

ARIZONA TAX MATRIX FOR HOTEL/MOTEL LODGING INDUSTRY

NOTES

- o All footnotes pertain only to the referring line item in this matrix. Footnotes apply to state, county, and city jurisdictions unless otherwise noted.
- o For any income from any activity not included in this matrix, please contact the Arizona Department of Revenue and the appropriate city(ies) to receive a determination on taxability.
- o Broker provisions of Model City Tax Code Regulation 100.1 require that the hotel and the third party vendor are responsible for municipal taxes based on the price to the consumer at the taxable location for the third party vendor. Neither party is relieved of this responsibility until proof of payment of the tax has been made.
- o In this document, "payment (including commissions) received" includes revenues received on a cash basis or earned on an accrual basis.
- o To identify cities choosing individual Model Options or Local Options shown in this matrix, please review the Option Charts page at www.modelcitytaxcode.org or contact the city directly.

DEFINITIONS

Commission – An amount paid to or retained by a hotel pursuant to an agreement with a third party provider of goods or services at a set fee, percentage or other compensation, where the fee, percentage or other compensation is not a commercial lease or rental, or a mark-up charged to the guest. Commissions may be based on charges by the hotel to guests or charges by the third party provider to the hotel guests. If the agreement is not in writing, the burden is on the hotel to provide sufficient evidence to substantiate a right to the deduction. Although the commission may not be taxable to the hotel, the commission is income to the third party provider of goods, services or activities and may be subject to tax.

Destination Services – The acts undertaken by a person engaged in business under the transient lodging classification, at the request of a guest, to arrange, plan or coordinate the provision of goods and/or services by third party suppliers, operators or service providers to the guest; the guest may obtain some or all of the goods and/or services arranged as a destination service at a location other than the business location of the arranging hotel.

Folio - Document that summarizes or itemizes guest charges. Please refer to A.A.C. R15-5-2004(C).

Guest - The term "guest" as used in the Matrix is limited to a person, who either at the person's own expense or at the expense of another, rents a room at a lodging facility. For purposes of this definition, the term "room" includes a banquet room, meeting room or lodging room.

Hotel/ Vendor owned equipment – Includes personal property owned or leased by the hotel or vendor, as applicable.

Mark-up – An amount charged by the hotel to its guest in excess of the hotel's cost of goods or services obtained from a third party provider other than a commission, whether shown as a separate charge or included in the hotel's billing to the customer for goods or services.

Off-Premise – A separate business with no equipment, personnel or other presence at the hotel other than picking up or dropping off guests or property.

On-Premise – A separate business providing goods or services to hotel guests other than an Off-Premise provider.

Pass-through transaction – A transaction where goods or services are provided to a guest by a third party and the charges are itemized separately on the folio for the guest's convenience. The hotel collects the charges and remits the entire amount to the third party, without mark-up by the hotel. The hotel must maintain proof that an unrelated third party provided goods or services to the guest, and that the revenue was purely pass-through in nature. A commission may be retained by or paid to the hotel on a pass-through transaction.

Package – A "package" transaction means a combination of goods and services inclusive of applicable tax sold for a single lump sum price. In its books and records, the hotel is required to make a reasonable allocation of revenue among or between the specific goods and services sold and the applicable tax. An example of a package is: guest room, dinner for two, and two spa sessions for \$500 (no tax is separately stated). See A.A.C. R15-5-2004(C) and Line 9 of the Matrix.

Spa Usage Fee – A daily or weekly fee that grants the right to use the spa facility. Such fee does not include separate charges for nontaxable services.

