



Transaction Privilege Tax Changes and News

This publication is an informational notice included with the January 2015 Transaction Privilege Tax Return.

CITY BUSINESS CODES HAVE CHANGED!

City codes have changed. The new city codes are standard between all cities and match state codes in most instances. A bridge linking the old codes to the new codes has been created for each city to assist you in determining the new code. Each city bridge can be found on <http://www.azdor.gov/Business/TransactionPrivilegeTax/TPTRates.aspx> under the city name. For example, if you currently file 000 and you are a retailer, your new code is 017.

RESIDENTIAL RENTAL PROPERTY MANAGERS

Effective for 2015: Property Managers can continue to file tax returns in the same manner they did for each city and ADOR in 2014. Property Managers that hold the license with a city which did not license individual owners in 2014 do not need to have all of their owners complete license applications and pay license fees by January 30, 2015 as previously requested, because these are not considered license renewals. By June 30, 2015, all individual owners must have complete license applications on file with the Non-Program Cities, or with ADOR for properties located in Program Cities. Any owner formerly reporting under a Property Manager's license that has already become licensed doesn't need to do anything. The cities and ADOR will continue to accept Property Manager tax returns through 2015 if they were allowed to do so in 2014. For more information, please refer to the TPT Simplification webpage at www.azdor.gov

RETAIL CHANGES EFFECTIVE JANUARY 1, 2015

Arizona Revised Statutes (A.R.S.) § 42-5061.A.14 has been amended to limit the exemption for sales of tangible personal property to nonresidents to only apply to the sale of motor vehicles. Therefore, beginning January 1, 2015, sales to a nonresident of tangible personal property, other than a motor vehicle, shipped or delivered to a location outside Arizona for use outside the state, are subject to tax at the seller's business location.

For example, an out-of-state resident who is visiting Arizona or who is in the state temporarily, goes into an art gallery and purchases a painting. The customer asks that the painting be shipped to their residence in their home state. The customer shows the retailer their driver's license. Prior to January 1, 2015, this sale was not subject to tax. The retailer used deduction code 541 when taking the deduction on the TPT-1. **As of January 1, 2015, this sale is subject to tax.**

A.R.S. § 42-5061.A.35 (effective prior to 1/1/2015) has been repealed effective January 1, 2015. Therefore, beginning January 1, 2015, sales of tangible personal property shipped or delivered directly to a destination outside the United States for use in that foreign country are subject to tax.

For example, a customer goes into a retail store and purchases tangible personal property. The customer asks that the tangible personal property be shipped to a location in Canada. Prior to January 1, 2015, this sale was not subject to tax. The retailer used deduction code 540 when taking the deduction on the TPT-1. **As of January 1, 2015, this sale is subject to tax. Deduction code 540 is no longer a valid deduction code.**

However, the above amendments do not affect sales made in interstate or foreign commerce that are deductible under **A.R.S. § 42-5061.A.24**. If the order for the tangible personal property is received from a location outside the state and the tangible personal property is shipped or delivered by the seller to a location outside the state, the sale is not subject tax. **The deduction code for this exemption is 504.**

For example, a retailer receives a call from a customer in Ohio. The customer orders/purchases tangible personal property to be delivered to the customer in Ohio. The gross receipts from this sale are deductible under A.R.S. § 42-5061.A.24. The deduction would also apply if this order had been placed on the retailer's website.

Arizona Administrative Code rule R15-5-170 addresses the application of this deduction.

R15-5-170. Interstate and Foreign Transactions

A. Gross receipts from sales of tangible personal property made in interstate or foreign commerce are deductible from the tax base if all of the following apply:

1. The order is received from a location outside of Arizona; and
2. The retailer ships or delivers the tangible personal property to a location outside of Arizona for use outside of Arizona.

B. In meeting the above requirements, if delivery is made by the retailer to a common carrier for transportation to a location outside Arizona, the common carrier is deemed to be the agent of the retailer for purposes of this rule regardless of who is responsible for payment of the freight charges.

C. Suitable records shall be kept to substantiate the deduction for a sale made in interstate commerce. As such, records shall identify the tangible personal property sold and the delivery destination. The following records may be sufficient to substantiate the exemption:

1. Suitable records for substantiating the receipt of an order from out-of-state may include purchase orders, letters, or written memoranda on the receipt of orders placed by telephone.
2. Suitable records for substantiating out-of-state shipments include:
 - a. Internal delivery orders supported by receipts of expenses incurred in delivering the property and signed on the delivery date by the person who delivers the property;
 - b. Common carrier's receipt or bill of lading;
 - c. Parcel post receipt;
 - d. Export declaration;
 - e. Receipt from a licensed broker; or
 - f. Proof of export or import signed by a customs officer.

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.

STANDARDIZED DEDUCTION CODES

Beginning January 1, 2015, there will be one list of deduction codes for the State/county and cities. You may no longer use deduction codes 888 or 999. Use of these codes will be disallowed and penalties and interest may apply. The standardized list is now available at www.azdor.gov.

TOWN OF CAMP VERDE

Effective March 1, 2015: On January 7, 2015, the Mayor and City Council of the Town of Camp Verde passed Ordinance No. 2015-A403. Ordinance No. 2015-A403 amended the tax code of the Town of Camp Verde by increasing the rate of taxation from the existing rate of **three percent (3%)** to a total of **three point six five percent (3.65%)**. This change affects the following business classifications:

Sec. 8-405 Advertising; 8-410 Amusements, Exhibitions, and Similar Activities; 8-415 Construction Contracting; Construction Contractors; 8-416 Construction Contracting: Speculative Builders; 8-417 Construction Contracting: Owner-Builders; 8-425 Job Printing; 8-427 Manufactured Buildings; 8-430 Timbering and Other Extraction; 8-435 Publishing and Periodicals Distribution; 8-444 Hotels; 8-450 Rental, Leasing, and Licensing for Use of Tangible Property; 8-455 Restaurants and Bars; Sec. 8-460 Retail sales; 8-470 Telecommunications services; 8-475 Transporting for hire; and 8-480 Utility Services.

The tax rate in the following section of the Tax Code of the Town of Camp Verde will be increasing from **two percent (2%)** to **three point six five percent (3.65%)**:

Sec. 8-610 Use Tax: imposition of tax; presumption

The tax rate in the following section of the Tax Code of the Town of Camp Verde are excluded from the increase and will remain unchanged:

Sec. 8-432 Mining; 8-445 Rental, Leasing, and Licensing for Use of Real Property; 8-447 Rental, leasing, and licensing for use of real property: additional tax upon transient lodging,

Ordinance No. 2015-A403 provides for a pre-existing contract exclusion from the Privilege Tax increase. This exclusion terminates one (1) year from the effective date of this ordinance on March 1, 2016.

TOWN OF GUADALUPE

Effective April 1, 2015: On January 8, 2015, the Mayor and Town Council of the Town of Guadalupe passed Ordinance No. 2015-01. Ordinance No. 2015-01 amended the tax code of Guadalupe Chapter 9 Transaction Privilege Tax otherwise known as the tax code of Guadalupe Article IV Section 9-447 Rental, Leasing and Licensing for Use of Real Property; additional tax upon transient lodging. The ordinance change creates the **Hotel/Motel (Additional Tax) Classification (GU 144)** at **six percent (6%)**.

Appointing the Arizona Department of Revenue to collect the tax on behalf of the town, and repealing Chapter 8, Article 8-4 of the Guadalupe Town code entitled Transient Lodging Tax.