This publication is designed to help Arizona businesses comply with the state’s basic tax and licensing requirements. In case of inconsistency or omission in this publication, the language of the Arizona Revised Statutes and the Arizona Administrative Code will prevail. In addition to describing the types of licenses and taxes that are applicable in Arizona, a few other agencies that impose taxes and require licensing are identified. This publication is part of a series of publications that discuss in detail transaction privilege and other taxes administered by the state. For questions, please see the websites and telephone numbers listed on the last pages.

**E-Business Services**

To better serve you, Arizona Department of Revenue (ADOR) offers businesses the opportunity to complete the Joint Tax Application online at www.AZTaxes.gov. Once the license registration is completed, and the business is registered to use the site, businesses may file and pay their transaction privilege, use and withholding taxes online.

**Arizona Commerce Authority Small Business Services**

has a free online Checklist Program designed to help you easily navigate to information on what you need to know, who you need to contact and where you need to go to license your business in Arizona. It also includes contact information to statewide resources and assistance to accelerate your business growth. Visit www.azcommerce.com/smallbiz.

**Bingo Tax Licenses** are required of, and tax is imposed on, bingo operators within the state. For information, contact ADOR, Bingo Section.

**City Transaction Privilege Tax (TPT)** is generally imposed throughout the state. ADOR administers and collects the tax for all Arizona cities and towns; therefore, no additional license application is necessary. Businesses pay the license fee for cities in which they do business in addition to the applicable state license fees. Fees for city licenses vary. TPT licenses are valid for a calendar year and must be renewed annually. Renewal fees vary by jurisdiction. There is no renewal fee for the State. There are some differences between the state and local authorities in the taxability of transactions. For questions regarding taxability and licensing, contact ADOR.

**Corporate Annual Report** filing and registration with the Corporation Commission are required for all profit and non-profit corporations. Contact the Corporation Commission for details.

**Corporate Income Tax** rate for taxable year 2019 is 4.9% of taxable income or $50, whichever is greater.

- **Estimated tax payments** are required if the taxpayer’s Arizona income tax liability for the taxable year is $1,000 or more.
- **Electronic Funds Transfer (EFT)**
  
  **Who is required to make payment by EFT?**
  
  Corporate taxpayers that expect a 2019 corporate income tax liability of $10,000 or more must make estimated payments using EFT.

  **How do I make payments by EFT?**
  
  Taxpayers must be registered to use www.AZTaxes.gov and use ACH Debit as a payment method to comply with EFT payment requirements.

  **What happens if I do not remit my payments via EFT?**
  
  Taxpayers required to make payments by EFT will be subject to a penalty of 5% for making a payment by any other method. See A.R.S. § 42-1125(O).

**Tax return due date.** A corporate income tax return must be filed with the ADOR. The return is due by the 15th day of the fourth month following the close of the taxable year for regular (“C”) corporations. For “S” corporations, taxes imposed are due on the 15th day of the third month following the close of the taxable year.

- **Delinquent tax returns and payments, except estimated tax payments**, are subject to the same penalties and interest as for TPT listed in this publication. Late or underpaid estimated tax payments are subject to underpayment penalty and interest. The underpayment penalty is equal to the interest that would accrue on the amount not paid for the period of underpayment, not to exceed 10 percent of the amount not paid.

**Individual Income Taxes**

Sole proprietors report business income on the Arizona individual income tax return. The starting point for an individual is the individual’s federal adjusted gross income. The individual must complete his or her federal return before beginning the Arizona return. Individuals whose Arizona gross income exceeds $75,000 may be required to make estimated income tax payments.

**License and Registration** may be accomplished by using the Arizona Joint Tax Application for a TPT License (Form JT-1) to apply for Transaction Privilege Tax, Use Tax, and Employer Withholding and Unemployment Insurance. The application is called “joint” because it is used by both
ADOR and the Department of Economic Security. It allows you to apply for any of the listed licenses and registrations on a single application. The application is available on the ADOR website. TPT licenses are valid for a calendar year and must be renewed annually. There is no state renewal fee. To apply for other types of licenses that are issued by other state agencies, contact those agencies directly. Remember that many cities require businesses to obtain annual permits in order to conduct business within the city limits. Some people who are required to obtain a permit may not be required to obtain a license for TPT.

**Luxury Tax – Liquor** requires wholesalers, microbreweries, craft distillers and domestic farm wineries to file a return each month and remit luxury tax onspirits, vinous, and malt liquors. Forms may be obtained from ADOR. Restaurants, bars, and any other businesses planning to sell alcoholic beverages (retail and wholesale) must be licensed by the Arizona Department of Liquor.

