

Arizona Secretary of State
Public Services Division
Certified Original Rules

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Title Number: 15

Code Chapter: 10

Title: Revenue

Chapter: Department of Revenue - General Administration

Date/Year filed with the office:

2016	1	7
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Rule Number: R16-04

Archive Notes:

R16-04

SECRETARY OF STATE

2016 JAN -7 PM 4: 12

FILED

AGENCY RECEIPT

NOTICE OF EXEMPT RULEMAKING

1. Agency name: Arizona Department of Revenue

2. The Subchapters, if applicable; the Articles; the Parts, if applicable; and the Sections involved in the rulemaking, listed in alphabetical and numerical order:

<u>Article, Part, or Section Affected (as applicable)</u>	<u>Rulemaking Action</u>
R15-10-105	Amend
R15-10-501	Amend
R15-10-502	Amend
R15-10-504	Amend
R15-10-505	New Section

R116-04

SECRETARY OF STATE

From: Comanita, Christie
To: [Claw, Gracynthia \(GClaw@azdor.gov\)](mailto:GClaw@azdor.gov)
Subject: FW: ADOR rule moratorium exception request
Date: Tuesday, June 16, 2015 8:12:00 AM

2016 JAN -7 PM 4: 12

FILED

From: Steven Killian [<mailto:skillian@az.gov>]
Sent: Friday, May 09, 2014 10:38 AM
To: Comanita, Christie
Cc: mhunter@az.gov; Christopher McIsaac; rpaschal@azsos.gov
Subject: RE: ADOR rule moratorium exception request

Hi Christie

This email serves as notice that your request for exception to the Governor's moratorium on rule making related to the simplification of the transaction privilege tax system. as outlined in your e-mail dated May 07, 2014, have been approved. You may proceed with the rule making process through GRRC. The Secretary of State has requested that you include a copy of this e-mail with your rule making package for archival in the permanent record.

Please let me know if you have any questions

Thanks

From: Comanita, Christie [<mailto:CComanita@azdor.gov>]
Sent: Wednesday, May 07, 2014 8:57 AM
To: Steven Killian
Cc: Michael Hunter; Christopher McIsaac; Dave Raber; Perez, Vince
Subject: ADOR rule moratorium exception request

Mr. Killian,

Please find attached a request for exception to the current rule making moratorium. The Department of Revenue is requesting the exception to the rulemaking moratorium in order to implement recent legislation regarding the simplification of transaction privilege tax system. (Laws 2013, Ch. 255 and Laws 2014, Ch. 263)

If you have any questions please contact me.

Thank you,

Christie Comanita

Christie Comanita

R16-04
SECRETARY OF STATE
2016 JAN -7 PM 4:12
FILED

AGENCY CERTIFICATE
NOTICE OF EXEMPT RULEMAKING

1. **Agency name:** Department of Revenue

2. **Chapter heading:** Department of Revenue – General Administration Section

3. **Code citation for the Chapter:** 15 A.A.C. 10

4. **The Subchapters, if applicable; the Articles; the Parts, if applicable; and the Sections involved in the rulemaking, listed in alphabetical and numerical order:**

<u>Subchapters, Articles, Parts, and Sections</u>	<u>Action</u>
R15-10-105	Amend
R15-10-501	Amend
R15-10-502	Amend
R15-10-504	Amend
R15-10-505	New Section

5. The rules contained in this package are true and correct as made.

6. Pursuant to R1-1-105(D) the rules are exempt as a result of a session law authorizing the exemption, more specifically Laws 2014, chapter 263, section 25. The rules are required for the purpose of implementing the new electronic filing procedures authorized by the said session law.

7. 

