

AZTaxes Newsletter January 2015

Transaction Privilege and Use Tax (TPT) is always due on the 20th of the month.

For TPT Electronic File and Pay

- **January 2015 TPT-1 and Payment;** to be considered timely received by the last business day of the month, you must submit electronically **both** your TPT-1 and your payment, no later than 5:00pm (Mountain Standard Time) Thursday, February 26, 2015.

For TPT Sent by Mail or Hand-Delivered

- **January 2015 TPT-1 for all taxpayers who elect not to file electronically;** TPT-1 return must be received no later than Thursday, February 26, 2015. If the TPT-1 is received after this date it will be considered late.

NOTE: Beginning with the January 2015 TPT-1 return due in February 2015, for paper filed returns, it must be received by the Department on or before the second to last business day of the month. If the return is received after the second to the last business day, the return is not timely regardless of the postmark date. This includes returns filed by mail or hand-delivered to the Arizona Department of Revenue.

TAX INFORMATION AND ALERTS

Additional Cities Joining the State Collection System

Effective January 1, 2015: **Bullhead City, Somerton and Willcox** joined the Arizona state collection system. To assist you in reporting correctly on your TPT-1, a detailed list of codes is available for each of these cities. Each list provides the Type of Business, the associated Business Code, the Region Code and the applicable Tax Rate. This information can be found under menu topics "Business" and "TPT Rates" at www.azdor.gov and by selecting the County or City you require this information for.

City Business Codes Have Changed

City codes have changed. The new city codes are standard between all cities and match state codes in most instances. A bridge linking the old codes to the new codes has been created for each city to assist you in determining the new code. For example, if you currently file 000 and you are a retailer, your new code is 017. Each city bridge can be found for each city name at:

<http://www.azdor.gov/Business/TransactionPrivilegeTax/TPTRates.aspx>

Standardized Deduction Codes

Use of deduction codes 888 and 999 discontinued. Use of codes 888 and 999 will be disallowed and penalties and interest may apply. Beginning January 1, 2015, there will be one list of deduction codes for the State/county and cities. Standardized list of deduction codes is available at:

<http://www.azdor.gov/TPTSimplification/DeductionCodes.aspx>

Residential Rental Property Managers

Effective for 2015: Property Managers can continue to file tax returns in the same manner they did for each city and ADOR in 2014. Property Managers that hold the license with a city which did not license individual owners in 2014 do not need to have all of their owners complete license applications and pay license fees by January 30, 2015 as previously requested, because these are not considered license renewals. By June 30, 2015, all individual owners must have complete license applications on file with the Non-Program Cities, or with ADOR for properties located in Program Cities. Any owner formerly reporting under a Property Manager's license that has already become licensed doesn't need to do anything. The cities and ADOR will continue to accept Property Manager tax returns through 2015 if they were allowed to do so in 2014. For more information, please refer to the TPT Simplification webpage at www.azdor.gov.

Prime Contracting Changes

Examples involving changes to the prime contracting classification for Arizona TPT and answers to Contracting frequently asked questions, can be found on the Arizona Transaction privilege Tax Notice TPN 14-1, available at:

<http://www.azdor.gov/LinkClick.aspx?fileticket=HwBindleIH4%3d&tabid=338>

Retail Changes Effective January 1, 2015

Arizona Revised Statutes (A.R.S.) § 42-5061.A.14 has been amended to limit the exemption for sales of tangible personal property to nonresidents to only apply to the sale of motor vehicles. Therefore, beginning January 1, 2015, sales to a nonresident of tangible personal property, other than a motor vehicle, shipped or delivered to a location outside Arizona for use outside the state, are subject to tax at the seller's business location.

For example, an out-of-state resident who is visiting Arizona or who is in the state temporarily, goes into an art gallery and purchases a painting. The customer asks that the painting be shipped to their residence in their home state. The customer shows the retailer their driver's license. Prior to January 1, 2015, this sale was not subject to tax. The retailer used deduction code 541 when taking the deduction on the TPT-1. **As of January 1, 2015, this sale is subject to tax.**

A.R.S. § 42-5061.A.35 (effective prior to 1/1/2015) has been repealed effective January 1, 2015. Therefore, beginning January 1, 2015, sales of tangible personal

property shipped or delivered directly to a destination outside the United States for use in that foreign country are subject to tax.