**Luxury Tax – Tobacco** applies to businesses wholesaling cigarettes, cigars, or other tobacco products. Anyone who manufactures, produces, ships, transports or imports into this state or in any manner acquires or possesses cigarettes without stamps or other tobacco products upon which taxes have not been paid, for the purpose of making the first sale, must be licensed with the ADOR. The license fee is $25 and is renewed annually.

**Partnerships** doing business in Arizona must file Arizona Form 165 to determine what partnership income is subject to Arizona income tax. Each partner is subject to Arizona income tax on his or her pro rata share of partnership income.

**Personal Property Tax** is reported to your local county assessor’s office. Businesses must list all personal property (other than motor vehicles) used in the business. Please contact your county assessor for more information.

**Taxpayer Bonding** may be required in some cases. For details, please see the Taxpayer Bonds publication, available at our website.

- **Delinquent taxpayers** may be required to post bonds to protect the state against failure to pay TPT or withholding based on the current or previous tax liability.
- **Contractors** must be bonded prior to issuance of the TPT license unless previously licensed or employing in this state with a good record of tax filing and payment, or if there is no potential tax liability on the proposed project. The type of contracting activities performed determines the amount of bond required. In addition, out-of-state and new contractors must submit bonds for each construction project valued at more than $50,000 prior to the issuance of building permits. Contractors may qualify for exemption from the bonding requirements.

Please see the bonding publication for details regarding exemptions. Due to the bonding requirements noted above, license applications for contractors can not be completed online at www.AZTaxes.gov. Once the license and bonding requirements have been met, contractors can then register to use www.AZTaxes.gov to file and pay their taxes.

**Transaction Privilege Tax (TPT)** is imposed on the seller for doing business in the state, although the tax may be passed on to the customer. Various business activities are subject to TPT and must be licensed. Those activities include retail sales, restaurants/bars, hotel/motel (transient lodging), commercial lease, amusements, personal property rentals, contracting, severance (metal mining), transporting, nonmetal mining, job printing, publishing, utilities, communications, and private (rail) car. A TPT license must be obtained for each location at which business is conducted. Businesses with multiple locations or business lines may choose to license and report for each location separately or have a consolidated license (and report aggregate sales). Use the Arizona Joint Tax Application to apply for your TPT license. The state cost for each license/location is $12.

**Tax rates vary by city and county.** Please see the Arizona State, County, and City Transaction Privilege and Other Tax Rate Tables for details.

**Reporting sales.** When filling out the tax return (TPT-2), the gross income from the business must be reported. Tax exempt sales, such as a construction subcontracting business and sales for resale (wholesale), may be deducted.

**Use tax must be reported and paid on** merchandise purchased as an exempt sale for resale that is subsequently used by the business and on purchases from an out-of-state vendor for use in Arizona. TPT and use tax are complementary taxes; only one of these taxes can be applied to a given transaction. The use tax is reported on the TPT return under business class 030 for items removed from inventory and under business class 029 for purchases from out-of-state vendors.

**When reporting TPT,** remember to file all tax returns whether or not you have any sales.

**Changes that affect the TPT license**

- **Changes in ownership** require a new license because licenses are not transferable. Use the Arizona Joint Tax Application to apply for a new TPT license if your business changes from a sole proprietorship to a partnership or corporation, or undergoes a similar change in organization. Also, if the business is a partnership and partners are added or removed, a new TPT license is required.
- **Changes in location or business location** do not require
a new TPT number. When locations are added or there are changes in the business name (or DBA) the license number does not change; however, a new license is printed showing the updated information. License fees are required whenever these changes are made and the business receives a new print of the license.

- **Other business changes** that should be reported to ADOR include changes in the mailing address or location of audit records, requests to suspend licenses when the business plans to temporarily cease operations, and requests to change filing frequency. These changes do not require a license fee.

**Due Dates.** All businesses are required to report on a monthly basis, unless specifically authorized to report less frequently by ADOR. Effective January 1, 2015, businesses with an annual tax liability less than $2,000 may be permitted to report annually; those with an annual tax liability between $2,000 and $8,000 may be permitted to report on a quarterly basis. If the tax liability subsequently increases beyond the criteria mentioned above after a business has been authorized to report less frequently, the business must begin reporting and paying the tax at the appropriate frequency; otherwise, penalties and interest will accrue for late reporting and payment. New business licenses may qualify for monthly or quarterly filing based on the anticipated annual income for your first twelve months of business. For all taxpayers who elect not to file electronically, TPT returns must be received by ADOR on or before the second to last business day of the month. This includes returns filed by mail or hand delivered to the ADOR. Returns and payments from businesses required to pay via EFT or who use ACH Debit as a payment method to comply with EFT requirements must be completed and submitted to the department’s EFT Unit. The department will send a confirmation of the taxpayer’s enrollment in the EFT program along with further payment instructions. Taxpayers not meeting the mandatory level of participation are required to enroll in the program.

