



Arizona Department of Revenue

Arizona Use Tax for Individual Taxpayer

Use tax is due when tax was not paid on purchases made over the Internet, through toll-free numbers, from mail order catalogs and from out-of-state locations.

Is use tax new?

No. Arizona first imposed use tax in 1955. Since that date, Arizona residents have been required to self-assess and report use tax liability to Arizona Department of Revenue (DOR). The use tax was instituted to protect Arizona sellers who otherwise would be at a competitive disadvantage when out-of-state sellers make sales of goods to Arizona customers without charging tax. All states that impose sales tax also impose use tax.

Why is use tax important?

Use tax is an important source of revenue for the Arizona General Fund. Every dollar collected is a dollar available for government and public services. Equally as important, uniform collection and enforcement of use tax provides for fair competition between out-of-state and Arizona-based businesses.

Are individuals liable for use tax?

Yes. Individuals who purchase taxable products from out-of-state locations but pay no sales tax are responsible for paying use tax.

Why do some out-of-state retailers collect tax and others do not?

An out-of-state company that is "engaged in business" in the State of Arizona must register with DOR to pay transactions privilege tax (sometimes referred to as "sales tax") on their retail sales of tangible personal property to Arizona customers. Generally, an out-of-state company is "engaged in business" in Arizona when they have a sales office, warehouse, or sales representative located in Arizona, or have some other physical presence in this state.

If a company is not "engaged in business" in Arizona, they will generally not charge Arizona tax. However, some out-of-state companies with no physical presence register with DOR and collect tax as a courtesy to their Arizona customers.

If the out-of-state vendor does not charge sales tax, the Arizona resident is required to remit use tax directly to DOR.

Are purchases I make online taxable?

Yes. If you purchase taxable merchandise over the Internet and it is used or consumed in Arizona, it is taxable.

Are casual sales taxable?

Casual sales between individuals are not subject to the use tax. Items purchased for use in Arizona from persons who make isolated or occasional sales and who are not engaged in the business of selling tangible personal property at retail are not subject to use tax.

What about the purchase of a vehicle?

If you purchase a vehicle from an out-of-state dealer or manufacturer, the Department of Transportation will require, at the time of vehicle registration, proof that tax was paid in the state of purchase and that the amount of state tax paid is equal to or greater than the applicable Arizona use tax rate. If tax was not paid in the state of purchase or was less than the Arizona use tax, the Department of Transportation will require that the use tax be paid at the time you register the vehicle.

What purchases are exempt from use tax?

Generally, the same types of items that are subject to transactions privilege tax are subject to use tax. Use tax does not apply to items specifically exempt from transactions privilege tax such as prescription medicines, most food items purchased at a grocery store, casual sales and sales for resale. You can find a list of items the sale of which are not subject to transactions privilege or use tax in *Pub 610, Use Taxes*. To see this brochure go to <http://www.azdor.gov/Portals/0/Brochure/610.pdf> or visit the DOR website at www.azdor.gov and click on publications.

What is the use tax rate?

The state use tax rate is the same as the state transactions privilege tax rate, currently 6.6%.

How do I report and pay use tax?

An individual has always been required to send use tax payments to the department by mail to:

Arizona Department of Revenue
Use Tax Unit, Room 620
1600 West Monroe Street
Phoenix, AZ 85007

In 2011, the Arizona Legislature passed a law making it easier for individuals to pay their Use Tax by putting a line on Form 140, 140A and 140EZ. The 2011 Tax Year is the first year that an individual will be able to report their use tax liability on the Arizona Individual Income Tax Return.

How will the use tax reported on the individual income tax return be computed?

The following is the worksheet that will be included in the instructions for the individual income tax return:

Use Tax Worksheet	
1. Taxable Purchases	
2. Arizona use tax rate	.066
3. Multiply line 1 by the decimal on line 2. Enter the result here.	
4. Round the amount on line 3 to the nearest whole dollar. If 50 cents or more, round up to the next dollar; if less than 50 cents, round down. Also enter this amount on Form 140A, page 1, line 30.	

Taxable purchases should only include those purchases from out-of-state retailers which were not already subject to Arizona's or another state's tax. In addition, the taxable purchases should not include purchases that are exempt from tax, such as prescription drugs.

Will Arizona be providing a table based on a taxpayer's income level or family size that may be used to determine a taxpayer's use tax liability?

The buying habits of taxpayers vary widely. Some taxpayers will make large amounts of catalog or Internet purchases and some will make none at all. A chart would assume everyone had the same buying habits and some taxpayer's would be reporting an amount not owed and others would have tax forgiven. The department does not currently have the authority for either. Therefore, a table will not be provided.

If a taxpayer reports zero use tax on their income tax return will an audit be triggered?

The department is prohibited by law from discussing its audit select criteria. However, the use tax is not a new tax. The law change simply added a line on the individual income tax return to make the use tax more visible and to make it easier for individuals to report the tax.

What types of documentation should taxpayers keep?

Any documentation that shows the purchase price and whether tax was already paid on items purchased over the internet, by telephone or through catalogs.

What happens if I don't pay the use tax due?

Failure to pay use tax may result in the imposition of penalties and interest. DOR conducts both routine and special audits to promote compliance.

USE TAX EXAMPLES:

I purchased merchandise from a catalog company based in Illinois. The seller charged me Arizona tax. Why was I charged tax? Should I report these purchases?

If the catalog company charged you Arizona tax, it is because the company has a presence in Arizona requiring it to pay transactions privilege tax, or is registered to collect use tax on behalf of its customers. Assuming the catalog company charged you the correct tax rate, you do not need to report these purchases because you already paid the appropriate tax directly to the catalog company who will then remit the tax to the Arizona Department of Revenue.

I purchased a pair of shoes over the Internet from a company in Montana. The seller shipped the shoes to my home and did not charge me any tax. Should I report these purchases?

Yes. This is an example in which use tax is due.

I purchased a digital camera by mail order from a company in New Jersey. They did not charge me Arizona tax. I purchased the camera as a gift for a friend. Should I report this purchase?

Yes. The purchase is subject to use tax regardless of whether you use the camera or give it as a gift to a friend.

I ordered assorted specialty luncheon meats, cheeses, and crackers from a company based in Wisconsin for consumption at home. Will Arizona use tax apply to this purchase?

No. you would not report the purchase of this item. Luncheon meats, cheeses, and crackers purchased for home consumption are food products and their purchase is exempt from tax.

I ordered a stove and refrigerator from a company based in New Hampshire. I had them ship the items directly to my cabin in Colorado. I plan to install these items in the cabin when I visit there later this year. Do I owe Arizona use tax on this purchase?

No. The Arizona use tax only applies to property used, consumed or stored in this state. Since the stove and refrigerator were never stored or used within Arizona, you are not required to report or pay Arizona use tax on this purchase.

I purchased a used set of golf clubs over the Internet from an individual in Connecticut. The seller shipped them to my home and did not charge me any tax. The individual is not in the retail business. Should I report these purchases?

No. Items purchased for use in Arizona from persons who make isolated or occasional sales and who are not engaged in the business of selling tangible personal property at retail are not subject to use tax.