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

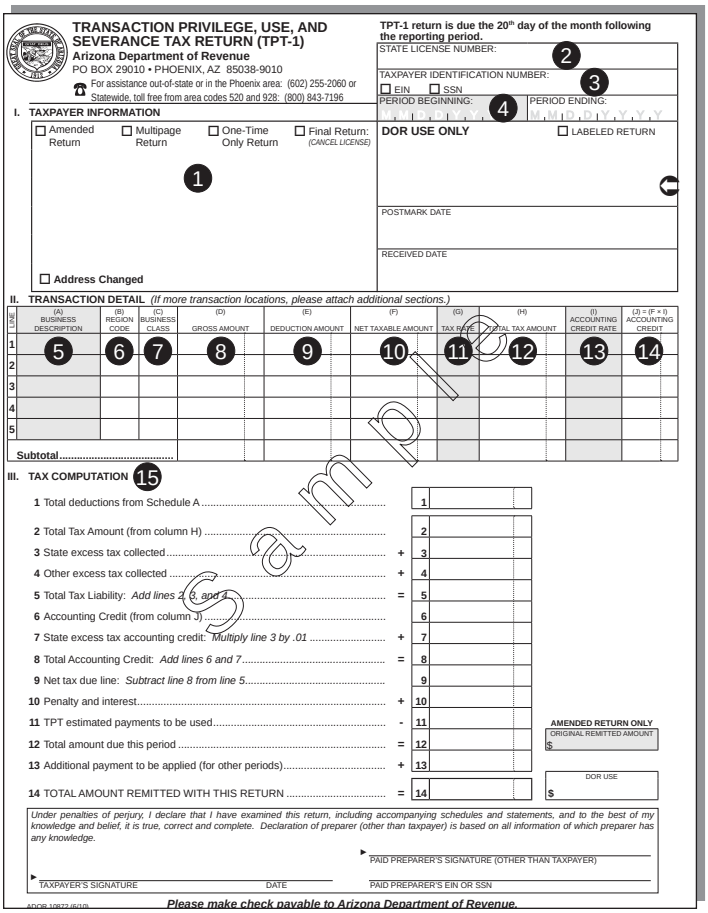
All returns that are not filed timely are subject to a late filing penalty. The late filing penalty imposed by A.R.S. § 42-1125(A), as qualified by A.R.S. § 42-5014(E), is computed against the total amount of tax **reported** on the return, without any deduction for tax that was paid on or before the 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)
Arizona Department of Revenue
PO BOX 29010 • PHOENIX, AZ 85038-9010
For assistance out-of-state or in the Phoenix area: (602) 255-2060 or Statewide, toll free from area codes 520 and 928: (800) 843-7196

TPT-1 return is due the 20th day of the month following the reporting period.

STATE LICENSE NUMBER: 2
TAXPAYER IDENTIFICATION NUMBER: 3
☐ EIN ☐ SSN
PERIOD BEGINNING: M,M,D,D,Y,Y,Y,Y 4 PERIOD ENDING: M,M,D,D,Y,Y,Y,Y

I. TAXPAYER INFORMATION

☐ Amended Return ☐ Multipage Return ☐ One-Time Only Return ☐ Final Return: *(CANCEL LICENSE)*

1

☐ **Address Changed**

DOR USE ONLY ☐ LABELED RETURN

POSTMARK DATE

RECEIVED DATE

II. TRANSACTION DETAIL *(If more transaction locations, please attach additional sections.)*

LINE	(A) BUSINESS DESCRIPTION	(B) REGION CODE	(C) BUSINESS CLASS	(D) GROSS AMOUNT	(E) DEDUCTION AMOUNT	(F) NET TAXABLE AMOUNT	(G) TAX RATE	(H) TOTAL TAX AMOUNT	(I) ACCOUNTING CREDIT RATE	(J) = (F × I) ACCOUNTING CREDIT
1	5	6	7	8	9	10	11	12	13	14
2										
3										
4										
5										
Subtotal										

III. TAX COMPUTATION 15

1	Total deductions from Schedule A		1
2	Total Tax Amount (from column H)		2
3	State excess tax collected	+	3
4	Other excess tax collected	+	4
5	Total Tax Liability: *Add lines 2, 3, and 4*	=	5
6	Accounting Credit (from column J)		6
7	State excess tax accounting credit: *Multiply line 3 by .01*	+	7
8	Total Accounting Credit: *Add lines 6 and 7*	=	8
9	Net tax due line: *Subtract line 8 from line 5*		9
10	Penalty and interest	+	10
11	TPT estimated payments to be used	-	11
12	Total amount due this period	=	12
13	Additional payment to be applied (for other periods)	+	13
14	TOTAL AMOUNT REMITTED WITH THIS RETURN	=	14