ARIZONA TAX MATRIX FOR HOTEL/MOTEL LODGING INDUSTRY

	Description	Will Item Appear On Hotel Folio? ¹	STATE AND COUNTY TREATMENT		CITY TREATMENT		Foot - note
			Revenue Taxable To Hotel? (State)	State Tax Type	Revenue Taxable To Hotel? (City)	City Tax Type with Model City Tax Code reference	
	HOTEL ROOM CHARGES						
1	Transient Rooms Revenue	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
2	Guaranteed No Show Revenue	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
3	Complimentary Rooms Provided at No Charge To:						
	a. Guests	N/A	NO	N/A	NO	N/A	
	b. Employees	N/A	NO	N/A	NO	N/A	
	c. Travel Agents, Advertisers, etc	N/A	NO	N/A	NO	N/A	
4	Early Departure Fees	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
5	Late Departure Fees	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
6	Resort Fees	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
7	Cancellation Fees:						
	A fee received because an event or individual room is cancelled	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
8	Attrition Fees:						
	Fee charged because group did not fulfill the total event commitment (Example: event booked 200 rooms, only 150 were rented and occupied, penalty charged for 50 rooms not rented)	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
9	Packages (example: golf, honeymoon, ski)	YES	SEE DEFINITIONS & OTHER APPLICABLE SECTIONS OF THE MATRIX				
10	Room Damage Charges (charges for damage to guest room)	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
11	Other Damage Charges (charges for damage to hotel other than guest room)	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
12	Pet Charges (pet's occupancy of room)	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
13	Pet Clean-up Fees	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
14	Pet Grooming Fees:						
	a. Services are open to the public	YES	NO	N/A	NO	N/A	
	b. Services are not open to the public	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
15	Child Care Charges:						
	a. Babysitting (open to public)	YES	NO	N/A	NO	N/A	
	b. Babysitting (not open to public)	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
	c. Babysitting and supervised entertainment - hotel (not open to public)	YES	YES	012 - Amusement	YES	410 - Amusement	
	d. Babysitting and supervised entertainment - hotel (open to public)	YES	YES	012 - Amusement	YES	410 - Amusement	
	e. Babysitting and supervised entertainment (third party pass-through) - On-premise	YES	NO	N/A	NO	N/A	3
	f. Babysitting and supervised entertainment (third party pass-through) - Off-premise	YES	NO	N/A	NO	N/A	3
	g. Supervised entertainment	YES	YES	012 - Amusement	YES	410 - Amusement	
	h. Commission from third party service provider (On-premise)	NO	NO	N/A	YES	445 - License for Use	
	i. Commission from third party service provider (Off-premise)	NO	NO	N/A	NO	N/A	
16	Rollaway Bed Charges	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
17	Refrigerator Charges	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
18	Safe Charges	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
19	Mini-Bar or Other Items Sold In the Guest Room:						
	a. Packaged Food Sales	YES	NO	N/A	NO	N/A	4
	b. For cities choosing Model Option 2 - Packaged Food Sales	YES	NO	N/A	YES	460 - Retail	4
	c. Non-Food Sales (Toothpaste, Earplugs, Baby Wipes, Stationary, Robes etc.)	YES	YES	017 - Retail	YES	460 - Retail	
	d. Liquor, Beer, and Wine	YES	YES	017 - Retail	YES	460 - Retail	4
	e. Other Beverages (Soft Drink, Water, Juice)	YES	NO	N/A	NO	N/A	4
	f. For cities choosing Model Option 2 - Other Beverages (Soft Drink, Water, Juice)	YES	NO	N/A	YES	460 - Retail	4
	OTHER GUEST CHARGES						
20	Telephone Charges:						
	a. Local charges (Separately stated on folio)	YES	YES	005 - Telecommunications	YES	470 - Telecommunications	
	b. Long Distance Intrastate (Separately stated on folio)	YES	YES	005 - Telecommunications	YES	470 - Telecommunications	

