



Arizona Department of Revenue TPT Newsletter

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January 2023

Transaction Privilege Tax Changes and News

2023 TPT LICENSE RENEWALS

A transaction privilege tax license is used for collecting and remitting state, county, and city taxes. Businesses licensed with the Arizona Department of Revenue (ADOR) were required to renew their TPT license by January 1, 2023. Penalties and/or late fees will apply to renewals received after January 31, 2023.

If a business does not pay the renewal fee timely, they will receive a bill from ADOR for the unpaid renewal fees plus renewal penalties (The penalty is 50% of the city renewal fee.) Additionally, if fees are not paid when renewing, the license will only be mailed to the business once the fees are paid.

Remote sellers and marketplace facilitators without a physical presence in Arizona must renew their TPT licenses if they had more than \$100,000 in gross sales to Arizona customers in the 2022 calendar year. If a remote seller or marketplace facilitator did not reach the applicable threshold in the 2022 calendar year, they may cancel their license. If the threshold is met again in the current 2023 calendar year, remote sellers and marketplace facilitators must register for a TPT license.

Ensure the mailing address on file with ADOR is accurate, as licenses are mailed to the mailing address, not the location address. Visit [AZTaxes.gov](https://www.aztaxes.gov) to update business account information. Please allow up to four hours for the update to be completed and applied to the account. The account information must be up-to-date before the license is renewed.

For more common questions, see the FAQ portion of the [Renewing a TPT License page](#).

SHORT-TERM RENTALS FOR WINTER EVENTS

Short-term residential rentals are lodging rental stays for less than 30 days. The income from short-term rental stays is subject to Arizona transaction privilege tax (TPT). See Arizona Revised Statutes (A.R.S.) § 42-5070 and the Model City Tax Code (MCTC) -444 and -447.

If a property owner is only renting their residence for the Super Bowl, they will need a seasonal Arizona TPT license. They may also need a *business license* for the city where the residence is located, which is different from a TPT License. Please contact the specific city for the *business license*, as the Arizona Department of Revenue does not issue *city business licenses*. A seasonal TPT license is obtained from the Department's website, [AZTaxes.gov](https://www.aztaxes.gov), and choosing the seasonal filing frequency option on the application. The license should be active for the month of February (the TPT return would be due in March) or the length of renting the home. This license will be **active until it is cancelled**. In addition, a property owner/operator is required to include the TPT license number on any advertising associated with the short-term rental.

An owner/operator or property manager of the short-term rental that takes bookings directly should use business code 025 to report lodging bookings for less than 30 days for the state/county. The business code used to report these types of transactions for the cities is 044 for Hotels. Some cities impose an additional hotel tax; please use business code 144 to report the additional hotel for those cities. See the Arizona Department of Revenue's [Tax Rate Table](#) for more information on which city has an additional hotel rate.



(602) 255-3381 or toll-free at (800) 352-4090



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An owner/operator or property manager of a short-term rental that utilizes an online lodging marketplace (OLM) should report income using the business codes as outlined above for reporting to the state/county and the city where the property is located. However, 100% of the income received from the OLM should be deducted using deduction code 775. The OLM is responsible for collecting and remitting the TPT due from the rental income. For more information, please see the [OLM Factsheet](#).

After the Big Game, owners who will not continue in the short-term rental business should [cancel their seasonal TPT license](#).

BOND FOR CONTRACTORS

New contractors, out-of-state contractors without a principal business location in Arizona, and contractors who have displayed a history of TPT noncompliance are generally required to provide a bond to the Department to ensure payment of taxes. The Annual Bond Exemption expires on July 31 of each calendar year.

The agency is continuously improving and innovating its websites to provide quick guidance to taxpayers. The dedicated webpage for bonds offers general information on bonding requirements, licensing, exemption certificates, and frequently asked questions. We encourage contractors to visit the [Bond for Contractor page](#).

THRESHOLD REMINDER

TPT Electronic Filing and Paying Thresholds

TPT filers with an annual total tax liability of \$500 or more are required to file electronically. Visit azdor.gov/transactionprivilege-tax-tpt for more information.

Economic Nexus Thresholds

Economic nexus is established if the following thresholds either were met in the previous calendar year or are met in the current year.

For a *marketplace facilitator* Arizona gross sales (before any deductions) of more than \$100,000 in sales.

For a *remote seller* Arizona gross sales (before any deductions) of:

- \$200,000 (2019)
- \$150,000 (2020)
- \$100,000 (2021 and beyond)

Visit <https://azdor.gov/transaction-privilege-tax/retail-sales-subject-tpt/out-state-sellers/economic-threshold>.

FILING FREQUENCY

The Arizona Department of Revenue requires that you file your TPT return according to your assigned tax liability until your tax liability exceeds the filing thresholds. TPT filing frequency is determined by the amount of a business' total estimated annual combined Arizona, county, and municipal TPT liability.

- **Annually: Less than \$2,000** estimated annual tax liability.
- **Quarterly: \$2,000 - \$8,000** estimated annual tax liability.
- **Monthly: More than \$8,000** estimated annual tax liability.

To change your filing frequency, you must request through a [Form 10193 Business Account Update](#) and send it to the address on the form; this function cannot be completed online. Your tax liability will be reviewed, and if it falls within the thresholds, your filing frequency will be changed during the next available filing period. **NOTE:** If there are delinquencies on your business account, the filing frequency cannot be changed.





