

# ARIZONA DEPARTMENT OF REVENUE

## ARIZONA TRANSACTION PRIVILEGE TAX RULING

### TPR 94-1

This substantive policy statement is advisory only. A substantive policy statement does not include internal procedural documents that only affect the internal procedures of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona administrative procedure act. If you believe that this substantive policy statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes § 41-1033 for a review of the statement.

(Note: On 10/09/2020, the statutory references were updated to show their current location. See footnotes for details. No substantive changes were made.)

#### **ISSUE:**

The imposition of transaction privilege tax on businesses which provide coin-operated telephones for use by the public.

#### **APPLICABLE LAW:**

Arizona Revised Statutes (A.R.S.) § 42-5064<sup>1</sup> states:

A. The telecommunications classification is comprised of the business of providing intrastate telecommunications services.

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B. The tax base for the telecommunications classification is the gross proceeds of sales or gross income derived from the business, including the gross income from tolls, subscriptions or services on behalf of subscribers or from the publication of a

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<sup>1</sup> This ruling originally cited A.R.S. § 42-1310.04 which has been renumbered to A.R.S. § 42-5064.

directory of the names of subscribers, but the gross proceeds of sales or gross income derived from sales of intrastate telecommunications services to other persons engaged in businesses classified under the telecommunications classification for use in such business shall be deducted from the tax base.

E.<sup>2</sup> For purposes of this section, "intrastate telecommunications services" means transmitting signs, signals, writings, images, sounds, messages, data or other information of any nature by wire, radio waves, light waves or other electromagnetic means if the information transmitted originates and terminates in this state.

### **DISCUSSION:**

Transaction privilege tax is imposed upon persons engaged in the business of providing intrastate telecommunications services. Intrastate telecommunication services means transmitting sounds, messages, data or other information of any nature by wire, or other electromagnetic means if the information transmitted originates and terminates in this state.

A coin-operated telephone is a telecommunications instrument which converts sounds, messages or other data into electric impulses and transmits them by wire or other electromagnetic means to destinations both within this state and outside of the state. A person using a coin-operated telephone is purchasing telecommunications services through the insertion of coins or tokens into the telephone.

### **RULING:**

Businesses which make coin-operated telephones available for the purpose of providing pay telephone service to the public are engaged in the business of providing intrastate telecommunications services. Such businesses are subject to transaction privilege tax under the telecommunications classification on the gross proceeds of sales or gross income derived from the business.

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<sup>2</sup> This ruling originally cited subsection C for the definition of "intrastate telecommunications services" which has been moved to subsection E.

Sales of intrastate telecommunications services are deductible from the tax base when those services are sold to another business classified under the telecommunications classification for use in that business.

Harold Scott, Director

Date Signed January 3, 1994

#### Explanatory Notice

The purpose of a tax ruling is to provide interpretive guidance to the general public and to department personnel. A tax ruling is intended to encompass issues of law which are not adequately covered in statute, case law or administrative rules. A tax ruling is a position statement which provides interpretation, details or supplementary information concerning the application of the law. **Relevant statute, case law, or administrative rules, as well as a subsequent ruling, may modify or negate any or all of the provisions of any tax ruling.** See GTP 92-1 for more detailed information regarding documents issued by the Department of Revenue.