. The Title IV-D Agency has received a notice of a stop payment order on a payment; or
  6. The amount to be disbursed in a check is less than \$3.00. When the amount held reaches \$3.00 or more, the Title IV-D Agency shall disburse the amount.
- N.** If a support payment received by the Title IV-D Agency exceeds the amount due or owing and is neither futures nor prepaid support, the Title IV-D Agency shall refund the excess to the obligor at the last known address provided to the Child Support Case Registry.
- O.** If an obligee cannot be located before a case is closed, the Title IV-D Agency shall send any undisbursed amounts owed to the obligee back to the obligor.

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**R6-7-702. Disbursement in Never Assistance Cases through December 31, 2002**

Except as provided in R6-7-710 and R6-7-711 for federal income tax refund offsets, the Title IV-D Agency shall disburse support and related payments collected for an Arizona never assistance case to a recipient of services under Title IV-D or Title XIX of the Social Security Act as follows:

1. First, to current support;
2. Second, to the handling fee for the month in which the Title IV-D Agency receives the support;
3. Third, to never assigned arrearages;
4. Fourth, to fees and costs and unpaid handling fees;
5. Fifth, to futures.

**R6-7-703. Disbursement in Never Assistance Cases on and after January 1, 2003**

Except as provided in R6-7-710 and R6-7-711 for federal income tax refund offsets, the Title IV-D Agency shall disburse support and related payments collected for an Arizona never assistance case to a recipient of services under Title IV-D or Title XIX of the Social Security Act as follows:

1. First, to current support;
2. Second, to never assigned arrearages;
3. Third, to the handling fee for the month in which the Title IV-D Agency receives the support and unpaid handling fees;
4. Fourth, to fees and costs;
5. Fifth, to futures.

**R6-7-704. Disbursement in Current Assistance Cases through December 31, 2002**

Except as provided in R6-7-710 and R6-7-711 for federal income tax refund offsets, the Title IV-D Agency shall disburse support and related payments collected for an Arizona Title IV-D current assistance case as follows:

1. First to current support assigned to the state of Arizona, not to exceed the total amount of unreimbursed cash assistance;
2. Second, to the handling fee for the month in which the Title IV-D Agency receives the support;
3. Third, to temporarily assigned arrearages;
4. Fourth, to permanently assigned arrearages;
5. Fifth, to unassigned arrearages;
6. Sixth, to fees and costs;
7. Seventh, to futures.

**R6-7-705. Disbursement in Current Assistance Cases on and after January 1, 2003**

Except as provided in R6-7-710 and R6-7-711 for federal income tax refund offsets, the Title IV-D Agency shall disburse support and related payments collected for an Arizona Title IV-D current assistance case as follows:

1. First, to current support assigned to the state of Arizona, not to exceed the total amount of unreimbursed cash assistance;
2. Second, to temporarily assigned arrearages;
3. Third, to permanently assigned arrearages;
4. Fourth, to unassigned arrearages;
5. Fifth, to the handling fee for the month in which the Title IV-D Agency receives the support and other unpaid handling fees;
6. Sixth, to fees and costs;
7. Seventh, to futures.

**R6-7-706. Disbursement in Current Assistance Cases with a Child Exempt from Assignment**

- A. The Title IV-D Agency shall disburse the prorated share of support received for a Child Not on Grant to the obligee after the end of the month in which it is received.
- B. If the Title IV-D Agency determines that a child is a Child Not on Grant, the unpaid share of support accrues as never assigned arrearages.
- C. If a Child Not on Grant is no longer subject to A.R.S. § 46-407(B), and instead is subject to the remaining provisions of A.R.S. §§ 46-407 and 46-408, all previously unpaid arrearages are assigned to the state.
- D. While an assistance unit is receiving cash assistance, the Title IV-D Agency shall disburse the prorated share of support received for a child subject to the provisions of A.R.S. § 46-292(G) to the obligee after the end of the month of current assistance.
- E. If the Title IV-D Agency determines that a child in an assistance unit is subject to the provisions of A.R.S. § 46-292(G), the unpaid prorated share of support accrues as never assigned arrearages.

**R6-7-707. Disbursement Under Federal Law from October 1, 1997 through September 30, 2000 for Former Assistance Cases**

Except as provided in R6-7-710 and R6-7-711 for federal income tax refund offsets, the Title IV-D Agency shall disburse sup-

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port and related payments for a former cash assistance case as follows:

1. First, to current support;
2. Second, to the handling fee for the month in which the Title IV-D Agency receives the support;
3. Third, to never assigned arrearages;
4. Fourth, to temporarily assigned arrearages;
5. Fifth, to the permanently assigned arrearages;
6. Sixth, to unassigned arrearages;
7. Seventh, to unpaid handling fees;
8. Eighth, to fees and costs;
9. Ninth, to futures as provided in R6-7-606.

