



# Arizona Department of Revenue

# TPT Newsletter

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January 2024

## Transaction Privilege Tax Changes and News

### 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 an event, 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 the event (the TPT return would be due the following month) or the length of renting the home. This license will be **active until it is canceled**. 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.

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

### EXEMPTION LETTER APPLICATION PROCESS CHANGES FOR QUALIFIED HEALTHCARE ORGANIZATIONS

Due to a recent amendment to A.R.S. § 42-5009(S), Qualified Healthcare Organizations which were previously required to obtain an annual transaction privilege tax (TPT) exemption certificate from the Department are no longer required to do so after they obtain an exemption letter with an exemption period that starts from January 1, 2024. Those letters will remain valid until the organization no longer qualifies.

*Note: If the Qualified Healthcare Organization no longer qualifies for the exemption letter, it is their responsibility to:*

- Notify the Department and any vendors they have supplied it to that they no longer qualify for the exemption, and
- Discontinue using the exemption letter.



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Regardless of the Qualified Healthcare Organization's notification to the Department and its own vendors, if they no longer qualify for the exemption letter – yet continue to utilize it – then they are liable for any tax, penalty, and interest from the date they no longer qualify, that the seller would have been required to pay if the seller had not been given the exemption letter by the healthcare organization.

### 2024 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, 2024. Penalties and/or late fees will apply to renewals received after January 31, 2024.

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 2023 calendar year. If a remote seller or marketplace facilitator did not reach the applicable threshold in the 2023 calendar year, they may cancel their license. If the threshold is met again in the current 2024 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](#).

### 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 the [Transaction Privilege Tax web page](#) on the ADOR website 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 the [Economic Threshold web page](#) on the ADOR website.

### 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.





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- **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.

## DUE DATE REMINDERS

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

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

- **January 22** - 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.**

## 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 web page 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](#).

## FILING YOUR TAX RETURN

E-filing helps ADOR deliver better, faster, more cost-effective government for Arizona. 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





## TAX CHANGES

**Cochise County** - Effective date of January 1, 2024.

On May 16, 2023, the Cochise County voters voted to begin a County Jail Tax effective on January 1, 2024. The total combined rate for most transactions will be 6.6%.

The (6.6%) affects the following business classifications:

Adult Use Marijuana (**420**); Adult Use Marijuana Restaurant (**421**); Amusement (**012**); Communications (**005**); Contracting - Prime (**015**); Job Printing (**010**); Marketplace Facilitated or Remote Retail Sales (**605**); Medical Marijuana (**203**); Medical Marijuana Restaurant (**221**); MRRA Amount (**315**); Peer to Peer Sharing (**414**); Pipelines (**008**); Private Railcar (**007**); Publication (**009**); Rentals of Personal Property (014); Restaurant and Bars (**011**); Retail Sales (**017**); Transporting (**006**); Use Tax Utilities (**026**); Utilities (**004**).

The (6.55%) affects the following business classifications:

Online Lodging Marketplace (**325**); Use Tax Utilities (**025**).

The (3.75%) affects the following business classifications:

Non metal Mining (**002**).

The (3.66¢) affects the following business classifications:

Jet Fuel Excise Tax (**049**).

For Prime Contractors: Any increase in the rate of tax does not apply to contracts entered into or pursuant to written bids made by Prime Contractors on or before May 16, 2023. To qualify for the reduced rate, the prime contractor must maintain documentation to verify the date of the contract or written bid. Gross income received from Pre-existing Prime Contracts will be reported under Class 118.

**City of Peoria** - Effective date of January 1, 2024.

On November 14, 2023, the Mayor and Council of the City of Peoria passed Ordinance 2023-19. The ordinance amends the effective date of Local Option H in relation to a specified class of taxpayers in order to further substantial justice as a result of misinterpretation of the Option. The "Specified Class" includes dance, martial arts, and gymnastics studios that charge for dance, sports, athletic, or other health-related instruction.

This ordinance is authorized pursuant to A.R.S. § 42-6055 which permits the City to amend the effective date of any provision of the Code for application to any specified class of taxpayers.

