

## BEAUTY/BARBER/HAIR/NAIL

### *YOU OWE TAX ON RETAIL SALES IF:*

You sell tangible personal property items to someone who plans to use the items and not resell them. The seller owes tax to the City of Mesa whether tax was added to the price or not. Taxable items include, but are not limited to, shampoos, conditioners, gels, sprays, brushes, combs, extensions, files, polishes and/or accessories. See Mesa City Code Section 5-10-460.

### *YOU OWE TAX ON BOOTH RENTALS IF:*

You rent, lease or license for use any real property located within the City of Mesa for a consideration. This includes charging/receiving rent, commission and/or a percentage of money earned from independent stylists in lieu of booth space. This does not apply to employees on your payroll whom you are paying workman's comp, FICA, etc. See Mesa City Code Section 5-10-445.

The City of Mesa definition of "Licensing for use" is "Any agreement between the user ("licensee") and the owner or the owner's agent ("licensor") for the use of the licensor's property whereby the licensor receives consideration, where such agreement does not qualify as a "sale" or "lease" or "rental" agreement."

### *YOU OWE USE TAX IF:*

No taxes were paid at the time of original purchase on any items taken from inventory for use in connection with performing professional services.

See Mesa City Code Section 5-10-610.

### *TAX RATE*

The tax rate is 1.75% of the gross income. Income is any value received either as funds or bartered services or merchandise.

### *COLLECTION OF TAX*

You may choose to charge the tax separately on each sale or include the tax in your price. If you over charge any tax to your customers, you must remit the excess tax to the City of Mesa. If your price includes tax, you can compute (factor) tax from the total taxable price and then deduct the total city, state and county taxes from your gross receipts.

### *SPECIAL SITUATIONS*

#### 1. Services

If you operate a service business, income from the business is generally exempt from retail tax. However, this is true only if sales of tangible items are an incidental part of your business. If you regularly make sales of tangible items to your customers and /or maintain an inventory of

tangible items available for sale, you are engaged in a retail business and are liable for tax on such sales. See City Code Regulation 5-10-460.4

Example of an inconsequential sale: Use of a hair care product on a client's hair by a barber or beautician in connection with performing professional services is usually inconsequential. On the other hand, if the barber or beautician supplies the customer with a bottle of the product for the client's use thereafter and without the professional's assistance, the transfer of the bottle of hair care product is deemed not inconsequential. See City Code Regulation 5-10-460.4(D)3.

Note: Any items that are taken from inventory for use in connection with performing professional services are taxable for Use Tax on the cost of the item if no taxes were paid at the time of original purchase. See Mesa City Code Section 5-10-610.

#### 2. Sub-Leases

When a property is subleased, the taxable landlord is the one directly leasing to the tenant in actual possession of the property.

#### 3. Security Deposits

Security deposits are only taxable if and when they are forfeited. Non-refundable deposits are taxable when received.

*This publication is for general information only regarding Transaction Privilege (Sales) and Use Tax on Beauty, Barber, Hair, Nail or other Salon activities. For complete details, refer to the City of Mesa Privilege & Excise Tax Code and related regulations. In case of inconsistency or omission in the publication, the language of the Tax Code will prevail.*

### **FOR LICENSING INFORMATION CONTACT:**

**480.644.2316**

**licensing.info@mesaaz.gov**

### **FOR TAX INFORMATION CONTACT:**

**480.644.2051**

**salestax.info@mesaaz.gov**



**LICENSING OFFICE**

P.O. Box 1466

Mesa, Arizona 85211-1466

[www.mesaaz.gov/salestax](http://www.mesaaz.gov/salestax)

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