Signature of Agency Chief Executive Officer

1.6.16

Date of signing

David Briant

Printed or typed name of signer

Director

Title of signer

R16-04

SECRETARY OF STATE

2016 JAN -7 PM 4: 12

NOTICE OF EXEMPT RULEMAKING

TITLE 15. REVENUE

CHAPTER 10. DEPARTMENT OF REVENUE – GENERAL ADMINISTRATION SECTION

FILED

PREAMBLE

<u>1. Article, Part, or Section Affected (as applicable)</u>	<u>Rulemaking Action</u>
R15-10-105	Amend
R15-10-501	Amend
R15-10-502	Amend
R15-10-504	Amend
R15-10-505	New Section

2. Citations to the agency’s statutory rulemaking authority to include the authorizing statute (general), the implementing statute (specific), and the statute or session law authorizing the exemption:

- Authorizing statute: A.R.S. § 42-1005(A)(1)
- Implementing statute: A.R.S. § 42-6002, A.R.S. § 42-1105(B), A.R.S. §42-5014(H), A.R.S. §42-5015
- Statute or session law authorizing the exemption: Laws 2014, chapter 263, section 25

3. The effective date of the rules and the agency’s reason it selected the effective date:

Because the rules effectuate changes enacted in new legislation that became effective on January 1, 2015, the Department requests that the rules become effective

immediately on the date of filing in the Office of the Secretary of State, Public Services Division.

4. A list of all notices published in the *Register* as specified in R1-1-409(A) that pertain to the record of the exempt rulemaking:

Not applicable

5. The agency's contact person who can answer questions about the rulemaking:

Name: Christie Comanita
Address: 1600 W. Monroe St. Div. Code 3, Phoenix, AZ 85007
Telephone: (602) 716-6791
Fax: (602) 716-7995
E-mail: ccomanita@azdor.gov
Web site: <http://www.azdor.gov>

6. An agency's justification and reason why a rule should be made, amended, repealed, or renumbered to include an explanation about the rulemaking:

The Department's justifications and reasons for making or amending the rules addressed by this Notice are as follows:

- a. R15-10-105: Pursuant to A.R.S. § 42-6002, the Department became the single point of audit for all jurisdictions, including all cities in Arizona. In addition, that section mandates all appeals of audit assessments be directed to the Department. Currently, R15-10-105 outlines the procedure to be followed where a tax assessment is appealed to the Department. The Department is amending this rule, specifically R15-10-105(A) so that a taxpayer may include the jurisdiction(s) from

which the assessment is being appealed in his petition. The Department is also amending R15-10-105(C) to permit a taxpayer to file a petition by hand delivering the petition to the appropriate section of the Department to reflect the current procedure.

- b. R15-10-501: R15-10-501 defines terms used in the rule, some of which are now obsolete. In addition, there are some definitions that should be included because of the new electronic filing procedure being implemented by the Department. The Department is therefore amending this rule to add the following defined terms to be consistent with the new electronic filing procedures for transaction privilege and use taxes: "Delegate User," "Electronic signature," "PIN" and "Primary User." The Department is removing the terms "Security Administrator" and "Security Access" from the defined terms as they are no longer appropriate.
- c. R15-10-502: A.R.S. § 42-1105(E) and (F) were amended in 2003 by Chapter 52 section 2 to provide that electronic return preparers must retain electronically filed documents for certain periods from the later of the due date of the return or the date the return was presented to the taxpayer for signature. R15-10-502 is being amended to be consistent with this statute. R15-10-502 is also being amended to delete subsection B. That section requires an electronic return preparer to maintain certain documents for transaction privilege taxes pursuant to A.R.S. §42-1105(F), however, with the new electronic filing procedure the Department has determined that that section is no longer relevant. An electronic return preparer still has to maintain copies of any tax return electronically filed pursuant to A.R.S. §42-1105(E).

- d. R15-10-504: R15-10-504 is being amended to remove transaction privilege and use tax from the old electronic filing procedures since they are only still applicable to withholding taxes.
- e. R15-10-505: A.R.S. §42-5015 mandates the Department to administer an electronic filing system to permit taxpayers to report and pay their taxes by electronic means. That section also mandates that the electronic system include a single point for licensing, filing returns and paying transaction privilege and affiliated excise taxes for all state, county and municipal taxing jurisdictions. Thus, the Department is adding R15-10-505 to detail the new procedures for electronically registering and obtaining licenses.

