



City of Phoenix
FINANCE DEPARTMENT
TAX COMPLIANCE AND EDUCATION DIVISION

**IMPORTANT CHANGE
NEW 2026 THRESHOLD AMOUNTS FOR
THE RETAIL SALES AND USE TAX TWO-LEVEL TAX RATE STRUCTURE
UNDER THE COMPREHENSIVE TRANSPORTATION PLAN
EFFECTIVE JANUARY 1, 2026**

This important change affects retailers and businesses with use tax liability that engage in the retail sales or use of single items of tangible personal property, whose value exceeds the current threshold of \$13,886. **This change will NOT affect retailers or businesses with use tax liability that engage in the retail sales or use of single items of tangible personal property, whose value is equal to or below the current threshold of \$13,886. It will ONLY affect businesses with retail sales or use of single items of tangible personal property whose value is between \$13,886 and the new threshold of \$14,338.**

Phoenix voters approved Proposition 104 in the August 25, 2015 city election to fund a Comprehensive Transportation Plan. The plan maintains and expands light rail and bus routes, improves city streets, and provides residents with more transportation choices. This voter-approved initiative increased the transaction privilege and use tax by three-tenths of one penny per dollar (0.3%) for certain business activities and created a two-level tax structure imposed on sales or purchases of "big-ticket" items under the Retail Sales and Use Tax business classifications. The new tax is effective for 35 years and began on January 1, 2016, as authorized by the Phoenix City Council under Ordinance S-41591 and Ordinance G-6073.

The ordinances required that the threshold amounts under the two-level tax structure for Retail Sales and Use Tax business classifications be adjusted for inflation on a biennial basis beginning on January 1, 2018. The results of the required inflation analysis for the year 2026 determined that the monetary change was an increase of \$452. Therefore, the current threshold amount of \$13,886 will be adjusted by an incremental amount of \$452 to \$14,338 for the next two years beginning on January 1, 2026. Any retail sales and/or use tax business activity must be reported in accordance with the new threshold amounts under the two-level tax rate structure utilizing the proper corresponding business code.

Because of these changes, the instructional definitions for the retail sales, online marketplace retail sales, adult-use marijuana sales, medical marijuana sales, and use taxable purchases business activities have been modified accordingly. **You will need to report five of these business activities under new codes when filing your tax return as shown in the next page enclosed with this notice.** We request that you follow these instructions when filing your tax return and payment with the Arizona Department of Revenue to ensure that you are reporting your business activities appropriately.

- **MONTHLY FILERS** - Your January 2026 business activity must be reported and filed by the due date of February 20, 2026.
- **QUARTERLY FILERS** - Your January, February, and March 2026 business activity must be reported and filed by the due date of April 20, 2026.
- **ANNUAL FILERS** - Your January through December 2026 business activity must be reported and filed by the due date of January 20, 2027.

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RETAIL SALES BUSINESS ACTIVITY

Retail Sales, Level 1 (State Business Code 017)

The gross income from the retail sale/purchase of a single item of tangible personal property, whose value is equal to or less than \$14,338 before taxes, add-ons, or sales price adjustments, must be reported at the 2.8 percent tax rate. When the gross income from the retail sale/purchase of the single item of tangible personal property exceeds \$14,338 in value before taxes, add-ons, or sales price adjustments, the 2.8 percent tax rate will apply to the first \$14,338 in value and be reported under this business code.

Retail Sales, Level 2 (**NEW** State Business Code 366)

When the gross income from the retail sale/purchase of a single item of tangible personal property exceeds \$14,338 in value before taxes, add-ons, or sales price adjustments, the amount that exceeds \$14,338 must be reported at the 2.0 percent tax rate under this business code.

