



## Retail Sales

### CITY OF PHOENIX PRIVILEGE LICENSE (SALES) TAX

#### WHO MUST PAY THE TAX?

You must be licensed and pay tax if you are in the business of selling items (tangible personal property) to someone who plans to use the items and not rent or resell them. The seller owes the tax to the City of Phoenix whether, or not the seller added the tax to the price of the item sold.

#### WHAT IS THE CITY TAX RATE?

The City's tax rate is 2.0%; the combined rate (including State & County taxes) is 8.3%.

#### WHEN IS TAX DUE?

Your tax return and payment are due on the 20<sup>th</sup> day of the month following the reporting period.

#### WHICH CITY IS OWED THE TAX?

The retail tax liability is based upon the seller's location, NOT the location of the buyer. If your business location is within the corporate limits of the City of Phoenix, you must be licensed.

#### WHAT IS TAXABLE?

Generally, all sales of tangible personal property are taxable. Examples include the following:

- Sales **to** churches, schools, clubs, nonprofit organizations, and governmental agencies
- Sales to federally chartered banks
- Sales of consigned goods or by auctioneers
- Sales of tools and equipment to contractors
- Sales of furnishings and appliances to apartments
- Sales of model home furnishings to builders

For further information, call the phone number or write to the address listed below.

#### DEDUCTIONS THAT CAN BE TAKEN (when included in the gross income on the front of your tax return)

1. State, County and City tax collected, whether charged separately or included in the sales price
2. bad debts on which tax was paid on a previous City return
3. sales for resale or release
4. charges for repair, service, or installation labor
5. discounts, refunds, or returns
6. freight out or delivery charges
7. sales to "Qualifying Health Care Facilities," including hospitals, nursing homes, and dialysis Centers (must be non-profit)
8. fifty percent (50%) of sales to the US Government (100% if sold by a manufacturer, modifier, assembler, or repairer)
9. out-of-state sales meeting **all** of the following three criteria:
  - a. the order was received from the customer by mail, solicitation, Internet, or phone from outside the State, **and**
  - b. the title to the item passed to the customer outside of the state, **and**
  - c. the item is purchased for use outside of the State
10. trade-ins

11. sales of gasoline
12. sales of "Income-Producing Capital Equipment" as defined by the City Code
13. sales of prescription drugs and prosthetics
14. lottery ticket sales
15. sales of warranty, maintenance, and service contracts (if optional)

**DOCUMENTING NON-TAXABLE SALES**

To properly document a non-taxable sale, you must obtain all of the following information:

1. customer's name
2. customer's business address
3. customer's specific business activity
4. customer's State license number (if any)
5. customer's City license number (if any)
6. reason for exemption
7. evidence to establish to a reasonable businessperson that the sale is exempt

A completed certificate should be obtained **AT THE TIME OF THE SALE**. The State Exemption Certificate (Form 5000) is accepted by both the State of Arizona and the City of Phoenix.

**CALCULATING THE TAX**

You may choose to charge the tax separately or you may include tax in your price. If you include tax in your price (no separate charge for tax), you may back out the tax in order to compute the amount of tax included in your gross income. The formula is:

TAXABLE SALES divided by 1 + COMBINED TAX RATE of 8.3% (State, County & City tax)

Calculate the tax deduction as follows:

$\text{Taxable Sales} \div \text{Factor (1.083)} = \text{Computed Taxable Income}$

Taxable Sales less Computed Taxable Income equals your deduction for tax collected.

Example:       $\$3,000.00 \div 1.083 = \$2,770.08$   
                  $\$3,000.00 - \$2,770.08 = \$229.92$  (tax collected deduction)

If more tax was collected than was due, the City's portion of excess tax collected must be paid to the City, unless it is refunded to the customer. Please refer to the Privilege (Sales) Tax Instruction Sheet for instructions on how to report excess tax collected or the tax collected deduction.

This material is available in alternate formats upon request. For more information, call (602) 262-6785, press 4, TTY (602) 534-5500, or write to City of Phoenix, TAX DIVISION, 251 W. Washington Street, 3<sup>rd</sup> Floor, Phoenix, Arizona 85003. For more information on our licensing, tax rates, tax return instructions or a copy of the Tax Code, visit our website at [www.phoenix.gov/PLT](http://www.phoenix.gov/PLT).

*This is general information only. For complete details, refer to the City of Phoenix Tax Code.*