



## CITY OF PHOENIX TRANSACTION PRIVILEGE (SALES) AND USE TAX

### WHO MUST PAY THE TAX?

You must be licensed and pay tax if you are in the business of providing telecommunications services to consumers within the city of Phoenix.

### WHAT IS THE CITY TAX RATE?

The City's tax rate is 4.7%; the combined rate (including State & County taxes) is 11.0%.

### 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.

### WHICH CITY IS OWED THE TAX?

The tax on telecommunications is due to the City in which the customer of the telecommunications services is located. Charges for telecommunications services to customers for receiving/transmitting equipment designed to be mobile (such as mobile telephones, portable two-way radios, pagers, etc.) are taxable based on the customers' permanent residence address or business location. If the customer does not have an Arizona location, then the business location of the telecommunications provider is the taxable location.

### WHAT IS TAXABLE?

All charges by providers of telecommunications services are taxable unless specifically exempt. Telecommunications services include providing any of the following items:

- local & intrastate telephone services
- cellular or mobile telephone services
- pay phones
- paging and dispatch services
- voice mail, page mail, or fax mail
- facsimile transmission services (FAX)
- relay, repeater, or beeper service
- cable television
- computer interface services or computer time-sharing over a communications channel
- one-way or two-way voice, sound, and/or video communication, transmission or relay over a communication channel

Telecommunications revenue includes connection fees, and subscription or membership charges to a network. Prepaid calling cards are taxable as Retail Sales activity. "Internet access services" are exempt.

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

1. State, County and City tax collected whether charged separately or included in the total price
2. bad debts on which tax was paid on a previously filed City tax return form
3. sales for resale to another provider of telecommunications services to customers, provided the purchaser is properly licensed with the City
4. discounts, refunds, or returns

5. interstate telecommunications - transmissions which originate within the City and terminate outside the State

### **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 as follows:

TAXABLE SALES divided by 1 + COMBINED TAX RATE of 11.0% (State, County & City tax)

Calculate the tax deduction as follows for income taxed by the State, County and City:

Taxable Sales ÷ Factor (1.11) = Computed Taxable Income

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

Example:      \$30,000.00 ÷ 1.11      = \$27,027.03  
                  \$30,000.00 - \$27,027.03 = \$2,972.97 (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 Transaction Privilege (Sales) and Use 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 access to the city of Phoenix Tax Code, visit our website at [www.phoenix.gov/finance/plt](http://www.phoenix.gov/finance/plt).

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