

City of Phoenix Privilege (Sales) Tax Frequently Asked Questions (FAQs)

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Licensing Questions

Do I need a license to open a business in Phoenix?

The City of Phoenix requires a license from all businesses that have a privilege (sales) tax or use tax liability, but we do not require a license for businesses without a tax liability, except as noted below regarding [Business / Regulatory licenses](#).

Business classifications that are subject to tax include:

Retail	Hotel/Motel	Amusements
Construction Contracting	Utilities	Job Printing
Speculative Builder (<i>incl. home sales</i>)	Telecommunications	Publishing
Residential Rentals	Car Rental	Sales of Jet Fuel
Restaurants & Bars	Commercial Real Estate Rental	Sales of Manufactured Buildings
	Equipment or Vehicle Rental/Lease	

To apply for a license, visit our webpage for [Forms](#), or call 602-262-6785, press 4.

Do I need a new license if I change the ownership of my business?

Yes, a new license is required for any change of ownership. Examples of changes of ownership are the sale of a business, a change from sole proprietorship to corporation (or vice versa), a change in the general partners of a partnership or a change requiring a new federal ID number.

If I am selling products over the Internet, do I need a tax license?

Yes, you need a license if your business is located in Phoenix and you are selling to customers in Arizona. Sales to out-of-state customers are tax exempt if the order is placed from outside the state and the product is shipped out of state.

Do I need a license to be at swap meets, craft fairs, etc.?

In general, if you participate in three or more swap meets, craft fairs, etc. *anywhere* in a calendar year, you need a license for your Phoenix sales. If you operate three or more times at at least one location, you will need a license for each location (including a regular business location and any swap meets, etc.). If you are a non-Phoenix based business selling at a single Phoenix swap meet or craft fair, or conducting any business in Phoenix for no more than 30 consecutive days, you may want to apply for a temporary license on the [Forms](#) page.

Do I have to notify you if I change my business location?

Yes, you need to notify our PLT Licensing section of any change in your business location by [telephone, fax, email or mail](#).

Is a new license required for a change of mailing address?

No, simply call PLT Licensing at 602-262-6785, press 4 to change your mailing address or note the change in the appropriate box on your tax return.

How do I cancel my license?

To cancel your Privilege Tax License mark the “To cancel your license” box on your return, showing a reason and effective date or send the same information to: PLT Licensing, P.O. Box 2005, Phoenix, AZ 85001-2005.

What is a business license?

The city’s standard sales tax license is not a business license. The city requires a Business/Regulatory license for certain businesses to operate in the city. These activities include liquor sales, pinball machines, second hand stores and massage establishments. Call 602-262-4638 for more information on what businesses are regulated or to obtain an application for a license.

Where are you located?

Our offices are at 251 West Washington on the 3rd floor. There is a parking garage on the block to the west of our building on the southwest corner of 3rd Avenue and Washington.

What are the fees for a license?

A [detailed fee schedule](#) is available on our website.

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Tax Rate and Other General Questions

What is the City of Phoenix sales tax rate?

The general **CITY** tax rate in the City of Phoenix is 2.0%, which applies to retail, construction contracting, job printing, publishing, transportation, restaurants and bars, rental of tangible personal property (except for short-term motor vehicle rental), apartment or other residential rental, amusements, speculative builders, owner-builders, manufactured buildings and use tax. Special rates apply to: advertising – 0.5%; rental of commercial property – 2.1%; short term motor vehicle rental – 4.0%; hotel/motel – 5.0%; utilities – 2.7%; and telecommunications – 4.7%. **These tax rates do not include the State and County tax rates.** For more information, please see the individual data sheets for each business activity on our [home page](#).

Who do I contact about paying my property tax?

If your property is in Phoenix or any other area of Maricopa County, visit the [Maricopa County Treasurer's](#) website or contact them at 602-506-8511.

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Reporting and Filing Questions

When is my return due?

The monthly tax return is due on the 20th of the month following the reporting month. The quarterly tax return is due on the 20th of the month following the end of the quarter and the annual tax return is due on January 20th each year. The return is delinquent **if not received by the City** before the close of business on the last business day of the month. **Postmarks are not proof of timely filing.**

Do I file a tax return if I've had no sales (income) for the period?