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c. Long Distance Interstate	YES	NO	N/A	NO	N/A	
d. High Speed Internet Access	YES	NO	N/A	NO	N/A	
e. Bundled price of room, telecom, & Internet services	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
f. Bundled price of telecom and Internet services	YES	YES	005 - Telecommunications	YES	470 - Telecommunications	
21 Guest Laundry/Dry Cleaning:						
a. Coin - operated laundry (hotel owned and operated for guests only)	NO	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
b. Coin - operated laundry (hotel owned and operated, open to the public)	NO	NO	N/A	NO	N/A	
c. For cities choosing Model Option 7 - Coin - operated laundry (hotel owned and operated, open to the public)	NO	NO	N/A	YES	450 - Personal Property Rental	
d. Coin - operated laundry (independently owned)	NO	NO	N/A	NO	N/A	
e. Hotel laundry service performed by hotel for general public & other hotels	YES	NO	N/A	NO	N/A	
f. Hotel laundry service performed by hotel exclusively for guests	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
g. Hotel laundry/dry cleaning services provided by independently owned laundry (On-premise)	NO	NO	N/A	NO	N/A	
h. Hotel laundry/dry cleaning services provided by independently owned laundry (Off-premise)	NO	NO	N/A	NO	N/A	
i. Commission from third party service provider (On-premise)	NO	NO	N/A	YES	445 - License for Use	
j. Commission from third party service provider (Off-premise)	NO	NO	N/A	NO	N/A	
22 Pay per View Television (Satellite or Cable Provided):						
a. Vendor owns/leases and operates equipment	YES	NO	N/A	NO	N/A	3
b. Hotel owns/leases and operates equipment	YES	YES	025 - Transient Lodging	YES	444/447 Hotel/Transient	
c. Commission from third party service provider	NO	NO	N/A	YES	445 - License for Use	
23 Video Game Rental (Satellite or Cable Provided):						
a. Vendor owns/leases and operates equipment	YES	NO	N/A	NO	N/A	3
b. Hotel owns/leases and operates equipment	YES	YES	025 - Transient Lodging	YES	444/447 Hotel/Transient	
c. Commission from third party service provider	NO	NO	N/A	YES	445 - License for Use	
24 Rental of Movies, DVD, Video Games, etc. (Tangible Personal Property):						
a. Vendor owns/leases and operates equipment	YES	NO	N/A	NO	N/A	3
b. Hotel owns/leases and operates equipment	YES	YES	025 - Transient Lodging	YES	444/447 Hotel/Transient	
c. Commission from third party service provider	NO	NO	N/A	YES	445 - License for Use	
25 Parking:						
a. Mandatory parking fee including valet service assessed to room	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
b. Mandatory parking fee including valet service operated by outside parking company	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
c. Guest option valet service	YES	NO	N/A	NO	N/A	
d. Charges for self-parking owned by hotel (open to public)	YES	NO	N/A	YES	445 - License for Use	
e. Charges for self-parking owned by hotel (not open to public - reserved space)	YES	YES	013 - Commercial Lease	YES	445 - Commercial Lease	
f. Charges for self-parking owned by hotel (not open to public - non-reserved space)	YES	NO	N/A	YES	445 - License for Use	
g. Pass-through parking charges	YES	NO	N/A	NO	N/A	3
h. Payments (including commissions) from third party operated self-parking (no specific parking area is designated - On-premise)	NO	NO	N/A	YES	445 - License for Use	
i. Payments (including commissions) from third party operated self-parking (no specific parking area is designated - Off-premise)	NO	NO	N/A	NO	N/A	
j. Payments (including commissions) from third party operated self-parking (specific parking area is designated - On-premise)	NO	YES	013 - Commercial Lease	YES	445 - Commercial Lease	
k. Payments (including commissions) from third party operated self-parking (specific parking area is designated - Off-premise)	NO	NO	N/A	NO	N/A	
26 Transportation Charges:						
a. Performed by hotel (Hotel's vehicle is not licensed as a motor carrier - Open to the public)	YES	YES	006 - Transporting	YES	475 - Transporting	
b. For cities choosing Model Option 12 - transportation by hotel (Line 26a above)	YES	YES	006 - Transporting	NO	N/A	
c. Performed by hotel (Hotel's vehicle is licensed as a motor carrier - Open to the public)	YES	NO	N/A	NO	N/A	

