

# Use Tax

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

This publication is for general information only about use tax. 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 control.

## Who Pays Use Tax?

1. Any person who uses, stores or consumes any tangible personal property upon which tax has not been collected by a retailer shall pay use tax.
2. An out-of-state retailer or utility business making sales of tangible personal property to Arizona purchasers must register with the department for the collection of the use tax.
3. An Arizona purchaser is liable for use tax on goods purchased from an out-of-state vendor that did not collect the use tax. For individual income taxpayers, please see Pub 610A, Arizona Use Tax for Individual Income Taxpayers.
4. Arizona purchasers are liable for use tax if they purchase goods using a resale certificate, and the goods are subsequently used, stored or consumed in Arizona contrary to the purpose stated on the certificate.
5. The use tax also applies to purchases on which another state’s sales tax or other excise tax was imposed if the rate of that tax is less than the Arizona use tax rate.

## Casual Sales & Vehicles

Casual sales between individuals are not subject to the use tax. Property purchased by a nonresident individual whose first actual use or consumption of the property occurred outside the state is not subject to the use tax if the property is not used in conducting a business.

If you purchase a vehicle from an out-of-state dealer or manufacturer, the Department of Transportation will require, at the time of vehicle registration, proof that tax was paid in the state of purchase and that the amount of state tax paid is equal to or greater than the applicable Arizona use tax rate. If tax was not paid in the state of purchase or was less than the Arizona use tax, the Department of Transportation will require that the use tax be paid at the time you register the vehicle.

## Difference Between the Transaction Privilege Tax and the Use Tax

The transaction privilege tax (TPT) is imposed upon income or proceeds derived from engaging in a taxable business within the State of Arizona. The use tax is imposed upon the purchaser of tangible personal property which is used, stored, or consumed in Arizona when the sale was not subject to the transaction privilege tax. Out-of-state retailers or utility businesses that sell to Arizona customers are required to collect the Arizona use tax and remit it to the department.

## Use Tax Rate

The state use tax rate is equal to the state transaction privilege tax rate.

Some cities impose an additional use tax. Please refer to the *Arizona State, County and City Transaction Privilege and Other Tax Rate Tables* or the department’s website for the current tax rate. In general, counties do not impose a separate use tax. However, some Arizona counties do impose a county use tax on each retail electricity customer using or consuming electricity in the county purchased from an electricity supplier.

## Do I Need a License?

Arizona purchasers buying from out-of-state retailers who are not registered to collect the use tax must register with the department for use tax purposes. Out-of-state vendors who make recurring sales into Arizona must also register. There is no charge for a Use Tax License. If you currently have a transaction privilege tax license, you do not need a separate license for use tax. You can report any use tax due using your transaction privilege or use tax license number.

## How Do I Pay Use Tax?

The use tax is reported on the Transaction Privilege, Use and Severance Tax Return.

The use tax applicable to purchases from unregistered out-of-state vendors and use tax collections by registered out-of-state vendors are both reported under business code 029.

The use tax applicable to purchases of tangible personal property for resale which is instead used or consumed by the purchaser is reported under business code 030.

The use tax applicable to purchases from an out-of-state utility business is reported under business code 026.

If you make a single purchase requiring a use tax payment, contact the department at (602) 716-6557 for instructions.

## Exemptions

The use tax does not apply to the storage, use or consumption in Arizona of the following:

1. Tangible personal property purchased for resale in the regular course of business and not for consumption or use by the purchaser.
2. Tangible personal property on which the Arizona transaction privilege tax has already been paid.
3. Items purchased from a person not engaged in the business of selling tangible personal property (casual sale).
4. Tangible personal property, the sale or use of which has already been subject to an equal to or greater excise tax under the laws of some other state of the United States.
5. Tangible personal property, the storage, use or consumption of which the constitution or laws of the United States prohibit this state from taxing.
6. Tangible personal property which directly enters into and becomes an ingredient or component of any manufactured, fabricated or processed article, substance or commodity for sale in the regular course of business.
7. Motor vehicle fuel and “use fuel” that is taxed by the Arizona Department of Transportation, or use fuel which is sold to or used by a person holding a valid single trip use fuel tax permit. Purchases of aviation gasoline are exempt from the use tax. Some purchases of jet fuel are subject to jet fuel use tax. Purchases of diesel fuel used to propel vehicles on public highways are exempt from use tax if “use fuel” tax is paid on this diesel fuel to the Department of Transportation.
8. Tangible personal property purchased by a person holding a valid Transaction Privilege Tax License for engaging in the contracting business if the tangible property sold is incorporated or fabricated into any structure, project, development or improvement in fulfillment of a contract.
9. Tangible personal property brought into Arizona by an individual who was a nonresident at the time the property was purchased for his own storage, use or consumption if the first actual use or consumption of the property was outside the state, unless such property is used in conducting a business in Arizona.
10. Livestock, poultry, seed, feed and supplies for use or consumption in the businesses of farming, ranching and feeding livestock or poultry, not including fertilizers, herbicides and insecticides.
11. Tangible personal property not exceeding \$200 in any one month purchased by an individual at retail outside the continental limits of the United States for personal use and enjoyment.
12. All personal property purchased by a hospital organized and operated exclusively for charitable purposes if no part of the net earnings benefit any private shareholder or individual, or by a hospital operated by the state or any political subdivision of the state.
13. Subject to certain qualifications, items purchased by licensed nursing care institutions, licensed residential care institutions, kidney dialysis centers or qualified health organizations.
14. Medically prescribed drugs, hospital beds, wheelchairs, corrective shoes, crutches, and braces for the neck, arm, leg, and back; prosthetic appliances prescribed or recommended by certain medical professionals; prescription eyeglasses and contact lenses; insulin, insulin syringes, and glucose test strips; and hearing aids. (“Prosthetic appliance” means an artificial device necessary to support or take the place of a part of the body, or to increase the acuity of a sense organ.)
15. Food for home consumption.
16. Food sold by retailers to private or parochial schools for grade 12 or under, licensed or certified day care centers, facilities which care for persons who cannot care for themselves and are unaccompanied by their custodians or guardians for periods of less than twenty-four hours a day, and certain nonprofit organizations which provide food for no charge or nominal charge.
17. Food and drink provided without monetary charge by a bar or restaurant to its employees for their own consumption on the premises during the employees’ hours of employment.
18. Purchases of certain specific items by persons engaged in manufacturing, processing, fabricating, mining, refining, metallurgical operations, research and development, job printing, telecommunications, producing or transmitting electrical power, drilling for oil or gas, transporting for hire, transporting via pipelines, air transportation, or environmental technology.
19. Lottery tickets.
20. Ground water measuring devices.
21. New machinery and equipment consisting of tractors, tractor-drawn implements, self-powered implements, machinery and equipment that are necessary for extracting milk, and drip irrigation lines used for commercial production of agricultural, horticultural, viticulture and floricultural crops in this state.
22. Printed and other media materials for use in publicly-funded libraries in Arizona.
23. Textbooks, sold by a bookstore, that are required by any state university or community college.
24. Magazines or other publications produced by the State of Arizona to encourage tourist travel.

25. Items purchased with United States Department of Agriculture food stamps.
26. Food, drink, condiment and accessory tangible personal property to be prepared and served for consumption on the premises of a public school during school hours.
27. Purchases by a person engaged in business under the transient lodging classification if the property purchased is a personal hygiene product which is furnished without additional charge to and intended to be consumed by the transient during his occupancy.
28. Motor vehicles that are removed from inventory by a motor vehicle dealer and provided to charitable or educational institutions exempt from taxation under §501(c)(3) of the Internal Revenue Code, public education institutions, or state universities or affiliated organizations if no part of the organization's net earnings benefit any private shareholder or individual.
29. Tangible personal property sold by a nonprofit organization organized and operated exclusively for charitable purposes and recognized as such by the Internal Revenue Service.
30. Other exemptions as provided by Arizona Revised Statutes, Section 42-5159.
31. A use tax exemption is allowed for prepared food, drink or condiment donated by a restaurant to a nonprofit charitable I.R.C. 501(c)(3) organization that regularly serves meals to the needy and indigent on a continuing basis at no cost.

## FOR ADDITIONAL INFORMATION:

~ **Browse** ~

[www.azdor.gov](http://www.azdor.gov)  
[www.AZTaxes.gov](http://www.AZTaxes.gov)

~ **Call** ~

(602) 255-3381

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

~ **Write** ~

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