**R6-7-708. Disbursement Under Federal Law from October 1, 2000 through December 31, 2002 for Former Assistance Cases**

Except as provided in R6-7-710 and R6-7-711 for federal income tax refund offsets, the Title IV-D Agency shall disburse support and related payments for a former cash assistance case as follows:

1. First, to current support;
2. Second, to the handling fee for the month in which the Title IV-D Agency receives the support;
3. Third, to never assigned arrearages;
4. Fourth, to unassigned pre-assistance arrearages;
5. Fifth, to conditionally assigned arrearages;
6. Sixth, to permanently assigned arrearages;
7. Seventh, to unassigned during-assistance arrearages;
8. Eighth, to fees and costs;
9. Ninth, to futures.

**R6-7-709. Disbursement Under Federal Law on and after January 1, 2003 for Former Assistance Cases**

Except as provided in R6-7-710 and R6-7-711 for federal income tax refund offsets, the Title IV-D Agency shall disburse support and related payments collected for a former assistance case, as follows:

1. First, to current support;
2. Second, to never assigned arrearages;
3. Third, to unassigned pre-assistance arrearages;
4. Fourth, to conditionally assigned arrearages;
5. Fifth, to permanently assigned arrearages;
6. Sixth, to unassigned during-assistance arrearages;
7. Seventh, to the handling fee for the month in which the Title IV-D Agency receives the support and other unpaid handling fees;
8. Eighth, to fees and costs;
9. Ninth, to futures.

**R6-7-710. Disbursement of Federal Income Tax Refund Offsets Under Federal Law from October 1, 1997 through September 30, 2000**

The Title IV-D Agency shall disburse support collected through federal income tax refund offset in accordance with 26 U.S.C. 6402 and 42 U.S.C. 664, as follows:

1. First, to temporarily assigned arrearages;
2. Second, to permanently assigned arrearages; and
3. Third, to never assigned and unassigned arrearages.

**R6-7-711. Disbursement of Federal Income Tax Refund Offsets Under Federal Law on and after October 1, 2000**

**A.** The Title IV-D Agency shall disburse arrearages collected through federal income tax refund offset in accordance with 26 U.S.C. 6402 and 42 U.S.C. 664, as follows:

1. First, to temporarily or conditionally assigned arrearages owed to the state of Arizona;
2. Second, to permanently assigned arrearages; and
3. Third, to never assigned and unassigned arrearages.

**B.** The Title IV-D Agency shall retain conditionally assigned arrearages collected through the federal income tax refund offset to reimburse the state and federal governments for unreimbursed cash assistance paid to the assistance unit. The Title IV-D Agency shall pay conditionally assigned arrearages, collected from any source other than a federal income tax refund offset, to the obligee.

**R6-7-712. Caretaker Disbursement**

If an obligee with a child support case becomes the caretaker of a child who is not the obligee's child, the Title IV-D Agency shall disburse support and related payments owed to the obligee in accordance with R6-7-703, R6-7-704, R6-7-707, and R6-7-708, as applicable. The support and related payments for the assistance unit shall be disbursed in accordance with R6-7-705.

**R6-7-713. Past Support Judgments**

If a court or an administrative entity orders past support that covers a period in which the obligee was on cash assistance, the amount for that period is assigned to the state and the Title IV-D Agency shall distribute collections in accordance with A.R.S. § 46-408 and disburse support in accordance with this Article. If a child covered by the order was receiving Title IV-E foster care maintenance payments for any of the period covered by the judgment, the amount for that period is assigned to the state and collections shall be distributed in accordance with R6-7-608.

**R6-7-714. Interest on Arrearages**

- A.** The Title IV-D Agency shall retain interest paid on arrearages assigned to the state of Arizona that do not exceed the total amount of unreimbursed cash assistance.
- B.** From October 1, 1997 through September 31, 2000, the Title IV-D Agency shall allocate the amount of interest on permanently assigned, temporarily assigned, never assigned, and unassigned arrearages based on a proportionate share of the total amount of arrearages owed. The Title IV-D Agency shall determine the percentage allocated to each arrearage type by dividing each arrearage type by the total arrearages and multiplying the resulting percentages by the total amount of interest accrued.
- C.** On and after October 1, 2000, the Title IV-D Agency shall allocate the amount of interest on permanently assigned, temporarily assigned, conditionally assigned, never assigned, and unassigned arrearages based on a proportionate share of the total amount of arrearages owed. The Title IV-D Agency shall determine the percentage allocated to each arrearage type by dividing each arrearage type by the total arrearages and multiplying the resulting percentages by the total amount of interest accrued.

