SUMMARY OF ARIZONA TAXES

To better serve you, the Arizona Department of Revenue now offers online assistance and filing of your business taxes. To file your taxes online or to register to use the website, go to www.aztaxes.gov.

This publication is for general information about Arizona taxes. For complete details, refer to the Arizona Revised Statutes and the Arizona Administrative Code. In case of inconsistency or omission in this publication, the language of the Arizona Revised Statutes and the Arizona Administrative Code will prevail.

Personal Income Tax

Arizona's personal income tax is levied on residents and on nonresidents earning income in Arizona. The starting point for Arizona's individual income tax computation for resident individuals is the federal adjusted gross income (Arizona gross income). This amount is then subject to certain additions and subtractions to arrive at Arizona taxable income. Since the starting point for the Arizona income tax computation for resident individuals is the federal adjusted gross income, income taxable for federal purposes will likewise be taxable for Arizona purposes, unless such income is specifically excludable under Arizona law.

All income earned or received while you are a resident (if taxable to the federal government) is taxable to Arizona with a few exceptions. The most common addition in arriving at Arizona taxable income is interest income from non-Arizona municipal bonds. The *Resident Income Tax Return*, Arizona Form 140, instructions contain a complete list of the additions to income.

Subtractions in arriving at Arizona taxable income include interest income received from United States government obligations, Social Security income received under Title II of the Social Security Act, and railroad retirement benefits received from the Railroad Retirement Board under the Railroad Retirement Act. Arizona also allows a subtraction of up to $2,500 for U.S. Government civil service and military pensions and Arizona state or local pension income. Public retirement pensions from states other than Arizona do not qualify for this subtraction.

Arizona statutes also provide for either a standard deduction or itemized deductions. Arizona allows itemized deductions as claimed on the federal income tax return, plus a more liberal medical deduction. Since Arizona itemized deductions are tied to the federal itemized deductions, the amount of home mortgage interest and property taxes which can be deducted for federal purposes may likewise be deducted for Arizona purposes.

If a taxpayer chooses not to itemize deductions, a standard deduction may be taken. The 2012 standard deduction for head of household and married individuals who file a joint Arizona income tax return is $9,665. The standard deduction for all other filers is $4,833. These amounts are adjusted annually for inflation.

Arizona also allows a property tax credit for low income, full year residents, age 65 or older, or recipients of Title 16 Supplemental Security Income (SSI) if they own or rent property upon which Arizona property tax is paid. For more information, please refer to the Arizona Form 140PTC, (*Property Tax Refund (Credit) Claim*).

Arizona Transaction Privilege Tax

Arizona transaction privilege taxes are imposed on persons engaged in certain business classifications, including retail sales. Some counties and most Arizona cities impose an additional transaction privilege tax. Although the transaction privilege tax is usually passed on to the consumer, it is actually a tax on the vendor for the privilege of doing business in Arizona. The State of Arizona does not tax the sale of food for home consumption or drugs prescribed by a licensed physician or dentist.

Arizona Use Taxes

The State of Arizona imposes a use tax under A.R.S. § 42-5155(A), the tax is imposed on any person who uses, stores, or consumes in Arizona any tangible personal property purchased from a retailer upon which tax has not been collected by the retailer. The person's liability is not extinguished until the tax has been paid to this state. Some of the cities in Arizona may impose a use tax. Most of the large cities license and collect the use tax independently from the state.

General Property Taxes

Arizona does not have a property tax on household goods. Taxing jurisdictions set tax rates on the basis of the total assessed valuation within their boundaries and the amount of the levy to be raised. For additional information, contact the assessor's office of the specific county you are seeking information.

Estate and Inheritance Tax

For decedents dying after 2004, federal law repealed the federal state death tax credit (upon which the Arizona estate tax was based) which effectively cancelled the Arizona estate tax. Following the federal repeal, the Arizona legislature repealed the Arizona estate tax provisions (Laws 2006, Ch. 262, § 3). Arizona does not impose an inheritance or gift tax. An inheritance tax waiver is not required for decedents dying after 2004 as there is no possibility of tax due.

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Vehicle License Tax

Arizona charges a Vehicle License Tax (VLT) in lieu of a personal property tax on vehicles. The VLT is based on an assessed value of 60% of the manufacturer's base retail price reduced by 16.25% for each year since the vehicle was first registered in Arizona. As of December 1, 2000, the rate is calculated at $2.80 (new vehicles) / $2.89 (used vehicles) for each $100.00 of the assessed value.

For additional information on this tax, please call the Arizona Department of Transportation, Motor Vehicle Division. In the Phoenix area, call 602-255-0072. In the Tucson area, call 520-629-9808. Or call toll-free 1-800-251-5866. You can also visit their website at www.azdot.gov

Additional information is available through:

☆**Telephone**

Income Tax

Phoenix area. 602-255-3381
Toll free
from area codes 520 & 928 1-800-352-4090

Transaction Privilege Tax

Phoenix area. 602-255-2060
Toll free
from area codes 520 & 928 1-800-843-7196

☆our websites: www.azdor.gov
and for our business customers, www.AZTaxes.gov

☆or write to: Arizona Department of Revenue
Taxpayer Information and Assistance
1600 W Monroe
Phoenix AZ 85007

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