

A SUMMARY OF BBB TAX RATES IN ARIZONA CITIES AND TOWNS

Conducted for the Arizona Office of Tourism

By
The Arizona Hospitality Research and Resource Center
School of Hotel and Restaurant Management
Northern Arizona University

April 2002

(Revised November 2005)

The following tax rate tables reflect updates through July 2005.

The Main Body of this report represents results from the original April 2002 Survey with limited revisions.

**Bed Tax Rates: Arizona Communities
July 2005**

Community	County	Tax Rates				
		Bed	City	County	State	Total
Apache Junction	Maricopa/Pinal	2.2%	2.2%	1.77/1.1%	5.5%	11.67/11.00%
Avondale	Maricopa	2.0%	2.5%	1.77%	5.5%	11.77%
Benson	Cochise	2.0%	2.5%	0.55%	5.5%	10.55%
Bisbee	Cochise	2.5%	2.5%	0.55%	5.5%	11.05%
Bullhead City	Mohave	3.0%	2.0%	0.28%	5.5%	10.78%
Camp Verde	Yavapai	3.0%	1.0%	0.825%	5.5%	10.325%
Carefree	Maricopa	3.0%	3.0%	1.77%	5.5%	13.27%
Casa Grande	Pinal	2.0%	1.8%	1.10%	5.5%	10.40%
Cave Creek	Maricopa	4.0%	2.5%	1.77%	5.5%	13.77%
Chandler	Maricopa	2.9%	1.5%	1.77%	5.5%	11.67%
Chino Valley	Yavapai	3.0%	3.0%	0.825%	5.5%	12.325%
Clarkdale	Yavapai	2.0%	2.25%	0.825%	5.5%	10.575%
Colorado City	Mohave	2.0%	2.0%	0.28%	5.5%	9.78%
Coolidge	Pinal	3.0%	3.0%	1.10%	5.5%	12.60%
Cottonwood	Yavapai	2.0%	2.2%	0.825%	5.5%	10.525%
Dewey-Humboldt	Yavapai	2.0%	2.0%	0.825%	5.5%	10.325%
Douglas	Cochise	2.0%	2.5%	0.55%	5.5%	10.55%
Eagar	Apache	3.0%	3.0%	0.55%	5.5%	12.05%
El Mirage	Maricopa	2.0%	3.0%	1.77%	5.5%	12.27%
Eloy	Pinal	4.0%	3.0%	1.10%	5.5%	13.60%
Flagstaff	Coconino	2.0%	1.601%	1.017%	5.5%	10.118%
Florence	Pinal	2.0%	2.0%	1.10%	5.5%	10.60%
Fountain Hills	Maricopa	3.0%	2.6%	1.77%	5.5%	12.87%
Gila Bend	Maricopa	2.0%	3.0%	1.77%	5.5%	12.27%
Gilbert	Maricopa	3.0%	1.5%	1.77%	5.5%	11.77%
Glendale	Maricopa	3.0%	1.8%	1.77%	5.5%	12.07%
Globe	Gila	3.0%	2.0%	1.10%	5.5%	11.60%
Goodyear	Maricopa	2.5%	2.0%	1.77%	5.5%	11.77%
Guadalupe	Maricopa	4.0%	3.0%	1.77%	5.5%	14.27%
Hayden	Gila	2.0%	3.0%	1.10%	5.5%	11.60%
Holbrook	Navajo	2.0%	3.0%	0.55%	5.5%	11.05%
Kearny	Pinal	3.0%	2.0%	1.10%	5.5%	11.60%
Kingman	Mohave	2.0%	2.0%	0.28%	5.5%	9.78%
Lake Havasu City	Mohave	3.0%	2.0%	0.28%	5.5%	10.78%
Litchfield Park	Maricopa	1.0%	2.0%	1.77%	5.5%	10.27%
Marana	Pima	3.5%	2.5%	0.00%	5.5%	11.50%
Maricopa	Pinal	2.0%	2.0%	1.10%	5.5%	10.60%
Mesa	Maricopa	3.0%	1.51%	1.77%	5.5%	11.78%
Nogales	Santa Cruz	4.0%	1.25%	0.55%	5.5%	11.30%
Oro Valley	Pima	3.0%	2.0%	0.00%	5.5%	10.50%
Page	Coconino	2.0%	3.0%	1.017%	5.5%	11.517%
Paradise Valley	Maricopa	3.0%	1.65%	1.77%	5.5%	11.92%
Parker	La Paz	3.0%	2.0%	1.10%	5.5%	11.60%
Patagonia	Santa Cruz	3.0%	3.0%	0.55%	5.5%	12.05%
Payson	Gila	3.0%	2.12%	1.10%	5.5%	11.72%

July 2005

Community	County	Tax Rates				
		Bed	City	County	State	Total
Peoria	Maricopa	3.5%	1.5%	1.77%	5.5%	12.27%
Phoenix	Maricopa	3.0%	1.8%	1.77%	5.5%	12.07%
Pinetop-Lakeside	Navajo	3.0%	2.5%	0.55%	5.5%	11.55%
Prescott	Yavapai	2.0%	2.0%	0.825%	5.5%	10.325%
Prescott Valley	Yavapai	2.33%	2.33%	0.825%	5.5%	10.985%
Queen Creek	Maricopa/Pinal	1.0%	2.0%	1.77/1.1%	5.5%	10.27/9.6%
Safford	Graham	3.0%	2.0%	0.55%	5.5%	11.05%
Sahuarita	Pima	2.0%	2.0%	0.00%	5.5%	9.50%
St. Johns	Apache	1.0%	2.0%	0.55%	5.5%	9.05%
Scottsdale	Maricopa	3.0%	1.65%	1.77%	5.5%	11.92%
Sedona	Coconino/Yavapai	3.0%	3.0%	1.017/0.825%	5.5%	12.517/12.325%
Sierra Vista	Cochise	0.0%	5.5%	0.55%	5.5%	11.55%
Snowflake	Navajo	4.0%	2.0%	0.55%	5.5%	12.05%
South Tucson	Pima	2.0%	2.5%	0.00%	5.5%	10.00%
Springerville	Apache	2.0%	3.0%	0.55%	5.5%	11.05%
Surprise	Maricopa	1.0%	2.2%	1.77%	5.5%	10.47%
Taylor	Navajo	2.0%	2.0%	0.55%	5.5%	10.05%
Tempe	Maricopa	3.0%	1.8%	1.77%	5.5%	12.07%
Thatcher	Graham	3.0%	2.0%	0.55%	5.5%	11.05%
Tolleson	Maricopa	2.0%	2.0%	1.77%	5.5%	11.27%
Tombstone	Cochise	3.0%	2.5%	0.55%	5.5%	11.55%
Tucson	Pima	6% +\$1	0.0%	0.00%	5.5%	11.5% +\$1
Willcox	Cochise	4.0%	3.0%	0.55%	5.5%	13.05%
Williams	Coconino	1.50%	3.0%	1.017%	5.5%	11.017%
Winslow	Navajo	2.0%	3.0%	0.55%	5.5%	11.05%
Youngtown	Maricopa	2.0%	2.0%	1.77%	5.5%	11.27%
Yuma	Yuma	2.0%	1.7%	1.65%	5.5%	10.85%

Note: Transient lodging in unincorporated areas of Pima County is subject to a 2% county tax. This tax does not apply to transient lodging located within the incorporated cities/towns of Pima Co.

The Maricopa County transient lodging rate of 1.77% includes 1% per Prop. 302

The city tax rate for transient lodging in Camp Verde is 1% as opposed to 2% for other sectors.

The Arizona state tax rate for lodging is 5.5% (Effective 1989) as opposed to 5.6%.

Source: Arizona Hospitality Research and Resource Center, Northern Arizona University

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INTRODUCTION

This report updates information originally published by the Arizona Hospitality Research and Resource Center in a 1994 study titled 'A Review of BBB Taxes in Arizona Cities and Towns'. Communities indicated in the January 2002 League of Arizona Cities and Towns Local Government Directory as applying an additional transient lodging or 'bed tax' were included in the current survey process. A total of 88 incorporated cities and towns are listed in the directory with 68 or over three quarters (77%) applying an additional tax to transient lodging sales. Originally, surveys were mailed to the attention of the finance director or finance departments in each community. Follow-up surveys and phone calls were initiated as necessary insuring a 100 percent response rate. A sample of the survey questionnaire is included in Appendix A. In addition to verifying tax rates and providing collection figures, participants were asked to identify where bed tax funds are applied as indicated in their city codes or ordinances. By collectively identifying all communities with additional transient lodging taxes and further providing the specific purposes for these funds, this report represents a unique and complete summary not readily available elsewhere.

Results Summary

In 1994 when the original version of this report was compiled, 54 cities and towns in the state imposed an additional transient lodging tax. Results for 2002 indicate that an additional 14 communities have added a bed tax in the span of the past seven years. In addition, seven communities increased existing bed tax rates over the same period while two others changed the rate from a flat per room per night dollar amount to an actual percentage sales amount. Only two communities decreased the bed tax rate. Overall, 77% of Arizona cities and towns currently have a transient lodging tax, up from 65 percent in 1994. A list of the additions and changes is included in Appendix B.

Individual bed tax rates range from a low of 1% in Litchfield Park, Queen Creek, and Springerville to a high of 4 percent in each of six communities- Cave Creek, Eloy, Guadalupe, Nogales, Sierra Vista, and Willcox . The overwhelming majority of bed tax rates fall between these high and low points with 26 communities imposing a 2% additional tax and nearly an equal number (25) applying rates of 3%. The remaining six are between 1.25 and 3.5 percent. Tucson represents an exception by applying a 4% +\$1.00/room bed tax but the city does not impose a city sales tax in addition to this tax. Lodging establishments located inside the city limits of incorporated areas of Pima County, primarily the City of Tucson, do not impose a county tax either though those properties outside of the city limits are subject to a 2 percent county tax.

