



Transaction Privilege Tax Changes and News

This publication is an informational notice included with the December 2014 Transaction Privilege Tax Return.

COCONINO COUNTY ROAD TAX BEGINS JANUARY 1, 2015

On November 4, 2014 Coconino County voters approved a new Transportation Excise Tax for Roads. The tax will begin on January 1, 2015. The tax is 0.3% as authorized in A.R.S. §42-6107. As of January 1, 2015 the total combined rate for *most* transactions will be 6.9%.

The Coconino County Road tax applies to Commercial Lease transactions in Coconino County. The total rate for those transactions will be 0.3%. Businesses with activity under this classification that are not otherwise licensed with the Arizona Department of Revenue must complete the Arizona Joint Tax application and submit the appropriate licensing fees.

The new state/county combined rates are available here: <http://www.azdor.gov/Business/TransactionPrivilegeTax/TPTRates.aspx>

The rate change will affect the following classifications:

| Class Code | Description | Old Rate | New Rate (beginning 1/1/2015) |
|------------|---------------------------------|----------|----------------------------------|
| 002 | Non metal Mining | 3.75% | 4.05% |
| 004 | Utilities | 6.6% | 6.9% |
| 005 | Communications | 6.6% | 6.9% |
| 006 | Transporting | 6.6% | 6.9% |
| 007 | Private Railcar | 6.6% | 6.9% |
| 008 | Pipelines | 6.6% | 6.9% |
| 009 | Publishing | 6.6% | 6.9% |
| 010 | Job Printing | 6.6% | 6.9% |
| 011 | Restaurant & Bar | 6.6% | 6.9% |
| 012 | Amusements | 6.6% | 6.9% |
| 013 | Commercial Lease | 0.0% | 0.3% |
| 014 | Rentals of Personal Property | 6.6% | 6.9% |
| 015 | Prime Contracting | 6.6% | 6.9% |
| 017 | Retail | 6.6% | 6.9% |
| 025 | Transient Lodging (Hotel/Motel) | 6.6% | 6.9% |
| 026 | Use Tax-Utilities | 5.6% | 5.9% |
| 029 | Use Tax | 5.6% | 5.6% |
| 030 | Use Tax Inventory | 5.6% | 5.6% |
| 049 | Jet Fuel Excise Tax | 3.66¢ | 3.965¢ |

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 or Owner Builders on or before November 4, 2014. 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 128.**

For more information, consult our web site at www.azdor.gov, or contact the Department's Taxpayer Information & Assistance Section at (602) 255-2060 or Toll-free from 520 or 928 area code at (800) 843-7196.

ADDITIONAL CITIES JOINING THE STATE COLLECTION SYSTEM

Effective January 1, 2015: Bullhead City, Somerton and Willcox will be joining the state collection system. The rates will be posted at www.azdor.gov once they are finalized.

TOWN OF CAMP VERDE UPDATE

Town Council for the Town of Camp Verde has decided to rescind Ordinance 2014-A398 which was to remove the exemption (q) food for home consumption under Retail Sales: Exemptions effective December 1, 2014. Therefore, at this time, there will be NO CHANGE in the retail sales tax line for Camp Verde and NO TAX on food for home consumption.

CITY OF SOUTH TUCSON

Effective December 1, 2014: On August 28, 2014, the Mayor and Council of the City of South Tucson passed Ordinance Number 14-04 and Ordinance 14-05. Ordinance 14-04 amends the Tax Code of the City of South Tucson. The city business codes are now standardized to match the state business codes as follows:

| SOUTH TUCSON (F) | ST | PMA |
|--|-----------------|------------|
| Advertising | 018 | 4.50% |
| Amusement | 012 | 4.50% |
| Contracting - Prime | 015 | 4.50% |
| Contracting - Speculative Builders | 016 | 4.50% |
| Contracting-Owner Builder | 037 | 4.50% |
| Job Printing | 010 | 4.50% |
| Manufactured Buildings | 027 | 4.50% |
| Timbering and Other Extraction | 020 | 2.50% |
| Severance -Metal Mining | 019 | 0.10% |
| Publication | 009 | 4.50% |
| Hotels | 044 | 2.50% |
| Hotel/Motel (Additional Tax) ^(B) | 144 | 1.50% |
| Residential Rental, Leasing, and Licensing for Use | 045 | 2.50% |
| Commercial Rental, Leasing, and Licensing for Use | 213 | 2.50% |
| Rental, Leasing, and Licensing for Use of TPP | 214 | 4.50% |
| Restaurants and Bars | 011 | 5.50% |
| Retail | 017 | 4.50% |
| Retail Sales Food for Home Consumption | 062 | 1.50% |
| Communications | 005 | 4.50% |
| Transporting | 006 | 4.50% |
| Utilities | 004 | 4.50% |

License Renewals REMINDER

Taxpayers who have a state TPT license and/or a municipal excise tax license are required to annually renew the license(s). The license for both the State and the cities is valid for one calendar year and must be renewed by January 1st each year.

Prime Contracting Changes

Effective January 1, 2015, nonconstruction, or service contactors, are exempted from prime contracting on both the state and city levels. Contractors who only enter into contracts with owners of real property to maintain, repair, replace, or alter their property will be subject to tax at the point of purchase on the building materials used in those projects. All other contracting activity remains taxable under the current statutes.

Contractors who only enter into contracts with owners of real property to maintain, repair, replace, or alter their property are not required to obtain or renew TPT licenses. FAQs will be posted here once they are finalized. If you are a contractor whose only business is to enter into contracts with the owner of real property for the maintenance, repair, replacement or alteration of existing property, beginning January 1, 2015, you do not need to have a transaction privilege tax (TPT) license. Contractors who fall under this category will now pay retail tax at the point of sale when materials are purchased.

To cancel a TPT license complete the Business Account Update form to indicate the effective date of the cancellation. The update form is available in the Forms section for TPT on our website. Or, when filing your final TPT-1 select the box at the top of the form that states, Final Return Cancel License.

Property Management Companies & Residential Rental Property

Property managers and property management companies may no longer obtain a transaction privilege tax (TPT) license on behalf of their clients who own residential property in a Program City that levies a municipal excise tax on residential rentals. Effective January 1, 2015, each real property owner is required to have a TPT license per location in a Program City that levies a municipal excise tax on residential rentals. To obtain a TPT license, the property owner must apply using the Arizona Joint Tax Application (JT-1).

If a property owner would like a property manager or property management company to file and pay their TPT, the property owner must file a General Disclosure/Representation Authorization Form (aka Power of Attorney, Arizona Form 285) with the Arizona Department of Revenue.

Filing Frequency Changes

Effective January 1, 2015, if your annual transaction privilege tax liability is less than \$2,000, you may file and pay annually; if your annual transaction privilege tax liability is between \$2,000 and \$8,000, you may file and pay quarterly. Otherwise, your transaction privilege taxes are due monthly. Please call our Taxpayer Information and Assistance unit at 602-255-2060 or toll free within Arizona at 1-800-843-7196 if you would like to change your filing frequency.

Due Date Changes

Effective January 1, 2015, for all taxpayers who elect not to file electronically, TPT returns must be received by the Department on or before the second to last business day of the month. If the return is received after the second to the last business day, the return is not timely regardless of the postmark date. This includes returns filed by mail or hand delivered to the Arizona Department of Revenue.