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TRANSACTION PRIVILEGE TAX (TPT) – DEDUCTION CODES

Beginning January 1, 2015 – New Standardized Deduction Codes

- There will be one list of deduction codes for the State/county and cities. A link to the standardized deduction codes is available at www.azdor.gov/TPTSimplification.aspx
- Deduction codes 888 and 999 will be discontinued and can no longer be used on Schedule A of your TPT-1
- Every deduction taken on your TPT-1 must have a deduction code. Deductions reported with no deduction code, will be disallowed. If a deduction is disallowed, penalty and interest will apply to any underpayment of tax.

Each deduction under Arizona Revised Statutes has been assigned a deduction code. Deductions and exemptions including the local options and the model options in the Model City Tax Code have been assigned deductions as well. Many of the deduction codes can be used for several business activities, as allowed by statute. If a deduction claimed under a business activity is not applicable, the deduction will be disallowed. Negative dollar deduction amounts are not allowed. Each deduction code must be itemized on Schedule A of your TPT-1.

The most common deduction is the deduction for state, county and city taxes. You are allowed to deduct state, county 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 part of the gross receipts amount and you can factor that tax. 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 may be factored from gross receipts by using a mathematical formula or by using Business Tax Factoring options available on the Department's website.

A complete listing of the codes and the statutory language of the deductions are available on the Department's website at www.azdor.gov/TPTSimplification.aspx under "TPT-1 Deduction Codes."

If You Have Questions

Call the ADOR Taxpayer Information and Assistance at (602) 255-2060 or toll-free from area codes 520 & 928, (800) 843-7196. Assistance with questions is available at our Phoenix, Mesa and Tucson locations on a first-come, first-serve basis. Office locations are open 8:00am to 5:00pm Monday through Friday excluding state observed holidays. *A representative contacting us on behalf of their client must have a valid General Disclosure/Representation Authorization Form 285 on file with the Department.*