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d. Performed by hotel (Not open to the public)	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
e. Arranged by hotel and performed by outside service provider	YES	NO	N/A	NO	N/A	3
f. Arranged by guest and posted on folio for guest convenience	YES	NO	N/A	NO	N/A	3
g. Mark-up on service performed by outside service provider (outside provider's portion is exempt) - Open to Public	YES	NO	N/A	NO	N/A	
h. Mark-up on service performed by outside service provider (outside provider's portion is exempt) - Not Open to Public	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
i. Mark-up on service performed by outside service provider (outside provider's portion taxable)	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
j. Commission from third party service provider (On-premise)	NO	NO	N/A	YES	445 - License for Use	
k. Commission from third party service provider (Off-premise)	NO	NO	N/A	NO	N/A	
27 Car Rental:						
a. Hotel operated car rental	YES	YES	014 - Personal Property Rental	YES	450 - Personal Property Rental	
b. Payments (including commissions) from car rental company (On-premise)	NO	YES	013 - Commercial Lease	YES	445 - Commercial Lease	
c. Payments (including commissions) from car rental company (Off-premise)	NO	NO	N/A	NO	N/A	
28 Destination Services:						
a. Cost of Destination Service package from third party provider (pass-through)	YES	NO	N/A	NO	N/A	3
b. Mark-up on service performed by outside service provider (outside provider's portion is exempt) - Open to Public	YES	NO	N/A	NO	N/A	
c. Mark-up on service performed by outside service provider (outside provider's portion is exempt) - Not Open to Public	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
d. Mark-up on service performed by outside service provider (outside provider's portion taxable - whether open to the public or not)	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
e. Commission from third party service provider (On-premise)	NO	NO	N/A	YES	445 - License for Use	
f. Commission from third party service provider (Off-premise)	NO	NO	N/A	NO	N/A	
g. Separate charge, that is neither a mark-up nor commission, to arrange third party services (including amusements)	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
FEES (Golf, tennis, swimming, etc.)						
29 Club membership fees:						
a. Membership fees grant the right to use all recreational facilities for 28 days or more	YES	NO	N/A	NO	N/A	
b. Membership fees don't grant the right to use facilities for 28 days or more	YES	YES	012 - Amusement	NO	N/A	
c. For cities choosing Local Option H (Fee grants right to facilities for 28 days or more)	YES	NO	N/A	YES	410 - Amusement	
d. For cities choosing Local Option H (Fee does not grant right to facilities for 28 days or more)	YES	YES	012 - Amusement	YES	410 - Amusement	
30 Lessons:						
a. General	YES	NO	N/A	NO	N/A	
b. For cities choosing Local Option H	YES	NO	N/A	YES	410 - Amusement	
31 Green fees:						
a. General	YES	YES	012 - Amusement	YES	410 - Amusement	
b. For cities choosing Local Option J	YES	YES	012 - Amusement	NO	N/A	
32 Court usage	YES	YES	012 - Amusement	YES	410 - Amusement	
33 Commission from third party service provider (On-premise)	NO	NO	N/A	YES	445 - License for Use	
34 Commission from third party service provider (Off-premise)	NO	NO	N/A	NO	N/A	
HEALTH SPA & SALON - OPEN TO PUBLIC						
35 Spa usage fees:						
a. General	YES	YES	012 - Amusement	NO	N/A	
b. For cities choosing Local Option H	YES	YES	012 - Amusement	YES	410 - Amusement	
36 Massage revenue - performed in spa:						
a. General	YES	NO	N/A	NO	N/A	