**Electronic Funds Transfer (EFT).** Before payments are made via EFT, the Authorization Agreement for Electronic Funds Transfer (ADOR 10366) must be completed and submitted to the department’s EFT Unit. The department will send a confirmation of the taxpayer’s enrollment in the EFT program along with further payment instructions. Taxpayers not meeting the mandatory level of participation are allowed to enroll in the program.

**Who is required to make payment by EFT?**
Transaction privilege or use taxpayers with an annual liability of $10,000 or more during the prior calendar year.

**How do I make payments by EFT?**
Taxpayers must be registered to use www.AZTaxes.gov and use ACH Debit as a payment method to comply with EFT payment requirements.

**What happens if I do not remit my payments via EFT?**
Taxpayers required to make payments by EFT will be subject to a penalty of 5% for making a payment by any other method.

**Penalties** are 1/2% per month or part of a month for late payment and 4 1/2% per month or part of a month for late filing, up to a combined maximum of 25%. Interest accrues on delinquent payments at the same rate as charged by the IRS and, by law, cannot be waived.

**TPT Special Situations**

**NOTE:** Without proper documentation for tax-exempt sales claimed as deductions, the seller may be responsible for the tax.

- **Sales for resale** (wholesale) are exempt. The burden of proving that a sale was for resale is on the seller. However, if the seller has a valid Arizona Resale Certificate (Form 5000A) on file that was completed by the purchaser, the burden of proof shall shift to the purchaser. Please contact the ADOR to obtain copies of the form, or visit the forms link at our website.

- **Subcontracting** income is not subject to TPT if the subcontractor can demonstrate that the job was within the control of a prime contractor and that the prime contractor is liable for the tax on the job. If the subcontractor is given a Transaction Privilege Tax Prime Contractor’s Certificate (Form 5005) that has been completed by the prime contractor, the subcontractor is relieved of the burden of proof. Please visit the forms link at our website to obtain copies of the certificates.

- **Retail sales of motor vehicle to nonresidents** for use outside of Arizona, are exempt from TPT the seller ships or delivers the motor vehicle out of Arizona. Please see Arizona Transaction Privilege Tax Procedure TPP 08-1, and the accompanying certificates (Forms 5010, 5011, 5012 and 5013). Please visit the department’s website to obtain copies of the certificates.

- **Sales to non-profit organizations** are generally subject to the tax. For additional information, please see the Arizona Transaction Privilege Tax Procedure TPP 00-4, which is available at our website.

- **Solar energy device deductions** are available only to retailers and lessors registered with ADOR who sell or lease solar energy devices. The retailers and lessors may register to sell these items by completing the Solar Energy Device Registration form (Form 6015).

**Unclaimed Property** consists of items such as payroll/vendor checks, bank deposits, and insurance proceeds that have remained unclaimed for a specified period of time. The abandonment periods range from one to fifteen years depending on the type of property. Businesses holding these items are required to file an unclaimed property report annually and remit the funds to ADOR.

**Unemployment Insurance** requires employers to register with the Department of Economic Security. Employers use...
the Arizona Joint Tax Application for a TPT License (Form JT-1) to register for both withholding and unemployment insurance. For unemployment tax rates and other information, please contact the Department of Economic Security.

New Hire Reporting requires all public, private, non-profit and government employers to report every newly hired and rehired employee within 20 days of hire to the State Directory of New Hires, a program of the Arizona Department of Economic Security, Child Support Division. For additional information regarding the new hire reporting requirement for an employer, please contact the Department of Economic Security.

Use Tax is the complimentary tax to the TPT. Businesses (or individuals) making out-of-state purchases for their own use – not for resale – on which no tax is paid, are required to pay the use tax. Therefore, businesses planning to use, store, or consume goods brought into Arizona on a regular basis should register for use tax using the Arizona Joint Tax Application for a TPT License (Form JT-1). Individuals who make purchases from out-of-state vendors who have not collected the use should use Form AZ-USE V to remit the use tax. Out-of-state vendors conducting business in the state or making direct sales into Arizona are also required to be registered and to collect and report the tax. Payment and reporting requirements are the same as for TPT. The Arizona State, County, and City Transaction Privilege and Other Tax Rate Tables identify the use tax rates for the state and cities.

