GENERAL INSTRUCTIONS
Transaction Privilege, Use, and Severance Tax Return (TPT-1)
ARIZONA DEPARTMENT OF REVENUE
www.azdor.gov

Mailing Address
Arizona Department of Revenue
PO Box 29010
Phoenix, AZ 85038-9010

If you are mailing your Transaction Privilege Tax Return, it must be postmarked on or before the 25th day of the month.

Online Filing
Go to www.AZTaxes.gov

Customer Service Center Locations
8:00 a.m. - 5:00 p.m.
Monday through Friday
(except Arizona holidays and state employee furlough days)

Phoenix Office
1600 West Monroe
Phoenix, AZ 85007

Gilbert Office
275 East Germann Road
Building 2, Suite 180
Gilbert, AZ 85297
(This office does not handle billing or account disputes.)

Tucson Office
400 West Congress
Tucson, AZ 85701

Form TPT-1 and related tax forms are available at all Customer Service Centers or on the Department’s web site.

Customer Service Telephone Numbers
8:00 a.m. - 5:00 p.m.
Monday through Friday
(except Arizona holidays and state employee furlough days)

Phoenix Area
(602) 255-2060

Within Arizona
1 (800) 843-7196

Online Filing:
Form TPT-1 may be filed online. www.AZTaxes.gov is the Arizona Department of Revenue’s taxpayer service center web site that provides taxpayers with the ability to file tax returns and pay taxes due, conduct other transactions, and review tax account information over the internet. Save time and expense and comply with due date requirements with ease and convenience. File and pay online by becoming a registered business at www.AZTaxes.gov. For taxpayers electing to file and pay taxes electronically, the Department must receive the filing and payment on or before the last business day of the month; therefore, this transaction must be initiated before 5:00 p.m. of the preceding day.

Who Must File:
All businesses with income subject to transaction privilege tax, county excise tax, use or severance tax must file a Form TPT-1 return even if there is no tax liability due for the period. City tax for “program” cities is also reported on Form TPT-1. A list of the “program” cities is found in Table II of the TRANSACTION PRIVILEGE AND OTHER TAX RATE TABLES (“TAX RATE TABLES”) which are available on the Department’s web site (www.azdor.gov).

“Non-program” cities, such as Phoenix, Tucson, Scottsdale, Tempe and other large Arizona cities collect and administer their taxes independently on city tax forms. Non-program” city taxes are not reported on Form TPT-1. A listing of “non-program” cities is found in Table III of the TAX RATE TABLES.

Due Date for Form TPT-1:
Arizona Revised Statutes (A.R.S.) § 42-5014 states that Form TPT-1 is due on the 20th day of the month following the month (or other reporting period) in which the tax is collected or accrued. (This date is used for the computation of penalties or interest that applies to returns or payments that are filed late.) However, A.R.S. § 42-5014 allows that a return will be considered to be filed timely if it is postmarked on or before the 25th day of the month or received by the Department on or before the business day preceding the last business day of the month. For taxpayers that file their returns in person, the return must be received by the Department on or before the business day preceding the last business day of the month. A business day is any day except Saturday, Sunday, or a legal Arizona state holiday. Regarding the due date for electronically filed returns, see “Online Filing” above.

Late Filing Penalty – Other Penalties
All returns that are not filed timely are subject to a late filing penalty. The late filing penalty imposed by A.R.S. § 42-1125(A), as qualified by A.R.S. § 42-5014(E), is computed against the total amount of tax reported on the return, without any deduction for tax that was paid on or before the due date. A late payment penalty and other penalties may apply as provided in A.R.S. § 42-1125. Penalties and interest are assessed based on the statutory due date of the 20th day of the month.

Amended Returns:
Form TPT-1 must also be used to amend original returns that were filed for any previous reporting periods. To amend a previously filed Form TPT-1, check the box in Section I marked “Amended Return” and complete the return with the corrected numbers. Amended Form TPT-1 returns require some changes in the reporting of certain lines on the return as specifically noted in these instructions. See the instruction items shown with an asterisk (*).

PLEASE NOTE: All of the lines in the TPT-1 return must be resubmitted on the amended TPT-1 return – not just the changed lines.