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b. For cities choosing Local Option H	YES	NO	N/A	YES	410 - Amusement	
37 Massage revenue - performed in guest room	YES	NO	N/A	NO	N/A	
38 Massage revenue - performed off site	YES	NO	N/A	NO	N/A	
39 Weight room fees:						
a. General	YES	YES	012 - Amusement	NO	N/A	
b. For cities choosing Local Option H	YES	YES	012 - Amusement	YES	410 - Amusement	
40 Tanning booth (with supervision)	YES	NO	N/A	YES	450 - License for Use of TPP	
41 Tanning booth (without supervision)	YES	YES	014 - Personal Property Rental	YES	450 - Personal Property Rental	
42 Nutritional counseling	YES	NO	N/A	NO	N/A	
43 Facials (performed at facility or in guest room)	YES	NO	N/A	NO	N/A	
44 Barber/beauty services (performed at facility or in guest room)	YES	NO	N/A	NO	N/A	
45 Commission from third party service provider (On-premise)	NO	NO	N/A	YES	445 - License for Use	
46 Commission from third party service provider (Off-premise)	NO	NO	N/A	NO	N/A	
HEALTH SPA & SALON - NOT OPEN TO PUBLIC						
47 All spa and salon revenues	YES	YES	025 - Transient Lodging	YES	444/447 Hotel/Transient	
FOOD AND BEVERAGE						
48 Restaurant Food Sales	YES	YES	011 - Restaurants and Bars	YES	455 - Restaurants and Bars	
49 Beverage Sales (Liquor, Wine, and Beer)	YES	YES	011 - Restaurants and Bars	YES	455 - Restaurants and Bars	
50 Beverage Sales (Carbonated, Fruit, Mixers)	YES	YES	011 - Restaurants and Bars	YES	455 - Restaurants and Bars	
51 Gratuities:						
a. Voluntary:						
1. Fully Distributed to Employees Actually Providing the Services	NO	NO	N/A	NO	N/A	
2. Restaurant Retains a Portion (100% of tip is taxable - not just retained portion)	NO	YES	011 - Restaurants and Bars	YES	455 - Restaurants and Bars	
b. Mandatory:						
1. Fully Distributed to Employees Actually Providing the Services	YES	NO	N/A	NO	N/A	
2. Restaurant Retains a Portion (100% of tip is taxable - not just retained portion)	YES	YES	011 - Restaurants and Bars	YES	455 - Restaurants and Bars	
52 Room Service Food and Beverage	YES	YES	011 - Restaurants and Bars	YES	455 - Restaurants and Bars	
53 Room Service Separately Stated Delivery Charges	YES	YES	011 - Restaurants and Bars	YES	455 - Restaurants and Bars	
54 Cover or Minimum Charges	YES	YES	011 - Restaurants and Bars	YES	455 - Restaurants and Bars	
55 Corkage	YES	YES	011 - Restaurants and Bars	YES	455 - Restaurants and Bars	
56 Cake Cutting Charges	YES	YES	011 - Restaurants and Bars	YES	455 - Restaurants and Bars	
57 Employee Meals:						
a. Provided Free of Charge	NO	NO	N/A	YES	610 - Use Tax at cost	
b. For cities choosing Local Option AA - Provided Free of Charge	NO	NO	N/A	NO	N/A	
c. Provided for a Charge	NO	YES	011 - Restaurants and Bars	YES	455 - Restaurants and Bars	
58 Complimentary Meals (No separate charges to Guests):						
a. Hotel purchases food and prepares meals	NO	NO	N/A	YES	610 - Use Tax at cost	5
b. Hotel purchases prepared food & meals from leased restaurant or outside vendor	NO	NO	N/A	NO	N/A	5
59 Complimentary Beverages (No separate charges to Guests):						
a. Liquor, Beer, and Wine	NO	NO	N/A	YES	610 - Use Tax at cost	6
b. Carbonated Beverages	NO	NO	N/A	YES	610 - Use Tax at cost	6
c. Other Nonalcoholic Beverages	NO	NO	N/A	YES	610 - Use Tax at cost	6
MEETING/BANQUET ROOMS & RELATED SERVICES						
60 Meeting Room Revenue (No Food and Beverages Served)	YES	YES	013 - Commercial Lease	YES	445 - Commercial Lease	
61 Meeting Room Revenue (Food & Beverage Served - Separately Stated)	YES	YES	013 - Commercial Lease	YES	445 - Commercial Lease	8
62 Banquet Room Revenue:						

