

# MINING/NONMETAL

To better serve you, the Arizona Department of Revenue (AZDOR) offers online assistance and filing of your business taxes. To register to use the site and file your taxes online, go to [www.AZTaxes.gov](http://www.AZTaxes.gov).

This publication provides general information about transaction privilege tax (TPT) on Mining/Nonmetal. The Arizona transaction privilege tax is a tax on the privilege of doing business in Arizona.

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.

## Who Must Pay?

Anyone in the business of mining, quarrying or producing for sale, profit, or commercial use any nonmetal mineral product is subject to the transaction privilege tax under the mining classification. A business engaged in mining nonmetal mineral products must have a transaction privilege tax license. Nonmetal minerals include Oil, Natural Gas, Limestone, Sand, Gravel, Shale, Clay, Gypsum, Building Stone, Cinders, and Flux.

## What is the Tax Base for Nonmetal Mining?

A business subject to tax under the mining classification may receive income from a variety of activities, and not all businesses receive income from the same activities. For example, a business may remove nonmetal minerals from the earth, a business may process nonmetal minerals, or a business may sell nonmetal minerals to individuals or businesses. Generally, the tax base for any of these businesses is the total (gross) income received from the business.

## What is the Tax Rate and How Do I Pay?

The current combined state and county tax rates for the mining-nonmetal classification can be found in the *Arizona State, County and City Transaction Privilege and Other Tax Rate Tables* under business code 002. You may also be required to report income under the retail classification, business code 017. For ease of reporting, state and county rates are combined. City tax is reported separately.

## Factoring Transaction Privilege Tax

When a business "factors" transaction privilege tax, it means the tax is included in the total price rather than shown as a separate charge. If you choose to factor the tax, the tax must be calculated using a factoring formula. There are many different factoring formulas depending on city taxes, county taxes or differences in allowable city tax deductions. See Arizona Transaction

Privilege Tax Procedure TPP 00-1 for information about factoring.

## Mining and Processing of Nonmetal Minerals

A business which mines, quarries or produces for sale, profit or commercial use any nonmetal mineral product is subject to tax on the total income received from the business.

If you process nonmetal mineral products after they are mined, quarried or produced, your total income received from that processing service is subject to tax under the mining classification. The tax base includes all income received from service and manufacturing charges.

If you mine and process nonmetal mineral products, the tax base is the total income from the sales of the first marketable product. For example, a person who mines clay and processes the material into bricks is taxable on the total income from the sale of bricks.

## Retail Sale of Nonmetal Minerals

If you sell nonmetal mineral products directly to persons or companies, the total income from the sale of these products is taxed under the retail classification. For example, gravel sold to a homeowner is taxable as a retail sale. If the transaction is not subject to tax under the retail classification, the income from the transaction is included in your tax base for the mining classification.

## Sales to Retailers

If you sell nonmetal minerals to retailers or others who in turn sell the item, your total income from sales to retailers or others for resale is taxable under the mining classification. For example, sales to a manufacturer, which incorporates the material into a manufactured or processed item, are subject to tax under the mining classification.

## Sales to Contractors

Income received from the sale of nonmetal mineral products is exempt under the mining classification if the product is sold to a contractor who is subject to transaction privilege tax and the product becomes a part of real property. However, sales to contractors for their own use are taxable as retail sales.

## Sales out-of-state

Your tax base for the mining classification includes the value of the entire product mined or produced in Arizona regardless of the place of sale of the product or the fact that deliveries are made outside of the state.

If you ship a nonmetal mineral product out-of-state without making a sale in Arizona, only the market value of the product before it leaves the state is included in

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your tax base. To calculate the market value of the product shipped out-of-state, you must:

1. Establish the total selling price of the product at the time of sale out-of-state.
2. Deduct the costs incurred out-of-state which increase the value of the product. These costs may include common freight costs paid to the point of sale outside of Arizona, any refining or processing costs before the first sale and the cost of sales commission. Also deduct the cost of processing if the processor has paid Arizona transaction privilege tax on that income.

If transportation costs are included in the sales price, the amount of transportation costs from the point of production to the point of delivery may be deducted from total income.

## FOR ADDITIONAL INFORMATION:

~ **Call** ~

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Toll-free within AZ: 1-800-352-4090

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