Waste Tire Fee is paid on the retail sales of motor vehicle tires, including tires for automobiles, motorcycles, trucks, semi-trailers, or other vehicles operated on the road. Fees are reported on the Motor Vehicle Waste Tire Fee (Form TR-1) and paid to ADOR on a quarterly basis, due the 20th of the month following the end of each quarter. The waste tire fee must be listed separately on any invoice. The fee is charged at a rate of 2% of the retail sales price, up to a maximum of $2 per tire. On the sales of new vehicles (where the price of the tire is not listed separately on the bill), the fee is $1 per tire. A credit of 10 cents per tire is allowed to be kept by the seller.

Withholding of Arizona income tax is required for businesses or individuals who hire employees. There are a few exceptions to this requirement. Businesses considering the use of “contract” workers are cautioned to consult with their tax professional for advice. Use the Arizona Joint Tax Application for a TPT License (Form JT-1) to register your Employer Identification Number for withholding and to begin your unemployment insurance registration (there are no registration fees).

- **Withholding percentages** are based on gross taxable wages. “Gross taxable wages” is the amount that meets the federal definition of “wages” contained in Internal Revenue Code § 3401. Generally, gross taxable wages are reported in box 1 of the employee's federal Form W-2 at the end of the calendar year. The available withholding percentages are 0.8%, 1.3%, 1.8%, 2.7%, 3.6%, 4.2% and 5.1%. In addition to electing a withholding percentage, employees may also designate an additional amount to be withheld from each paycheck. Employees elect the applicable percentage of Arizona withholding on Form A-4, Employees Withholding Allowance Certificate, available at our website.

- **Due dates** for the quarterly returns (Form A1-QRT) are April 30, July 31, October 31, and January 31 for the preceding calendar quarter. Payments are due at the same time as the quarterly return if the average amount of Arizona income taxes withheld in the preceding four calendar quarters does not exceed $1,500. If the average amount of Arizona income taxes withheld in the preceding four calendar quarters exceeds $1,500, the withholding payments are due at the same time as the employer’s federal withholding deposits. The employer must determine its Arizona withholding payment schedule for each calendar quarter by calculating the average amount of Arizona income taxes withheld in the four preceding calendar quarters. Employers are granted an automatic 10-day extension to file the quarterly reconciliation if their payments for the quarter were made timely. Annual withholding may be allowed if the amount collected and payable by the employer in each of the preceding calendar quarters did not exceed an average of $200.

- **Electronic Funds Transfer (EFT)**
  
  **Who is required to make payment by EFT?**

  Withholding taxpayers with average Arizona quarterly withholding liability during the prior tax year of $2,500 or more must make withholding payments by EFT.

  **How do I make payments by EFT?**

  Taxpayers must be registered to use www.AZTaxes.gov and use ACH Debit as a payment method to comply with EFT payment requirements.

  **What happens if I do not remit my payments via EFT?**

  Taxpayers required to make payments by EFT will be subject to a penalty of 5% for making a payment by any other method.

- **The annual reconciliation** (Form A-1R) is due January 31 of the year following the calendar year for which Arizona withholding payments were made. The completed form is submitted with the state copy of Forms W-2.

- **Penalties** for late filing and late payment are the same as for TPT listed in this publication.

**Your Federal Taxpayer Identification Number (TIN)**

Your Federal TIN is either your social security number, your
employer identification number (EIN), or your individual tax identification number (ITIN), and must be included on every tax return, payment, application, or other document submitted to ADOR.

**EIN is required for:**
- Anyone paying wages to one or more employees.
- Anyone required to withhold federal taxes on income, other than wages, paid to a nonresident alien (individual, corporation, partnership, etc.).
- Trusts except IRA trust
- Estates
- Partnerships
- REMICs (real estate mortgage investment conduits)
- Corporations
- Nonprofit organizations (churches, clubs, etc.)
- Farmers’ cooperatives
- Plan administrators

The IRS allows businesses to obtain an EIN online that may be used immediately. For more information, go to www.irs.gov/businesses/small-businesses-self-employed and click on the “Employer ID Numbers (EINs)” link. You may also obtain an EIN from 7:00 am—10:00 pm local time Monday through Friday at (800) 829-4933, or fax at (215) 516-3990. Failure to supply a federal TIN on tax returns or payments will result in a $5 penalty for each submission.