7. A reference to any study relevant to the rule that the agency reviewed and either relied on 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:

Not applicable.

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

Not applicable.

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

See attached Economic Impact Study.

10. A description of any changes between the proposed rulemaking, including any supplemental proposed rulemaking, and the final rulemaking package (if applicable):

Not applicable.

11. An agency's summary of the public or stakeholder comments made about the rulemaking and the agency response to the comments, if applicable:

Not applicable.

12. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules. When applicable, matters shall include, but not be limited to:

a. Whether the rule requires a permit, whether a general permit is used and if not, the reasons why a general permit is not used:

Not applicable

b. Whether a federal law is applicable to the subject of the rule, whether the rule is more stringent than the federal law and if so, citation to the statutory authority to exceed the requirements of federal law:

Not applicable

c. Whether a person submitted an analysis to the agency that compares the rule's impact of the competitiveness of business in this state to the impact on business in other states:

Not applicable

13. A list of any incorporated by reference material and its location in the rule:

Not applicable

14. Whether the rule was previously made, amended, repealed or renumbered as an emergency rule. If so, the agency shall state where the text changed between the emergency and the exempt rulemaking packages:

Not applicable

15. The full text of the rules follows:

TITLE 15. REVENUE

CHAPTER 10. DEPARTMENT OF REVENUE – GENERAL ADMINISTRATION SECTION

ARTICLE 1. APPEAL PROCEDURES

R15-10-105. Petition

ARTICLE 5. ELECTRONIC FILING PROGRAM

R15-10-501. Definitions

R15-10-502. Recordkeeping Requirements

R15-10-504. Electronic Signatures for ~~Transaction Privilege, Use, and Withholding Tax~~

R15-10-505. Electronic Signatures for Transaction Privilege and Use Tax

ARTICLE 1. APPEAL PROCEDURES

R15-10-105. Petition

A. A taxpayer may protest a tax assessment or a refund denial by filing a petition that includes the following:

1. The taxpayer's name, address, federal identification number, and all applicable state identification numbers;
2. An explanation of the difference between the taxpayer's name in the notice and the taxpayer's name in the petition, if applicable;
3. The last known name and address of both individuals if the petition concerns a married-filing-joint return;
4. A copy of the notice or a statement that references the:
 - a. Tax type,
 - b. Tax period involved, ~~and~~
 - c. The amount of the tax assessment or refund claimed including tax, penalties, interest, and refundable credits; and
 - d. The jurisdiction or jurisdictions to which the tax assessment or refund denial relates.
5. A statement of the amount of the tax assessment or refund denial being protested;
6. A statement of any alleged error committed by the Department in determining the tax assessment or refund denial being protested;
7. A statement of facts and legal arguments upon which the taxpayer relies to support the petition;

8. The relief sought;
 9. The payment for all unprotested amounts of tax, interest, and penalties; and
 10. The petitioner's signature.
- B.** A taxpayer may protest a matter other than a tax assessment or refund denial by filing a petition that includes the following:
1. The taxpayer's name, address, federal identification number, and all applicable state identification numbers;
 2. An explanation of the difference between the taxpayer's name in the notice and the taxpayer's name in the petition, if applicable;
 3. A copy of the notice or a statement describing the Department's action, proposed action, or determination for which a hearing is sought;
 4. A statement of any alleged error committed by the Department in its action, including the jurisdiction or jurisdictions to which the alleged error relates;
 5. A statement of facts and legal arguments upon which the taxpayer relies to support the petition;
 6. The relief sought; and
 7. The petitioner's signature.
- C.** The petitioner shall file the petition by:
1. Mailing the petition to the applicable section at the Department of Revenue headquarters in Phoenix, Arizona; or
 2. Hand-delivering the petition to the ~~License and Registration Section in any Department of Revenue office~~ applicable section at the Department of Revenue headquarters in

Phoenix, Arizona. A petitioner who hand-delivers a petition shall clearly mark the envelope to indicate that it is a petition. The ~~License and Registration Section~~ Department shall provide a receipt to a petitioner who hand-delivers a petition.