For example, a customer goes into a retail store and purchases tangible personal property. The customer asks that the tangible personal property be shipped to a location in Canada. Prior to January 1, 2015, this sale was not subject to tax. The retailer used deduction code 540 when taking the deduction on the TPT-1. **As of January 1, 2015, this sale is subject to tax. Deduction code 540 is no longer a valid deduction code.**

However, the above amendments do not affect sales made in interstate or foreign commerce that are deductible under **A.R.S. § 42-5061.A.24**. If the order for the tangible personal property is received from a location outside the state and the tangible personal property is shipped or delivered by the seller to a location outside the state, the sale is not subject tax. **The deduction code for this exemption is 504.**

For example, a retailer receives a call from a customer in Ohio. The customer orders/purchases tangible personal property to be delivered to the customer in Ohio. The gross receipts from this sale are deductible under A.R.S. § 42-5061.A.24. The deduction would also apply if this order had been placed on the retailer's website.

Arizona Administrative Code rule R15-5-170 addresses the application of this deduction.

R15-5-170 Interstate and Foreign Transactions

A. Gross receipts from sales of tangible personal property made in interstate or foreign commerce are deductible from the tax base if all of the following apply:

1. The order is received from a location outside of Arizona; and
2. The retailer ships or delivers the tangible personal property to a location outside of Arizona for use outside of Arizona.

B. In meeting the above requirements, if delivery is made by the retailer to a common carrier for transportation to a location outside Arizona, the common carrier is deemed to be the agent of the retailer for purposes of this rule regardless of who is responsible for payment of the freight charges.

C. Suitable records shall be kept to substantiate the deduction for a sale made in interstate commerce. As such, records shall identify the tangible personal property sold and the delivery destination. The following records may be sufficient to substantiate the exemption:

1. Suitable records for substantiating the receipt of an order from out-of-state may include purchase orders, letters, or written memoranda on the receipt of orders placed by telephone.
2. Suitable records for substantiating out-of-state shipments include:
 - a. Internal delivery orders supported by receipts of expenses incurred in delivering the property and signed on the delivery date by the person who delivers the property;

- b. Common carrier's receipt or bill of lading;
- c. Parcel post receipt;
- d. Export declaration;
- e. Receipt from a licensed broker; or
- f. Proof of export or import signed by a customs officer.



Model City Tax Code

Go online at <http://modelcitytaxcode.az.gov/> to find information about City Tax Code, recent and proposed changes to the Model City Tax Code and City Tax Rates.

CITY OF FLAGSTAFF

Effective January 1, 2015

The City of Flagstaff hereby gives notice that the majority of the qualified electors voting in the November 4, 2014 General Election approved an increase of **0.33%** from **1.721%** to **2.051%** in the City of Flagstaff transaction privilege tax rate to commence January 1, 2015 and sunset in 20 years. This change affects the following business classifications;

Sec. 3-05-004-0405 Advertising; 0410 Amusements, Exhibitions, and Similar Activities; 0415 Construction Contracting; 0416 Construction Contracting Speculative Builders; 0417 Construction Contracting Owner-Builders; 0420 Feed at Wholesale; 0425 Job Printing; 0427 Manufactured Buildings; 0430 Timbering and Other Extraction; 0435 Publishing and Periodicals Distribution; 0445 Rental, Leasing, and Licensing for Use of Real Property; 0450 Rental, Leasing, and Licensing for Use of Tangible Property; 0460 Retail Sales; 0470 Telecommunication Services; 0475 Transporting for Hire; 0480 Utility Services;

The City of Flagstaff Transaction Privilege Tax rate is being increased from **3.721%** to **4.051%** for the following **Sections: 3-05-004-0444 Hotels; and 0455 Restaurants and Bars**

CITY of TUCSON

Effective January 1, 2015

On September 9, 2014, the Mayor and Council of the City of Tucson passed Ordinance Number 11198. Ordinance 11198 relating to Transaction Privilege Tax and occupational license fees. The ordinance set the City of Tucson tax license fee in Section 310 of the Model City Tax Code from **\$45.00 to \$20.00**. The Ordinance also removes City of Tucson's 310.1 regarding the proration of the tax license fee. The annual renewal for 2015 which will be billed in October should be billed at the twenty dollars (\$20.00) rate.

These changes enacted by these ordinances shall be effective from and after January 1, 2015.

CITY OF APACHE JUNCTION

Effective March 1, 2015

On December 2, 2014, the Mayor and City Council of the City of Apache Junction passed Ordinance No. 1406. Ordinance No. 1406 amended the tax code of the City of Apache Junction by increasing the rate of taxation by **two-tenths of one percent (0.2%)** from the existing rate of **two and two-tenth percent (2.2%)** to a total of **two and four-tenths percent (2.4%)**. Providing penalties for the violation thereof; providing for severability, repealing conflicting provisions, making a provision for existing contracts designating an effective date of March 1, 2015. The provision of the ordinance shall terminate, or commonly understood to "sunset" on March 1, 2025 at which time the increased tax rate shall automatically revert back to the **two and two-tenths percent (2.2%)** or whatever the effective rate is in place at that time. This change affects the following business classifications;