FILING YOUR TAX RETURN

E-filing helps ADOR deliver better, faster, more cost-effective government for Arizona. In 2022, 94% of taxpayers took advantage of the benefits of electronically filing their TPT returns. Some noted taxpayer benefits for e-filing include:

1. More secure
2. Faster processing
3. Fewer errors and miscalculations
4. The enhanced accounting credit for e-filing

While more taxpayers are filing electronically, below are some common mistakes associated with paper filing known to cause significant processing delays:

1. Incorrect information, i.e., deduction/region code
2. SSN or EIN written in place of TPT license number
3. Submitting duplicate returns
4. Inaccurate or miscalculated totals
5. Using non-black ink

TPT FILING FACTS

- Keep your account history in good standing and avoid penalties. If no longer in business, cancel your existing TPT license on AZTaxes.gov or submit a [Business Account Update Form](#).
- Verify and update your mailing address instantly and securely at AZTaxes.gov.
- Remember to file your TPT return for the prior month's activity.
- A \$0 TPT return must be filed for temporarily closed businesses and residential rental property owners with no sales/ or tax due. Go to azdor.gov/transaction-privilege-tax-tpt for more information.
- The tax rate look up tool on AZTaxes.gov is a useful tool for TPT filers in helping them find the TPT rates for any location within the state of Arizona.

COMMON ERRORS

- Sending in copies or duplicate returns can cause rework and delay processing.
- Filling out the form incorrectly, for example, entering SSN or EIN instead of their TPT license number.
- Wrong or invalid business or region codes.
- Reporting is different than what is calculated and net taxable reported is greater than the total tax due.
- Using a pencil, colored ink or sending photocopies can cause data entry delays.
- Using Form TPT-1 for current tax periods. Only file Form TPT-2 for June 2016 and prior years.
- Check out ADOR's video on Common Mistakes Made When Submitting a Paper TPT Return to help avoid issues and return rejections. <https://www.youtube.com/watch?v=Cderpc6HcuY>

TAX CHANGES

City of Prescott - Effective date of January 1, 2023.

On October 11, 2022, the Mayor and City Council of the City of Prescott passed and adopted Ordinance No. 2022-1801, which terminates the city's three-quarter of one percent (0.75%) transaction privilege tax dedicated to the payment of the city's unfunded Arizona Public Safety Personnel Retirement System (PSPRS) liability tax.

Ordinance No. 2022-1801 reduces the rate of taxation from two and three quarters percent (2.75%) to a rate of two percent (2.00%).



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DUE DATE REMINDERS

TPT Filing Frequency and Due Dates*- *Monthly, Quarterly, Annually*

TPT filers are reminded of the following **December** TPT filing deadlines:

- **January 20** - TPT return due date
- **January 30** - Paper returns must be received by ADOR by 5:00 p.m. on this date
- **January 31** - Electronic returns must be received by ADOR by 5:00 p.m. on this date

*The electronic due date for TPT return is dependent on the return and payment being timely and filed electronically. **It is highly encouraged to pay three business days prior to the last business day of the month (January 26) to ensure your payment is accepted and processed into ADOR systems.**

EDUCATION, TUTORIALS AND TRAINING

All ADOR workshops are free of charge. Below are upcoming options available to taxpayers. To register or access online workshops, tutorials and resources, visit azdor.gov/taxpayer-education.

WORKSHOPS

ADOR Electronic Filing for Nursing Homes - (Via WebEx)

These events are nursing home industry specific and requires a password to join, which can be obtained from a personal letter or by emailing educationunit@azdor.gov.

Tuesday, January 17, 2023
9:00 a.m. - 10:30 a.m.

Friday, January 20, 2023
1:00 p.m. - 2:30 p.m.

ADOR Withholding Tax for Business Owners and Payroll Service Providers - (Via WebEx)

Wednesday, January 25, 2023
9:00 a.m. - noon

ADOR Business Tax - (Via WebEx)

Wednesday, January 18, 2023
1:00 p.m. - 4:00 p.m.

Wednesday, February 1, 2023
9:00 a.m. - noon

Wednesday, February 15, 2023
1:00 p.m. - 4:00 p.m.

ADOR Business Tax - (In-Person)

ADOR Southern Regional Office
400 West Congress Street, Suite 158
Tucson, AZ 85701
Thursday, January 26, 2023
9:00 a.m. - noon





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Town of Gilbert
75 E. Civic Center Drive
Gilbert, AZ 85296
Wednesday, February 15, 2023
9:00 a.m. - noon

Town of Gilbert
75 E. Civic Center Drive
Gilbert, AZ 85296
Wednesday, February 15, 2023
1:00 p.m. - 4:00 p.m.

AZ Taxes - (Via WebEx)
Thursday, February 2, 2023
9:00 a.m. - noon

Property Management Company - (Via WebEx)

These workshops are offered as a series and it is recommended to take them in order. Space in each class is limited so visit the [Taxpayer Education web page](#) to sign up today.

Workshop 1: Licensing and Power of Attorney
Monday, February 6, 2023
10:00 a.m. - 11:30 a.m.

Workshop 2: Engaging, Disengaging, and More
Tuesday, February 7, 2023
10:00 a.m. - 11:30 a.m.

Workshop 3: File, Pay, Amend, and More
Wednesday, February 8, 2023
10:00 a.m. - 11:30 a.m.

ON-DEMAND TAX EDUCATION TUTORIALS: Please visit <https://azdor.gov/taxpayer-education/tpt-tutorials>.

