

## ARIZONA TRANSACTION PRIVILEGE TAX PROCEDURE

## TPP 95-2

## Procedure For Documenting Nontaxable Sales To Mexican Nationals

\_(Supersedes and Updates TPP 93-2)

ISSUE:

Documentation necessary to establish deductions from the tax base and sales for resale on sales to a Mexican national.

APPLICABLE LAW:

Arizona Revised Statutes (A.R.S.) § 42-1310.01.P.3 defines "selling at retail" to mean a sale for any purpose other than for resale in the regular course of business.

A.R.S. § 42-1328 clarifies that the burden of proof that a sale of tangible personal property was not a sale at retail is on the vendor unless the vendor accepts an exemption certificate from the purchaser.

A.R.S. § 42-1316 delineates the criteria by which a vendor may establish entitlement to the allowable deductions from the tax base under the transaction privilege tax statutes.

TPP 95-3 provides guidance in applying the provisions under A.R.S. § 42-1316.

PROCEDURE:

In order to establish a nontaxable sale for resale or a deduction from the transaction privilege tax base, an Arizona vendor shall include a copy of the Mexican national's Merchant Registration form as a part of the information required by A.R.S. § 42-1328 or A.R.S. § 42-1316.

## Resale Certificate

The burden of proving that a sale of tangible personal property was not a sale at retail shall be upon the vendor unless the vendor takes from the purchaser a certificate which meets the requirements of A.R.S. § 42-1328. The statute mandates that the certificate must:

- be signed by the purchaser or by an authorized agent;
- bear the name and address of the purchaser;
- indicate that the property was purchased for resale in the ordinary course of business;
- indicate that the purchaser has a valid transaction privilege tax license to sell the kind of property purchased.

The Arizona exemption certificate may be used to satisfy the requirements of A.R.S. § 42-1328. The exemption certificate shall be properly signed by the Mexican national indicating that the transaction is exempt as a sale for resale.

In addition to the Arizona exemption certificate, the *Border States Uniform Sale for Resale Certificate* may also be accepted by the vendor. To be acceptable this certificate must be complete and signed by a person authorized to sign on behalf of or as a representative for the purchaser.

### Documentation Establishing Deductions From the Tax Base

Please see TPP 95-3 regarding the use of the Arizona Exemption Certificate or other documentation for establishing a deduction from the tax base.

### Merchant Registration Form

The vendor must obtain a copy of the Mexican national's duly authenticated Merchant Registration form. The registration form must comply with Arizona statutory requirements to be valid as documentation of an exempt sale for resale. The registration form must include the name and address of the merchant and a detailed description of the business activities engaged in by the merchant. In addition, the form must contain the official governmental seal.

Arizona merchants will normally be presented with the merchant's registration form with the authenticating federal government seal.

The above documentation shall be kept in the vendor's records for the statutorily required period of time as prescribed by A.R.S. § 42-113 and A.R.S. § 42-114.

Harold Scott, Director  
Signed November 15, 1995

## Explanatory Notice

The purpose of a tax procedure is to provide procedural guidance to the general public and to department personnel. A tax procedure is a written statement issued by the department to assist in the implementation of tax laws, administrative rules, and tax rulings by delineating procedures to be followed in order to achieve compliance with the law. Relevant statute, case law, or administrative rules, as well as a subsequent procedure, may modify or negate any or all of the provisions of any tax procedure. See GTP 92-1 for more detailed information regarding documents issued by the Department of Revenue.