



## Rental of Tangible Personal Property

### CITY OF PHOENIX PRIVILEGE LICENSE (SALES) TAX

#### WHO MUST PAY THE TAX?

You must be licensed and pay tax if you are located in Phoenix and you lease, rent, or license for use tangible personal property. Any use of tangible personal property that does not give the user a level of control that can be termed a rental or lease is licensing for use. You must also be licensed and pay tax if you are not located in Phoenix but lease semi-permanently or permanently installed personal property to customers within the City of Phoenix.

Semi-permanently or permanently installed property includes items requiring alterations to the premises or where a contract states that the items will be located in Phoenix for more than 180 days. Semi-permanently or permanently installed property does not include mobile transportation equipment or tangible personal property designed for or regularly used at different locations. Leases of tangible personal property that is semi-permanently or permanently installed in another City should be reported to that city.

#### WHAT IS THE CITY TAX RATE?

The City's tax rate is 2.0%; the combined rate (including State & County taxes) is 8.3%.

#### 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.

#### SPECIAL PROVISIONS

- The lease of a motor vehicle for 24 months or longer occurs at the location of the vehicle dealership, and not the place of business of the lessor or the address of the lessee. In a lease of a vehicle to a lessee in City A from a lessor in City B who acquired the vehicle from a dealership in City C, City C is due the tax.
- The lease of motor vehicles with a gross weight of less than 12,000 pounds for a term of 31 days or less is subject to an additional tax of 2.0%. This provision is generally applicable to car or truck rentals.
- The lease of earthmoving equipment with an operator is considered construction contracting activity. The lease of any other personal property, with or without an operator, is considered leasing of tangible personal property.
- The hiring of mobile equipment, such as limousines or cranes, is considered leasing of tangible personal property when the charge is for a fixed amount or an hourly rate. The activity of a common carrier, such as an airline, bus service or taxi, which conveys persons or goods for a fee based on distance or time is transportation for hire and is not taxable.
- Memberships, monthly fees, or admission fees to rental clubs or limited access lessors, such as a video rental store, are taxable.
- A maintenance or service contract that is a required part of the lease contract is taxable. Optional maintenance or service contracts are not taxable.
- Joint pole usage fees charged by a utility or telecommunications company to another utility or telecommunications company are not taxable.

- Income from coin-operated washing, drying, or dry cleaning machines or from coin-operated car washing machines is not taxable.

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

1. State, County and City tax collected, whether charged separately or included in the lease price
2. bad debts on which tax was paid on a previous City return
3. leases for release
4. charges for repair, service, or installation labor
5. discounts, refunds, or returns
6. freight out or delivery charges
7. leases to “Qualifying Health Care Facilities,” including hospitals, nursing homes and dialysis centers (must be non-profit)
8. trade-ins
9. leases of “Income-Producing Capital Equipment” as defined by the City Code
10. leases of prescribed prosthetics
11. warranty, maintenance, and service contracts (if optional)

### **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 (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 the following:

TAXABLE LEASES divided by 1 + COMBINED TAX RATE of 8.3% (State, County & City tax)

Calculate the tax deduction as follows:

Taxable Leases ÷ Factor (1.083) = Computed Taxable Income

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

Example:      \$3,000.00 ÷ 1.083 = \$2,770.08  
                    \$3,000.00 - \$2,770.08 = \$229.92 (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 Privilege (Sales) 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 a copy of the Tax Code, visit our website at [www.phoenix.gov/PLT](http://www.phoenix.gov/PLT).

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