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**Arizona Department of Revenue**
1600 W Monroe, Phoenix, AZ 85007
400 W Congress, Tucson, AZ 85701

For assistance with licensing or registering your business:
Phoenix .................................................. 602-255-3381
Toll free from area codes 520 and 928 .......... 1-800-352-4090

**Unclaimed Property** ................................................. 602-364-0380

**Internal Revenue Service**
www.irs.gov

4041 N Central
Phoenix AZ 85012
1-844-545-5640

**Arizona Commerce Authority**
www.azcommerce.com

**Small Business Services**
www.azcommerce.com/smallbiz

Free online Checklist Program to start, operate, and grow a business in Arizona
602-845-1200

**Corporation Commission**
www.azcc.gov

Corporate filings, records, annual reports/revocations.
1200 W Washington
Phoenix AZ 85007
602-542-3026

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**Arizona Department of Economic Security**

**Unemployment Insurance**
www.azuitax.com

For businesses and others who hire employees.
PO Box 6028
Phoenix, AZ 85005
602-771-6606

**New Hire Reporting**
www.az-newhire.com

Employers are required to report newly hired and rehired employees within 20 calendar days of hire or rehire.

**Child Support Requirements**
For employer child support requirements, contact Child Support at 602-252-4045 or DCSSEmployerCentral@azdes.gov

**Industrial Commission of Arizona**

**Worker’s Compensation**
azica.gov

You may be required to provide insurance coverage to protect your workers in case of industrial injury.
800 W Washington
Phoenix, AZ 85007
Phoenix .................................................. 602-542-4661
Tucson ...................................................... 520-628-5188

**Arizona Department of Liquor**
www.azliquor.gov

For businesses planning to sell alcoholic beverages.
800 W Washington, 5th floor
Phoenix, AZ 85007
Phoenix .................................................. 602-542-5141

**Registrar of Contractors**
www.azroc.gov

Contractors doing business in Arizona may be required to be licensed with the Registrar of Contractors.
1700 W Washington, Suite 105
Phoenix, AZ 85007
Phoenix .................................................. 602-542-1525
Toll free from 520 & 928 area codes .......... 1-877-692-9762

**Arizona Department of Agriculture**

**Weights & Measures Services Division**
agriculture.az.gov

For businesses using weighing & measuring devices, including all instruments and devices used for weighing, measuring, metering, or counting and any associated appliances or accessories.
1688 W Adams St.
Phoenix, AZ 85007
Phoenix .................................................. 602-542-4373
Outside of Phoenix metro area .......... 1-800-277-6675
For businesses who wish to register their business name (optional).
1700 W Washington, 7th floor
Phoenix, AZ 85007
602-542-0681

Arizona Property Assessor
Residential rentals doing business in Arizona are required to register the property with the County Assessor.

Apache County
www.co.apache.az.us/assessor/
Apache County Annex Building
75 West Cleveland Street 1st Floor
St. John, AZ 85936
928-337-7615

Cochise County
www.co.chiricahua.az.us/assessor/home
1415 Melody Lane
Bldg B
Bisbee, AZ 85603
520-432-8650

Coconino County
www.co.coconino.az.us/119/Assessor
110 E. Cherry Ave.
Flagstaff, AZ 86001
928-679-7962

Gila County
www.co.gila.az.us/government/assessor/
1400 E. Ash Street
Globe, AZ 85501
928-402-8714

Graham County
www.co.graham.az.us/county-assessor-2/
Graham County General Services Building
921 Thatcher Blvd.
Safford, AZ 85546
928-428-2828

Greenlee County
www.co.greenlee.az.us/assessor/
253 Fifth Street
P.O. Box 777
Clifton, AZ 85533
928-865-5302

La Paz County
www.co.lapaz.az.us/assessor.html
1112 Joshua Ave
Suite #204
Parker, AZ 85344
928-669-6165

Maricopa County
mcassessor.maricopa.gov/
301 W Jefferson Street
Phoenix, AZ 85003
602-506-3406

Mohave County
eagleetreas.mohavecounty.us/treasurer/web/
928-753-0737

Navajo County
www.navajocountyaz.gov/Departments/Assessor
100 East Code Talkers Drive
South Highway 77
P.O. Box 668
Holbrook, AZ 86025
928-524-4086

Pima County
www.asr.pima.gov/
240 N Stone Ave
Tucson, AZ 85701
520-724-8433

Pinal County
www.pinalcountyaz.gov/Assessor/Pages/home
31 N Pinal Street
Building E
Florence, AZ 85132
520-866-6361

Santa Cruz County
www.co.santa-cruz.az.us/180/Assessor
2150 N. Congress Drive
Suite 102
Nogales, AZ 85621
520-374-8030

Yavapi County
www.yavapai.us/assessor
1015 Fair Street
Prescott, AZ 86305
928-771-3220

Yuma County
assessor.yumacountyaz.gov/assessor/web/
192 South Maiden Lane, Third Floor
Yuma, AZ 85364
928-373-6040

This publication is available in an alternative format upon request.