With the exception of Tucson, all other communities in the state with a transient lodging tax do apply a city sales tax as well as a county and state tax. When all such taxes are tallied the total 'check-out' rate that lodging customers pay ranges from 8.6% to 13.77% with a mean and median of 11.14% and 11.09% respectively (See Appendix B). Note that communities with fewer than eleven lodging establishments do not report actual collection figures due to confidentiality issues and are indicated as 'Not Available' in the summary of results. A combined state and county tax rate table is available from the Arizona Department of Revenue website at www.revenue.state.az.us/ratetble.htm.

The population of individual communities seems to have little correlation with the rate they are applying. All eleven metropolitan areas in Arizona (>50,000 population) have bed tax rates falling between 2 and 3 percent. The highest rates are found in communities with moderate to low resident populations ranging from 39,000 (Sierra Vista) to 3,775 (Willcox) individuals. The three communities (Litchfield Park, Queen Creek, Springerville) with the lowest tax rate of 1% are all lesser populated areas. Likewise, Arizona communities apply rates that generally fall within the range of rates found in surrounding western cities. Phoenix (population est. 1,211,466) and Tucson (466,591) with total lodging tax rates of 12.07% (excluding 1% per Prop. 302) and 9.5% +\$1.00 are in-line with the following cities:

	Lodging Tax Rate	Population (1999 est.)
Albuquerque	10.8%	420,578
Denver	13.45%	499,775
Las Vegas	9.0%	418,658
San Diego	10.5%	1,238,974

Communities were asked to indicate where bed tax dollars are applied as designated in their city code or ordinance. In the majority of cases bed tax dollars go into the general fund. Some communities have indicated that bed tax collections are bundled with other transaction privilege tax collections as reported by the Arizona Department of Revenue and can therefore not be identified specifically. A total of 45 communities transfer bed tax dollars to their general fund as follows: Apache Junction, Avondale, Benson, Camp Verde, Carefree, Casa Grande, Cave Creek, Chandler, Chino Valley, Clarkdale, Colorado City, Coolidge, Eagar, El Mirage, Eloy, Florence, Fountain Hills, Gila Bend, Gilbert, Glendale, Goodyear, Guadalupe, Hayden, Kearny, Kingman, Litchfield Park, Marana, Nogales, Page, Paradise Valley, Patagonia, Peoria, Prescott Valley, Queen Creek, Sahuarita, Sedona, Snowflake, South Tucson, Springerville, Surprise, Tempe, Tolleson, Tombstone, Tucson, and Youngtown.

The remaining communities, approximately one-third of the total, indicated that bed tax dollars support specific organizations like the Chamber of Commerce or are designated for specific purposes, tourism promotion or economic development for example. Among these communities are a limited number that specify actual percentages or dollar amounts for these programs. City councils also determine spending priorities annually in some of these communities. A total of 23 cities and towns indicated specific purposes for bed tax funds as follows: Bisbee, Bullhead City, Cottonwood, Douglas, Flagstaff, Globe, Holbrook, Lake Havasu City, Mesa, Oro Valley, Parker, Payson, Phoenix, Pinetop-Lakeside, Prescott, Safford, Scottsdale, Sierra Vista, Thatcher, Willcox, Williams, Winslow, and Yuma.

Finally, five communities included above currently have no lodging properties although a bed tax has been formally established, in some cases due to the adoption of a model city code which favors such a tax. Individual communities select the actual tax rate in these instances though the model city code does not allow for a purpose to be designated. Such designation if it existed would fall under the city ordinance. These five towns are: Avondale, Clarkdale, Colorado City, El Mirage and Queen Creek.

The term BBB commonly translates to bed, board, and beverage (or booze) taxation. Thus far we have summarized the lodging or bed tax component of this acronym. Communities were also asked to indicate if they imposed an additional tax on restaurant and bar sales and, if so, to identify such rates. These taxes are perhaps less popular among community residents as compared to bed taxes due to the fact that many residents patronize restaurants and bars and thereby carry a sizeable portion of this tax whereas the bed tax largely affects only the visiting public. Nonetheless, eleven communities impose additional restaurant and bar taxes as follows: Chandler, Eloy, Flagstaff, Glendale, Lake Havasu City, Page, Peoria, South Tucson, Surprise, Williams, and Yuma. A summary of tax rates is included in Appendix B.

The survey closed by asking communities to identify which local entity was responsible for tourism promotion and whether the city government supported such efforts financially. These departments and organizations are identified in the Summary of Communities. In all except three of 68 communities (Colorado City, Patagonia, and Sahuarita) financial support is directed to these organizations or government entities. Such support ranged from limited (chamber membership dues) to quite extensive though the actual dollar amounts were not requested.

Supporting Statutes

The type of facilities which are considered to be transient lodging and are thereby subject to the taxation we have discussed in this report are defined in Arizona Revised Statute 42-5070. This statute along with the statute identifying the state tax rate on transient lodging (42-5010 A2) and the distribution of 3.5% of state tax dollars from this classification to tourism (42-5029 D4f) are included in Appendix C for general reference. Also included is ARS 9-500.06 which prohibits hospitality industry businesses from being taxed discriminately as compared to other businesses. If a discriminatory transaction privilege tax is imposed, the tax collections above the first 2 percent must be applied to the promotion of tourism. This however only applies to taxes which are established or increases in taxes which occur after April 1, 1990. In addition, the statute only applies to cities with a population greater than 100,000. In Arizona, only nine communities meet this population requirement. Of those Gilbert is the only community which has added a bed tax since 1990. Chandler enacted a bed tax rate increase in 1991 and is also subject to the provisions of ARS 9-500.06.

CONCLUSION

Tourism is a leading industry in the state of Arizona with lodging sales contributing substantially to economies at all levels- local, county and state. This study further underscores the importance of lodging to local communities, three quarters of which have chosen to implement an additional tax on lodging properties. A smaller number of communities also impose an additional tax on restaurant and bar sales. These BBB-derived funds support a diversity of local programs and in many cases are reinvested in tourism promotion and the facilities which are used for tourism related activities, thereby strengthening the health of the overall economy. Local residents benefit from such taxes in various ways though they, in most cases, are not paying them directly. While protected from unfair bias by regulations such as ARS 9-500.06, lodging taxes represent an example of the positive support tourism reflects back to local communities.

SUMMARY OF COMMUNITIES

APACHE JUNCTION

Bed Tax Rate: 2.2%
Total Check-out Rate: 11.0%/11.67% (Pinal/Maricopa)
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: City of Apache Junction and the Chamber of Commerce

AVONDALE

Bed Tax Rate: 2.0%
Total Check-out Rate: 11.27%
FY 2000/01 Collections: \$0.00

Collections Appropriated to: General Fund
Tourism Promotion by: Chamber of Commerce

Note: The City of Avondale does not currently have any hotels/motels. The transient lodging tax is in place for future development.

BENSON

Bed Tax Rate: 2.0%
Total Check-out Rate: 10.55%
FY 2000/01 Collections: \$83,354

Collections Appropriated to: General Fund
Tourism Promotion by: Visitors Bureau under the Division of Community
Development for the City of Benson

BISBEE

Bed Tax Rate: 2.5%
Total Check-out Rate: 11.05%
FY 2000/01 Collections: \$58,554

Collections Appropriated to: Chamber of Commerce
Tourism Promotion by: Chamber of Commerce

BULLHEAD CITY

Bed Tax Rate: 3.0%
Total Check-out Rate: 10.78%
FY 2000/01 Collections: \$109,678

Collections Appropriated to: Tourism Promotion
Tourism Promotion by: Bullhead City Economic Development Dept. and the
Bullhead Chamber of Commerce

CAMP VERDE

Bed Tax Rate: 3.0%
Total Check-out Rate: 11.27%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Chamber of Commerce

CAREFREE

Bed Tax Rate: 3.0%
Total Check-out Rate: 12.27%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Chamber of Commerce

CASA GRANDE

Bed Tax Rate: 2.0%
Total Check-out Rate: 10.4%
FY 2000/01 Collections: \$105,629

Collections Appropriated to: Boys and Girls Club
Tourism Promotion by: Chamber of Commerce

CAVE CREEK

Bed Tax Rate: 4.0%
Total Check-out Rate: 13.77%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Cave Creek Merchants Chamber of Commerce

CHANDLER

Bed Tax Rate: 2.9%
Total Check-out Rate: 11.67%
FY 2000/01 Collections: \$856,734

Collections Appropriated to: General Fund
Tourism Promotion by: City of Chandler Economic Development Division and
Chamber of Commerce

Note: Chandler also applies an additional 0.3% restaurant/bar tax above the
1.5% city sales tax. Collections during FY 2000/01 for this additional amount
were \$569,358

CHINO VALLEY

Bed Tax Rate: 2.0%
Total Check-out Rate: 10.27%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Chamber of Commerce

Note: Only one lodging property

CLARKDALE

Bed Tax Rate: 2.0%
Total Check-out Rate: 10.52%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Chamber of Commerce

Note: Clarkdale currently has no hotels.

