



Transaction Privilege Tax Changes and News

This publication is an informational notice for September 2013.

CITY OF SOMERTON

Effective August 1, 2013: On June 4, 2013, the Mayor and the Council of the City of Somerton passed Ordinance Number 2013-002. Ordinance Number 2013-002 amends section 8A-480 to remove the tax credit offset for franchise fees. Effective August 1, 2013 Section 8A-480 *Utility Services* of the Tax Code of the City of Somerton will be amended by deleting paragraph (d) in its entirety and replacing it with the following:

(d) Tax Credit offset for franchise fees. There shall not be allowed as an offset, any franchise fees paid to the City pursuant to the terms of a franchise agreement.

With this amendment, Model Option 13 will be added to Somerton in the official version of the Model City Tax Code.

HOUSE BILL 2324/COMMERCIAL LEASE EXEMPTION

The recently enacted HB 2324 (Laws 2013, ch. 27) amends A.R.S. § 42-5069 and A.R.S. § 42-6004 to create an exemption from taxation under the commercial lease classification for leases of real property between affiliated companies, businesses, persons, or reciprocal insurers. At the city level, the Model City Tax Code was amended in accordance with HB 2324 effective July 1, 2013. Therefore, the cities have ceased imposing transaction privilege taxes on leases affected by HB 2324 beginning July 1, 2013. **However, at the state and county level, HB 2324 does not take effect until September 13, 2013.**

YUMA COUNTY HEALTH SERVICES DISTRICT TAX INCREASE EFFECTIVE OCTOBER 1, 2013

Effective October 1, 2013: On June 17, 2013 the Yuma County Board of Supervisors approved an increase in the Health Services District Tax **effective October 1, 2013**. The Health Services Tax is to be applied at 0.112% on most transactions, as authorized in A.R.S. §48-5805. The total combined rate for *most* transactions will be 6.712%.

The new state/county combined rates are available at www.azdor.gov.

The rate change will affect the following classifications:

Class Code	Description	Old Rate	New Rate
002	Non metal Mining	3.805%	3.812%
004	Utilities	6.7%	6.712%
005	Communications	6.7%	6.712%
006	Transporting	6.7%	6.712%
007	Private Railcar	6.7%	6.712%
008	Pipelines	6.7%	6.712%
009	Publishing	6.7%	6.712%
010	Job Printing	6.7%	6.712%
011	Restaurant & Bar	6.7%	6.712%
012	Amusements	6.7%	6.712%
014	Rentals of Personal Property	6.7%	6.712%
015	Prime Contracting	6.7%	6.712%
017	Retail	6.7%	6.712%
025	Transient Lodging (Hotel/Motel)	6.698%	6.71%
029	Use Tax	5.6%	5.6%
030	Use Tax Inventory	5.6%	5.6%
037	Owner/Builder Contracting	6.7%	6.712%

For Prime Contractors and Owner Builders: Any increase in the rate of tax does not apply to contracts entered into or pursuant to written bids made by Prime Contractors or Owner Builders on or before June 17, 2013. To qualify for the reduced rate, the prime contractor or owner builder 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 126 and from Pre-existing Owner Builder contracts will be reported under Class 127.**



E911 Excise Tax

Effective January 1, 2014: Beginning **January 1, 2014**, prepaid wireless telecommunications retailers rather than service providers will be liable for remitting the E911 excise tax on prepaid wireless telecommunications service. **Laws 2012, Chapter 198 (HB 2094)** established a prepaid wireless telecommunications E911 excise tax (A.R.S. §§ 42-5401 through 42-5404). The tax is 0.80% of the gross proceeds of sales or gross income from the retail sale of prepaid wireless telecommunications services. Retailers are authorized to retain 3% of the cost of the tax that they collect from their customers. The tax is to be reported under Business Class 912. Retailers should use the following formula for calculating the 3% that they may retain:

Multiply the gross receipts from retail sales of prepaid wireless telecommunications services by 3%. This amount should be taken as a deduction from the gross amount. For purposes of the prepaid wireless telecommunications excise tax, the gross amount should not include the tax collected. Use deduction code 564 to report the allowed deduction. The tax rate of .008 should be applied to the net taxable amount to arrive at the total tax amount. A sample of how a transaction would appear on a Form TPT-1 is shown below:

Gross Amount	Deduction Amount	Net taxable Amount	Tax Rate	Total Tax Amount
1000.00	30.00	970.00	.008	7.76



OFFICE LOCATIONS/DROP BOXES

Drop boxes currently located outside the Department of Revenue buildings will be removed effective **September 30, 2013**. There will be a new drop box that will be located inside just as you pass through the entrance doors. Office hours are Monday through Friday, 8:00am to 5:00pm and locations are:

- Phoenix; 1600 W. Monroe St.
- Gilbert; 275 E. Germann Rd. Bldg. 2 Ste. 180
- Tucson; 400 W. Congress