Due Date: An amended return which claims a refund or credit must be filed within four years of the due date of the original return or four years from the date the original return was filed, whichever date is later. A taxpayer may not use an amended return to change a payment of estimated tax or to change the application of a claimed estimated tax payment.
**TRANSACTION PRIVILEGE, USE, AND SEVERANCE TAX RETURN (TPT-1)**

1. **Patient Information**
   - Address Changed
   - Transaction Details
   - Tax Computation
   - Deduction Codes

2. **INSTRUCTIONS**
   - Amended Return Only
   - Deduction Amount
   - Tax Computation
   - Deduction Codes

3. **Additional Instructions**
   - Deduction Codes
   - Tax Computation
   - Amended Return
   - Deduction Codes

4. **Other Information**
   - Address Changed
   - Deduction Details

5. **Business Name and Address**
   - If you are preparing a blank form, write in the correct information.
   - If you are completing a preprinted form, check the accuracy of the business name and mailing address printed on the form.

6. **State License Number**
   - Include all lines that were present on the original return, even if there are no changes to some lines.

7. **Taxpayer Identification Number**
   - The Taxpayer Identification Number is the number that the licensee uses to report federal income tax for the business: either the federal employer identification number (EIN) or social security number (SSN).

8. **Reporting Period**
   - Check the accuracy of the PERIOD BEGINNING and the PERIOD ENDING boxes, and make corrections if necessary.

9. **Business Classification**
   - This column will identify your type of business, or "classification." For example, "retail," "restaurant/bar," "contracting," etc.

10. **Region Code**
    - This column identifies the county or city in which you conduct business, or the special region code required of some businesses.
Business Class Number [Column C]
For reporting state and county tax, this column identifies the three-digit number corresponding to your business classification, which can be found in Table I of the TAX RATE TABLES. (e.g., 017 is the business class number for a retail business).

For reporting program city tax, this column identifies the category of city tax that is being reported. These three-digit numbers can be found in Table II of the TAX RATE TABLES. Please note that these numbers may vary by city.

Gross (Receipts) Amount [Column D]
For each line item (reported business class or city), enter the gross income in column D. Enter the gross amount of money, cash or other consideration you received during the reporting period of the return (if you are using the cash receipts basis of accounting), or the total amount of revenue you invoiced, billed or otherwise recognized during this reporting period (if you are using the accrual basis of accounting). For both methods of reporting, the amount reported as gross income should include the tax amount collected. The tax will be deducted in column E.

Deduction Amount [Column E]
Enter that portion of the reported gross receipts that is deductible or exempt income. (For most deductions or exempt income, the seller should retain appropriate documentation relating to the deductible or exempt income.) Deductions are to be itemized by category in Schedule A on page 2 of the TPT-1 form. (See separate instructions for completing Schedule A on page 4.)

Common deductions include income from: sales for resale; labor or delivery charges for retail sales; sales of exempt manufacturing equipment; and exempt retail food sales.

Deduction for Taxes
The most common deduction is the deduction for tax itself. The gross receipts in column D should include whatever tax you have collected. Deduct this tax amount to avoid calculating tax on an amount that already includes tax. You are allowed to deduct state, county, and city taxes you collected and included in your gross amount. Or, if you did not separately charge and collect tax, you are allowed to assume that the tax collected is a part of the gross receipts amount, and you can factor that tax.

Tax Factoring
Tax factoring is appropriate only when the taxes were not separately charged to the customer or charged to the customer at an incorrect rate. Taxes can be factored from gross receipts by using a mathematical formula, or by using the “factors” provided on the Department’s web site. (Additional information about factoring is provided in the Department’s TRANSACTION PRIVILEGE TAX PROCEDURES TPP 00-1 and TPP 00-2 available at www.azdor.gov.)

Net Taxable Amount [Column F]
Subtract column E from column D. Enter the result in column F. This is the net income that is subject to tax.

Tax Rate [Column G]
If you receive your tax returns by mail or file online, the tax rates for your classification or for the cities for which you report should be preprinted on Form TPT-1. If they are not preprinted or you obtain a blank form, you can find the tax rates by checking the TAX RATE TABLES, which are available on the Department’s web site (www.azdor.gov) and are updated frequently. The tax rate shown should be expressed as a decimal. (For example, 6.3% = .06300)

Total Tax Amount [Column H]
Multiply column F by column G. Enter the result in column H.