COLORADO CITY

Bed Tax Rate: 2.0%
Total Check-out Rate: 9.78%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: None

Note: Colorado City currently has no hotels/motels

COOLIDGE

Bed Tax Rate: 3.0%
Total Check-out Rate: 11.60%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Chamber of Commerce

COTTONWOOD

Bed Tax Rate: 2.0%
Total Check-out Rate: 10.47%
FY 2000/01 Collections: \$60,631

Collections Appropriated to: Chamber of Commerce
Tourism Promotion by: Chamber of Commerce

DOUGLAS

Bed Tax Rate: 2.0%
Total Check-out Rate: 10.55%
FY 2000/01 Collections: Not Available

Collections Appropriated to: Tourism Promotion
Tourism Promotion by: City of Douglas Visitor Center

EAGAR

Bed Tax Rate: 3.0%
Total Check-out Rate: 12.05%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Chamber of Commerce and ACES

EL MIRAGE

Bed Tax Rate: 2.0%
Total Check-out Rate: 12.27%
FY 2000/01 Collections: \$0.00

Collections Appropriated to: General Fund
Tourism Promotion by: Northwest Valley Chamber of Commerce and the Greater Phoenix Economic Council
Note: El Mirage currently has no hotels/motels

ELOY

Bed Tax Rate: 4.0%
Total Check-out Rate: 13.6%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Eloy Chamber of Commerce

Note: Eloy also applies an additional restaurant/bar tax of 3.0%.

FLAGSTAFF

Bed Tax Rate: 2.0%
Total Check-out Rate: 9.95%
FY 2000/01 Collections: \$1,161,825

Collections Appropriated to: Flagstaff divides funds as follows- Arts & Sciences 7.5%, Beautification 20%, Economic Development 9.5%, Recreation 33%, Tourism 30%.
Tourism Promotion by: Flagstaff Convention and Visitors Bureau

Note: Flagstaff also applies an additional restaurant/bar tax of 2.0% with FY 2000/01 collections of \$2,585,997

FLORENCE

Bed Tax Rate: 2.0%
Total Check-out Rate: 10.6%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Chamber of Commerce

FOUNTAIN HILLS

Bed Tax Rate: 3.0%
Total Check-out Rate: 11.87%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Chamber of Commerce/ Tourism and Marketing
Committee

GILA BEND

Bed Tax Rate: 2.0%
Total Check-out Rate: 12.27%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Town of Gila Bend Museum and
the Chamber of Commerce

GILBERT

Bed Tax Rate: 3.0%
Total Check-out Rate: 11.77%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Chamber of Commerce

GLENDALE

Bed Tax Rate: 3.0%
Total Check-out Rate: 12.07%
FY 2000/01 Collections: \$131,928

Collections Appropriated to: General Fund
Tourism Promotion by: City of Glendale Marketing Division in conjunction with
the recently opened City of Glendale Office of Tourism
and Visitor Center

Note: The City of Glendale also applies an additional restaurant/bar tax of 1.0% .

GLOBE

Bed Tax Rate: 3.0%
Total Check-out Rate: 11.1%
FY 2000/01 Collections: Not Available

Collections Appropriated to: Promote Economic Development and Tourism
Tourism Promotion by: Chamber of Commerce

GOODYEAR

Bed Tax Rate: 2.0%
Total Check-out Rate: 11.27%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Chamber of Commerce

Note: The City of Goodyear indicated that all funds from BBB taxes go to Parks
and Recreation.

GUADALUPE

Bed Tax Rate: 4.0%
Total Check-out Rate: 13.27%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Chamber of Commerce

HAYDEN

Bed Tax Rate: 2%
Total Check-out Rate: 9.60%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Kearny Chamber of Commerce

Note: Hayden currently has one hotel. Hayden is a member of the Kearny Chamber of Commerce.

HOLBROOK

Bed Tax Rate: 2.0%
Total Check-out Rate: 11.05%
FY 2000/01 Collections: \$142,505

Collections Appropriated to: Promote Tourism and Economic Development
Tourism Promotion by: Chamber of Commerce via a contract with the City of Holbrook Economic Development Office

KEARNY

Bed Tax Rate: 3.0%
Total Check-out Rate: 11.6%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Chamber of Commerce

KINGMAN

Bed Tax Rate: 2.0%
Total Check-out Rate: 9.78%
FY 2000/01 Collections: \$214,627

Collections Appropriated to: General Fund for use by the Economic and Tourism Development Commission
Tourism Promotion by: Chamber of Commerce

LAKE HAVASU CITY

Bed Tax Rate: 3.0%
Total Check-out Rate: 10.78%
FY 2000/01 Collections: \$531,622

Collections Appropriated to: Promote Tourism
Tourism Promotion by: Lake Havasu Tourism Bureau

Note: Lake Havasu City also applies an additional restaurant/bar tax of 1% with
FY 2000/01 collections of \$570,954

LITCHFIELD PARK

Bed Tax Rate: 1.0%
Total Check-out Rate: 10.27%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Southwest Valley Chamber of Commerce

MARANA

Bed Tax Rate: 3.0%
Total Check-out Rate: 10.5%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Chamber of Commerce

MESA

Bed Tax Rate: 2.5%
Total Check-out Rate: 11.27%
FY 2000/01 Collections: \$1,441,685

Collections Appropriated to: Mesa Visitor and Convention Bureau
Tourism Promotion by: Mesa Visitor and Convention Bureau

NOGALES

Bed Tax Rate: 4.0%
Total Check-out Rate: 11.3%
FY 2000/01 Collections: \$167,077

Collections Appropriated to: General Fund
Tourism Promotion by: Chamber of Commerce

Note: Nogales indicated that it also applies a 2% utility tax

ORO VALLEY

Bed Tax Rate: 3%
Total Check-out Rate: 10.5%
FY 2000/01 Collections: Not Available

Collections Appropriated to: 75% of the first 1% goes to the Metropolitan Tucson Convention and Visitors Bureau. The remaining 2% of collections from a specific resort hotel are rebated to that hotel.

Tourism Promotion by: Metropolitan Tucson Convention and Visitors Bureau

PAGE

Bed Tax Rate: 2.0%
Total Check-out Rate: 10.38%
FY 2000/01 Collections: \$299,435

Collections Appropriated to: General Fund
Tourism Promotion by: Tourism Board, Chamber of Commerce, Visitor and Convention Bureau, Museum

Note: Page also applies an additional restaurant/bar tax of 2% with FY 2000/01 collections of \$330,201

PARADISE VALLEY

Bed Tax Rate: 3.0%
Total Check-out Rate: 11.67%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Scottsdale Chamber of Commerce

PARKER

Bed Tax Rate: 3.0%
Total Check-out Rate: 11.6%
FY 2000/01 Collections: Not Available

Collections Appropriated to: Economic and Community Development
Tourism Promotion by: Chamber of Commerce

PATAGONIA

Bed Tax Rate: 3.0%
Total Check-out Rate: 12.05%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: PABA- a local tourism promotion organization. This is not a city funded entity but is free-standing.

PAYSON

Bed Tax Rate: 3.0%
Total Check-out Rate: 11.6%
FY 2000/01 Collections: \$131,380

Collections Appropriated to: No Specific Use
Tourism Promotion by: Chamber of Commerce

Note: Though no specific use is designated for bed tax collections, current practice applies funds to tourism promotion and maintenance of event facilities in addition to support for the local Chamber of Commerce

PEORIA

Bed Tax Rate: 3.5%
Total Check-out Rate: 12.27%
FY 2000/01 Collections: \$368,515

Collections Appropriated to: General Fund
Tourism Promotion by: Peoria Chamber of Commerce and Peoria Economic Development Group

Note: Peoria also applies an additional restaurant/bar tax of 2.5% with FY 2000/01 collections of \$2,283,606

PHOENIX

Bed Tax Rate: 3.0%
Total Check-out Rate: 12.07%
FY 2000/01 Collections: \$15,333,238

Collections Appropriated to: Phoenix divides funds as follows- Civic Plaza (2.0%), General Fund (1.2%), Parks & Desert Preserve (0.1%), Police, Fire & Blockwatch (0.1%), Sports Facility (1.0%), and Transit (0.4%) .
Tourism Promotion by: Greater Phoenix Convention and Visitors Bureau

PINETOP-LAKESIDE

Bed Tax Rate: 3.0%
Total Check-out Rate: 11.55%
FY 2000/01 Collections: Not Available

Collections Appropriated to: Advertising and Promotion Committee for the town
Tourism Promotion by: Advertising and Promotion Committee.
Chamber of Commerce is also supported financially by the city.

PRESCOTT

Bed Tax Rate: 2.0%
Total Check-out Rate: 10.27%
FY 2000/01 Collections: \$273,515

Collections Appropriated to: 50% to Prescott Area Coalition for Tourism and
50% to Parks & Recreation for Special Events
Tourism Promotion by: Prescott Area Coalition for Tourism

PRESCOTT VALLEY

Bed Tax Rate: 2.0%
Total Check-out Rate: 10.27%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Prescott Valley Chamber of Commerce

QUEEN CREEK

Bed Tax Rate: 1.0%
Total Check-out Rate: 9.27%/8.60% (Maricopa/Pinal)
FY 2000/01 Collections: \$0.00

Collections Appropriated to: General Fund
Tourism Promotion by: Town of Queen Creek

Note: Queen Creek currently has no hotels. The bed tax is in place for future development.