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	a. Separately Stated Room Charge	YES	YES	013 - Commercial Lease	YES	445 - Commercial Lease	
	b. Separately Stated Food and Beverage	YES	YES	011 - Restaurants and Bars	YES	455 - Restaurants and Bars	
63	Banquet & Meeting Room/Convention Charges						
	Hotel Owned and Controlled Equipment (Separately Stated):						
	a. Rigging, electrical cabling and light set up fees	YES	YES	014 - Personal Property Rental	YES	450 - Personal Property Rental	9
	b. Phone line setup fees/labor	YES	NO	N/A	YES	445 - Commercial Lease	9
	c. Reusable equipment, decorations charges, and set-up fees/labor	YES	YES	014 - Personal Property Rental	YES	450 - Personal Property Rental	9
	d. Disposable or otherwise nonreusable equipment, decorations, etc.	YES	YES	017 - Retail	YES	460 - Retail	
64	Banquet & Meeting Room/Convention Charges						
	Third Party Owned and Controlled Equipment (Separately Stated):						
	a. Rigging, electrical cabling and light set up fees (pass through)	YES	NO	N/A	NO	N/A	3
	b. Phone line setup fees/labor (pass through)	YES	NO	N/A	NO	N/A	3
	c. Equipment, decorations charges, and set-up fees/labor (pass through)	YES	NO	N/A	NO	N/A	3
	d. Mark-up on services done by third party - Meeting Room (No Food and Beverage)	YES	YES	013 - Commercial Lease	YES	445 - Commercial Lease	
	e. Mark-up on services done by third party - Banquet Room	YES	YES	011 - Restaurants and Bars	YES	455 - Restaurants and Bars	
	f. Commission from third party service provider	NO	NO	N/A	YES	445 - License for Use	
65	Cancellation Fees:						
	a. A fee received because an event was cancelled - Meeting Rooms	YES	YES	013 - Commercial Lease	YES	445 - Commercial Lease	
	b. A fee received because an event was cancelled - Banquet Rooms	YES	YES	011 - Restaurants and Bars	YES	455 - Restaurants and Bars	
66	Attrition Fees:						
	a. MEETING ROOMS - Fee charged because group did not fulfill their total event commitment (Example: an event booked a banquet for 200 people, only 150 attended and a penalty was charged for 50 non-attendees)	YES	YES	013 - Commercial Lease	YES	445 - Commercial Lease	
	b. BANQUET ROOMS - Fee charged because group did not fulfill their total event commitment (Example: an event booked a banquet for 200 people, only 150 attended and a penalty was charged for 50 non-attendees)	YES	YES	011 - Restaurants and Bars	YES	455 - Restaurants and Bars	
67	Recovered Salaries (Meat carving, ice carving, cake cutting, bartending, etc.)	YES	YES	011 - Restaurants and Bars	YES	455 - Restaurants and Bars	
	GIFT SHOP²						
68	Retail Video Rental	YES	YES	014 - Personal Property Rental	YES	450 - Personal Property Rental	
69	Retail Food Sales:						
	a. Qualifies under food for home consumption	YES	NO	N/A	NO	N/A	4
	b. For cities choosing Model Option 2 - Qualifies under food for home consumption	YES	NO	N/A	YES	460 - Retail	4
	c. Does not qualify as food for home consumption	YES	YES	017 - Retail	YES	460 - Retail	4
70	Retail Beer/Wine Sales	YES	YES	017 - Retail	YES	460 - Retail	
71	Retail Nonalcoholic Beverages	YES	YES	017 - Retail	YES	460 - Retail	4
72	Retail Clothing	YES	YES	017 - Retail	YES	460 - Retail	
73	Retail Non-Food Sales (Toothpaste, Earplugs, Baby Wipes, Stationary, etc.)	YES	YES	017 - Retail	YES	460 - Retail	
74	Newspapers	YES	YES	017 - Retail	YES	460 - Retail	
75	Periodicals	YES	YES	017 - Retail	YES	460 - Retail	
	MISCELLANEOUS SALES AND CHARGES						
76	Telephone Commissions received from Pay Phones	NO	NO	N/A	YES	445 - License for Use	
77	Prepaid Telephone Cards	YES	YES	017 - Retail	YES	460 - Retail	
78	Fax Charges (Outgoing):						
	a. Intrastate	YES	YES	005 - Communications	YES	470 - Telecommunications	
	b. Interstate	YES	NO	N/A	NO	N/A	
79	Fax Charges (Incoming)	YES	YES	010 - Job Printing	YES	425 - Job Printing	
80	Copy Charges	YES	YES	010 - Job Printing	YES	425 - Job Printing	

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81 Equipment Rental (example: audio visual equipment, pool toys, tennis rackets, etc.):	YES	YES	014 - Personal Property Rental	YES	450 - Personal Property Rental	
82 Payments (including commissions) from equipment rentals provided by outside equipment						
a. On-premise event	NO	NO	N/A	YES	445 - License for Use	
b. Off-premise event	NO	NO	N/A	NO	N/A	
83 Vending Machine Sales (Hotel Maintains Machine)	NO	YES	017 - Retail	YES	460 - Retail	4
84 Vending Machine Payments (Vendor Maintains Machine):						
a. Payments (including commissions) represent a lease of space for the machine to occupy	NO	YES	013 - Commercial Lease	YES	445 - Commercial Lease	
b. Payments (including commissions) do not represent a lease of space for the machine to occupy	NO	NO	N/A	YES	445 - License for Use	
85 Payments (including commissions) from leased restaurant for room service meals						
a. Payments (including commissions) represent a lease of space for the restaurant to occupy	NO	YES	013 - Commercial Lease	YES	445 - Commercial Lease	
b. Payments (including commissions) do not represent a lease of space for the restaurant to occupy	NO	NO	N/A	YES	445 - License for Use	
86 Lease of Real Property:						
a. Space in Hotel Lobby	NO	YES	013 - Commercial Lease	YES	445 - Commercial Lease	
b. Space for Restaurant	NO	YES	013 - Commercial Lease	YES	445 - Commercial Lease	
c. Space for Gift Shop	NO	YES	013 - Commercial Lease	YES	445 - Commercial Lease	
d. Space for other use	NO	YES	013 - Commercial Lease	YES	445 - Commercial Lease	
87 Payments (including commission) from Automatic Teller Machines (ATMs):						
a. Payments (including commissions) represent a lease of space for the machine to occupy	NO	YES	013 - Commercial Lease	YES	445 - Commercial Lease	
b. Payments (including commissions) do not represent a lease of space property for the machine to occupy	NO	NO	N/A	YES	445- License for Use	
88 Computer usage charges:						
a. Open To Public	YES	YES	014 - Personal Property Rental	YES	450 - Personal Property Rental	12
b. Not Open to Public	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	12
89 Shipping/mailling charges:						
a. Open To Public	YES	NO	N/A	NO	N/A	
b. Not Open to Public	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
90 Secretarial Services:						
a. Open To Public	YES	NO	N/A	NO	N/A	
b. Not Open to Public	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	
91 Floral - facility furnished (included with banquet)	YES	YES	017 - Retail	YES	460 - Retail	
92 Floral - facility furnished (available to public)	YES	YES	017 - Retail	YES	460 - Retail	
93 Floral - facility furnished (available only to guests or hotel has no other retail)	YES	YES	025 - Transient Lodging	YES	444/447 - Hotel/Transient	

