WHAT IS USE TAX?
Use Tax is a tax on tangible personal property which is purchased or leased for storage or use in the City on which tax was not paid at the time of purchase or rental. The use tax protects local vendors because it removes incentives for customers to shop outside of the city or state to avoid paying the city sales tax.

HOW IS USE TAX DIFFERENT FROM PRIVILEGE LICENSE (SALES) TAX?
Sales tax is paid by the seller or lessor, but use tax is usually paid by the BUYER/LESSEE. Purchases or rentals which would have been taxable but have so far not been taxed may be subject to use tax. Some common situations where use tax is due are purchases from out-of-state vendors or vendors not located in an incorporated Arizona city or town, and usage of inventory items by a business which originally purchased the item for resale.

WHO PAYS USE TAX?
Individuals on purchases over $1,000 each and all businesses are required to pay use tax on their untaxed purchases or rentals of tangible personal property. Purchases from someone not in business are not taxable.

WHAT IS THE CITY TAX RATE?
The City’s tax rate is 2.0; the combined rate (including State tax) is 7.6%.

WHEN IS TAX DUE?
Your tax return and payment are due on the 20th day of the month following the reporting period.

WHAT IS TAXABLE?
The cost of tangible personal property purchased or rented, if a sales tax was not paid, including the cost of the tangible personal property provided under a warranty, maintenance or service contract. The provider of the warranty is liable for the tax.

EXAMPLES OF ITEMS WHICH ARE SUBJECT TO USE TAX
The following are examples of situations in which use tax is due. These apply if the person has not already paid an equivalent city sales tax of at least 2.0% on the item purchased.

- A retailer buys a product to resell. He later takes it off the shelf and uses it for his own store. He must report use tax based on the cost of the product. If he donates the product to a nonprofit organization, then he does not owe use tax on the item.
- A contractor buys heavy equipment from a dealer who fails to charge a city tax. The contractor must report use tax based on the cost of the heavy equipment.
- An individual buys a car from a dealer for more than $1,000 while on a trip out of state. The dealer charges no sales tax. The buyer must pay use tax on the total purchase price when he returns to Phoenix.
- A restaurant provides free meals to its employees from food purchased for resale. Use tax must be paid by the restaurant on the cost of food given to employees.
Use Tax (cont.)

- A business buys items for free distribution to their customers as part of a promotion. City sales tax was not paid on the items. Use tax must be paid on the cost of these items.
- A builder buys a combination of building supplies and tools on which the supplier does not charge sales tax. The cost of the tools and any supplies which are not incorporated into a building project are subject to use tax.
- The cost of complimentary items provided to customers of a restaurant, hotel, or other business if tax has not been paid on the items. Purchases of personal hygiene items provided to guests by hotels are not use taxable.
- A business buys a magazine subscription from an out of state publisher on which no city sales tax has been paid. The subscription is subject to use tax.
- Some suppliers will charge the state sales tax but will not charge a city sales tax. This leaves the business with the obligation to pay the city use tax.
- A member of a chain of stores obtains catalogs, newspaper inserts, and other printed material from its out of state parent company. No city tax had been paid on the printing. The material is then distributed in the City. The cost of this material is subject to use tax.

WHAT RECORDS SHOULD BE KEPT?
Records of all the tangible personal property purchased or rented should be retained for at least four years for purposes of complying with the use tax. Copies of invoices must be kept that show the cost of purchases and the amount of sales tax paid.

HOW TO REPORT
Use tax is reported on the Privilege License (Sales) Tax Return in the month of purchase. Report only the taxable purchases, no deductions are allowed.

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, 9th 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.

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