



City of Phoenix
FINANCE DEPARTMENT
TAX COMPLIANCE AND EDUCATION DIVISION

IMPORTANT CHANGE
TRANSACTION PRIVILEGE AND USE TAX 0.5% RATE INCREASE
EFFECTIVE JULY 1, 2025

On March 18, 2025, the Phoenix City Council Approved Ordinance G-7369 to amend the City of Phoenix Tax Code to increase the Transaction Privilege and Use Tax rates by 0.5% for various business activities. The City Council approved July 1, 2025, as the effective date of the 0.5% sales tax increase to allow ample time for all our taxpayers to make the necessary changes to implement the new tax rate. Business establishments should generally report Retail Sales, Use Taxable Purchases, and Use Tax, Out-of-State Vendor business activity transacted before July 1, 2025 at the 2.3% tax rate. Contact the Arizona Department of Revenue (ADOR) at www.azdor.gov for detailed tax information.

The table below gives the tax rates for each business classification that have increased:

Phoenix City Code Section	Business Classification	Current Rate	New Rate (Effective 7/1/25)
14-410	Amusements	2.30%	2.80%
14-415	Construction Contracting	2.30%	2.80%
14-416	Construction Contracting- Speculative Builders	2.30%	2.80%
14-417	Construction Contracting- Owner-Builders Who Are Not Speculative Builders	2.30%	2.80%
14-444	Hotel/Motel	2.30%	2.80%
14-425	Job Printing	2.30%	2.80%
14-427	Manufactured Buildings	2.30%	2.80%
14-435	Publishing (distribution only)	2.30%	2.80%
14-445	Rentals - Commercial Real Estate Property Rental, Leasing	2.30%	2.80%
14-450	Rentals - Rental, Leasing, Licensing of Tangible Personal Property (TPP)	2.30%	2.80%
14-455	Restaurant and Bars	2.30%	2.80%
14-460	Retail Sales Level 1 (first amount equal to or less than \$13,886 for a single item)	2.30%	2.80%
14-430	Timbering and Other Extraction	2.30%	2.80%
14-475	Transporting for Hire	2.30%	2.80%
14-610	Use Taxable Purchases & Out-of-State Vendors Level 1 (first amount equal to or less than \$13,886 for a single item)	2.30%	2.80%

CONSTRUCTION CONTRACTING BUSINESS ACTIVITY

Construction contractors (P.C.C. 14-415) will continue to be taxed under the old tax rate for contracts executed before July 1, 2025. Please be advised that any change order or amendment executed after July 1, 2025 is taxable at the new rate and subjects the contract to the new tax rate going forward. Please contact our offices at (602)-262-6785, Option 5, for further instructions.