Accounting Credit
The State of Arizona provides a credit for accounting and reporting expenses. The accounting credit is applicable only to state Transaction Privilege Tax or Severance Tax; it does not apply to city, county or other taxes. (See Table I of the TAX RATE TABLES for the state business classes eligible for the accounting credit.) The Department allows this credit to taxpayers who file and pay their transaction privilege taxes timely and in full. If these conditions are not met, the accounting credit will be disallowed. The credit is equal to 1% of the amount of state tax due, but cannot exceed $10,000 for a calendar year. [See A.R.S. § 42-5017 and Arizona Administrative Code (A.A.C.) Rule R15-5-2007 for more information.]

Accounting Credit Rate [Column I]
The accounting credit rate for your classification should be preprinted on the form. If you are preparing a blank form, you can find the accounting credit rates in Table I of the TAX RATE TABLES.

*Accounting Credit [Column J]
Multiply column F by column I. Enter the result in column J. This is your accounting credit. (For an amended return in which the state transaction privilege tax liability is increased, the accounting credit is limited to what was claimed on the original return.)

Subtotals
It is only necessary to add the amounts in columns E, H and J. For multipage returns, you may enter the grand totals of all columns E, H and J on this line.

Section III – Tax Computation

Line 1: Total Deductions from Schedule A
Enter the sum of the deduction amounts entered in Schedule A, which should equal the sum of all amounts entered in column E.

Line 2: Total Tax Amount
This amount should be the sum of the amounts entered in column H on page 1 plus any additional pages.

Line 3: State Excess Tax Collected
By law, if you collected more tax than is calculated as due, the combined excess must be reported and paid to the Department of Revenue. Excess state tax collected should be entered on line 3.

Line 4: Other Excess Tax Collected
Other excess tax (city or county) collected/charged should be entered on line 4.

Line 5: Total Tax Liability
Add lines 2, 3, and 4 and enter the sum on line 5.

Line 6: Accounting Credit
This amount should be the sum of the amounts entered in column J on page 1 plus any additional pages.

Line 7: State Excess Tax Accounting Credit
Multiply line 3 by .01 and enter the result on line 7.

Line 8: Total Accounting Credit
Add lines 6 and 7 and enter the result on line 8.

Line 9: Net Tax Due
Subtract line 8 from line 5 and enter the result on line 9.

Line 10: Penalty and Interest
By law, returns that are filed late are assessed a late filing penalty of 4.5% per month or any portion of a month up to a maximum of 25% of the amount of tax reported on the return without any deduction for tax paid on or before the due date. The late payment penalty is .5% per month up to a maximum of 10%. The maximum total of these two penalties cannot exceed 25 percent of the tax due.
Arizona’s interest rate is the same as the federal rate and continues to accrue until taxes are paid. Interest rate tables are available on the Department’s web site, or you may contact the Department at one of the phone numbers listed on page 1. Late payments of estimated tax are also subject to penalty and interest.

*Line 11: Estimated Tax Payments
Enter the amount paid as an estimated tax payment on Arizona Form TPT-ES. (Note: For an amended return in which an estimated tax payment was claimed on the original, do not restate the payment.)

Annual Estimated Tax Payment Filing Requirements
Some taxpayers are required to make a single Annual Estimated Tax Payment on June 20th on Form TPT-ES. These are taxpayers that have previously had an annual tax liability of $1,000,000 or more, or those who can reasonably anticipate such a liability in the current year. (See A.R.S. § 42-5014, A.A.C. Rule R15-5-2215, and Form TPT-ES for additional information and instructions.)

Line 12: Total Amount due this Period
Add lines 9 and 10. Subtract line 11 from this amount and enter the result on line 12.

Line 13: Additional Payment to be Applied
If you owe a tax, penalty or interest liability originating from the filing of a previous TPT-1 return, you may include payment of this liability with this return. Please enter the amount of the additional payment on line 13.

*Line 14: Total Amount Remitted With This Return
Add lines 12 and 13 and enter the result on line 14. (For an amended return, you may note the amount paid with the original return in the box to the right of line 12. On line 14, indicate only the additional amount remitted with the amended return. If the amended return is claiming a refund, leave line 14 blank and the Department will compute the refund due.)

Signature
Sign the return. Every return must be signed by the taxpayer or the taxpayer’s authorized agent as noted.

Paid preparer’s signature. If the return has been prepared by a paid preparer, the return must include the paid preparer’s signature and Taxpayer Identification Number.