D. The Department shall not charge a fee for filing a petition or any supporting documents.

ARTICLE 5. ELECTRONIC FILING PROGRAM

R15-10-501. Definitions

In addition to the definitions provided in A.R.S. §§ 42-1101.01, 42-1103.01, 42-1103.02, 42-1103.03, and 42-1105.02, unless the context provides otherwise, the following definitions apply to this Article and to A.R.S. Title 42, Chapter 2:

"AZTaxes.gov" means the Department's taxpayer service center web site that provides taxpayers with the ability to conduct transactions and review tax account information over the internet.

"Authorized user" means an individual, primary user or delegate user, including a return preparer or electronic return preparer as defined in A.R.S. § 42-1101.01, granted ~~limited~~ authority by the ~~security administrator~~ taxpayer, an owner of the taxpayer or an authorized officer of the taxpayer to access taxpayer information available on the AZTaxes.gov web site.

"Delegate User" means any registered customer of the AZTaxes.gov web site authorized by a taxpayer, an owner of the taxpayer or an authorized officer of the taxpayer to access the

taxpayer's account information on AZTaxes.gov. A Delegate User that uses a PIN to sign and file transaction privilege or use tax returns on behalf of a taxpayer shall be presumed to be authorized by that taxpayer to take such action on behalf of the taxpayer.

"Electronic return, statement or other document" means all data entered into a return, statement, or other document that is prepared using computer software and transmitted electronically to the Department.

"Electronic return transmitter" includes a person who is part of the chain of transmission of an electronic return, statement, or other document from the taxpayer or from an electronic return preparer to the Department even though the person did not receive the transmitted return, statement, or other document directly from the taxpayer or electronic return preparer.

"Electronic signature" means the electronic method or process as defined in A.R.S. §41-132.

"License" means one or more transaction privilege, use, or withholding tax licenses or registrations obtained from the Department by completing and submitting a mail-in Arizona Joint Tax Application or by completing the online AZTaxes.gov business registration process and, where applicable, submitting an executed AZTaxes.gov Registration Signature Card.

"PIN" means a Self-Select Personal Identification Number made up of a prescribed number of characters and used as an electronic signature to sign returns, statements or other documents submitted to the Department through AZTaxes.gov. or by any other electronic means.

"Primary User" means the taxpayer, an owner of the taxpayer or any authorized officer of the taxpayer who registers to use AZTaxes.gov. A Primary User has the unlimited ability to access the taxpayer's online accounts, conduct online transactions for the taxpayer, designate Delegate Users, specify the level of access granted to a Delegate User and modify or terminate the access of any Delegate User.

"Registered customer" means a taxpayer any individual that has, by means of providing specific information requested by the Department through its AZTaxes.gov web site registration process, obtained a username and password entitling that taxpayer to conduct transactions and access ~~its account~~ information through the AZTaxes.gov web site.

~~"Security administrator" means an individual, including a return preparer or electronic return preparer as defined in A.R.S. § 42-1101.01, appointed and authorized to administer security access on the AZTaxes.gov web site for the specified taxpayer. The security administrator is appointed by the individual taxpayer, a partner duly authorized to act for the partnership, a manager duly authorized to act for the limited liability company, or a principal officer of the corporation.~~

~~"Security access" means the unlimited ability of the taxpayer or the security administrator to access the taxpayer's online accounts, conduct online transactions for the taxpayer, designate authorized users, specify the level of access granted to an authorized user, and modify or terminate the access of any authorized user.~~

R15-10-502. Recordkeeping Requirements

A. For each electronic return of individual income or withholding tax filed with the Department, the electronic return preparer shall keep the documents listed in A.R.S. § 42-1105(F) for four years following the later of the ~~return's due date or the date~~ on which the return was due to be filed with the Department or was presented to the taxpayer for signature.