**R-6-7-715. Unassigned Arrearages**

- A.** If a family stops receiving cash assistance, the Title IV-D Agency shall compare unreimbursed cash assistance and assigned arrearages as of the last day of the month when the family leaves assistance. If the total amount of assigned arrearages and accrued interest exceeds unreimbursed cash assistance, the Title IV-D Agency shall unassign the excess amount. These amounts are unassigned arrearages. The Title IV-D Agency shall unassign arrearages as follows:
  - 1. First, from the interest owed on temporarily assigned arrearages;
  - 2. Second, from the corresponding principal of the temporarily assigned arrearages;
  - 3. Third, from the interest owed on permanently assigned arrearages; and
  - 4. Fourth, from the corresponding principal on the permanently assigned arrearages.
- B.** On and after October 1, 2000, if the Title IV-D Agency unassigns arrearages from temporarily assigned amounts, these amounts are unassigned pre-assistance arrearages. The Title IV-D Agency shall first unassign the interest on arrearages and second unassign the corresponding principal on arrearages.
- C.** On and after October 1, 2000, if the Title IV-D Agency unassigns arrearages from permanently assigned amounts, these amounts are unassigned during-assistance arrearages. The Title IV-D Agency shall first unassign the interest on arrearages and second unassign the corresponding principal on arrearages.
- D.** For arrearages assigned before the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the federal government did not require states to track periods of assignment. If the Title IV-D Agency cannot determine whether the unassigned arrearages were from a pre-assistance period or a during-assistance period, the Title IV-D Agency shall treat those unassigned arrearages as unassigned pre-assistance arrearages.

**R6-7-716. Interstate Collections in UIFSA Cases**

If Arizona is the responding state, the Title IV-D Agency shall send payments received to the initiating or issuing state pursuant to A.R.S. § 25-1259.

NOTICE OF FINAL RULEMAKING

TITLE 15. REVENUE

CHAPTER 5. DEPARTMENT OF REVENUE  
TRANSACTION PRIVILEGE AND USE TAX SECTION

[R05-431]

PREAMBLE

**1. Sections Affected**

R15-5-2241  
R15-5-2242

**Rulemaking Action**

Repeal  
Repeal

**2. The statutory authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):**

Authorizing statute: A.R.S. § 42-1005

Implementing statute: A.R.S. § 42-5015 (Laws 2005, Ch. 317, § 4)

**3. The effective date of the rules:**

November 10, 2005

Because the motion picture production tax incentive statute that the rules implemented has been repealed and replaced with a new tax incentive program (*see* Paragraph 6 *infra*), and the Department anticipates initiating a rulemaking to implement the new program, the Department requests an immediate effective date. A penalty is not associated with this repeal.

**4. A list of all previous notices appearing in the Register addressing the final rule:**

Notice of Rulemaking Docket Opening: 11 A.A.R. 2451, July 1, 2005

Notice of Proposed Rulemaking: 11 A.A.R. 2432, July 1, 2005

**5. The name and address of agency personnel with whom persons may communicate regarding the rulemaking:**

Name: Hsin Pai, Tax Analyst

Address: Tax Policy and Research Division  
Arizona Department of Revenue  
1600 W. Monroe, Room 810  
Phoenix, AZ 85007

Telephone: (602) 716-6851

Fax: (602) 716-7995

E-mail: hpai@azdor.gov

Please visit the ADOR Web site to track the progress of these rules and other agency rulemaking matters at [www.azdor.gov/tra/draftdoc.htm](http://www.azdor.gov/tra/draftdoc.htm).

**6. An explanation of the rule, including the agency's reason for initiating the rule:**

A.R.S. § 42-5015, the implementing statute for A.A.C. R15-5-2241 and R15-5-2242, governs the refunds of Arizona transaction privilege and use taxes provided to qualifying motion picture production companies. The Department is repealing the rules pursuant to the underlying legislative repeal of A.R.S. § 42-5015. *See* 2005 Ariz. Sess. Laws 317 § 4 (signed by Governor Janet Napolitano on May 20, 2005). The legislative repeal has an effective date of August 12, 2005.

