



February 13, 2019

Senate Finance Committee Members
via e-mail

RE: SB1166 – Conformity; Internal Revenue Code; Exceptions

Chairman Mesnard and members of the Senate Finance Committee,

I write to you as the chairman of the legislative committee of the Arizona Society of Enrolled Agents. Our association represents over 1,000 Arizona tax professionals who prepare over 200,000 tax returns for taxpayers throughout the state.

Our association opposes Senate Bill 1166, which decouples several provisions from the Federal tax code, because the implementation would place an undue burden on both taxpayers and tax professionals.

Supreme Court Judge Learned Hand stated that “Anyone may arrange his affairs so that his taxes shall be as low as possible.” They do so with the help of enrolled agents, federally licensed tax professionals who participate in required annual continuing education. Our members have already undertaken a minimum of 30 hours of continuing education in the past year, most with a focus on the Tax Cuts and Jobs Act. We have advised our clients of the law. We have trained our staff on what to expect. This bill, now 13 months delayed, is being introduced at the most hectic time of the year, in a state which has always been consistent in relation to conformity. This late, temporary change, denies taxpayers the exercise of their rights, is unfair to our members, and unfair to the clients they diligently represent.

This bill would likely cause a halt in tax return processing for the Arizona Department of Revenue. The Department, already working at the highest possible capacity, will have to reprogram computers, redesign forms, provide those forms to software companies, and approve software schema. All this before they can accept returns once again. This will cause a significant delay in processing, and separate taxpayers from their refunds in an unreasonable manner.

Most importantly, tens of thousands of taxpayers have already filed their income tax returns. For affected taxpayers, this means they will have to find receipts they believed unnecessary, fill out a complicated form 140X, and the State will have to deal with an inundation of amended returns. All at what cost? What will the cost be to the taxpayer in professional preparation fees? What will the cost be in the taxpayer’s time? And finally, what will the cost to the Arizona Department of Revenue to do this work, which will also come out of the taxpayer’s pocket?

The Arizona Society of Enrolled Agents stands with the Arizona Society of CPAs in supporting full conformity. We urge you to reject this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Blau", with "EA, CPA" written in smaller letters to the right.

Aaron Blau, EA, CPA
Legislative Chair
Arizona Society of Enrolled Agents

Cindy Nelson, EA
President
Arizona Society of Enrolled Agents