



A Dash of SALT

How to Get Taxpayer-Specific Advice from the Arizona Department of Revenue

This month's state and local tax (SALT) column explains how to get advice from the Arizona Department of Revenue (Department) relative to a particular taxpayer and examines whether, and to what extent, the taxpayer can rely on such advice.

The Department publishes instructions for tax returns, publications regarding particular issues, and even issues tax rulings and tax procedures that apply to taxpayers generally. Taxpayers who reasonably rely on such instructions, publications, rulings, and procedures are not subject to penalties or interest (but, taxpayers who only rely on a publication are subject to interest) if such reliance results in an underpayment of tax. But, taxpayers generally are subject to the tax if the underpayment is discovered during the course of an audit.

However, even after reviewing the Department's instructions, publications, rulings, and procedures, taxpayers (and their tax advisors!) often have questions about how Arizona's tax laws apply to particular situations. Fortunately, in addition to collecting taxes and enforcing Arizona's tax laws, the Department also is charged with helping taxpayers comply with the law by providing them with information and advice.

Taxpayer-specific advice comes in three basic forms: oral advice, taxpayer information rulings, and private taxpayer rulings. As discussed below, each of these forms of advice have their pros and cons.

Oral Advice

Although one may be able to get oral advice from a Department employee almost instantaneously after asking a question of them, by statute, oral ad-

vice is not binding on the Department. Therefore, if it turns out that the advice was incorrect, the taxpayer will be liable for tax, interest, and maybe even penalties. Nevertheless, if one does get oral advice from the Department, it would be wise to make note of: (1) the advice received, (2) who provided the advice, and (3) when they provided the advice. That way, if it turns out that the advice was incorrect, one could at least try to get the Department to abate the penalties.

Taxpayer Information Rulings

Taxpayers who are concerned about a potential tax liability but who do not want to call attention to themselves may ask their CPA, attorney, or other tax advisor to request an anonymous taxpayer information ruling (TIR) for them.

Then, if the taxpayer likes the Department's answer, it can provide its identifying information within the time allowed by the Department. Upon doing so, assuming that the information provided to the Department was accurate and complete, and assuming that the taxpayer reasonably relies on the ruling, the taxpayer will not be responsible for tax, interest, or penalties if the Department subsequently audits the taxpayer and changes its interpretation of the law.

The Department will not issue TIRs on issues that are the subject of existing audits, appeals, or refund claims for the taxpayer requesting the ruling, and the



rulings only apply prospectively.

Private Taxpayer Rulings

Taxpayers may request private taxpayer rulings (PTRs) themselves, or through a CPA, attorney, or other tax advisor. The process of requesting a PTR is similar to the process of requesting a TIR, but taxpayers must provide their identifying information at the time that they initially request a PTR.

Assuming that the information provided to the Department when requesting a PTR was accurate and complete, and assuming that the taxpayer reasonably relies on the ruling, the taxpayer will not be responsible for tax, interest, or penalties if the Department subsequently audits the taxpayer and changes its interpretation of the law.

As with TIRs, the Department will not issue PTRs on issues that are the subject of existing audits, appeals, or refund claims for the taxpayer requesting the ruling, and the rulings only apply prospectively.

Practice Tip!

Because taxpayers who identify themselves in a timely fashion are now afforded the same protection whether they obtain a TIR or a PTR, taxpayers who are concerned about a potential tax liability but who do not want to call attention to themselves should ask their CPA, attorney, or other tax advisor to request an anonymous TIR for them. Then, if the taxpayer likes the

Department's answer, they can provide their identifying information within the time allowed by the Department in order to get the same protection provided by a PTR even though they initially approached the Department on an anonymous basis. **AZ CPA**

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