~~B. For each electronic return of transaction privilege or use tax filed with the Department, the electronic return preparer shall keep the documents listed in A.R.S. § 42-1105(F) for six years following the later of the return's due date or the date the return was filed with the Department.~~

R15-10-504. Electronic Signatures for ~~Transaction Privilege, Use and Withholding Tax~~

A. ~~To become a registered customer of the AZTaxes.gov web site a~~ A taxpayer that has obtained a withholding tax license from the Department shall do the following to become a registered customer of the AZTaxes.gov web site:

1. Provide the following information during the AZTaxes.gov web site registration process:
 - a. The legal name of the registrant and any one of the following numbers:

- i. The registrant's federal employer identification number, and
 - ii. The registrant's social security number, if the registrant is a sole proprietor, or
 - iii. ~~The Any other identification number assigned to the registrant by the Department if the registrant is not required under federal or international law to obtain either a federal employer identification number or social security number, and or the Internal Revenue Service for the purpose of electronic filing.~~
 - b. ~~The legal name and registrant's e-mail address of the security administrator, and~~
 - c. Agree to the Department's Terms of Service, and
2. Submit to the Department an executed AZTaxes.gov Registration Signature Card as evidence of the following:
 - a. If submitted during web site registration, the information provided during the AZTaxes.gov registration process is true and correct,
 - b. If previously submitted, the information contained in the Arizona Joint Tax Application or submitted during the online business registration is true and correct, and
 - c. The signatory is duly authorized to act on behalf of the business, receive confidential information, and waive any rights of confidentiality, and
 - d. ~~Security access is granted to the taxpayer's security administrator if one is appointed.~~

B. ~~To become a registered customer of the AZTaxes.gov web site a~~ A taxpayer that has not obtained a withholding tax license from the Department shall do the following to become a registered customer of the AZTaxes.gov web site:

1. Obtain a withholding tax license by completing either the mail-in Arizona Joint Tax Application or the online business registration,
2. Provide the following information during the AZTaxes.gov web site registration process:
 - a. The legal name of the registrant and any one of the following numbers:
 - i. The registrant's federal employer identification number,
 - ii. The registrant's social security number, if the registrant is a sole proprietor, or
 - iii. ~~The~~ Any other identification number assigned to the registrant by the Department ~~if the registrant is not required under federal or international law to obtain either a federal employer identification number or social security number, and or the~~ Internal Revenue Service for the purposes of electronic filing.
 - ~~b. The legal name and e-mail address of the security administrator, and~~
3. Submit to the Department either the executed, mail-in Arizona Joint Tax Application or the AZTaxes.gov Registration Signature Card as evidence of the following:

- a. If submitted during web site registration, the information provided during the AZTaxes.gov registration process is true and correct,
- b. The information contained in the Arizona Joint Tax Application or submitted during the online business registration is true and correct, and
- c. The signatory is duly authorized to act on behalf of the business, receive confidential information, and waive any rights of confidentiality, and.
- ~~d. Security access is granted to the taxpayer's security administrator if one is appointed.~~

C. A taxpayer, ~~its security administrator~~, or authorized user shall use the taxpayer's signature on the document submitted under subsection (B)(3) to electronically sign ~~any of the~~ a taxpayer's electronic ~~transaction privilege, use or~~ withholding tax returns. Use of the taxpayer's signature is the taxpayer's declaration, under penalties of perjury that the electronic return is, to the best of the taxpayer's knowledge and belief, true, correct, and complete.

D. To file an electronic withholding tax return under subsection (C):

1. If the taxpayer ~~or security administrator~~ is preparing the taxpayer's electronic return, the taxpayer, ~~or security administrator~~ shall access the AZTaxes.gov web site and electronically file the return.
2. If the taxpayer's authorized user is preparing the taxpayer's electronic return, the taxpayer shall:
 - a. Access the AZTaxes.gov web site and electronically file the return, or

- b. Authorize, in writing on a form prescribed by the Department, the authorized user to access the taxpayer's account on the AZTaxes.gov web site and electronically file the return on behalf of the taxpayer.

