



## Hotels & Motels

### CITY OF PHOENIX PRIVILEGE LICENSE (SALES) TAX

#### WHO MUST PAY THE TAX?

You must be licensed and pay tax under the hotel classification if you are in the business of furnishing lodging to a person for less than thirty days (transient). Examples of taxable facilities include, but are not limited to, the following:

- Public and private hotels
- Motels
- Inns
- Hostels
- Bed & breakfasts
- Trailer space rentals
- Apartment houses
- Rooming houses

#### WHAT IS THE CITY TAX RATE?

The City's tax rate on income from transient lodging is 5.0%; the combined rate (including State & County taxes) is 12.27%. The City's tax rate on lodging income received from non-transients is 2.0%; there is no State or County tax on non-transient lodging.

#### WHEN IS TAX DUE?

Your tax return and payment are due on the 20<sup>th</sup> day of the month following the reporting period.

#### WHAT IS TAXABLE?

Topics on the income subject to tax under the hotel classification, the rules defining a transient, other income received, and purchases by a hotel are discussed in detail in the Arizona Department of Revenue Transaction Privilege Tax Ruling (TPR) 06-01 and the Matrix attached to the TPR effective January 1, 2007.

The Guideline identifies the primary differences between the application of tax by the State and by cities or towns and refers to Model Options and Local Options to the Model City Tax Code that may be adopted by each city or town.

#### MODEL OPTIONS AND LOCAL OPTIONS IN PHOENIX THAT AFFECT HOTELS (as shown in the Matrix):

- Model Option 12 – exempting motor vehicle transportation

**DEDUCTIONS THAT CAN BE TAKEN (when included in the gross income on the front of your tax return):**

1. State, County and City tax collected whether charged separately or included in the sales price
2. bad debts on which tax was paid on a previous City return
3. discounts, refunds or returns
4. pass-through of taxable income: A deduction for income billed to a guest for the amount paid to another person whose business activity is taxable. If the guest billing and the amount billed are equal, no tax is due, and any markup is taxable.
5. otherwise non-taxable income: open to the public. deduction for transactions or activities not taxed by the City and not limited to guests.
6. income exempted under amusement or transportation: open to public. A deduction for income from amusement or transportation activity not taxed by the City and not limited to guests.
7. off-site provider commissions: A deduction for commissions received by a hotel from providers of goods or services with no presence at the hotel.

Note: Deductions 4 through 7 should be shown on the tax return on the "Other" line at the bottom of the detailed deductions line, along with a brief explanation as stated above.

*More detailed information on income that qualifies for exemption, exclusion, or deduction is provided in the [State Ruling](#) discussed above. The information in this brochure is not to be interpreted in conflict with the State Ruling or City Code. The State Ruling is available at <http://www.azdor.gov/LegalResearch/Rulings.aspx>. Under Rulings, select Transaction Privilege (Sales) and then select TPR 06-1.*

**CALCULATING THE TAX**

You may choose to charge the tax separately or you may include tax in your price. If you include tax in your price (i.e. no separate charge for tax), you may back out the tax in order to compute the amount of tax included in your gross income. The formula is the following:

TAXABLE SALES divided by 1 + COMBINED TAX RATE of 12.27% (State, County & City tax)

Calculate the tax deduction as follows:

Taxable Sales ÷ Factor (1.1227) = Computed Taxable Income

Taxable Sales less Computed Taxable Income equals your deduction for tax collected.

Example:      \$3,000.00 ÷ 1.1227      = \$2,672.13  
                     \$3,000.00 – \$2,672.13 = \$327.87 (tax collected deduction)

If more tax was collected than was due, the City's portion of excess tax collected must be paid to the City, unless it is refunded to the customer. Please refer to the Privilege (Sales) Tax Instruction Sheet for instructions on how to report excess tax collected or the tax collected deduction.

This material is available in alternate formats upon request. For more information, call (602) 262-6785, press 4, TTY (602) 534-5500, or write to City of Phoenix, TAX DIVISION, 251 W. Washington Street, 3<sup>rd</sup> Floor, Phoenix, Arizona 85003. For more information on our licensing, tax rates, tax return instructions, or a copy of the Tax Code, visit our website at [www.phoenix.gov/PLT](http://www.phoenix.gov/PLT).

*This is general information only. For complete details, refer to the City of Phoenix Tax Code.*