Yes, simply check the box on your return for “No business activity,” sign and date your return.

Can I deduct my business expenses from gross revenue?

No, business expenses are generally not deductible.

Can I just show my total deductions on the return?

No, all deductions must be shown in detail on the back of your return for each business activity on the front of your return. Please use the boxes on the back of the return (lines A1 through A19) for the most commonly taken deductions. Deductions pre-printed with ‘XXXXXXXX’ in the box are not allowed for that activity.

What deductions can I take?

The allowable deductions for each business activity are shown on the [Tax Return Instruction Sheet](#). If you still don't know if you can claim a deduction, call 602-262-6785, press 6.

How do I claim a deduction that isn't shown on the back of the return?

If you have an allowable deduction from the [Tax Return Instruction Sheet](#) that is not pre-printed on your return, show the amount of the deduction(s) on line A20 on the back of the return and provide the explanation for the allowed deduction code(s) with any details. This can be on the return form or an attachment.

Where do I pay my taxes?

You have these choices:

- File your tax return and remit payment by mail in the envelope provided.
- Pay in person at the City of Phoenix Calvin C. Goode Municipal Building, 251 W. Washington St., 3rd Floor, or drop your return and payment in the lobby payment box.
- Deposit your return and payment in the city drop box located on the south side of Washington Street just west of Third Avenue.

Can I file quarterly or annually?

When you are first issued a license, you will be required to report monthly. After at least six months of reporting, you can request to be changed to calendar annual or quarterly filing. The requirements for filing are:

- Annual filing: If annual taxable revenue is under \$5,000.
- Quarterly filing: If annual taxable revenue is between \$5,000 & \$50,000.
- Monthly filing: If annual taxable revenue is over \$50,000.

If your income level increases, you are responsible for notifying the City to change your filing to a more frequent filing method.

How do I correct an error on my previously filed tax return?

- Make a photocopy of your copy of the return (both sides), and using a black/blue pen:
 - Write "AMENDED" on the photocopy.
 - Cross through all incorrect amounts to be amended.
 - Write the correct amounts next to the incorrect amounts.
- Sign the amended return.

- Send the amended return, with additional payment due if applicable, to:
City of Phoenix
Tax Accounting
P.O. Box 2005
Phoenix, AZ 85001

How can I get a duplicate tax return?

Call our Tax Accounting Section at 602-262-6785, press 6 to request a duplicate of your tax return. Or, our fillable and blank tax returns are available on the [Forms](#) page. It is **critical** that you read and carefully follow the instructions that are included with the online return.

I need to file a return, but it is late.

Complete your return as normal, send it in with payment for the tax and we will compute any penalty and interest. If you pay the entire tax amount, it will not cost extra for us to bill you later for the penalty and interest, as we do not charge penalty on penalty. A late return is subject to a penalty of 5% per month (or part of a month) until filed. The late tax balance is subject to a one-time 10% penalty. Total penalties can not exceed 25% of the tax due.

A delinquent tax balance is also subject to interest on the balance at the end of each month from the month the tax becomes delinquent. Interest for months prior to October 2005 is charged at 1%; as of October 2005, a variable interest rate is charged at the same rate as the State, as shown on <http://www.azdor.gov/ResearchStats/rates/tptinterestrates.htm>.

What is Use Tax?

Use Tax applies to items that were purchased or leased without paying sales tax for use in the business, typically from out-of-state vendors. These items become taxable when they are purchased or removed from inventory for use. Use Tax does not apply to purchases or leases of items that are resold or released in the normal course of business.

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Questions about the Tax & License Statement

Why did I get a statement that says I owe money, when my return and the money I sent in match?

- The City recalculates each tax return and you may have made an addition or other calculation error.
- You may have listed Total Deductions on the front of the return without providing the detail on the back of the return.

- We may have received your tax return after the end of the month and you have been billed for penalty.

If you have any questions regarding the detail shown on your Statement, please call 602-262-6785, press 6.

How do I get a penalty waived?