MARKETPLACE FACILITATED OR REMOTE RETAIL SALES BUSINESS ACTIVITY

Marketplace Facilitated or Remote Retail Sales, Level 1 (State Business Code 605)

The gross income from the retail sale/purchase of a single item of tangible personal property required to be reported pursuant to A.R.S. §42-5043, whose value is equal to or less than \$14,338 before taxes, add-ons, or sales price adjustments, must be reported at the 2.8 percent tax rate. When the gross income from the retail sale/purchase of the single item of tangible personal property exceeds \$14,338 in value before taxes, add-ons, or sales price adjustments, the 2.8 percent tax rate will apply to the first \$14,338 in value and be reported under this business code.

Marketplace Facilitated or Remote Retail Sales, Level 2 (**NEW** State Business Code 629)

When the gross income from the retail sale/purchase of a single item of tangible personal property required to be reported pursuant to A.R.S. §42-5043 exceeds \$14,338 in value before taxes, add-ons, or sales price adjustments, the amount that exceeds \$14,338 must be reported at the 2.0 percent tax rate under this business code.

ADULT USE MARIJUANA RETAIL SALES BUSINESS ACTIVITY

Adult Use Marijuana Retail Sales, Level 1 (State Business Code 420)

The gross income from the retail sale/purchase of a single item of marijuana or marijuana product for adult personal use, whose value is equal to or less than \$14,338 before taxes, add-ons, or sales price adjustments, must be reported at the 2.8 percent tax rate. When the gross income from the retail sale/purchase of the single item of marijuana or marijuana product for adult personal use exceeds \$14,338 in value before taxes, add-ons, or sales price adjustments, the 2.8 percent tax rate will apply to the first \$14,338 in value and be reported under this business code.

Adult Use Marijuana Retail Sales, Level 2 (**NEW** State Business Code 686)

When the gross income from the retail sale/purchase of a single item of marijuana or marijuana product for adult personal use exceeds \$14,338 in value before taxes, add-ons, or sales price adjustments, the amount that exceeds \$14,338 must be reported at the 2.0 percent tax rate under this business code.

MEDICAL MARIJUANA RETAIL SALES BUSINESS ACTIVITY

Medical Marijuana Retail Sales, Level 1 (State Business Code 203)

The gross income from the retail sale/purchase of a single item of marijuana or marijuana product as defined in A.R.S. § 36-2801 to treat a registered qualifying patient's medical condition, whose value is equal to or less than \$14,338 before taxes, add-ons, or sales price adjustments, must be reported at the 2.8 percent tax rate. When the gross income from the retail sale/purchase of the single item of marijuana or marijuana product to treat a registered qualifying patient's medical condition exceeds \$14,338 in value before taxes, add-ons, or sales price adjustments, the 2.8 percent tax rate will apply to the first \$14,338 in value and be reported under this business code.

Medical Marijuana Retail Sales, Level 2 (**NEW** State Business Code **687**)

When the gross income from the retail sale/purchase of a single item of marijuana or marijuana product as defined in A.R.S. § 36-2801 to treat a registered qualifying patient's medical condition exceeds \$14,338 in value before taxes, add-ons, or sales price adjustments, the amount that exceeds \$14,338 must be reported at the 2.0 percent tax rate under this business code.

USE TAXABLE PURCHASES BUSINESS ACTIVITY

Use Taxable Purchases, Level 1 (State Business Code 029)

The cost for the storage or use in the City of a single item of tangible personal property acquired from a retailer, whose value is equal to or less than \$14,338 before taxes, add-ons, or sales price adjustments, must be reported at the 2.8 percent tax rate. When the cost of the single item of tangible personal property exceeds \$14,338 in value before taxes, add-ons, or sales price adjustments, the 2.8 percent rate will apply to the first \$14,338 in value and be reported under this business code.

Use Taxable Purchases, Level 2 (**NEW** State Business Code **368**)

When the cost for the storage or use in the City of a single item of tangible personal property acquired from a retailer exceeds \$14,338 in value before taxes, add-ons, or sales price adjustments, the amount that exceeds \$14,338 must be reported at the 2.0 percent tax rate under this business code.