



Arizona Department of Revenue

**RETAIL CLASSIFICATION CITY DEDUCTION CODE  
CHANGES OCTOBER 2019**

Effective October 1, 2019, HB 2757 required the cities to adopt the majority of the state’s retail provisions. These statutory changes required a change in deduction codes. The listing below outlines the changes in deduction codes as required by HB 2757 and includes the city exceptions in A.R.S. § 42-6017. These deduction codes will be used when submitting your October 2019 return which are due in November 2019. Please see the full TPT Deduction Code Listings for all deductions.



Deduction Code Changes

The deduction codes listed below were removed, and in some instances replaced to mirror the state deduction codes for the **retail business classification**.

City Deduction Codes Removed and Replaced with State Deduction Code

Removed Deduction Codes	Added Deduction Codes	Deduction Code Description	Comments
671	545	City sales to qualified healthcare organizations	Remove-671 deduction will be removed and replaced with State deduction 545. The State deduction allows Hospitals, Certain Healthcare Organizations and Community Health Centers to purchase TPP with no restrictions to its use with an annual letter. All other health related organizations have use restrictions. Effective 10-1-2019
746	544	Food and Accessories to non-profit that feed the needy	Remove-746 will be removed and replaced with State deduction code 544. A.R.S. § 42-5061 A.25 e. allows TPP sold to a Non-profit that serves the needy. Effective 10-1-2019
750	549	Service on Retail	Removed deduction code 750-Direct Services, from Cities retail classification. This is replaced with the State deduction code 549 to reflect all statutorily allowed services associated with a retail transaction. Deduction code 750-Direct Services, remains for the City Restaurant And Bar and Rental of Tangible Personal Property classifications. Effective 10-1-2019

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Removed Deduction Codes	Added Deduction Codes	Deduction Code Description	Comments
748	559	Prosthetic Recommended by Doctor	Remove-748 will be removed from all cities and replaced with State deduction code 559. Deduction code 748 is now used only for Prosthetics that are <u>prescribed</u> by medical professionals for State and City purposes. Effective 10-1-2019

City Deduction Codes Permanently Removed

Removed Deduction Codes	Deduction Code Description	Comments
563	GAS for COMPRESSOR EQUIPMENT	Remove- 563 deduction code is removed from all cities for the Retail business class- Both State and Cities have this deduction available as a use tax deduction. Effective 10-01-2019
687	COMPONENT PARTS for Manufactured PRODUCT for RESALE	Remove- 687 deduction code is removed from all cities for the Retail business class- Both State and Cities have this deduction available as a use tax deduction. Effective 10-01-2019
739	Exempt Manufactured items used in testing	Remove- 739 deduction code is removed from the following cities for the retail business classification: Glendale, Huachuca City, Mesa, Oro Valley, Payson and Tolleson. Effective 10-1-2019
747	Mining and Metallurgical supplies	Remove-747 deduction code will be removed from all cities for the retail business class. Effective 10-1-2019
751	Telecom or Utility equip used by customer and billed separately	Remove-751 deduction code will be removed from all cities for the retail business class. Effective 10-1-2019
752	Income-producing capital equipment- Ancillary M & E used to treat waste	Remove-752 deduction code will be removed from all cities for the retail business class. Effective 10-1-2019

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Removed Deduction Codes	Deduction Code Description	Comments
758	Other Taxes/Fees Allowed by MCTC Sec 260-	<p>Remove-758 deduction code will be removed from all cities for the retail business class. Effective 10-1-2019</p> <p>758 deduction code was used for a variety of exempt taxes and fees under multiple business classifications, these exempt taxes and fees are allowed under the following deduction codes: (549) Services associated with Retail (formally 750 for the Cities); (609) Federal Excise Tax of Heavy Trucks; or (613) Waste Tire disposal fee. Deduction code 758 will still be available for Telecommunication, Use Tax, Public Utility (Additional Telecomm) and Public Utility Right of Way</p>
770	City-Out of State Sales-MCTC Article 1	Remove-770 deduction code will be removed from all cities for the retail business class- deduction code 504 is currently used and will apply to interstate and foreign commerce pursuant to A.R.S. 42-5061 A. 24. Effective 10-01-2019



### New City Deduction Codes

The deductions and corresponding deduction codes were previously available to the state and will be available for the cities on October 1, 2019.

