

ARIZONA DEPARTMENT OF REVENUE

ARIZONA TRANSACTION PRIVILEGE TAX RULING

TPR 93-26

(Note: On 9/9/2020 the statute references were updated to show their current numbers. See footnotes for details. No substantive changes were made.)

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.

ISSUE:

Newspaper sales through vending machines and retail stores.

APPLICABLE LAW:

Arizona Revised Statutes (A.R.S.) § 42-5065(A)¹ states that the publication classification is comprised of the business of publishing newspapers, magazines or other periodicals and publications if published in this state.

A.R.S. § 42-5065(B)² states that the tax base for the publication classification is the gross proceeds of sales or gross income derived from the business, including the gross income derived from notices and subscription income.

A.R.S. § 42-5065(C)³ states that "subscription income" includes all

¹ This ruling originally cited A.R.S. § 42-1310.05.A which was renumbered as A.R.S. § 42-5065(A).

² This ruling originally cited A.R.S. § 42-1310.05.B which was renumbered as A.R.S. § 42-5065(B).

³ This ruling originally cited A.R.S. § 42-1310.05.C which was renumbered as A.R.S. § 42-5065(C).

circulation revenue, except amounts actually retained by or credited to carriers and other vendors as compensation for sale or delivery of publications and revenue from publications sold, directly or through wholesalers or jobbers, to retailers for resale.

A.A.C. R15-5-1302(B)(2) defines "other vendors" as those persons who deliver newspapers to retailers such as news stands, convenience markets, drug stores and to coin-operated vending machines.

A.A.C. R15-5-1302(C) states that income of publishers from sales of newspapers, whether directly or through other vendors, to news stands, convenience markets, drug stores or other retailers are taxable under the publication classification. The sales of newspapers by such retailers to consumers are taxable as retail sales.

RULING:

VENDING MACHINE SALES

A newspaper publisher is subject to transaction privilege tax under the publication classification on revenue generated from newspaper vending machine sales if the newspapers are published in this state. Revenue from vending machine sales of newspapers not published in this state is subject to tax under the retail classification.

Any amounts from vending machine sales of newspapers published in this state actually retained by or credited to other vendors as compensation for stocking vending machines are not subject to tax. An example of a vending machine sale is as follows:

A newspaper published in this state sells in vending machines for 50 cents. The machines are stocked by other vendors. Of the 50 cents sales price, the newspaper publisher receives 40 cents, while the other vendors who stock the machines retain 10 cents. The publisher is subject to tax on 40 cents. The other vendors are not subject to tax on the 10 cents retained. However, if employees of the newspaper publisher stock the machines rather than other vendors, the entire 50 cents is subject to tax.

RETAIL STORE SALES

Newspaper sales by retail stores to consumers are retail sales subject to transaction privilege tax. There is no retail deduction for restocking newspapers in retail stores.

A newspaper publisher is not subject to tax on sales of newspapers to retail stores for resale.

Harold Scott, Director
Signed April 16, 1993

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.