SAFFORD

Bed Tax Rate: 3.0%
Total Check-out Rate: 11.05%
FY 2000/01 Collections: Not Available

Collections Appropriated to: A Council Resolution determines distribution each fiscal year. For FY 2001 funds were divided between the Chamber of Commerce(83%) and Discovery Park (17%)
Tourism Promotion by: Chamber of Commerce and Discovery Park

SAHUARITA

Bed Tax Rate: 2.0%
Total Check-out Rate: 9.5%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Not Applicable

SCOTTSDALE

Bed Tax Rate: 3.0%
Total Check-out Rate: 11.67%
FY 2000/01 Collections: \$7,790,380

Collections Appropriated to: Two-thirds are used for Hospitality Development, Visitor related Capital Projects, and Visitor Research.
Tourism Promotion by: Scottsdale Convention and Visitors Bureau

SEDONA

Bed Tax Rate: 3.0%
Total Check-out Rate: 12.38%/12.27% (Coconino/Yavapai)
FY 2000/01 Collections: \$1,418,522

Collections Appropriated to: General Fund
Tourism Promotion by: Chamber of Commerce

SIERRA VISTA

Bed Tax Rate: 4.0%
Total Check-out Rate: 11.55%
FY 2000/01 Collections: Not Available

Collections Appropriated to: Tourism Promotion and the library
Tourism Promotion by: Sierra Vista Convention and Visitors Bureau

SNOWFLAKE

Bed Tax Rate: 2.0%
Total Check-out Rate: 10.05%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Snowflake-Taylor Chamber of Commerce

SOUTH TUCSON

Bed Tax Rate: 2.0%
Total Check-out Rate: 10.0%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: City of South Tucson

Note: South Tucson also applies an additional restaurant/bar tax of 1%

SPRINGERVILLE

Bed Tax Rate: 1.0%
Total Check-out Rate: 10.05%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Chamber of Commerce

SURPRISE

Bed Tax Rate: 3.0%
Total Check-out Rate: 12.27%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Northwest Valley Chamber of Commerce

Note: The City of Surprise also applies an additional restaurant/bar tax of 3%.

TEMPE

Bed Tax Rate: 2.0%
Total Check-out Rate: 11.07%
FY 2000/01 Collections: \$1,725,597

Collections Appropriated to: General Fund though 50% of calendar year
collections are earmarked for The Tempe
Convention and Visitors Bureau
Tourism Promotion by: Tempe Convention and Visitors Bureau

THATCHER

Bed Tax Rate: 3.0%
Total Check-out Rate: 11.05%
FY 2000/01 Collections: Not Available

Collections Appropriated to: Chamber of Commerce
Tourism Promotion by: Chamber of Commerce

TOLLESON

Bed Tax Rate: 2.0%
Total Check-out Rate: 11.27%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Chamber of Commerce

TOMBSTONE

Bed Tax Rate: 3.0%
Total Check-out Rate: 11.55%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Chamber of Commerce and the Visitor Center

TUCSON

Bed Tax Rate: 4.0% +\$1.00
Total Check-out Rate: 9.5% + \$1.00
FY 2000/01 Collections: \$5,058,137 (4%) \$1,927,823 (\$1.00)

Collections Appropriated to: General Fund
Tourism Promotion by: Tucson Convention and Visitors Bureau

WILLCOX

Bed Tax Rate: 4.0%
Total Check-out Rate: 12.05%
FY 2000/01 Collections: \$131,353

Collections Appropriated to: 50% to the General Fund and 50% to the Chamber
of Commerce
Tourism Promotion by: Chamber of Commerce

WILLIAMS

Bed Tax Rate: 1.25%
Total Check-out Rate: 10.63%
FY 2000/01 Collections: Not Available

Collections Appropriated to: Each year allocations are made to the areas of
Tourism Promotion, Recreational Facilities and Economic Development.
Tourism Promotion by: Chamber of Commerce

Note: The City of Williams also applies an additional restaurant/bar tax of 1.25%.
Combined collections for bed/board/booze in FY 00/01 was \$340,111

WINSLOW

Bed Tax Rate: 2.0%
Total Check-out Rate: 11.05%
FY 2000/01 Collections: Not Available

Collections Appropriated to: Tourism Promotion
Tourism Promotion by: Chamber of Commerce who also operates the Visitor
Center

YOUNGTOWN

Bed Tax Rate: 2.0%
Total Check-out Rate: 11.27%
FY 2000/01 Collections: Not Available

Collections Appropriated to: General Fund
Tourism Promotion by: Northwest Valley Chamber of Commerce

YUMA

Bed Tax Rate: 2.0%
Total Check-out Rate: 10.85%
FY 2000/01 Collections: Not Available

Collections Appropriated to: Combined funds (bed/restaurant/bar) are designated for the following- \$1.2 million for golf course/convention center/recreation complex, \$400,000 to Yuma Crossing, \$200,000 for Conventions and Tourism, and the remainder is determined by council action
Tourism Promotion by: Yuma Visitors Bureau

Note: Yuma also applies an additional restaurant/bar tax of 2.0%. Combined collections from bed/board/booze for FY 00/01 were \$2,490,071

APPENDIX A

Survey of BBB Tax Rates and Collections

City/Town: Avondale

Please verify the following tax rates as they apply to Hotel/Motel sales in your community. If the listed rates are incorrect please make changes in the space provided.

Current Tax Rates Applied to Hotel/Motel Sales

	Rate	Correct	Incorrect/Changes (specify date of change)
Bed	2.0%	<input type="checkbox"/>	<input type="checkbox"/>
City	2.0%	<input type="checkbox"/>	<input type="checkbox"/>
County	1.77%	<input type="checkbox"/>	<input type="checkbox"/>
State	5.5%	<input type="checkbox"/>	<input type="checkbox"/>
Other ()		<input type="checkbox"/>	<input type="checkbox"/>
Total	11.27%	<input type="checkbox"/>	<input type="checkbox"/>

Fiscal Year 2000/01 Bed Tax (2.0%) Collections \$ _____
 (If fewer than eleven establishments reporting check here)

Does your community collect an additional tax for restaurant and bar sales beyond the regular city tax?

Yes No If yes, please specify rate
 and FY 2000/01 collections: _____

Where are bed tax dollars applied as indicated in your city code or ordinance? If dollars are allocated for multiple purposes please provide the percentage for each.

What entity is responsible for tourism promotion in your community (e.g. visitors bureau, chamber of commerce)?

Does the city financially support this department/organization? Yes No

Thank you for your time in providing the above information! If you would like a copy of the report compiled for Arizona communities that includes the above information, please provide us with the correct address here:

Mail /Fax to the following location: AHRC, POB 6024, Flagstaff, AZ 86011 Fax 928-523-5233

APPENDIX B

BBB Tax Changes Since 1994 Study

Additional Communities- Bed Tax

Apache Junction
Carefree
Casa Grande
Cave Creek
Chino Valley
Fountain Hills
Gilbert
Hayden
Patagonia
Pinetop-Lakeside
Sahuarita
Snowflake
Tombstone
Youngtown

Increases in Existing Bed Tax Rates

Camp Verde	2% to 3%
Clarkdale	1% to 2%
Eloy	2% to 4%
Mesa	0.25-1.25/room/day to 2.5%
Oro Valley	1% to 3%
Parker	2% to 3%
Payson	\$1/room/day to 3%
Peoria	2.5% to 3.5%
Surprise	1% to 3%

Decreases in Existing Bed Tax Rates

Globe	5% to 3%
Springerville	2% to 1%

Increases in Restaurant/Bar Tax Rates

Eloy	2% to 4%
Surprise	1% to 3%

**BBB Tax Rates : Arizona Communities
January 2002**

Community	County	Tax Rates		
		Bed	Restaurant	Bar
Apache Junction	Pinal	2.2%		
Avondale	Maricopa	2.0%		
Benson	Cochise	2.0%		
Bisbee	Cochise	2.5%		
Bullhead City	Mohave	3.0%		
Camp Verde	Yavapai	3.0%		
Carefree	Maricopa	3.0%		
Casa Grande	Pinal	2.0%		
Cave Creek	Maricopa	4.0%		
Chandler	Maricopa	2.9%	0.3%	0.3%
Clarkdale	Yavapai	2.0%		
Chino Valley	Yavapai	2.0%		
Colorado City	Mohave	2.0%		
Coolidge	Pinal	3.0%		
Cottonwood	Yavapai	2.0%		
Douglas	Cochise	2.0%		
Eagar	Apache	3.0%		
El Mirage	Maricopa	2.0%		
Eloy	Pinal	4.0%	3.0%	3.0%
Flagstaff	Coconino	2.0%	2.0%	2.0%
Florence	Pinal	2.0%		
Fountain Hills	Maricopa	3.0%		
Gila Bend	Maricopa	2.0%		
Gilbert	Maricopa	3.0%		
Glendale	Maricopa	3.0%	1.0%	1.0%
Globe	Gila	3.0%		
Guadalupe	Maricopa	4.0%		
Hayden	Gila	2.0%		
Holbrook	Navajo	2.0%		
Kearny	Pinal	3.0%		
Kingman	Mohave	2.0%		
Lake Havasu City	Mohave	3.0%	1.0%	1.0%
Litchfield Park	Maricopa	1.0%		
Marana	Pima	3.0%		
Mesa	Maricopa	2.5%		
Nogales	Santa Cruz	4.0%		
Oro Valley	Pima	3.0%		
Page	Coconino	2.0%	2.0%	2.0%
Paradise Valley	Maricopa	3.0%		
Parker	La Paz	3.0%		
Patagonia	Santa Cruz	3.0%		
Payson	Gila	3.0%		
Peoria	Maricopa	3.5%	2.5%	2.5%

Community	County	Tax Rates (2002)		
		Bed	Restaurant	Bar
Phoenix	Maricopa	3.0%		
Pinetop-Lakeside	Navajo	3.0%		
Prescott	Yavapai	2.0%		
Prescott Valley	Yavapai	2.0%		
Queen Creek	Maricopa/Pinal	1.0%		
Safford	Graham	3.0%		
Sahuarita	Pima	2.0%		
Scottsdale	Maricopa	3.0%		
Sedona	Coconino/Yavapai	3.0%		
Sierra Vista	Cochise	4.0%		
South Tucson	Pima	2.0%	1.0%	1.0%
Snowflake	Navajo	2.0%		
Springerville	Apache	1.0%		
Surprise	Maricopa	3.0%	3.0%	3.0%
Tempe	Maricopa	2.0%		
Thatcher	Graham	3.0%		
Tolleson	Maricopa	2.0%		
Tombstone	Cochise	3.0%		
Tucson	Pima	4% +\$1		
Willcox	Cochise	4.0%		
Williams	Coconino	1.25%	1.25%	1.25%
Winslow	Navajo	2.0%		
Youngtown	Maricopa	2.0%		
Yuma	Yuma	2.0%	2.0%	2.0%