**7. A reference to any study relevant to the rule that the agency reviewed and either relied on in its evaluation of or justification for the rule or did not rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:**

None

**8. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:**

Not applicable

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- 9. A summary of the economic, small business, and consumer impact:**  
Pursuant to A.R.S. § 41-1055(D)(3), the Department is not required to prepare an economic, small business, and consumer impact statement.
- 10. A description of the changes between the proposed rules, including supplemental notices, and final rules (if applicable):**  
No changes have been made to the rules.
- 11. A summary of the comments made regarding the rule and the agency response to them:**  
No comments were received regarding the rules.
- 12. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:**  
None
- 13. Incorporations by reference and their location in the rules:**  
None
- 14. Was this rule previously made as an emergency rule?**  
No.
- 15. The full text of the rules follows:**

TITLE 15. REVENUE

CHAPTER 5. DEPARTMENT OF REVENUE  
TRANSACTION PRIVILEGE AND USE TAX SECTION

ARTICLE 22. TRANSACTION PRIVILEGE TAX – ADMINISTRATION

Section

- R15-5-2241. ~~Spending Requirements~~ Repealed  
R15-5-2242. ~~Reports~~ Repealed

ARTICLE 22. TRANSACTION PRIVILEGE TAX – ADMINISTRATION

**R15-5-2241. ~~Spending Requirements~~ Repealed**

- ~~A.~~** A motion picture production company shall satisfy the statutory spending requirements prior to applying for a refund.
- ~~B.~~** The statutory 12-month period begins with the first expenditure in the state reported at the discretion of the motion picture company.
- ~~C.~~** For purposes of determining includible expenditures within a 12-month period, the following shall apply:
1. The date of the expenditure, regardless of the method of payment, shall establish the qualification of the expenditure in satisfying the statutory requirement.
  2. Any expenditure made by credit card or petty cash shall be includible if the following conditions are met prior to the submission of the refund request:
    - a. The credit card liability shall be paid through the checking account in a financial institution in this state; and
    - b. The petty cash account shall be reimbursed through the checking account in a financial institution in this state.
- ~~D.~~** For purposes of determining the location of a transaction, the following criteria shall apply:
1. For retail purchases of tangible personal property, the location of the transaction shall be determined at the time and place that the customer takes title to the personal property. Title passes at the time and place of the physical delivery of the goods to the purchaser absent any agreement to the contrary. If an agreement exists regarding the delivery of the tangible personal property, title passes at the location designated in the agreement.
  2. For leases of tangible personal property, the location of the transaction shall be determined pursuant to Article 15.

**R15-5-2242. ~~Reports~~ Repealed**

- ~~A.~~** The motion picture production company shall submit the following reports when applying for a refund of transaction privilege or use taxes paid:
1. The total expenditure report in order to document that the company has had at least \$1 million in total qualified expenditures during the 12-month period and which shows that the expenditures were paid through a financial institution in this state;
  2. The payroll expenditure report for purposes of documenting salaries and wages paid to Arizona residents filing an Arizona personal income tax return in the preceding year; and

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3. ~~The final expenditure report documenting purchases and leases of tangible personal property within the state of Arizona upon which a tax refund may be obtained.~~
- B.** ~~The total expenditure report shall include the following:~~
  1. ~~The name of the vendor;~~
  2. ~~The period covered;~~
  3. ~~A description of the expenditure, and~~
  4. ~~The total amount of the expenditure.~~
- C.** ~~The payroll expenditure report shall include the following:~~
  1. ~~Employee name;~~
  2. ~~Employee social security number;~~
  3. ~~Period covered, and~~
  4. ~~Total wages paid to each employee for the period.~~
- D.** ~~The final expenditure report shall include the following:~~
  1. ~~Name of vendor;~~
  2. ~~Arizona Transaction Privilege Tax license number of any vendor if purchases or leases of tangible personal property from that vendor total \$500 or more;~~
  3. ~~Purchase order numbers or vendor's invoice numbers, including dates;~~
  4. ~~Name of financial institution and the number of the check which was used to purchase or lease tangible personal property;~~
  5. ~~Credit card number used to purchase or lease tangible personal property;~~
  6. ~~Date of purchase or lease;~~
  7. ~~Description of tangible personal property purchased or leased;~~
  8. ~~City where tangible personal property purchased or leased;~~
  9. ~~Price of tangible personal property before tax;~~
  10. ~~Total amount of tax paid; and~~
  11. ~~Type of tax paid: transaction privilege or use tax.~~
- E.** ~~Forms as issued by the Department of Revenue may be used for submission of the required information.~~