ARIZONA TAX MATRIX FOR HOTEL/MOTEL LODGING INDUSTRY PURCHASES

Note: A purchase is exempt from use tax if it is subject to state or municipal transaction privilege tax.		Use Taxable to Hotel? (State)	Tax Type	Use Taxable to Hotel? (City)	Footnote
Description					
HOTEL OPERATIONS PURCHASES					
94	In-Room Amenities Provided with the Guest Room (Personal Hygiene)	NO	N/A	NO	7
95	In-Room Amenities Provided with the Guest Room (Other than Personal Hygiene)	YES	017 - Retail or 029 - Use Tax	YES	7
96	In-Room Coffee Provided at No Charge to Guests	NO	N/A	YES	
97	In-Room Cookies Provided at No Charge to Guests	NO	N/A	YES	
98	Newspapers Provided to Guests	NO	N/A	YES	
99	Linens and Towels	YES	017 - Retail or 029 - Use Tax	YES	
100	Coffeemakers for In-Room Guests	YES	017 - Retail or 029 - Use Tax	YES	
101	Flowers:				
	a. Resale	NO	N/A	NO	
	b. Not for resale	YES	017 - Retail or 029 - Use Tax	YES	
100	Promotional Materials (Tangible Personal Property)	YES	017 - Retail or 029 - Use Tax	YES	
101	Promotional (Non Tangible Personal Property) (Examples: Media, Advertising, etc.)	YES	017 - Retail or 029 - Use Tax or Advertising (City)	YES	
102	Operating Supplies	YES	017 - Retail or 029 - Use Tax	YES	
FOOD AND BEVERAGE PURCHASES					
103	China, Glassware, and Utensils	YES	017 - Retail or 029 - Use Tax	YES	
104	Linens	YES	017 - Retail or 029 - Use Tax	YES	
105	Operating Supplies	YES	017 - Retail or 029 - Use Tax	YES	
106	Complimentary Meals (No separate charges to Guests)				
	a. Hotel purchases food and prepares meals	NO	N/A	YES	6
	b. Hotel purchases prepared food & meals from leased restaurant or outside vendor	YES	011 - Restaurants & Bars or 030 - Use Tax	YES	6
107	Complimentary Beverages (No separate charges to Guests):				
	a. Liquor, Beer, and Wine	YES	030 - Use Tax		6
	b. Carbonated Beverages	NO	N/A		6
	c. Other Nonalcoholic Beverages	NO	N/A		6
108	Disposable Napkins, Plates, Cups, etc. Provided with Purchased Meal	NO	N/A	NO	
109	Disposable Napkins, Plates, Cups, etc. Provided with a Complimentary Meal	YES	017 - Retail or 030 - Use Tax	YES	
CAPITAL ASSETS					
110	Capital Assets - General	YES	017 - Retail or 029 - Use Tax	YES	
111	Computer - Hardware	YES	017 - Retail or 029 - Use Tax	YES	
112	Computer - Software:				
	a. Custom designed exclusively to the specifications of one customer	NO	N/A	NO	11
	b. Prepackaged	YES	017 - Retail or 029 - Use Tax	YES	11
113	Furniture and Fixtures - For Hotel	YES	017 - Retail or 029 - Use Tax	YES	
114	Televisions, Telephones, and other Electronics	YES	017 - Retail or 029 - Use Tax	YES	
115	Office Equipment - For Hotel	YES	017 - Retail or 029 - Use Tax	YES	
116	Furniture and Fixtures - For Restaurant	YES	017 - Retail or 029 - Use Tax	YES	
117	Kitchen Machinery and Equipment	YES	017 - Retail or 029 - Use Tax	YES	
118	Office Equipment - For Restaurant	YES	017 - Retail or 029 - Use Tax	YES	
119	Telephone Switching Equipment	YES	017 - Retail or 029 - Use Tax	YES	