Source: Arizona Hospitality Research and Resource Center, Northern Arizona University

**Bed Tax Rates : Arizona Communities Alphabetical List
January 2002**

Community	County	Tax Rates				
		Bed	City	County	State	Total
Apache Junction	Pinal/Maricopa	2.2%	2.2%	1.10/1.77%	5.5%	11.0/11.67%
Avondale	Maricopa	2.0%	2.0%	1.77%	5.5%	11.27%
Benson	Cochise	2.0%	2.5%	0.55%	5.5%	10.55%
Bisbee	Cochise	2.5%	2.5%	0.55%	5.5%	11.05%
Bullhead City	Mohave	3.0%	2.0%	0.28%	5.5%	10.78%
Camp Verde	Yavapai	3.0%	2.0%	0.77%	5.5%	11.27%
Carefree	Maricopa	3.0%	2.0%	1.77%	5.5%	12.27%
Casa Grande	Pinal	2.0%	1.8%	1.10%	5.5%	10.40%
Cave Creek	Maricopa	4.0%	2.5%	1.77%	5.5%	13.77%
Chandler	Maricopa	2.9%	1.5%	1.77%	5.5%	11.67%
Clarkdale	Yavapai	2.0%	2.25%	0.77%	5.5%	10.52%
Chino Valley	Yavapai	2.0%	2.0%	0.77%	5.5%	10.27%
Colorado City	Mohave	2.0%	2.0%	0.28%	5.5%	9.78%
Coolidge	Pinal	3.0%	2.0%	1.10%	5.5%	11.60%
Cottonwood	Yavapai	2.0%	2.2%	0.77%	5.5%	10.47%
Douglas	Cochise	2.0%	2.5%	0.55%	5.5%	10.55%
Eagar	Apache	3.0%	3.0%	0.55%	5.5%	12.05%
El Mirage	Maricopa	2.0%	3.0%	1.77%	5.5%	12.27%
Eloy	Pinal	4.0%	3.0%	1.10%	5.5%	13.60%
Flagstaff	Coconino	2.0%	1.5%	0.88%	5.5%	9.89%
Florence	Pinal	2.0%	2.0%	1.10%	5.5%	10.60%
Fountain Hills	Maricopa	3.0%	1.6%	1.77%	5.5%	11.87%
Gila Bend	Maricopa	2.0%	3.0%	1.77%	5.5%	12.27%
Gilbert	Maricopa	3.0%	1.5%	1.77%	5.5%	11.77%
Glendale	Maricopa	3.0%	1.8%	1.77%	5.5%	12.07%
Globe	Gila	3.0%	1.5%	1.10%	5.5%	11.10%
Guadalupe	Maricopa	4.0%	2.0%	1.77%	5.5%	13.27%
Hayden	Gila	2.0%	1.0%	1.10%	5.5%	9.60%
Holbrook	Navajo	2.0%	3.0%	0.55%	5.5%	11.05%
Kearny	Pinal	3.0%	2.0%	1.10%	5.5%	11.60%
Kingman	Mohave	2.0%	2.0%	0.28%	5.5%	9.78%
Lake Havasu City	Mohave	3.0%	2.0%	0.28%	5.5%	10.78%
Litchfield Park	Maricopa	1.0%	2.0%	1.77%	5.5%	10.27%
Marana	Pima	3.0%	2.0%	0.00%	5.5%	10.50%
Mesa	Maricopa	2.5%	1.5%	1.77%	5.5%	11.27%
Nogales	Santa Cruz	4.0%	1.25%	0.55%	5.5%	11.30%
Oro Valley	Pima	3.0%	2.0%	0.00%	5.5%	10.50%
Page	Coconino	2.0%	2.0%	0.88%	5.5%	10.38%
Paradise Valley	Maricopa	3.0%	1.4%	1.77%	5.5%	11.67%
Parker	La Paz	3.0%	2.0%	1.10%	5.5%	11.60%
Patagonia	Santa Cruz	3.0%	3.0%	0.55%	5.5%	12.05%
Payson	Gila	3.0%	2.0%	1.10%	5.5%	11.60%
Peoria	Maricopa	3.5%	1.5%	1.77%	5.5%	12.27%

Community	County	Tax Rates (2002)				
		Bed	City	County	State	Total
Phoenix	Maricopa	3.0%	1.8%	1.77%	5.5%	12.07%
Pinetop-Lakeside	Navajo	3.0%	2.5%	0.55%	5.5%	11.55%
Prescott	Yavapai	2.0%	2.0%	0.77%	5.5%	10.27%
Prescott Valley	Yavapai	2.0%	2.0%	0.77%	5.5%	10.27%
Queen Creek	Maricopa/Pinal	1.0%	1.0%	1.77/1.1%	5.5%	9.27/8.6%
Safford	Graham	3.0%	2.0%	0.55%	5.5%	11.05%
Sahuarita	Pima	2.0%	2.0%	0.00%	5.5%	9.50%
Scottsdale	Maricopa	3.0%	1.4%	1.77%	5.5%	11.67%
Sedona	Coconino/Yavapai	3.0%	3.0%	0.88/0.77%	5.5%	12.38/12.27%
Sierra Vista	Cochise	4.0%	1.5%	0.55%	5.5%	11.55%
South Tucson	Pima	2.0%	2.5%	0.00%	5.5%	10.00%
Snowflake	Navajo	2.0%	2.0%	0.55%	5.5%	10.05%
Springerville	Apache	1.0%	3.0%	0.55%	5.5%	10.05%
Surprise	Maricopa	3.0%	2.0%	1.77%	5.5%	12.27%
Tempe	Maricopa	2.0%	1.8%	1.77%	5.5%	11.07%
Thatcher	Graham	3.0%	2.0%	0.55%	5.5%	11.05%
Tolleson	Maricopa	2.0%	2.0%	1.77%	5.5%	11.27%
Tombstone	Cochise	3.0%	2.5%	0.55%	5.5%	11.55%
Tucson	Pima	4% +\$1	0.0%	0.00%	5.5%	9.5% +\$1
Willcox	Cochise	4.0%	2.0%	0.55%	5.5%	12.05%
Williams	Coconino	1.25%	3.0%	0.88%	5.5%	10.63%
Winslow	Navajo	2.0%	3.0%	0.55%	5.5%	11.05%
Youngtown	Maricopa	2.0%	2.0%	1.77%	5.5%	11.27%
Yuma	Yuma	2.0%	1.7%	1.65%	5.5%	10.85%

Note: Pima County adds a 2% transient lodging tax to properties outside of incorporated areas.

Maricopa County properties also add an additional 1% per Proposition 302

Source: Arizona Hospitality Research and Resource Center, Northern Arizona University

**Bed Tax Rates : Arizona Communities by County
January 2002**

Community	County	Tax Rates				
		Bed	City	County	State	Total
Eagar	Apache	3.0%	3.0%	0.55%	5.5%	12.05%
Springerville	Apache	1.0%	3.0%	0.55%	5.5%	10.05%
Benson	Cochise	2.0%	2.5%	0.55%	5.5%	10.55%
Bisbee	Cochise	2.5%	2.5%	0.55%	5.5%	11.05%
Douglas	Cochise	2.0%	2.5%	0.55%	5.5%	10.55%
Sierra Vista	Cochise	4.0%	1.5%	0.55%	5.5%	11.55%
Tombstone	Cochise	3.0%	2.5%	0.55%	5.5%	11.55%
Willcox	Cochise	4.0%	2.0%	0.55%	5.5%	12.05%
Flagstaff	Coconino	2.0%	1.5%	0.88%	5.5%	9.89%
Page	Coconino	2.0%	2.0%	0.88%	5.5%	10.38%
Williams	Coconino	1.25%	3.0%	0.88%	5.5%	10.63%
Sedona	Coconino/Yavapai	3.0%	3.0%	0.88/0.77%	5.5%	12.38/12.27%
Globe	Gila	3.0%	1.5%	1.10%	5.5%	11.10%
Hayden	Gila	2.0%	1.0%	1.10%	5.5%	9.60%
Payson	Gila	3.0%	2.0%	1.10%	5.5%	11.60%
Safford	Graham	3.0%	2.0%	0.55%	5.5%	11.05%
Thatcher	Graham	3.0%	2.0%	0.55%	5.5%	11.05%
Parker	La Paz	3.0%	2.0%	1.10%	5.5%	11.60%
Avondale	Maricopa	2.0%	2.0%	1.77%	5.5%	11.27%
Carefree	Maricopa	3.0%	2.0%	1.77%	5.5%	12.27%
Cave Creek	Maricopa	4.0%	2.5%	1.77%	5.5%	13.77%
Chandler	Maricopa	2.9%	1.5%	1.77%	5.5%	11.67%
El Mirage	Maricopa	2.0%	3.0%	1.77%	5.5%	12.27%
Fountain Hills	Maricopa	3.0%	1.6%	1.77%	5.5%	11.87%
Gila Bend	Maricopa	2.0%	3.0%	1.77%	5.5%	12.27%
Gilbert	Maricopa	3.0%	1.5%	1.77%	5.5%	11.77%
Glendale	Maricopa	3.0%	1.8%	1.77%	5.5%	12.07%
Guadalupe	Maricopa	4.0%	2.0%	1.77%	5.5%	13.27%
Litchfield Park	Maricopa	1.0%	2.0%	1.77%	5.5%	10.27%
Mesa	Maricopa	2.5%	1.5%	1.77%	5.5%	11.27%
Paradise Valley	Maricopa	3.0%	1.4%	1.77%	5.5%	11.67%
Peoria	Maricopa	3.5%	1.5%	1.77%	5.5%	12.27%
Phoenix	Maricopa	3.0%	1.8%	1.77%	5.5%	12.07%
Scottsdale	Maricopa	3.0%	1.4%	1.77%	5.5%	11.67%
Surprise	Maricopa	3.0%	2.0%	1.77%	5.5%	12.27%
Tempe	Maricopa	2.0%	1.8%	1.77%	5.5%	11.07%
Tolleson	Maricopa	2.0%	2.0%	1.77%	5.5%	11.27%
Youngtown	Maricopa	2.0%	2.0%	1.77%	5.5%	11.27%
Queen Creek	Maricopa/Pinal	1.0%	1.0%	1.77/1.1%	5.5%	9.27/8.6%
Bullhead City	Mohave	3.0%	2.0%	0.28%	5.5%	10.78%
Colorado City	Mohave	2.0%	2.0%	0.28%	5.5%	9.78%
Kingman	Mohave	2.0%	2.0%	0.28%	5.5%	9.78%