AMENDED RETURN ONLY
ORIGINAL REMITTED AMOUNT
$

DOR USE
$

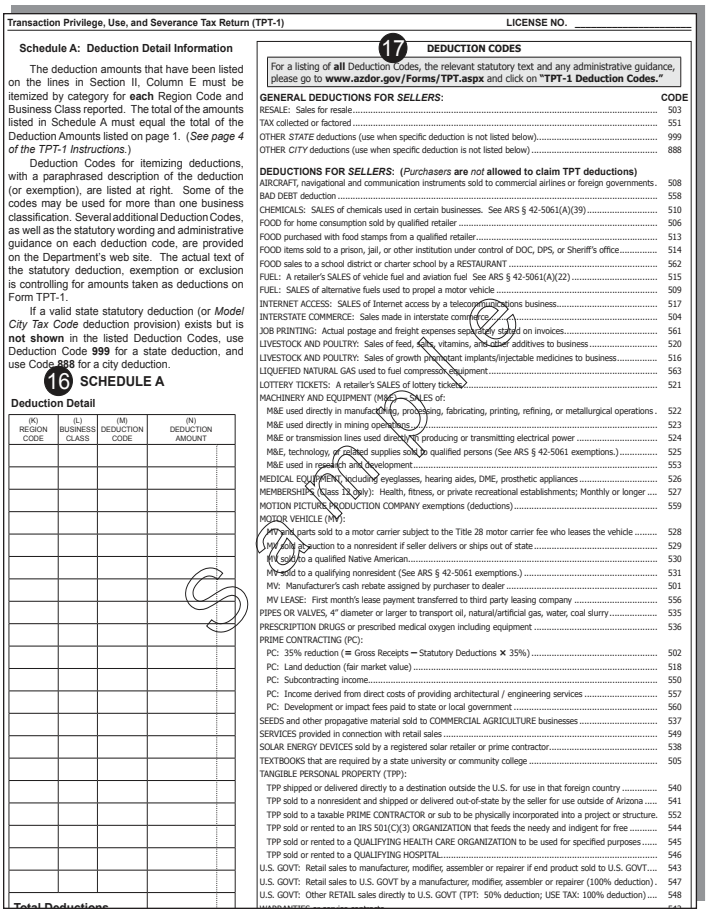
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

TAXPAYER'S SIGNATURE DATE PAID PREPARER'S SIGNATURE (OTHER THAN TAXPAYER) PAID PREPARER'S EIN OR SSN

ADOR 10872 (6/10)

Please make check payable to Arizona Department of Revenue.

Sample



Transaction Privilege, Use, and Severance Tax Return (TPT-1) **LICENSE NO.** _____

Schedule A: Deduction Detail Information

The deduction amounts that have been listed on the lines in Section II, Column E must be itemized by category for **each** Region Code and Business Class reported. The total of the amounts listed in Schedule A must equal the total of the Deduction Amounts listed on page 1. (*See page 4 of the TPT-1 Instructions.*)

Deduction Codes for itemizing deductions, with a paraphrased description of the deduction (or exemption), are listed at right. Some of the codes may be used for more than one business classification. Several additional Deduction Codes, as well as the statutory wording and administrative guidance on each deduction code, are provided on the Department's web site. The actual text of the statutory deduction, exemption or exclusion is controlling for amounts taken as deductions on Form TPT-1.

If a valid state statutory deduction (or *Model City Tax Code* deduction provision) exists but is **not shown** in the listed Deduction Codes, use Deduction Code **999** for a state deduction, and use Code **888** for a city deduction.

16 **SCHEDULE A**

Deduction Detail

(K) REGION CODE	(L) BUSINESS CLASS	(M) DEDUCTION CODE	(N) DEDUCTION AMOUNT

7 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.

8 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**.

9 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**.)

10 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.

11 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 on the return should be expressed as a decimal. (For example, 6.3% = .06300)

12 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.]

13 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.

14 *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.

15 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 $100,000 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:

GROSS RECEIPTS.....	$2,174.50
DEDUCTIONS:	
Nontaxable Sales for Resale.....	400.00
Exempt Delivery Charges	120.00
State and County Tax ($1,500 × 7.3%)	109.50
Carefree City Tax ($1,500 × 3.0%).....	45.00
TOTAL DEDUCTION AMOUNT.....	<$674.50>
NET TAXABLE AMOUNT	$1500.00

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:

II. TRANSACTION DETAIL *(If more transaction locations, please attach additional sections.)*

LINE	(A) BUSINESS DESCRIPTION	(B) REGION CODE	(C) BUSINESS CLASS	(D) GROSS AMOUNT	(E) DEDUCTION AMOUNT	(F) NET TAXABLE AMOUNT	(G) TAX RATE	(H) TOTAL TAX AMOUNT	ACC CRE
1	Retail	MAR	017	2174 50	674 50	1500 00	.07300	109 50	
2	Carefree	CA	000	2174 50	674 50	1500 00	.03000	45 00	
3									
	Subtotal.....				1349 00			154 50	

On Schedule A, the deductions are itemized as follows:

SCHEDULE A

Deduction Detail

(K) REGION CODE	(L) BUSINESS CLASS	(M) DEDUCTION CODE	(N) DEDUCTION AMOUNT
MAR	017	551	154 50
MAR	017	503	400 00
MAR	017	549	120 00
CA	000	551	154 50
CA	000	503	400 00
CA	000	549	120 00
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.