

Transaction Privilege Tax

Transaction

PRIVILEGE (SALES) TAX

The City of Flagstaff imposes a two and fifty-one thousandths percent (2.281%) transaction privilege tax (TPT) on the gross receipts from the types of business activities described herein, unless otherwise noted. Taxpayers pay tax monthly, quarterly or annually based upon the annual taxable income estimated by the taxpayer. TPT is often passed on to the business' customers as "sales tax." However, this is a tax on the privilege of doing business and is not a true sales tax.

TPT revenues are used to finance the expenses of City operations and services such as police, fire, parks, recreation, planning and zoning, public transportation, city court, libraries and streets.

LICENSING

Applications for TPT licenses may be obtained on www.aztaxes.gov or www.azdor.gov websites.

Effective January 1, 2019 the City will charge \$20 for a TPT license. The TPT license will be valid only for the calendar year in which it is issued and must be renewed each year on or before the last business day of December.

You must apply for a TPT license if you are engaged in any activity subject to the City's Transaction Privilege Taxes. Also if you maintain an office, distribution house, sales house, warehouse, or other place of business, or cause or allow any agent, broker, representative or subsidiary to operate part of your business within this City irrespective of whether such place of business, agent, broker, representative, or subsidiary is located here permanently or temporarily or is separately licensed to do business in this State or this City, a TPT license is required. In addition, a license is required if you are soliciting sales, orders, contracts, leases, and other similar forms of business relationships within the City from customers, consumers, or users located within the City by means of salesmen, solicitors, agents, brokers, and/or representatives or by means of catalogs or other advertising, whether such orders are received or accepted within or without this City.

Each business is required to have a separate TPT license for each Flagstaff location or business name.

Transactions between related companies or persons generally are taxable by the City of Flagstaff. See Flagstaff City Code Section 3-05-001-0100 for the definition of a "Person", Sections 3-05-002-0200 through 3-05-002-0230 for codes regarding "Determination of Gross Income" and Sections 3-05-002-0240 through 03-05-002-0280 for codes regarding "Exclusions".

TAXABLE ACTIVITIES

Gross receipts generated from the following types of business activities are subject to the City of Flagstaff transaction privilege tax. This summary provides only broad guidelines as to which activities are taxable and is not a comprehensive list of such activities.

Section 03-05-004-0405 Advertising: Includes local advertising by billboards, direct mail, radio, television, or any other means.

Section 03-05-004-0410 Amusements, Exhibitions & Similar Activities: Includes businesses such as theaters, movies, concerts, carnivals, billiards, bowling, tennis courts, golf courses, video games, sports events, etc. charging admission for exhibition, amusement, or entertainment.

Section 3-05-004-0415 through 3-05-004-0417 Construction Contracting: Includes developers, speculative builders, general contractors, contractors, subcontractors, construction managers, and owner-builders. Maintenance, Repair, Replacement, and Alteration activities (MRRR projects) are deductions from taxation under the Contracting Classification, provided these activities meet the definitions and criteria outlined in the statutes.

Section 3-05-004-0425 Job Printing: Includes engraving, embossing, copying, micrographics, photo reproduction, etc.

Section 3-05-004-0427 Manufactured Buildings: Includes the sale of only new manufactured buildings including income from site preparation, moving to the site and/or set up. Trade-ins are not allowed for reducing the tax liability (effective 1995).

Section 3-05-004-0430 Timbering & Other Extraction: Felling, producing or preparing timber; extracting, refining or producing oil or natural gas.

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Transaction Privilege Tax

Section 3-05-004-0432 Mining: Includes mining, smelting, or producing minerals for sale, profit, or commercial use. This activity is taxed at one tenth of one percent (.1%).

Section 03-05-004-0435 Publishing & Periodicals Distribution: Includes publication of newspapers, magazines, periodicals, etc.

Section 3-05-004-0444 Hotels: A 4.281% TPT is imposed on the gross income from the business activity of operating a hotel, motel, or lodging space furnished to any person for less than 30 consecutive days.

Section 3-05-004-0445 Rental, Leasing, and Licensing for Use of Real Property: Includes rental or lease of real property, located within the City for a consideration.

Section 3-05-004-0450 Rental, Leasing, and Licensing for the Use of Tangible Personal Property: Includes rental, licensing for use, or leasing of equipment, automobiles, tools, furniture, or any tangible personal property.

Section 3-05-004-0455 Restaurants and Bars: A 4.281% TPT is imposed on the gross income of preparing and serving food or beverages in a bar, cocktail lounge, or restaurant for consumption on or off the premises.

Sections 3-05-004-0460 through 3-05-004-0465 Retail Sales: Includes the sale of any tangible personal property such as cars, furniture, equipment, etc.

Section 3-05-004-0470 Telecommunication Service: Includes telephone, telegraph, facsimile (FAX) transmission, cable TV, computer interface, etc. In addition to the 2.281% TPT, there is a separately imposed 2% telephone service license tax for use of city right-of-way.

Section 03-05-004-0475 Transporting for Hire: Includes transporting by railroad, aircraft, or pipeline, or motor vehicle. **Section 3-05-004-0480 Utility Services:** Includes providing electric, gas, or water.

Section 3-5-006-0600 thru 3-05-006-0660 Use Tax: Effective August 1, 2019 use tax will increase to 2.281% tax on the purchase or rental of tangible personal property (such as vehicles, equipment, supplies, etc.) on which an equivalent City tax has not been paid.

ADDITIONAL COMMENTS

The taxable activities in Flagstaff may be different than the State of Arizona or other municipalities. Please contact the Arizona Department of Revenue at (602) 542-4576 or the other cities for additional information.

If you are engaged in a business activity and are not sure if your business activity is taxable or you need additional information, please call Customer Service at (928) 213-2231.

The City Tax Code is available on our website at: <http://www.flagstaff.az.gov/salestax>

TAX REPORTING

Businesses are responsible for reporting and remitting taxes to the Arizona Department of Revenue (ADOR) and must maintain adequate records and documentation to support gross income, deductions, and exemptions. All such records are subject to review and audit by ADOR and/or the City.

OTHER LICENSES

Effective September 1, 2018, a business license issued under City Code Chapter 3-01 is required if you engage in business in the City, unless exempted. The City will charge \$8 annually for a business license. Any business must comply with all building, fire, zoning, and other codes. Certain businesses require a specialty license in lieu of a business license. Certain businesses must be licensed with the Arizona Department of Health Services or other State agencies.

A special event license is issued under City Code Chapter 8-12 and is required for use of City owned or controlled spaces, such as community events, festivals, carnivals, shows, distribution of food or alcohol to the public, etc.

A temporary use permit is issued under City Code 10-20.40.150 and is required for short-term activities. The activities must be compatible with adjacent and surrounding uses already in compliance with the zoning code.

This is an informal and nonbinding communication. This publication is for general information only about Transaction Privilege (Sales) Tax and does not include exemptions or other details. For complete details, refer to the City of Flagstaff Privilege Tax Code 3-05-004 and related regulations. In case of inconsistency or omission in this publication, the language of the Tax Code will prevail.

FOR FURTHER INFORMATION CONTACT:

Customer Service
928.213.2231

solutions@flagstaffaz.gov

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