Community	County	Tax Rates (2002)				
		Bed	City	County	State	Total
Lake Havasu City	Mohave	3.0%	2.0%	0.28%	5.5%	10.78%
Holbrook	Navajo	2.0%	3.0%	0.55%	5.5%	11.05%
Pinetop-Lakeside	Navajo	3.0%	2.5%	0.55%	5.5%	11.55%
Snowflake	Navajo	2.0%	2.0%	0.55%	5.5%	10.05%
Winslow	Navajo	2.0%	3.0%	0.55%	5.5%	11.05%
Marana	Pima	3.0%	2.0%	0.00%	5.5%	10.50%
Oro Valley	Pima	3.0%	2.0%	0.00%	5.5%	10.50%
Sahuarita	Pima	2.0%	2.0%	0.00%	5.5%	9.50%
South Tucson	Pima	2.0%	2.5%	0.00%	5.5%	10.00%
Tucson	Pima	4% +\$1	0.0%	0.00%	5.5%	9.5% +\$1
Apache Junction	Pinal/Maricopa	2.2%	2.2%	1.10/1.77%	5.5%	11.0/11.67%
Casa Grande	Pinal	2.0%	1.8%	1.10%	5.5%	10.40%
Coolidge	Pinal	3.0%	2.0%	1.10%	5.5%	11.60%
Eloy	Pinal	4.0%	3.0%	1.10%	5.5%	13.60%
Florence	Pinal	2.0%	2.0%	1.10%	5.5%	10.60%
Kearny	Pinal	3.0%	2.0%	1.10%	5.5%	11.60%
Nogales	Santa Cruz	4.0%	1.25%	0.55%	5.5%	11.30%
Patagonia	Santa Cruz	3.0%	3.0%	0.55%	5.5%	12.05%
Camp Verde	Yavapai	3.0%	2.0%	0.77%	5.5%	11.27%
Chino Valley	Yavapai	2.0%	2.0%	0.77%	5.5%	10.27%
Clarkdale	Yavapai	2.0%	2.25%	0.77%	5.5%	10.52%
Cottonwood	Yavapai	2.0%	2.2%	0.77%	5.5%	10.47%
Prescott	Yavapai	2.0%	2.0%	0.77%	5.5%	10.27%
Prescott Valley	Yavapai	2.0%	2.0%	0.77%	5.5%	10.27%
Yuma	Yuma	2.0%	1.7%	1.65%	5.5%	10.85%

Note: Pima County adds a 2% transient lodging tax to properties outside of incorporated areas.

Maricopa County properties also add an additional 1% per Proposition 302

Source: Arizona Hospitality Research and Resource Center, Northern Arizona University

**Bed Tax Rates : Arizona Communities Ranked by Check-out Rate
January 2002**

Community	County	Tax Rates				
		Bed	City	County	State	Total
Queen Creek	Maricopa/Pinal	1.0%	1.0%	1.77/1.1%	5.5%	9.27/8.6%
Sahuarita	Pima	2.0%	2.0%	0.00%	5.5%	9.50%
Tucson	Pima	4% +\$1	0.0%	0.00%	5.5%	9.5% +\$1
Hayden	Gila	2.0%	1.0%	1.10%	5.5%	9.60%
Colorado City	Mohave	2.0%	2.0%	0.28%	5.5%	9.78%
Kingman	Mohave	2.0%	2.0%	0.28%	5.5%	9.78%
Flagstaff	Coconino	2.0%	1.5%	0.88%	5.5%	9.89%
South Tucson	Pima	2.0%	2.5%	0.00%	5.5%	10.00%
Snowflake	Navajo	2.0%	2.0%	0.55%	5.5%	10.05%
Springerville	Apache	1.0%	3.0%	0.55%	5.5%	10.05%
Chino Valley	Yavapai	2.0%	2.0%	0.77%	5.5%	10.27%
Litchfield Park	Maricopa	1.0%	2.0%	1.77%	5.5%	10.27%
Prescott	Yavapai	2.0%	2.0%	0.77%	5.5%	10.27%
Prescott Valley	Yavapai	2.0%	2.0%	0.77%	5.5%	10.27%
Page	Coconino	2.0%	2.0%	0.88%	5.5%	10.38%
Casa Grande	Pinal	2.0%	1.8%	1.10%	5.5%	10.40%
Cottonwood	Yavapai	2.0%	2.2%	0.77%	5.5%	10.47%
Marana	Pima	3.0%	2.0%	0.00%	5.5%	10.50%
Oro Valley	Pima	3.0%	2.0%	0.00%	5.5%	10.50%
Clarkdale	Yavapai	2.0%	2.25%	0.77%	5.5%	10.52%
Benson	Cochise	2.0%	2.5%	0.55%	5.5%	10.55%
Douglas	Cochise	2.0%	2.5%	0.55%	5.5%	10.55%
Florence	Pinal	2.0%	2.0%	1.10%	5.5%	10.60%
Williams	Coconino	1.25%	3.0%	0.88%	5.5%	10.63%
Bullhead City	Mohave	3.0%	2.0%	0.28%	5.5%	10.78%
Lake Havasu City	Mohave	3.0%	2.0%	0.28%	5.5%	10.78%
Yuma	Yuma	2.0%	1.7%	1.65%	5.5%	10.85%
Apache Junction	Pinal/Maricopa	2.2%	2.2%	1.10/1.77%	5.5%	11.0/11.67%
Bisbee	Cochise	2.5%	2.5%	0.55%	5.5%	11.05%
Holbrook	Navajo	2.0%	3.0%	0.55%	5.5%	11.05%
Safford	Graham	3.0%	2.0%	0.55%	5.5%	11.05%
Thatcher	Graham	3.0%	2.0%	0.55%	5.5%	11.05%
Winslow	Navajo	2.0%	3.0%	0.55%	5.5%	11.05%
Tempe	Maricopa	2.0%	1.8%	1.77%	5.5%	11.07%
Globe	Gila	3.0%	1.5%	1.10%	5.5%	11.10%
Avondale	Maricopa	2.0%	2.0%	1.77%	5.5%	11.27%
Camp Verde	Yavapai	3.0%	2.0%	0.77%	5.5%	11.27%
Mesa	Maricopa	2.5%	1.5%	1.77%	5.5%	11.27%
Tolleson	Maricopa	2.0%	2.0%	1.77%	5.5%	11.27%
Youngtown	Maricopa	2.0%	2.0%	1.77%	5.5%	11.27%
Nogales	Santa Cruz	4.0%	1.25%	0.55%	5.5%	11.30%
Pinetop-Lakeside	Navajo	3.0%	2.5%	0.55%	5.5%	11.55%
Sierra Vista	Cochise	4.0%	1.5%	0.55%	5.5%	11.55%

Community	County	Tax Rates (2002)				
		Bed	City	County	State	Total
Tombstone	Cochise	3.0%	2.5%	0.55%	5.5%	11.55%
Coolidge	Pinal	3.0%	2.0%	1.10%	5.5%	11.60%
Kearny	Pinal	3.0%	2.0%	1.10%	5.5%	11.60%
Parker	La Paz	3.0%	2.0%	1.10%	5.5%	11.60%
Payson	Gila	3.0%	2.0%	1.10%	5.5%	11.60%
Chandler	Maricopa	2.9%	1.5%	1.77%	5.5%	11.67%
Paradise Valley	Maricopa	3.0%	1.4%	1.77%	5.5%	11.67%
Scottsdale	Maricopa	3.0%	1.4%	1.77%	5.5%	11.67%
Gilbert	Maricopa	3.0%	1.5%	1.77%	5.5%	11.77%
Fountain Hills	Maricopa	3.0%	1.6%	1.77%	5.5%	11.87%
Eagar	Apache	3.0%	3.0%	0.55%	5.5%	12.05%
Patagonia	Santa Cruz	3.0%	3.0%	0.55%	5.5%	12.05%
Willcox	Cochise	4.0%	2.0%	0.55%	5.5%	12.05%
Glendale	Maricopa	3.0%	1.8%	1.77%	5.5%	12.07%
Phoenix	Maricopa	3.0%	1.8%	1.77%	5.5%	12.07%
Carefree	Maricopa	3.0%	2.0%	1.77%	5.5%	12.27%
El Mirage	Maricopa	2.0%	3.0%	1.77%	5.5%	12.27%
Gila Bend	Maricopa	2.0%	3.0%	1.77%	5.5%	12.27%
Peoria	Maricopa	3.5%	1.5%	1.77%	5.5%	12.27%
Surprise	Maricopa	3.0%	2.0%	1.77%	5.5%	12.27%
Sedona	Coconino/Yavapai	3.0%	3.0%	0.88/0.77%	5.5%	12.38/12.27%
Guadalupe	Maricopa	4.0%	2.0%	1.77%	5.5%	13.27%
Eloy	Pinal	4.0%	3.0%	1.10%	5.5%	13.60%
Cave Creek	Maricopa	4.0%	2.5%	1.77%	5.5%	13.77%

Note: Pima County adds a 2% transient lodging tax to properties outside of incorporated areas.