ARIZONA TAX MATRIX FOR HOTEL/MOTEL LODGING INDUSTRY
FOOTNOTES

All footnotes pertain only to the referring line item in this matrix. Footnotes apply to state, county, and city jurisdictions unless otherwise noted.

- 1 Whether an item appears on the hotel folio or is paid for separately does not affect the taxability of the item.
- 2 A gift shop need not be a standalone shop. Rather, these items may be sold at the front desk, etc. and the taxability will remain the same.
- 3 Pass-through transactions are not taxable for state, county & municipal tax purposes. See "Definitions" for the definition of a pass-through transaction and discussion of broker provisions of Model City Tax Code Regulation 100.1 in "Notes."
- 4 For a comprehensive definition of food for home consumption, see A.A.C. R15-5-1860.
- 5 If a hotel contains a restaurant that is a separate legal entity and the restaurant purchases and prepares the food that is given free of charge by the hotel to the transient lodger, and the restaurant is paid by the hotel, the restaurant is subject to transaction privilege tax on the amounts received from the hotel. If the hotel does not pay the restaurant, the restaurant is subject to use tax on the food. A restaurant that provides complimentary food to customers as a business strategy to increase sales is not subject to use tax on the food or beverage. If, however, the food is given away for a purpose unrelated to the restaurant business, the restaurant is subject to use tax on the purchase price of the food and beverage.
- 6 Sales of food and non-alcoholic beverages by a business under the retail classification to a transient lodging business that will provide the items to guests at no additional charge are not subject to state tax (municipal taxable). However, sales of food and non-alcoholic beverages by a restaurant or caterer under the restaurant classification to a transient lodging business are taxable even if the hotel will furnish the food to guests at no additional cost.
- 7 For state tax purposes, A.R.S. § 42-5061(A)(46) exempts "[t]angible personal property sold to a person engaged in business and subject to tax under the transient lodging classification if the tangible personal property is a personal hygiene item or articles used by human beings for food, drink or condiment, except alcoholic beverages, which are furnished without additional charge to and intended to be consumed by the transient during the transient's occupancy." Thus, a hotel may not purchase alcohol tax exempt under A.R.S. § 42-5061(A)(46). However, A.R.S. § 42-5061(A)(51) exempts "[s]ales of any spirituous, vinous or malt liquor by a person that is licensed in this state as a wholesaler by the department of liquor licenses and control pursuant to title 4, chapter 2, article 1."
Therefore, the sale of alcohol by a wholesaler to a licensed hotel or motel is not subject to tax. The hotel or motel does not need to purchase such alcohol as a sale for resale. However, there is no use tax exemption for the use or consumption of alcohol purchased from a wholesaler. Therefore, subsequent sales of such liquor at its restaurant or bar subjects a hotel to transaction privilege tax under the restaurant classification and subsequent use of such liquor at a complimentary happy hour subjects a hotel to use tax. Please see Transaction Privilege Tax Ruling TPR 02-1 for more examples.
- 8 The room is subject to tax under the commercial lease classification. The separately stated food and beverage is subject to tax under the restaurant classification.
- 9 For state & county purposes, if the hotel sets up rigging, cabling and lights, and hotel employees operate and control the equipment, the transaction is a nontaxable service when separately billed. If the guest operates, controls, or has the right to operate and/or control the equipment, the transaction is taxable as personal property rental. For municipal purposes, the separate billing is taxable as rental or license for use of personal property. Does not apply to lump sum billing.
- 10 For a comprehensive list of items that do and do not qualify as items related to personal hygiene, see TPR 95-18.
- 11 For state purposes, see A.A.C. R15-5-154. For municipal purposes, see Model City Tax Code Section 115 and Regulation 115.1.
- 12 If the charge assessed represents internet access only, rather than the rental of a computer, see Line 20.