Added Deduction Codes	Deduction Code Description	Comments
525	Machinery and equipment to assist disabled	Add-525 deduction code will be applied to ALL cities. Effective 10-1-2019
529	Motor Vehicle sold at Auction to Non-resident	Add-529 deduction code will be applied to all cities. Effective 10-1-2019

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Added Deduction Codes	Deduction Code Description	Comments
554	Machinery and equipment used in Healthy Forest	Add-554 deduction code will apply to all cities. Effective 10-1-2019
566	Food Items free to transients by hotel	Add-566 deduction code will apply to all cities. Effective 10-1-2019
573	TPP non-profit org apartment housing-low income over 62	Add-573 deduction code will apply to all cities. Effective 10-1-2019
574	TPP to Qualified Healthcare Org for handicapped children	Add-574 deduction code will apply to all cities. Effective 10-1-2019
583	Commodities Sales warehoused in AZ	Add-583 deduction code will apply to all cities. Effective 10-1-2019
585	Machinery and equipment used for commercial agricultural crops	Add-585 deduction code will apply for all cities- Effective 10-1-2019
598	Fuel to Healthy Forest Business	Add-598 deduction code will apply for all cities. Effective 10-1-2019
599	Machinery and equipment to PREVENT POLLUTION Farm Ranch	Add-599 deduction code will apply to all cities. Effective 10-1-2019
603	Repair Parts to Healthy Forest Projects	Add-603 deduction code will apply for all cities. Effective 10-1-2019



Future Changes to City Deduction Codes

The Deduction Codes below are Deduction codes that will go into effect once the population limits are met.

Added Deduction Codes	Deduction Code Description	Comments
516 *with limitations	Livestock Poultry-growth implants	<p>Change with Limitations-Deduction code 516 will apply to these cities: Bullhead City, Buckeye, Camp Verde, Casa Grande, Chandler, Chino Valley, Colorado City, Duncan, Gilbert, Huachuca City, Mammoth, Maricopa, Mesa, Oro Valley, Phoenix, Pima, Quartzsite, Queen Creek, Scottsdale, Sedona, Snowflake, St. Johns, Thatcher, Tucson, Willcox, Winslow, and Yuma. This change is Effective 10-1-2019</p> <p>*This deduction will apply to those cities with <b>fifty thousand</b> or more in population on January 1, 2020 and to all remaining cities July 1, 2021.</p>
537 *with limitations	Propagative Material (Does not include propagative materials in the genus cannabis)	<p>Change with Limitations-Deduction code 537 will apply to these cities: Bullhead City, Buckeye, Camp Verde, Casa Grande, Chandler, Chino Valley, Colorado City, Duncan, Gilbert, Huachuca City, Mammoth, Maricopa, Mesa, Oro Valley, Phoenix, Pima, Quartzsite, Queen Creek, Scottsdale, Sedona, Snowflake, St. Johns, Thatcher, Tucson, Willcox, Winslow, and Yuma. This change is Effective 10-1-2019.</p> <p>*This deduction will apply to those cities with <b>fifty thousand</b> or more in population on January 1, 2020 and to all remaining cities July 1, 2021.</p>
736 *with limitations	Neat Animals Horses used for Breeding	<p>Change with limitations-736 will remain for those cities that chose MCTC Local Option W, They are Casa Grande, Colorado City, Huachuca City, Mammoth, Maricopa, Pima, Queen Creek, Scottsdale, Snowflake, Tucson and Willcox. Effective 10-1-2019</p> <p>*The deduction will apply to those cities with <b>fifty thousand</b> or more in population on January 1, 2020 and to all remaining cities July 1, 2021</p>