

PROPOSITION 100

1% TRANSACTION PRIVILEGE TEMPORARY TAX

FREQUENTLY ASKED QUESTIONS

Proposition 100 election results are currently being officially counted. The proposition would temporarily increase the State Transaction Privilege Tax and Use Tax rate on most transactions by one percentage point beginning Tuesday, June 1, 2010. The official election results are not yet determined. This document provides instructions on what to do if the tax rate increase is passed.

What is the new Transaction Privilege Tax (TPT) and Use Tax rate? The new state rate on most transactions is 6.6 percent, a one percentage point increase from the current state rate of 5.6 percent. The state rate for Transient Lodging will also increase from 5.5 percent to 6.5 percent.

When is the effective date for the TPT and Use Tax rate increase? June 1, 2010.

On what date will the temporary TPT and Use Tax rate expire? May 31, 2013.

What if my business fails to pass on the increased tax starting June 1? The Transaction Privilege Tax is imposed on the vendor, therefore the tax liability beginning June 1, 2010 will be based on the increased rate, regardless of whether a business passes on the increased rate as of June 1st.

Which tax period is the new tax rate supposed to be reported on? The additional tax will be reported to the Department of Revenue beginning with the June 2010 TPT-1 due in July 2010 and will be added to the existing state/county combined rate. The new state/county combined rates are available [here](#).

Which categories are affected by this change? Utilities, Communications, Transporting, Private (Rail) Car, Pipeline, Publication, Job Printing, Restaurants and Bars, Amusement, Personal Property Rental, Contracting - Prime and Owner-Builder, Retail, Transient Lodging, and Use Tax. The new state/county combined rates are available [here](#).

Which categories are NOT affected by this change? Mining-nonmetal, Commercial Lease, Severance-Metalliferous Mining, Telecommunications Devices, Municipal Water, Jet Fuel Tax, Jet Fuel Use Tax and 911 Telecommunications.

Will the Business Class codes change? No. You will continue to use the current Business Class codes with some exceptions described below.

What if my business has existing contracts? For Prime Contractors: Any increase in the rate of tax does not apply to contracts entered into or pursuant to written bids made by Prime Contractors on or before May 18, 2010. The prime contractor must maintain documentation to verify the date of the contract or written bid.

Gross income received from Pre-existing Prime Contracts will be reported under Class 215.

For other businesses: Any increase in the rate of tax does not apply for 120 days from the date of the tax rate increase to the gross proceeds of sales or gross income from the business of a taxpayer with respect to **written** contracts entered into **before** June 1, 2010 unless the taxpayer has entered into a contract that contains a provision that entitles the taxpayer to recover from the purchaser the amount of the additional tax levied. The business must maintain documentation to verify the date of the written contract. This availability of the reduced rate will expire 9/30/2010. When reporting gross income received from a written contract entered into before June 1, 2010 if the contract does not contain a provision that entitles the taxpayer to recover from the purchaser the amount of the additional tax levied, use the following codes.

- 204: Pre-6/2010 Utilities Contracts
- 205: Pre-6/2010 Communications Contracts
- 206: Pre-6/2010 Transporting Contracts
- 207: Pre-6/2010 Private (rail)Car Contracts
- 208: Pre-6/2010 Pipeline Contracts
- 209: Pre-6/2010 Publication Contracts
- 210: Pre-6/2010 Job Printing Contracts
- 211: Pre-6/2010 Restaurant & Bar Contracts
- 212: Pre-6/2010 Amusement Contracts
- 214: Pre-6/2010 Rental of Personal Property Contracts
- 217: Pre-6/2010 Retail Contracts
- 225: Pre-6/2010 Transient Lodging Contracts
- 237: Pre-6/2010 Contracting Owner/Builder Contracts

Will this have an effect on the accounting credit? The accounting credit will continue to be applicable to State Transaction Privilege Tax. The accounting credit still does not apply to city, county or other taxes and the maximum per year is unchanged.

Is there going to be a new tax form? No. You will continue to use the current Arizona TPT-1 form.

How will activity be reported for quarterly (or annual) filers? Activity from June 1 through June 30, 2010 will be reported on one row with the increased rate. Activity from April 1 through May 31, 2010 will be reported on a second row. A similar set up will exist for Annual filers on their December 2010 return.