

Transaction Privilege Tax

 azdor.gov/transaction-privilege-tax-tpt

Although commonly referred to as a sales tax, the Arizona transaction privilege tax (TPT) is actually a tax on a vendor for the privilege of doing business in the state. Various business activities are subject to transaction privilege tax and must be licensed.

If a business is selling a product or engaging in a service subject to TPT, a license from the Arizona Department of Revenue (ADOR) would likely be needed as well as a transaction privilege tax or business/occupational license from the city or cities in which the business is based and/or operates.

ADOR collects the tax for the counties and cities; however, tax rates vary depending on the type of business activity, the city and the county.

Please note that businesses with multiple locations or business lines can opt to license and report for each location separately or have a consolidated license (and report aggregate sales). The cost for each license per location is \$12.

[Apply for a TPT License](#)

[Glossary of Terms](#)

TPT and Use Tax:

Individuals are subject to use tax when a retailer does not collect tax for tangible personal property used, stored or consumed.

Those individuals and businesses subject to use tax include the following:

- An out-of-state retailer or utility business making sales of tangible personal property to Arizona purchasers.
- An Arizona resident who purchases goods from an out-of-state vendor who did not collect the use tax.
- Arizona residents who purchase goods using a resale certificate, and the goods are used, stored or consumed in Arizona contrary to the purpose stated on the certificate.
- Arizona residents who purchase goods in which another state's sale tax or other excise tax was imposed and the rate of that tax is less than Arizona's use tax rate.

See our [Reporting Guide](#) for convenient access to TPT-related guidance and resources.

What's New with TPT?

Short-Term Rentals for Winter Events

Short-term residential rentals are lodging rental stays for less than 30 days. The income from short-term rental stays is subject to Arizona transaction privilege tax (TPT). See Arizona Revised Statutes (A.R.S.) § [42-5070](#) and the Model City Tax Code (MCTC) [-444](#) and [-447](#).

If a property owner is only renting their residence for the Super Bowl, they will need a seasonal Arizona TPT license. They may also need a *business license* for the city where the residence is located, which is different from a TPT License. Please contact the specific city for the *business license*, as the Arizona Department of Revenue does not issue *city business licenses*. A seasonal TPT license is obtained from the Department's website, [AZTaxes.gov](#), and choosing the seasonal filing frequency option on the application. The license should be active for the month of February (the TPT return would be due in March) or the length of renting the home. This license will be **active until it is cancelled**. In addition, a property owner/operator is required to include the TPT license number on any advertising associated with the short-term rental.

An owner/operator or property manager of the short-term rental that takes bookings directly should use business code 025 to report lodging bookings for fewer than 30 days for the state/county. The business code used to report these types of transactions for the cities is 044 for Hotels. Some cities impose an additional hotel tax; please use business code 144 to report the additional hotel for those cities. See the Arizona Department of Revenue's [Tax Rate Table](#) for more information on which city has an additional hotel rate.

An owner/operator or property manager of a short-term rental that uses an online lodging marketplace (OLM) should report income using the business codes as outlined above for reporting to the state/county and the city where the property is located. However, 100% of the income received from the OLM should be deducted using deduction code 775. The OLM is responsible for collecting and remitting the TPT due from the rental income. For more information, please see the [OLM Factsheet](#).

After the Big Game, owners who will not continue in the short-term rental business should [cancel their seasonal TPT license](#).

[AZ_BusinessOneStop-logo.png](#)



Arizona Business One Stop is an online portal that provides a single online location with personalized tools to plan, start, grow, move and close businesses in Arizona. It is a secure digital experience that does not require in-person interaction.

Arizona-based businesses should visit [Business One Stop \(B1S\)](#) if forming their business for the first time. **Please note:** New Business One Stop TPT licenses submissions will direct you to pay at [AZTaxes.gov](#). TPT filings, payments, and renewals are only available at [AZTaxes.gov](#) at this time.

Third-Party Prepared Food Delivery Companies

It is our understanding that with the recent legislation passed in Arizona regarding economic nexus that some prepared food delivery (PFD) companies believe their business activity falls within the definition of a “marketplace facilitator.”

The Arizona statutes define a marketplace facilitator as a person or business operating a marketplace and facilitating *retail sales*. Third-party prepared food delivery companies are not “marketplace facilitators.”

The main difference is that these companies do not facilitate retail sales. Third-party prepared food delivery companies facilitate restaurant sales and transport food between the restaurant and consumer. As such, these companies are not a marketplace facilitator by definition.

The restaurant’s sales are taxable under the restaurant classification. The restaurant must report and remit the TPT on the full price of the prepared food (even if a portion is retained by PFD) because they are engaged in a taxable activity.

Please contact the [Tax Research and Analysis](#) for additional information on this issue.

Commercial Weighing and Measuring Devices

Businesses that operate commercial weighing and measuring devices (as defined under [A.R.S. § 3-3401\(13\)](#)) must ensure that their devices are licensed with the Arizona Department of Agriculture, Weights and Measures Services Division (AZDA). For more information, please contact AZDA Licensing at (602) 542-3578 or visit <https://agriculture.az.gov/weights-measures/licensing>.

Peer-to-Peer Car Sharing

Due to recent legislation, peer-to-peer (P2P) car sharing platforms are now required to collect and remit transaction privilege tax (TPT) on all rentals conducted through their platform. A P2P car sharing platform is defined as a business that provides a platform for persons to rent vehicles for a fee. The new legislation went into effect on September 29, 2021.