Any request for waiver of penalty (**interest cannot be waived**) must be in writing and received by the City within 45 days of the first statement you received showing the penalty. Every waiver request must include: (a) name of the licensed business, (b) City license number, (c) period, (d) reason for requesting waiver, (e) amount of penalty, and (f) copies of any supporting documentation. Please send the waiver request to Tax Accounting at the address listed above.

For other questions and answers on your Statement –

See the detailed Explanation on the back of your Statement or call 602-262-6745.

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Questions on Records

For how long do I need to keep my sales tax records?

If you are licensed and reporting on time, you are required to keep records for at least four years.

What is a tax exemption (resale) certificate?

An exemption (resale) certificate is designed to transfer the tax liability from the seller to the purchaser when accepted in good faith. Because the State of Arizona requires that their form be used when documenting a State exemption, we recommend using their [Form 5000](#). However, the State form lists some exemptions that are not necessarily deductible for City sales tax. Please be sure to verify any deductions for which you may have questions.

What records are required to document tax exempt sales?

All tax exempt sales to Arizona customers should be supported by a city of Phoenix or state of Arizona exemption certificate completed by your customer **at the time of the sale**. For exempt sales to out-of-state customers records should be retained to show where the order was placed from and where the order was shipped.

Are sales to nonprofit organizations, such as churches and charitable groups, exempt?

Not in general. Churches and nonprofit organizations, other than hospitals, are taxable on their purchases unless they are licensed to remit tax on their sales and complete the exemption certificate.

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Vehicle Use Tax Questions

I bought my car out of state. Why do I have to pay a tax to Phoenix?

Both the City and State collect a vehicle Use Tax on vehicles purchased out of state if there was no tax paid previously. The State's portion is listed with your registration fees as a DOR fee. The State notifies cities that bill for their portion of the tax up to 6 months later.

Why doesn't the State collect the tax?

The City and State are separate taxing authorities. The State collects only for cities in the State collection program (mostly smaller cities). However, the State provides the registration information to the "non-program" cities for billing.

I no longer own the car. Do I still have to pay this tax?

Yes. The tax is based on the purchase of the vehicle like any other retail sale. Subsequent sale or destruction of the vehicle does not preclude the liability for the tax.

I did not know about this tax before and I don't have the money to pay it all at once. Can I make payments?

Arrangements for a payment schedule are possible to set up with our Treasury Collections section, please call 602-262-6785 and press 7.

I used my office address or P.O. Box for registration purposes, but I don't live in Phoenix. Why do I have to pay this tax?

Generally, the Phoenix use tax applies because you first registered the vehicle to a Phoenix address. If the vehicle was not located in Phoenix, written documentation must be presented such as property tax records indicating a permanent address where the vehicle is garaged. As most Arizona cities have a similar tax, you will owe a vehicle use tax if this address is in another city.

The value of my vehicle is wrong. How can I fix that?

The information the City receives comes from the Arizona Department of Motor Vehicles, and is based on the DOR fee listed on your Title and Registration application. That fee is computed at 5.6% of the purchase price of your vehicle. If the State use tax has been computed incorrectly, you may want to contact DMV at 602-255-7011 for clarification. The City of Phoenix will accept copies of the bill of sale or purchase invoices as sufficient documentation submitted in writing to correct the billing.

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Comments



Let us know what topics you would like to see on this webpage. Please address questions or comments to: TAP@phoenix.gov or by mail to: City of Phoenix, Tax Division, Taxpayer Assistance Program, 251 W. Washington St., 9th Floor, Phoenix, AZ 85003-2245.

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Important Phone Numbers and Addresses

Here is a list of City phone numbers and addresses that may be useful to you.

Licensing Questions

PLT Licensing 602-262-6785, press 4
 Fax 602-262-7151
 Email..... plt@phoenix.gov
 P.O. Box 2005
 Phoenix, AZ 85001-2005

Tax Return and Statement Questions

Tax Accounting 602-262-6785, press 6
 Fax 602-262-7151

Payment Questions

Collections 602-262-6785, press 7
 Fax 602-534-4241

General Information

Tax Division 602-262-6587
 Fax 602-534-1995

Tax Enforcement 602-256-4364
 Fax 602-534-5445

Regulatory Licensing Questions

Regulatory Licenses 602-262-4638

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