



CITY OF TUCSON

A GUIDE TO UNDERSTANDING BUSINESS TAXES AND LICENSES

USE TAX BROCHURE

This brochure is intended to help purchasers understand the City of Tucson use tax laws that may apply to them. This information is based on the City of Tucson Business Privilege Tax Code in effect on October 1, 2011. In case of inconsistency or omission, the Tucson Tax Code will prevail.

WHAT IS USE TAX?

Use tax is a tax on goods that you use or store in Tucson. If you're an individual residing in Tucson, and haven't paid a city sales tax on a personal purchase over \$1,000, you could owe use tax. Use tax applies on all such purchases for a business. The \$1,000 minimum does not apply to a business. Tucson's use tax rate is the same as its business privilege (sales) tax rate, which is 2%.

IS USE TAX SOMETHING NEW?

Yes and no. Arizona's use tax laws have been in effect since the transaction privilege tax was first implemented. However, the City of Tucson did not choose to impose a use tax until July 1, 2003. Without a use tax, buyers are encouraged to shop where a city sales tax is not imposed. Use tax creates a more equitable marketplace, as it prevents the creation of any advantage to shopping elsewhere to avoid paying a city sales tax.

WHEN DOES USE TAX APPLY?

Use tax most commonly applies when you buy goods from retailers who don't collect sales tax. However, other circumstances can trigger use tax liability, as well:

A. **Withdrawing items from resale inventory.**

Items purchased to sell through your business (items purchased for resale), **but later removed from inventory and used by your business**, are subject to use tax.

Example: You own an office supplies retail business that doesn't pay sales tax when it buys inventory for resale. You remove a ream of paper from the resale stock for use in the store's own office printer. Your business owes use tax on the cost of the ream of paper.

Example: You remove plywood from the untaxed building supplies you purchased as a general contractor and give it to a local church as a donation to build a new wing. Your construction company owes use tax on the cost of the plywood.

Example: You own a motel/restaurant that provides a free breakfast for its guests with each night's stay. The restaurant purchased the breakfast items for resale, tax-free. If there is no separate charge to the guests for breakfast, the cost of the items used for the free breakfasts is subject to use tax.

B. Untaxed purchases. Internet, catalog, or mail-order purchases, as well as most magazine subscriptions typically do not charge sales tax. For businesses, these items are all subject to use tax. (*Note: This also applies to purchases made outside Tucson, but in a region of Arizona that is not covered by another city's tax.*)

Example: A restaurant purchases an inventory of re-usable dinnerware and silverware, and disposable "take-out" containers and plasticware without paying sales tax. The restaurant owes use tax on all re-usable inventory items purchased but not the disposable items.

Example: The local branch of a large store chain purchases newspaper inserts, catalogs, and sale flyers from their out-of-state parent company. No other city's sales tax has been paid on their purchase. These printed materials are distributed within the City of Tucson. The cost of the printed materials is subject to Tucson's use tax.

Example: A car dealer purchases keychains, hats, and license plate frames with their logo on them. They are not charged a City sales tax on the promotional items. The car dealer gives these items away to potential customers who test-drive a car. The dealership must pay use tax on the cost of the promotional items.

ARE ANY EXEMPTIONS FROM USE TAX ALLOWED?

In Tucson, use tax does not apply to the storage, use, or consumption of the following items:

Purchases, on which another city's tax has been paid, even if it was paid to another city, and even if that city was not in Arizona. (*Note: The other city's tax rate can be less than Tucson's 2%.*)

Purchases of \$1,000 or less (per item) for individuals who are not in business.

Casual sales between individuals. A casual sale is defined as a sales transaction between two individuals, neither of which is engaged in the business of selling.

Other use tax exemptions allowed are similar to the allowed retail exemptions. Contact the City of Tucson Tax Audit Section for details.

Effective September 30, 2009: School districts or charter schools are exempt from use tax on their purchases.

HOW DO I PAY USE TAX?

Businesses licensed in the City of Tucson can pay the use tax they owe when they file their Privilege License Tax Return. Any questions regarding how to report certain items can be addressed to the City of Tucson Tax Audit Section.

Individuals who owe use tax on a vehicle will receive a separate billing from the City of Tucson for the tax after they register the vehicle with the Arizona Department of Transportation. For any other personal purchases over \$1,000 on which use tax is due the City, please contact the City's Licensing or Tax Audit Sections.

FOR MORE INFORMATION ABOUT...

Taxes –Audit Section: City of Tucson – Tax Audit Section - (520) 791-4681
255 W. Alameda - Second Floor,
P.O. Box 27210, Tucson, Arizona , 85726-7210

Licenses –License Section: City of Tucson - License Section - (520) 791-4566
255 W. Alameda - First Floor
P.O. Box 27210, Tucson, Arizona, 85726-7210

Hearing impaired: TDD (520) 791-2639

Visit the City of Tucson Web Page at: <http://www.tucsonaz.gov>

To read more about the business privilege tax: <http://www.tucsonaz.gov/finance/BusInfo.html>

The City of Tucson prepared this brochure. It does not provide comprehensive explanations of Tucson tax laws, rules, or regulations. Specific questions should be addressed to the City of Tucson Tax Audit Section. Rev. 10-11