Maricopa County properties also add an additional 1% per Proposition 302

Source: Arizona Hospitality Research and Resource Center, Northern Arizona University

APPENDIX C

42-5070. Transient lodging classification

A. The transient lodging classification is comprised of the business of operating, for occupancy by transients, a hotel or motel, including an inn, tourist home or house, dude ranch, resort, campground, studio or bachelor hotel, lodging house, rooming house, apartment house, dormitory, public or private club, mobile home or house trailer at a fixed location or other similar structure, and also including a space, lot or slab which is occupied or intended or designed for occupancy by transients in a mobile home or house trailer furnished by them for such occupancy. For purposes of this subsection "transient" means any person who either at the person's own expense or at the expense of another obtains lodging space or the use of lodging space on a daily or weekly basis, or on any other basis for less than thirty consecutive days.

B. The transient lodging classification does not include:

1. Operating a convalescent home or facility, home for the aged, hospital, jail, military installation or fraternity or sorority house or operating any structure exclusively by an association, institution, governmental agency or corporation for religious, charitable or educational purposes, if no part of the net earnings of the association, corporation or other entity inures to the benefit of any private shareholder or individual.
2. A lease or rental of a mobile home or house trailer at a fixed location or any other similar structure, and also including a space, lot or slab which is occupied or intended or designed for occupancy by transients in a mobile home or house trailer furnished by them for such occupancy for thirty or more consecutive days.
3. Leasing or renting four or fewer rooms of an owner-occupied residential home, together with furnishing no more than a breakfast meal, to transient lodgers at no more than a fifty per cent average annual occupancy rate.

C. The tax base for the transient lodging classification is the gross proceeds of sales or gross income derived from the business, except that the tax base does not include gross proceeds of sales or gross income derived from business activity that is properly included in another business classification under this article and that is taxable to the person engaged in that business classification, but the gross proceeds of sales or gross income to be deducted shall not exceed the consideration paid to the person conducting the activity.

D. The department shall separately account for revenues collected under the transient lodging classification for purposes of section 42-5029, subsection D, paragraph 4, subdivision (f).

42-5010. Rates; distribution base

A. The tax imposed by this article is levied and shall be collected at the following rates:

1. Five per cent of the tax base as computed for the business of every person engaging or continuing in this state in the following business classifications described in article 2 of this chapter:

- (a) Transporting classification.
- (b) Utility classification.
- (c) Telecommunications classification.
- (d) Pipeline classification.
- (e) Private car line classification.
- (f) Publication classification.
- (g) Job printing classification.
- (h) Prime contracting classification.
- (i) Owner builder sales classification.
- (j) Amusement classification.
- (k) Restaurant classification.
- (l) Personal property rental classification.
- (m) Retail classification.
- (n) Membership camping classification.

2. Five and one-half per cent of the tax base as computed for the business of every person engaging or continuing in this state in the transient lodging classification described in section 42-5070.

3. Three and one-eighth per cent of the tax base as computed for the business of every person engaging or continuing in this state in the mining classification described in section 42-5072.

4. Zero per cent of the tax base as computed for the business of every person engaging or continuing in this state in the commercial lease classification described in section 42-5069.

B. Twenty per cent of the tax revenues collected at the rate prescribed by subsection A, paragraph 1 of this section from persons on account of engaging in business under the business classifications listed in subsection A, paragraph 1, subdivisions (a) through (i) of this section is designated as distribution base for purposes of section 42-5029.

C. Forty per cent of the tax revenues collected at the rate prescribed by subsection A, paragraph 1 of this section from persons on account of engaging in business under the business classifications listed in subsection A, paragraph 1, subdivisions (j) through (n) of this section is designated as distribution base for purposes of section 42-5029.

D. Thirty-two per cent of the tax revenues collected from persons on account of engaging in business under the business classification listed in subsection A, paragraph 3 of this section is designated as distribution base for purposes of section 42-5029.

E. Fifty-three and one-third per cent of the tax revenues collected from persons on account of engaging in business under the business classifications listed in subsection A, paragraph 4 of this section is designated as distribution base for purposes of section 42-5029.

F. Fifty per cent of the tax revenues collected from persons on account of engaging in business under the business classification listed in subsection A, paragraph 2 of this section is designated as distribution base for purposes of section 42-5029.

G. In addition to the rates prescribed by subsection A of this section, if approved by the qualified electors voting at a statewide general election, an additional rate increment is imposed and shall be collected through June 30, 2021. The taxpayer shall pay taxes pursuant to this subsection at the same time and in the same manner as under subsection A of this section. The department shall separately account for the revenues collected with respect to the rates imposed pursuant to this subsection and the state treasurer shall distribute all of those revenues in the manner prescribed by section 42-5029, subsection E. The rates imposed pursuant to this subsection shall not be considered local revenues for purposes of article IX, section 21, Constitution of Arizona. The additional tax rate increment is levied at the rate of six-tenths of one per cent of the tax base of every person engaging or continuing in this state in a business classification listed in subsection A, paragraph 1 of this section.

42-5029. Remission and distribution of monies

A. The department shall deposit, pursuant to sections 35-146 and 35-147, all revenues collected under this article and articles 4, 5, 8 and 9 of this chapter pursuant to section 42-1116, separately accounting for:

1. Payments of estimated tax under section 42-5014, subsection D.
2. Revenues collected pursuant to section 42-5070.
3. Revenues collected under this article and article 5 of this chapter from and after June 30, 2000 from sources located on Indian reservations in this state.
4. Revenues collected pursuant to section 42-5010, subsection G and section 42-5155, subsection D.

B. The department shall credit payments of estimated tax to an estimated tax clearing account and each month shall transfer all monies in the estimated tax clearing account to a fund designated as the transaction privilege and severance tax clearing account. The department shall credit all other payments to the transaction privilege and severance tax clearing account, separately accounting for the monies designated as distribution base under sections 42-5010, 42-5164, 42-5205, 42-5353 and 42-5409. Each month the department shall report to the state treasurer the amount of monies collected pursuant to this article and articles 4, 5, 8 and 9 of this chapter.

C. On notification by the department, the state treasurer shall distribute the monies deposited in the transaction privilege and severance tax clearing account in the manner prescribed by this section and by sections 42-5164, 42-5205, 42-5353 and 42-5409, after deducting warrants drawn against the account pursuant to sections 42-1118 and 42-1254.

D. Of the monies designated as distribution base the department shall:

1. Pay twenty-five per cent to the various incorporated municipalities in this state in proportion to their population as shown by the last United States decennial or special census, or revisions to the decennial or special census certified by the United States bureau of the census, to be used by the municipalities for any municipal purpose.
2. Pay 38.08 per cent to the counties in this state by averaging the following proportions:
 - (a) The proportion that the population of each county bears to the total state population, as shown by the most recent United States decennial or special census, or revisions to the decennial or special census certified by the United States bureau of the census.
 - (b) The proportion that the distribution base monies collected during the calendar month in each county under this article, section 42-5164, subsection B, section 42-5205, subsection B and sections 42-5353 and 42-5409 bear to the total distribution base monies

collected under this article, section 42-5164, subsection B, section 42-5205, subsection B and sections 42-5353 and 42-5409 throughout the state for the calendar month.

3. Pay an additional 2.43 per cent to the counties in this state as follows:

(a) Average the following proportions:

(i) The proportion that the assessed valuation used to determine secondary property taxes of each county, after deducting that part of the assessed valuation that is exempt from taxation at the beginning of the month for which the amount is to be paid, bears to the total assessed valuations used to determine secondary property taxes of all the counties after deducting that portion of the assessed valuations that is exempt from taxation at the beginning of the month for which the amount is to be paid. Property of a city or town that is not within or contiguous to the municipal corporate boundaries and from which water is or may be withdrawn or diverted and transported for use on other property is considered to be taxable property in the county for purposes of determining assessed valuation in the county under this item.

(ii) The proportion that the distribution base monies collected during the calendar month in each county under this article, section 42-5164, subsection B, section 42-5205, subsection B and sections 42-5353 and 42-5409 bear to the total distribution base monies collected under this article, section 42-5164, subsection B, section 42-5205, subsection B and sections 42-5353 and 42-5409 throughout the state for the calendar month.

(b) If the proportion computed under subdivision (a) of this paragraph for any county is greater than the proportion computed under paragraph 2 of this subsection, the department shall compute the difference between the amount distributed to that county under paragraph 2 of this subsection and the amount that would have been distributed under paragraph 2 of this subsection using the proportion computed under subdivision (a) of this paragraph and shall pay that difference to the county from the amount available for distribution under this paragraph. Any monies remaining after all payments under this subdivision shall be distributed among the counties according to the proportions computed under paragraph 2 of this subsection.

4. After any distributions required by sections 42-5030.01, 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making any transfer to the water quality assurance revolving fund as required by section 49-282, subsection B, credit the remainder of the monies designated as distribution base to the state general fund. From this amount the legislature shall annually appropriate to:

(a) The department of revenue sufficient monies to administer and enforce this article and articles 5, 8 and 9 of this chapter.