Sec. 8A-405 Advertising; 8A-410 Amusements, Exhibitions, and Similar Activities; 8A-415 Construction Contracting; 8A-416 Construction Contracting Speculative Builders; 8A-417 Construction Contracting Owner-Builders; 8A-420 Feed at Wholesale; 8A-425 Job Printing; 8A-427 Manufactured Buildings; 8A-430 Timbering and Other Extraction; 8A-435 Publishing and Periodicals Distribution; 8A-444 Hotels; 8A-447 Additional tax Upon transient lodging; 8A-450 Rental, Leasing, and Licensing for Use of Tangible Property; 8A-455 Restaurants and Bars; 8A-475 Transporting for Hire;

Sec. 8A-460 Retail sales rate of **two and four-tenths (2.4%)** shall apply the first \$2,000.00 on the sale of a single item. Above \$2,000.00 the measure of tax shall be at a rate of **one and four-tenths percent (1.4%)**.

The City of Apache Junction Transaction Privilege Tax rate approved an increase of **0.2%** from **three and two-tenth percent (3.2%)** to **three and four-tenths percent (3.4%)** for the following **Sections: 8A-470 Telecommunications; and 8A-480 Utility services.**

Note: The Arizona Department of Revenue has no responsibility for the administration of this tax at this time. Its only responsibility is to add this information to the official copy of the Model City Tax Code.

CITY OF BISBEE

Effective March 1, 2015

On December 16, 2014, the Mayor and City Council of the City of Bisbee passed Ordinance No. O-14-08 and Ordinance No. O-14-09. **Ordinance No. O-14-08** amended the tax code of the City of Bisbee by increasing the rate of taxation by **one percent (1%)** from the existing rate of **two and five-tenths percent (2.5%)** to a total of **three and five-tenths percent (3.5%)** for a period **not to exceed eight (8) years**. Ordinance

No. O-14-08 provided penalties for the violation thereof; designated effective and termination dates; created a provision for existing agreements; provided for repeal and severability. This change affects the following business classifications;

Sec. 8A-405 Advertising; 8A-410 Amusements, Exhibitions, and Similar Activities; 8A-415 Construction Contracting; 8A-416 Construction Contracting Speculative Builders; 8A-417 Construction Contracting Owner-Builders; 8A-420 Feed at Wholesale; 8A-425 Job Printing; 8A-427 Manufactured Buildings; 8A-430 Timbering and Other Extraction; 8A-435 Publishing and Periodicals Distribution; 8A-444 Hotels; 8A-445 Rental, Leasing, and Licensing for Use of Real Property; 8A-450 Rental, Leasing, and Licensing for Use of Tangible Property; 8A-455 Restaurants and Bars; Sec. 8A-460 Retail sales; 8A-470 Telecommunications services; 8A-475 Transporting for hire; and 8A-480 Utility services.

Ordinance No. O-14-09 amended the tax code of the City of Bisbee by increasing the rate of taxation by **one percent (1%)** from the existing rate of **two and five-tenths percent (2.5%)** to a total of **three and five-tenths percent (3.5%)** for a period **not to exceed four (4) years**. Ordinance No. O-14-09 provided penalties for the violation thereof; designated effective and termination dates; created a provision for existing agreements; provided for repeal and severability. This change affects the following business classification;

Sec. 8A-447 Rental, leasing, and licensing for use of real property: additional tax upon transient lodging.

This increase has an effective date of March 1, 2015.

TOWN OF CAMP VERDE **Effective March 1, 2015**

On January 7, 2015, the Mayor and City Council of the Town of Camp Verde passed Ordinance No. 2015-A403. Ordinance No. 2015-A403 amended the tax code of the Town of Camp Verde by increasing the rate of taxation from the existing rate of **three percent (3%)** to a total of **three point six five percent (3.65%)**. This change affects the following business classifications;

Sec. 8-405 Advertising; 8-410 Amusements, Exhibitions, and Similar Activities; 8-415 Construction Contracting: Construction Contractors; 8-416 Construction Contracting: Speculative Builders; 8-417 Construction Contracting: Owner-Builders; 8-425 Job Printing; 8-427 Manufactured Buildings; 8-430 Timbering and Other Extraction; 8-435 Publishing and Periodicals Distribution; 8-444 Hotels; 8-450 Rental, Leasing, and Licensing for Use of Tangible Property; 8-455 Restaurants and Bars; Sec. 8-460 Retail sales; 8-470 Telecommunications services; 8-475 Transporting for hire; and 8-480 Utility Services.