Retail Taxable Sales Update

On May 31, 2019, Arizona Governor Doug Ducey signed House Bill 2757 into law. As part of this legislation, the cities are required to come into compliance with the state's retail classification.

The following retail sales are no longer taxable from and after June 30, 2021:

- Sale of propagative materials for use in commercial crop production.
- Sale of implants used as growth promotants and injectable medicine for livestock to farms.
- Sale of neat animals for breeding or production.

Be advised that other than a few exceptions (see [A.R.S. § 42-6017](#)), Arizona municipalities adopted the retail classification as outlined in [A.R.S. § 42-5061](#). Certain cities were allowed to continue to tax until June 30, 2021. The cities and towns were gradually phased in based on the population of the city/town. Cities and towns with a population of more than 50,000 were incorporated on January 1, 2020. Cities and towns with a population of 50,000 or less joined on July 1, 2021. [Click here](#) for a chart of the exceptions.

Marijuana Taxation Guidance

Proposition 207, the Safe and Smart Act, passed into law in November 2020 and legalized marijuana for adult personal use. The statutory provision Prop 207 is found in Arizona Revised Statutes (A.R.S.) Title 36, Chapter 28.2. This voter initiative allows adults over the age of 21 to possess, purchase, transport, or process 1 ounce or less of marijuana or 5 grams or less of marijuana concentrate. The Arizona Department of Health Services (ADHS) is responsible for licensing and regulating marijuana, marijuana retail sales, marijuana

growth, and testing facilities in Arizona. The Arizona Department of Revenue (ADOR) is tasked in A.R.S. Title 42, Chapter 5, Article 10 with collecting the excise tax (imposed only by the state) and transaction privilege tax (state, counties, and cities) imposed on adult use marijuana sales.

Medical Marijuana

Medical marijuana dispensaries in Arizona are subject to state and local retail TPT on their sales of medical marijuana and other products sold at the dispensaries. They must hold a current TPT license with ADOR and file and pay retail TPT on these sales.

Adult Use (Non-medical) Marijuana

Adult use marijuana establishments in Arizona are subject to state and local retail TPT on their adult use marijuana sales and other products. Adult use marijuana establishments must report such sales using a new Adult Use Marijuana business code on Form TPT-2.

In addition to retail TPT, adult use marijuana retail sales are also subject to a 16% state Marijuana Excise Tax (MET). This tax must be reported on Form MET-1, which is separate from and in addition to Form TPT-2. To file and pay MET, an adult use marijuana establishment must register with ADOR in addition to applying for a TPT license.

To receive Arizona marijuana taxation updates, be sure to subscribe to the "[AZ Marijuana Taxation](#)" list.

For more information, [click here](#).

TPT Thresholds

Businesses with an annual transaction privilege tax and use tax liability of \$500 or more during the prior calendar year are required to file and pay electronically.

Failure to comply with the electronic filing and payment requirements may result in penalties.

Year	E-File and E-Pay THreshold
2021	\$500 annual liability

Penalty for not filing and paying electronically:

- Taxpayers required to file an electronic return will be subject to a penalty of 5 percent of the tax amount due for filing a paper return. The minimum penalty is \$25, including filings with zero liability.

- Taxpayers required to pay electronically will be subject to a penalty of 5 percent of the amount of payment made by check or cash.
 - Taxpayers who file their tax return late will be subject to a late file penalty of 4.5 percent of the tax required to be shown on the return for each month or fraction of a month the return is late. There is a minimum of \$25 and a maximum 25 percent of the tax due or \$100, per return, whichever is greater.
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ADOR Discontinues Mailing of Form TPT-EZ in February 2021

Beginning February 1, 2021, the department will stop mailing paper TPT returns to customers. Taxpayers receiving pre-populated Form TPT-EZ through the mail can file and pay at AZTaxes.gov or print the form at azdor.gov.

Out-of-State Business Code 605

Out-of-state businesses under the remote seller tax law that went into effect on October 1 are reminded to use business code 605 (Retail Classification). The tax applies to remote sellers and marketplace facilitators that have no physical presence in Arizona and meet certain economic thresholds.

New TPT law for remote sellers and marketplace facilitators starting October 1, 2019

On May 31, 2019, Arizona Governor Doug Ducey signed into law, legislation requiring remote sellers and marketplace facilitators that have not been collecting transaction privilege tax (TPT) under current state law to begin filing and paying TPT in Arizona starting October 1, 2019.

Remote Sellers

Under the new Arizona law, a threshold has been established for remote sellers to pay TPT if their annual gross retail sales or income from online sales into Arizona is more than \$200,000 in 2019, \$150,000 in 2020 and \$100,000 in 2021 and thereafter.

Marketplace Facilitators

Starting October 1, 2019, marketplace facilitators will be required to collect and remit TPT on taxable sales in Arizona made through its platform on its behalf or for at least one remote marketplace seller if gross retail proceeds or income for that marketplace facilitator exceeds \$100,000 annually.

Please note:

- Remote sellers do not need to collect TPT on transactions when a marketplace facilitator is collecting and remitting TPT for them.

- Under the legislation, municipal license fees are waived for both remote sellers and online marketplace facilitators.

For more information, [click here](#).

Businesses needing updated information on transaction privilege tax can access ADOR's monthly newsletter, TPT Tax Rate Table and Model City Tax Code changes [here](#) by clicking on the appropriate month and year. For older information, please [visit our archives](#).

Businesses can also subscribe to ADOR's TPT newsletter and get updates through email or text alerts. They can receive notices regarding TPT due dates, city tax rate changes, license renewals and new features on AZTaxes.gov.

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