R15-10-505. Electronic Signatures for Transaction Privilege and Use Tax

A. A taxpayer, primary user or delegate user shall do the following to become a registered customer of the AZTaxes.gov web site for transaction privilege and use tax purposes:

1. Provide his legal name and e-mail address

2. a. Create a unique username and password which shall be used to gain access to AZTaxes.gov web site,

b. Select a prescribed number of security questions and submit their answers

c. Create a PIN, and

d. Agree to the Department's Terms of Service

3. By registering as a customer of the AZTaxes.gov website or by continuing to use the AZTaxes.gov website, the taxpayer, primary user or delegate user declares that:

a. The information provided during the AZTaxes.gov registration process is accurate and complete, and

b. If previously submitted, the information contained in the Arizona Joint Tax Application is accurate and complete.

B. A taxpayer that has not obtained a transaction privilege or use tax license from the Department shall obtain a license by completing either the mail-in Arizona Joint Tax Application or the online application. From and after January 9, 2016 a taxpayer, primary user or delegate user may use his PIN to electronically sign the taxpayer's online Arizona Joint Tax application.

C. A Delegate User shall do the following to become associated with a taxpayer on the AZTaxes.gov web site:

1. Provide answers to prescribed questions about the taxpayer if the taxpayer has a license, or
2. Complete the online or mail-in Joint Tax Application and provide answers to prescribed questions about the taxpayer.

R16-04

SECRETARY OF STATE

ECONOMIC, SMALL BUSINESS AND CONSUMER IMPACT STATEMENT ("EIS")

2016 JAN -7 PM 4:12

NOTICE OF EXEMPT RULEMAKING

FILED

1. An identification of the proposed rulemaking:

<u>Section Affected</u>	<u>Rulemaking Action</u>
R15-10-105	Amend
R15-10-501	Amend
R15-10-502	Amend
R15-10-504	Amend
R15-10-505	New Section

2. An identification of the persons who will be directly affected by, bear the costs of, or directly benefit from the proposed rulemaking:

The Department anticipates that the parties who will be directly affected by, bear the costs of, or directly benefit from this rulemaking are as follows:

- The Department;
- Political subdivisions; and
- Current and prospective holders of transaction privilege and affiliated excise tax licenses, which the Department issues or will issue.

3. A cost benefit analysis:

The Department's responses in this analysis are limited by the data available to it through its various divisions and sections. Any probable cost ranges referenced in this section are as follows:

- Minimal costs = less than \$1,000

- Moderate costs = \$1,000 to \$10,000
- Substantial costs = more than \$10,000

Where such ranges are not referenced, the Department characterizes probable or anticipated impacts below in qualitative terms, pursuant to A.R.S. § 41-1055(C).

a. The probable costs and benefits to the implementing agency and other agencies directly affected by the implementation and enforcement of the proposed rulemaking:

A.R.S. § 42-6002 anticipates that the Department will become the single point of collection and administration for all jurisdictions for transaction privilege and affiliated excised taxes imposed by any city or town in Arizona. As the implementing agency, the Department was charged with the responsibility of creating the new electronic system which includes a new electronic application system that would allow all taxpayers to apply for, file and pay their city or state transaction privilege and affiliated excise tax license online. The Department has completed the first phase of the system which includes the ability of certain taxpayers¹ to apply for their licenses completely online. As such, the Department has incurred substantial costs in meeting statutory requirements which this rulemaking implements and has had to hire additional staff to deal with technological and administrative challenges. Although not currently quantifiable, the Department expects to experience time and cost savings in processing licenses as a result of the new electronic system despite the expected significantly increased volume.

¹ The scope of the new system only applies to taxpayers located in Program Cities whose taxes are administered by the Department and statewide taxpayers. All other cities will be added to the system once completed by the Department. As such, references in this EIS to cities or political subdivisions affected by the rule making shall only apply to Program Cities.

