



Advertising

CITY OF PHOENIX TRANSACTION PRIVILEGE (SALES) AND USE TAX

WHO MUST PAY THE TAX?

You must be licensed and pay tax if you are engaged in the business of advertising by billboards, direct mail, radio, television, or any other means within the City of Phoenix.

WHAT IS THE CITY TAX RATE?

The City's tax rate is 0.5%; there is no State tax on advertising.

WHEN IS TAX DUE?

Your tax return and payment are due on the 20th day of the month following the reporting period.

WHICH CITY IS OWED THE TAX?

The tax on advertising is due to the city in which the dissemination occurs. In most cases, the dissemination occurs at the media business office. Examples include, but are not limited to, the following:

- radio and television broadcasting studios
- editorial office or printing plant of a newspaper or magazine
- distribution centers for mail order items or direct mail advertising
- billboards, taxable at the location of the billboard
- remote studios patched to a central location, taxable at the central location.

WHAT IS TAXABLE?

All delivery or dissemination of advertising information is taxable local advertising. This includes, but is not limited to, the following types of advertising:

- financial institutions, health care facilities, hotels, and restaurants doing business within the State
- services provided within the State from doctors, lawyers, hairdressers, repair shops, etc.
- nonprofit organizations, which even though tax exempt, have an office within the State
- facilities or services of Arizona Indian Tribes

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

1. Advertising of products or services that meets **all** of the following criteria:
 - a. the product or service is available both in and out of Arizona, **and**
 - b. the product or service is available from more than one business entity in Arizona, **and**
 - c. the ad either does not mention any business entity, or lists more than one business entity.

National or regional chains operating under a single general name, even if franchised, are considered one business entity. Store brand advertising is taxable.

2. Advertising of products, services or information, which are available only from an out-of-state supplier, is exempt.
3. Political advertising solely for U.S. Presidential and Vice Presidential candidates is exempt.
4. Product coupons redeemable at any retail business carrying the product are exempt. Product coupons redeemable only at a single store name are not exempt.

5. Advertising of transportation services where a substantial portion of the transportation activity of the business entity advertised involves transportation out of Arizona is exempt.

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 the following:

TAXABLE SALES divided by 1 + CITY TAX RATE of 0.5% (City tax only)

Calculate the tax deduction as follows:

$\text{Taxable Sales} \div \text{Factor (1.005)} = \text{Computed Taxable Income}$

$\text{Taxable Sales less Computed Taxable Income}$ equals your deduction for tax collected.

Example: $\$1,000.00 \div 1.005 = \995.02
 $\$1,000.00 - \$995.02 = \$4.98$ (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, 3rd 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.

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