The tax rate in the following section of the Tax Code of the Town of Camp Verde will be increasing from **two percent (2%)** to **three point six five percent (3.65%)**:

Sec. 8-610 Use Tax: imposition of tax; presumption

The tax rate in the following section of the Tax Code of the Town of Camp Verde are excluded from the increase and will remain unchanged:

Sec. 8-432 Mining; 8-445 Rental, Leasing, and Licensing for Use of Real Property; 8-447 Rental, leasing, and licensing for use of real property: additional tax upon transient lodging,

Ordinance No. 2015-A403 provides for a pre-existing contract exclusion from the Privilege Tax increase. This exclusion terminates one (1) year from the effective date of this ordinance on March 1, 2016.

These increases have an effective date of March 1, 2015.

TOWN OF ORO VALLEY

Effective March 1, 2015

On December 17, 2014, the Mayor and Town Council of the Town of Oro Valley passed Ordinance No. (O)14-17. Ordinance No. (O)14-17 amended the tax code of the Town of Oro Valley by increasing the rate of taxation by **five-tenths of one percent (0.5%)** from the existing rate of **two percent (2%)** to a total of **two and five-tenths percent (2.5%)**. All rules of the Town of Oro Valley in conflict therewith; preserving the right and duties that have already matured and proceedings that have already begun thereunder. This increase has an effective date of March 1, 2015. This change affects the following business classifications;

Sec. 8A-405 Advertising; 8A-410 Amusements, Exhibitions, and Similar Activities; 8A-425 Job Printing; 8A-427 Manufactured Buildings; 8A-430 Timbering and Other Extraction; 8A-435 Publishing and Periodicals Distribution; 8A-444 Hotels; 8A-450 Rental, Leasing, and Licensing for Use of Tangible Property; 8A-455 Restaurants and Bars; Sec. 8A-460 Retail sales; and 8A-475 Transporting for Hire.

TOWN OF GUADALUPE

Effective April 1, 2015

On January 8, 2015, the Mayor and Town Council of the Town of Guadalupe passed Ordinance No. 2015-01. Ordinance No. 2015-01 amended the tax code of Guadalupe Chapter 9 Transaction Privilege Tax otherwise known as the tax code of Guadalupe Article IV Section 9-447 Rental, Leasing and Licensing for Use of Real Property;

additional tax upon transient lodging. The ordinance change creates the **Hotel/Motel (Additional Tax) Classification (GU 144) at six percent (6%)**.

Appointing the Arizona Department of Revenue to collect the tax on behalf of the town, and repealing Chapter 8, Article 8-4 of the Guadalupe Town code entitled Transient Lodging Tax.

This ordinance has an effective date of April 1, 2015.

CITY OF WINSLOW **Effective January 1, 2016**

In a Special Election held May 20, 2014, the City of Winslow was authorized to continue the **Additional one percent (1%) Privilege Tax**. Ordinance 1234 was passed and adopted by the Council of the City of Winslow, August 26th, 2014. The tax was approved for an additional twenty years beginning January 1, 2016. The provisions of the tax imposed shall cease on or after January 1, 2036 unless reauthorized by the qualified electors of the city at an election called for this purpose. The tax rate for **WS 000** will continue at **three percent (3%)**.

Arizona Transaction Privilege Tax (TPT) License Update

Changes to TPT licenses are subject to a \$12 fee per location for the state fee and any applicable city fees. There are no fees for changes to corporate account, Use Tax or Withholding registrations. Changes to following items can be requested by using the Business Account Update form available at www.azdor.gov:

- Business name
- Mailing address
- Business location
- Additional business or rental location(s) filing consolidated reports
- Corporate officer

EFT Payments

- Registered businesses can register for ACH Debit to make EFT payments.
- After you log in and select your business account, select "Business Registration" then "ACH Debit" and follow the easy directions.

Payment and Refund Status Options Are Available on AZTaxes.gov

- ACH Debit, E-Check, credit card and Visa or MasterCard branded debit cards
- Use www.AZTaxes.gov to check the status of your income tax refund
- Use "Make a Payment" option to pay your income tax

Electronic Payment Settlement Date

In order for your electronic payment to be received timely, your electronic transaction must be submitted in advance of the cutoff time and due date:

- ACH Debit or E-Check; payments made on AZTaxes must be submitted before 5:00pm Mountain Standard Time (MST) the Arizona business day prior to the due date in order for your payment to settle the next business day. The settlement date is the date the money is debited from your bank account and credited to the Department of Revenue.
- Credit Cards; payments submitted before 5:00pm (MST) will be credited to your Department of Revenue account on the same day. Same day only applies to *credit card* payments.

Payment Arrangements

- To make payments over a period of time, contact the Office Collections Section in Phoenix at (602) 542-5551 or Tucson at (520) 628-6442. Any Revenue Officer will be able to assist you.
- Information is also available at www.azdor.gov/Collections/PaymentArrangement