There are no other agencies directly impacted by the implementation and enforcement of this rulemaking.

b. The probable costs and benefits to a political subdivision of this state directly affected by the implementation and enforcement of the proposed rulemaking:

The Department anticipates that the implementation and enforcement of this rulemaking will directly affect the state's political subdivisions positively. Those political subdivisions include any Arizona city or town imposing a transaction privilege or affiliated excise tax and whose taxes are administered by the Department.

Because the Department is the single point of collection and administration for certain Arizona jurisdictions, those cities and towns will benefit from the new electronic licensing system as a result of the proposed rulemaking. Although not currently quantifiable, the Department expects the political subdivisions to experience time and cost savings as a result of the significantly increased efficiency of the licensing procedure. The Department anticipates that the costs to be incurred by political subdivisions will be minimal as they will not be required to hire additional staff or incur any IT expenses as a result of the proposed rulemaking.

c. The probable costs and benefits to businesses directly affected by the proposed rulemaking, including any anticipated effect on the revenues or payroll expenditures of employers who are subject to the proposed rulemaking:

Current and prospective holders of transaction privilege and affiliated excise tax licenses, which the Department issues or will issue, may be affected by this rulemaking. Prior to this rulemaking, persons applying for a transaction privilege or affiliated excise tax license online had to submit a signature card with a wet (original) signature prior to a license being issued. This requirement added days to the licensing process. With the

new electronic system, the wet signature card is unnecessary and the time to process a license will be reduced.

4. A general description of the probable impact on private and public employment in businesses, agencies, and political subdivisions of this state directly affected by the proposed rulemaking:

Except as outlined above, the Department does not anticipate any impact on private and public employment in businesses, agencies, and political subdivisions of this state directly affected by this rulemaking.

5. A statement of the probable impact of the proposed rulemaking on small businesses:

A.R.S. § 41-1001 defines a small business as a concern, including its affiliates, that is independently owned and operated, not dominant in its field, and employs fewer than 100 full-time employees or that had gross annual receipts of less than \$4,000,000 in its last fiscal year.

a. An identification of the small businesses subject to the proposed rulemaking:

For small businesses, the same category of persons—that is, current and prospective transaction privilege and affiliated excise tax licensees—as for mid- to large-sized businesses is potentially subject to this rulemaking as they have the option to apply for their licenses completely online.

b. The administrative and other costs required for compliance with the proposed rulemaking:

As this rulemaking does not introduce any novel requirements for compliance beyond those already required by statute, the Department anticipates no additional administrative or other costs required for compliance, other than costs associated with reviewing the rules themselves. The Department cannot, however, currently quantify such costs.

c. A description of the methods prescribed in A.R.S. § 41-1035 that the agency may use to reduce the impact on small businesses, with reasons for the agency's decision to use or not to use each method:

Small businesses will not be impacted negatively by the proposed rules so they cannot be further simplified, reduced, or exempted pursuant to A.R.S. § 41-1035.

d. The probable cost and benefit to private persons and consumers who are directly affected by the proposed rulemaking:

The Department does not anticipate that private persons other than current and prospective licensees would be directly affected by this rulemaking.

6. A statement of the probable effect on state revenues:

As the matters covered by the rules reflect current statutory requirement, the Department does not anticipate any effect on state revenues from this rulemaking; increased compliance as a result of a more efficient process may produce a positive effect, but the Department cannot currently quantify this effect.

7. A description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed rulemaking, including the monetizing of the costs and benefits for each option and providing the rationale for not using nonselected alternatives:

The methods by which the Department achieves its purposes in this rulemaking are statutorily set; consequently, the Department is not authorized to develop, through rulemaking, alternative methods as suggested, and has not attempted to do so.

8. A description of any data on which a rule is based with a detailed explanation of how the data was obtained and why the data is acceptable data:

Not applicable