

RESTAURANTS & BARS

YOU OWE TAX ON RESTAURANTS AND BARS IF:

You are engaged in the business of sales of prepared food and drink for consumption on or off the premises in the city.

Transactions between related companies or persons are taxable by the City of Mesa. See Mesa City Code Section 5-10-100 for the definition of a "Person", Section 5-10-210 "Determination of gross income: transactions between affiliated companies or persons", and Section 5-10-220 "Determination of gross income: artificially contrived transactions".

Examples of taxable facilities:

- Standard eat-in restaurant
- Restaurant serving food to eat in or to go
- A restaurant section located in a retail store
- Deli serving prepared food
- Bars, taverns
- Ice cream parlors
- Employee cafeteria

The following facilities are not subject to the tax:

- Convalescent homes
- Military installations
- Schools
- Fraternal organizations serving food to members
- Day care centers
- Nursing homes, hospitals

TAX RATE ON RESTAURANTS AND BARS

The City of Mesa tax rate is 1.75% of the gross income from the business of restaurants and bars.

COLLECTION OF TAX

You may choose to charge the tax separately on each sale or include sales tax in your price. If you over charge any tax to your customers, you must remit the excess tax to the city.

If you include tax in your price, you can use factoring to calculate the tax included in your gross sales.

For example, if you make a sale for \$100, tax included, and the tax is 9.05% (the combined City, State, and County tax rate), your tax calculation is:

Price excluding sales tax =		
	\$100/1.0905	= \$91.70
Mesa City Tax =		
	\$91.70 x .0175	= \$ 1.61
State & County Tax =		
	\$91.70 x .073	= \$ 6.69
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Total City, State & County Tax		\$ 8.30

SPECIAL SITUATIONS

1. Caterers
Persons who prepare then deliver or serve food are taxable as restaurants based upon their business location. Additional charges to customers for setup, delivery, clean up are exempt provided the charges are separately itemized to customers and maintained in records.
2. Government Personnel
Sales to U.S. Government military, state and city personnel are not excludable from taxable income.
3. Tips collected from patrons
Gratuities (tips) collected from patrons are not subject to tax provided:
 - a. Separate records are maintained for the amounts collected and
 - b. All gratuities collected are distributed to the employees providing the service for which such gratuity was collected.
4. Fund raising
Sales of food and drink as a means of fund raising by churches, lodges, and other nonprofit charitable organizations not regularly engaged in the restaurant business are exempt from the City of Mesa tax.
5. Cover charges
Cover charges and other minimum charges made by a restaurant or bar are considered taxable. Charges for admission to entertainment are considered taxable amusement revenues and are reportable under that classification.

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6. Employee meals
Charges by a restaurant to its employees for meals are taxable restaurant sales. If a charge is not made for food and beverage provided to employees, the cost of the items provided is subject to city use tax.
7. Complimentary items
Promotional or complimentary items, which are served to patrons free of charge, are subject to city use tax based upon the cost of the items provided to the restaurant.
8. Sales of food to a public school cafeteria are exempt.
9. Sales of food and accessories for commercial airline meals are exempt.
10. Coupons in Mesa
When coupons issued by a vendor are later accepted by the vendor as a discount against the transaction, the discount may be excluded from gross income as a cash discount. Amounts credited or refunded by a vendor for redemption of coupons issued by any person other than the vendor may not be excluded from gross income.

EXEMPTIONS AVAILABLE FOR ITEMS YOU PURCHASE

Purchase of food, beverages and condiments, which are resold by the restaurant are not subject to tax when purchased from suppliers. Purchases of non-returnable or disposable paper, cups, plates, bags, napkins, straws, knives, forks and other similar food accessories to contain or facilitate the consumption of the food, drinks or condiments are also sales for resale and not taxable when purchased from suppliers (Effective 2/1/95.)

This is an informal and nonbinding communication. This publication is for general information only about Transaction Privilege (Sales) Tax on restaurants and bars. For complete details, refer to the City of Mesa Privilege & Excise Tax Code and related regulations. In case of inconsistency or omission in this publication, the language of the Tax Code will prevail. The transaction privilege tax is commonly referred to as a sales tax; however, the tax is on the privilege of doing business in Mesa and is not a true sales tax.

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