SCHEDULE A INSTRUCTIONS (Page 2)

16 In Schedule A, the deductions that have been taken in column E on page 1 must be itemized by category. The total of the amounts listed in Schedule A should equal the total of the amounts listed in column E. The deductions taken on all lines in Section II, including lines that report city tax, must be itemized.

17 Deduction Codes to be used for itemizing deductions listed on all lines, are provided to the right of Schedule A on page 2. Many of the deduction codes listed can be used for several business classifications, as allowed by statute. If none of the deduction codes listed are applicable, please use Deduction Code 999 for other state tax deductions authorized by state statute, and Deduction Code 888 for other city tax deductions authorized by the Model City Tax Code.

The Deduction Code descriptions provided on page 2 of the TPT-1 Return are paraphrased and not all of the codes are provided. To view all codes and the statutory language of the deductions for which codes are provided, as well as any administrative guidance provided by the Department, please go to www.azdor.gov/Forms/TPT.aspx and click on “TPT-1 Deduction Codes.”

Schedule A should be completed as follows: In columns K (Region Code) and L (Business Class), list the region code and business class corresponding to the line on which the deduction was taken in Section II on page 1. In column M (Deduction Code), choose the appropriate deduction code from the Deduction Code List. In column N, list the specific amount of each deduction. The total itemized deductions in Schedule A should equal the total of the deduction amounts in column E in Section II.

Example: Completing Section II and Schedule A
A retailer located in Carefree (which has a 3% city privilege tax rate) has $2,174.50 of gross receipts which breaks down as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nontaxable Sales for Resale</td>
<td>400.00</td>
</tr>
<tr>
<td>Exempt Delivery Charges</td>
<td>120.00</td>
</tr>
<tr>
<td>State and County Tax ($1,500 x 7.3%)</td>
<td>109.50</td>
</tr>
<tr>
<td>Carefree City Tax ($1,500 x 3.0%)</td>
<td>45.00</td>
</tr>
<tr>
<td>TOTAL DEDUCTION AMOUNT</td>
<td>$674.50</td>
</tr>
<tr>
<td>NET TAXABLE AMOUNT</td>
<td>$1500.00</td>
</tr>
</tbody>
</table>

Carefree is a “program” city (located in Maricopa County) whose city taxes are administered and collected by the Department on Form TPT-1. Combined state and county taxes are reported on one line in Section II, and city taxes are reported on a separate line in Section II. In reporting the state transaction privilege tax and county excise taxes, MAR is the Region Code for Maricopa County, and 017 is the state Business Class for retail sales. In reporting the Carefree privilege tax, CA is the Region Code and 000 is the Business Class code for Carefree’s city privilege tax.

In Section II on the front of the form, the income, deductions and tax are reported as follows:

<table>
<thead>
<tr>
<th>BUSINESS CLASS</th>
<th>REGION CODE</th>
<th>GROSS RECEIPTS</th>
<th>DEDUCTION AMOUNT</th>
<th>NET TAXABLE AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>MAR</td>
<td>2174.50</td>
<td>674.50</td>
<td>1500.00</td>
</tr>
<tr>
<td>Carefree</td>
<td>CA</td>
<td>000</td>
<td>2174.50</td>
<td>674.50</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1500.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1349.00</td>
<td></td>
<td>154 50</td>
</tr>
</tbody>
</table>

On Schedule A, the deductions are itemized as follows:

SCHEDULE A

<table>
<thead>
<tr>
<th>Deduction Detail</th>
<th>IN DEDUCTION CODE</th>
<th>IN DEDUCTION AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MAR 017</td>
<td>551 154 50</td>
</tr>
<tr>
<td></td>
<td>MAR 017</td>
<td>503 400 00</td>
</tr>
<tr>
<td></td>
<td>MAR 017</td>
<td>549 120 00</td>
</tr>
<tr>
<td></td>
<td>CA 000</td>
<td>551 154 50</td>
</tr>
<tr>
<td></td>
<td>CA 000</td>
<td>503 400 00</td>
</tr>
<tr>
<td></td>
<td>CA 000</td>
<td>549 120 00</td>
</tr>
</tbody>
</table>

Total Deductions.... 1349.00

You will notice that the Total Deductions listed in Schedule A is equal to the total of the amounts listed in column E in Section II. The total from Schedule A is also to be entered on line 1 in Section III on page 1 of Form TPT-1.