(b) The department of economic security monies to be used for the purposes stated in title 46, chapter 1.

(c) The tourism fund, through June 30, 2001, an amount equal to the sum of the following:

(i) Two million dollars.

(ii) Seventy-five per cent of the amount by which revenues derived from a one-half percentage rate portion of the total tax rate imposed on the transient lodging classification for the current fiscal year exceed the revenues derived from a one-half percentage rate portion of that tax in the previous fiscal year.

(d) The Arizona arts endowment fund established by section 41-986, the full amount by which revenues derived from the amusement classification pursuant to section 42-5073 for the current fiscal year exceed the revenues that were derived from that classification in fiscal year 1993-1994, except that this amount shall not exceed two million dollars through fiscal year 2008-2009.

(e) The firearms safety and ranges fund established by section 17-273, fifty thousand dollars derived from the taxes collected from the retail classification pursuant to section 42-5061 for the current fiscal year.

(f) The tourism fund, beginning from and after June 30, 2001 an amount equal to the sum of the following:

(i) Three and one-half per cent of the gross revenues derived from the transient lodging classification pursuant to section 42-5070 during the preceding fiscal year.

(ii) Three per cent of the gross revenues derived from the amusement classification pursuant to section 42-5073 during the preceding fiscal year.

(iii) Two per cent of the gross revenues derived from the restaurant classification pursuant to section 42-5074 during the preceding fiscal year.

E. If approved by the qualified electors voting at a statewide general election, all monies collected pursuant to section 42-5010, subsection G and section 42-5155, subsection D shall be distributed each fiscal year pursuant to this subsection. The monies distributed pursuant to this subsection are in addition to any other appropriation, transfer or other allocation of public or private monies from any other source and shall not supplant, replace or cause a reduction in other school district, charter school, university or community college funding sources. The monies shall be distributed as follows:

1. If there are outstanding state school facilities revenue bonds pursuant to title 15, chapter 16, article 7, each month one-twelfth of the amount that is necessary to pay the fiscal year's debt service on outstanding state school improvement revenue bonds for the current fiscal year shall be transferred each month to the school improvement revenue bond debt service fund established by section 15-2084. The total amount of bonds for which these monies may be allocated for the payment of debt service shall not exceed a principal amount of eight hundred million dollars exclusive of refunding bonds and other refinancing obligations.

2. After any transfer of monies pursuant to paragraph 1 of this subsection, twelve per cent of the remaining monies collected during the preceding month shall be transferred to the

technology and research initiative fund established by section 15-1648 to be distributed among the universities for the purpose of investment in technology and research-based initiatives.

3. After the transfer of monies pursuant to paragraph 1 of this subsection, three per cent of the remaining monies collected during the preceding month shall be transferred to the workforce development account established in each community college district pursuant to section 15-1472 for the purpose of investment in workforce development programs.

4. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one-twelfth of the amount a community college that is owned, operated or chartered by a qualifying Indian tribe on its own Indian reservation would receive pursuant to section 15-1472, subsection D, paragraph 2 if it were a community college district under the jurisdiction of the state board of directors for community colleges shall be distributed each month to the treasurer or other designated depository of a qualifying Indian tribe. Monies distributed pursuant to this paragraph are for the exclusive purpose of providing support to one or more community colleges owned, operated or chartered by a qualifying Indian tribe and shall be used in a manner consistent with section 15-1472, subsection B. For purposes of this paragraph, "qualifying Indian tribe" has the same meaning as defined in section 42-5031.01, subsection D.

5. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one-twelfth of the following amounts shall be transferred each month to the department of education for the increased cost of basic state aid under section 15-971 due to added school days and associated teacher salary increases enacted in 2000:

(a) In fiscal year 2001-2002, \$15,305,900.

(b) In fiscal year 2002-2003, \$31,530,100.

(c) In fiscal year 2003-2004, \$48,727,700.

(d) In fiscal year 2004-2005, \$66,957,200.

(e) In fiscal year 2005-2006 and each fiscal year thereafter, \$86,280,500.

6. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, seven million eight hundred thousand dollars is appropriated each fiscal year, to be paid in monthly installments, to the department of education to be used for school safety as provided in section 15-154 and two hundred thousand dollars is appropriated each fiscal year, to be paid in monthly installments to the department of education to be used for the character education matching grant program as provided in section 15-154.01.

7. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, no more than seven million dollars may be appropriated by the legislature each fiscal year to the department of education to be used for accountability purposes as described in section 15-241 and title 15, chapter 9, article 8.

8. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one million five hundred thousand dollars is appropriated each fiscal year, to be paid in monthly installments, to the failing schools tutoring fund established by section 15-241.

9. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, twenty-five million dollars shall be transferred each fiscal year to the state general fund to reimburse the general fund for the cost of the income tax credit allowed by section 43-1072.01.

10. After the payment of monies pursuant to paragraphs 1 through 9 of this subsection, the remaining monies collected during the preceding month shall be transferred to the classroom site fund established by section 15-977. The monies shall be allocated as follows in the manner prescribed by section 15-977:

(a) Forty per cent shall be allocated for teacher compensation based on performance.

(b) Twenty per cent shall be allocated for increases in teacher base compensation and employee related expenses.

(c) Forty per cent shall be allocated for maintenance and operation purposes.

F. The department shall credit the remainder of the monies in the transaction privilege and severance tax clearing account to the state general fund, subject to any distribution required by section 42-5030.01.

G. Notwithstanding subsection D of this section, if a court of competent jurisdiction finally determines that tax monies distributed under this section were illegally collected under this article or articles 5, 8 and 9 of this chapter and orders the monies to be refunded to the taxpayer, the department shall compute the amount of such monies that was distributed to each city, town and county under this section. The department shall notify the state treasurer of that amount plus the proportionate share of additional allocated costs required to be paid to the taxpayer. Each city's, town's and county's proportionate share of the costs shall be based on the amount of the original tax payment each municipality and county received. Each month the state treasurer shall reduce the amount otherwise distributable to the city, town and county under this section by one thirty-sixth of the total amount to be recovered from the city, town or county until the total amount has been recovered, but the monthly reduction for any city, town or county shall not exceed ten per cent of the full monthly distribution to that entity. The reduction shall begin for the first calendar month after the final disposition of the case and shall continue until the total amount, including interest and costs, has been recovered.

H. On receiving a certificate of default from the greater Arizona development authority pursuant to section 41-1554.06 or 41-1554.07 and to the extent not otherwise expressly prohibited by law, the state treasurer shall withhold from the next succeeding distribution of monies pursuant to this section due to the defaulting political subdivision the amount specified in the certificate of default and immediately deposit the amount withheld in the greater Arizona development authority revolving fund. The state treasurer shall continue to withhold and deposit the monies until the greater Arizona development authority

certifies to the state treasurer that the default has been cured. In no event may the state treasurer withhold any amount that the defaulting political subdivision certifies to the state treasurer and the authority as being necessary to make any required deposits then due for the payment of principal and interest on bonds of the political subdivision that were issued before the date of the loan repayment agreement or bonds and that have been secured by a pledge of distributions made pursuant to this section.

9-500.06. Hospitality industry; discrimination prohibited; use of tax proceeds; exemption; definitions

A. A city or town shall not discriminate against hospitality industry businesses in the collection of fees. For purposes of this subsection "discriminate" means any increase of fees on hospitality industry businesses by any dollar amount on or after April 1, 1990 without a corresponding equal dollar amount of increase in the privilege license fees or other fees imposed on all other businesses in the city or town. For purposes of this subsection "fees on hospitality industry businesses" means annual liquor license taxes or fees or annual renewal or reissuance fees for municipal business privilege licenses, however denominated.

B. On or after April 1, 1990, if a city or town establishes a discriminatory transaction privilege tax or increases its existing discriminatory transaction privilege tax on hospitality industry businesses greater than any increase imposed on other types of businesses in the city or town, the proceeds of the established discriminatory transaction privilege tax, except as provided in subsection D, and the proceeds of any increase above the existing discriminatory transaction privilege tax shall be used exclusively by the city or town for the promotion of tourism. For the purposes of this section a tax which is in effect on April 1, 1990 and is subsequently renewed by a majority of qualified electors voting at an election to approve the renewal is not considered a tax increase.

C. For purposes of subsection B, expenditures by a city or town for the promotion of tourism include:

1. Direct expenditures by the city or town to promote tourism, including but not limited to sporting events or cultural exhibits.
2. Contracts between the city or town and nonprofit organizations or associations for the promotion of tourism by the nonprofit organization or association.
3. Expenditures by the city or town to develop, improve or operate tourism related attractions or facilities or to assist in the planning and promotion of such attractions and facilities.

D. If a city or town has not imposed a discriminatory transaction privilege tax up to a two per cent tax level on hospitality industry businesses as of April 1, 1990 and thereafter imposes or increases such a discriminatory transaction privilege tax, the first two percentage rate portion of the discriminatory transaction privilege tax is not subject to the provisions of subsection B.

E. The provisions of this section do not apply to cities or towns with populations of one hundred thousand persons or less according to the most recent United States decennial census.

F. For purposes of this section:

1. "Discriminatory transaction privilege tax" means any transaction privilege tax rate imposed by a city or town on hospitality industry businesses which is above the transaction privilege tax rate imposed by a city or town equally on all businesses subject to a transaction privilege tax.

2. "Hospitality industry businesses" means:

(a) A restaurant, bar, hotel, motel, liquor store, grocery store, convenience store or recreational vehicle park.

(b) A motor vehicle rental agency in a county stadium district which has imposed the car rental surcharge pursuant to section 48-4234.