**City of Phoenix** - Effective date of January 1, 2024.

New 2024 threshold amounts for the retail sales and use tax two-level tax rate structure, as approved by Phoenix voters with Proposition 104 in the August 25, 2015 city election, will go into effect January 1, 2024. The inflation adjustment to the threshold amount will affect sales transacted beginning with January 1, 2024 and through December 31, 2025 tax periods.

The current threshold amount of \$11,631 will be adjusted by an incremental amount of \$2,255 to \$13,886 for the next two years beginning January 1, 2024. Any retail sales and/or use tax business activity must be reported in accordance with the new threshold amounts under the two-level tax rate structure utilizing the proper corresponding business code.

The (2.0%) affects the following business classifications:

Retail Sales - Single Portion over \$13,886 (**164**); Use Tax - Single Portion over \$13,886 (**168**); Remote Seller - Marketplace Facilitator (Out-of-State with no Arizona physical presence) - Retail Sales - Single Portion over \$13,886 (**628**); Marketplace Facilitators with Arizona physical presence - Retail Sales - Single Portion over \$13,886 (**164**); Marketplace Facilitators



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with Arizona physical presence - Third Party Sales - Single Portion over \$13,886 (**628**); Medical Marijuana Retail Sales - Single Portion over \$13,886 (**685**); Adult Use Marijuana Retail Sales - Single Portion over \$13,886 (**684**); Marijuana Retail Sales (Accessories/Ancillary Products) - Single Portion over \$13,886 (**164**); Marijuana Use Tax Purchases - Single Portion over \$13,886 (**168**).

### **Town of Sahuarita** - Effective date of March 1, 2024.

The Town of Sahuarita passed Ordinance 2023-170 on December 11, 2023. Ordinance amends the Town Code and removed Model Option 15, which creates a local Use Tax with a rate of two percent (2.00%). The Ordinance also removed Model Option 13 from the Code to allow for a Utility Service tax credit offset for franchise fees paid to the Town pursuant to the terms of a franchise agreement. The rate of tax on Utilities is increased from two percent (2.00%) to four percent (4.00%). The Town is also adopting:

- Local Option Z - exempting sales/purchases of college textbooks by any bookstore that are required by any state university or community college.
- Local Option HH - exempting certain types of charitable donations from the Use tax requirement for the donor.
- Local Option PP - exempting sales of electricity or natural gas to manufacturing or smelting operations or a business that operates an international operations center in the state and that is certified by the Arizona Commerce Authority.

The (4.0%) affects the following business classifications:  
Utilities (**004**).

The (2.0%) affects the following business classifications:  
Use Tax Purchases (**029**); Use Tax from Inventory (**030**).

Medical and Adult Use Marijuana:  
Use Tax Purchases (**029**); Use Tax from Inventory (**030**).

## 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](https://www.aztaxes.gov) or submit a [Business Account Update Form](#).
- Verify and update your mailing address instantly and securely at [AZTaxes.gov](https://www.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/business/transaction-privilege-tax](https://www.azdor.gov/business/transaction-privilege-tax) for more information.
- The tax rate look up tool on [AZTaxes.gov](https://www.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 delay processing.
- Filling out the form incorrectly, for example, entering SSN or EIN instead of the 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 delays.
- Using Form TPT-1 for current tax periods. Instead use 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>





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### 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](https://azdor.gov/taxpayer-education).

#### **WORKSHOPS**

##### **ADOR Business Tax - (Via WebEx)**

*Wednesday, January 17, 2024*

*1:00 p.m. - 4:00 p.m.*

*Wednesday, February 7, 2024*

*9:00 a.m. - noon*

##### **ADOR Withholding Tax for Employers and Payroll Service Providers - (Via WebEx)**

*Wednesday, January 24, 2024*

*9:00 a.m. - noon*

##### **ADOR Business Tax Basics - (In-Person)**

*Town of Gilbert*

*Municipal Building - Tower Room*

*50 E Civic Center Drive, Conference Room 146*

*Gilbert, AZ 85296*

*Tuesday, February 13, 2024*

*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 12, 2024*

*10:00 a.m. - 11:30 a.m.*

Workshop 2: Engaging, Disengaging, and More

*Tuesday, February 13, 2024*

*10:00 a.m. - 11:30 a.m.*

Workshop 3: File, Pay, Amend, and More

*Wednesday, February 14, 2024*

*10:00 a.m. - 11:30 a.m.*

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

