

## SPECIAL EVENTS/CRAFT SHOWS

### WHAT IS AN EVENT?

An event may be a trade show, swap meet, craft show, specialty show, fair, parade, sporting event, circus, country store at a RV park, carnival, festival, religious revival or other church event, political rally, vehicle show and display or similar recognized activity.

### ARE EVENT ACTIVITIES TAXABLE?

Transaction privilege tax is divided into different classifications or activities. The most common classifications of taxable transactions for vendors at events include the following: retail sales, restaurant/bar, amusements, licensing for use of real or personal property, and rental of real property (commercial lease).

### RETAIL SALES

If you sell tangible personal property, including crafts (even if you consider it a hobby), at events in the City of Mesa, you must obtain the Transaction Privilege Tax License from the City of Mesa and are responsible for transaction privilege tax under the Retail Tax Classification. There are a few exceptions to the tax on retail sales; however, the most common exemption is sale for resale (sometimes called wholesale).

**Note:** *The exemption for sales of food for home consumption does not apply if the event at which the food is sold charges admission.*

### SALES FOR RESALE (WHOLESALE)

When you sell an item to a customer who plans to rent or resell the item in the normal course of their business, you may not owe tax on that sale. You must have a clear and complete record of these sales or you will be responsible for the tax. Your records must separately show figures for retail sales and sales-for-resale. Sales-for-resale may be documented by using an exemption certificate prescribed by the Mesa Tax Code.

To make a valid sale for resale, you must record:

- 1) the merchandise or property sold,
- 2) the buyer's name and address,
- 3) the buyer's transaction privilege tax license number, and
- 4) a signed statement by the buyer stating the goods will be resold in the ordinary course of business.

**Remember, without complete records, all your sales are subject to tax. The City of Mesa will accept the Arizona Department of**

**Revenue Form 5000 "Exemption Certificate" if complete and accepted in good faith.**

### SALES OF ARTWORK

The sales of paintings, sculptures or similar works of fine art, provided that such works of fine art are sold by the original artist, are exempt. However, the sales of "art creations", such as jewelry, macramé, glasswork, pottery, woodwork, metalwork, furniture, and clothing, when such "art creations" have a dual purpose, both aesthetic and utilitarian, are **not** exempt, whether sold by the artist or by another. See Mesa Tax Code, Section 5-10-465 (t).

### RESTAURANT/BAR (FOOD & BEVERAGE)

Sales of food or beverages prepared or served for consumption on or off the premises, including the activity of catering, are taxable under the Restaurant and Bar Tax Classification. Cover charges and minimum charges must be included in the gross income. Businesses selling alcoholic beverages are required to obtain a City of Mesa Liquor License as well as the City of Mesa Transaction Privilege Tax License. Contact the licensing office at 480 644-2316 for information.

### AMUSEMENTS

The tax on amusements applies whenever an admission is charged for events, exhibitions or entertainment. Any charges or fees for activities such as carnivals, circuses, fairs, contests, games, rides, animal rides, balloon rides, public dances, dance halls, sports events or any admission fees are subject to tax under the Amusement Tax Classification.

### RENTAL OF REAL PROPERTY & LICENSING FOR USE

Space rental to vendors at events may be taxable if the rental constitutes a lease of real property. This tax is imposed on any individual renting property or space to vendors at events. Tax may be added to the cost of the vendor's rental fee. If the rental were merely a "license" granting permission to use the space rather than an actual lease of the property, the rental income received would be taxable under licensing for use in the Mesa City Tax Code.

Examples of licensing for use income include commissions received for licensing space for vending and amusement game machines or pay telephones, commissions received for the use of a business or property or similar charges for the use of space.

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## SPECIAL EVENTS/CRAFT SHOWS

The definition of "Licensing for Use" means 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.

### **SUBLEASING**

Income from subleasing is taxable, but the sublease provides an exemption to the primary lessor. The primary lessor is entitled to an exemption for the portion of the property subleased by their tenant.

For example, if A leases a 10,000 square foot building to B for \$6,000 per month (the primary lease), and B subleases 2,500 square feet to C for \$3,000 per month (the sublease), the tax liabilities of A and B are computed as follows:

- B's liability is for the tax on his subleasing income of \$3,000
- A's liability is reduced by the portion of the building that is subleased

2,500 square feet subleased (documented by B's sublease agreement with C)  
divided by

10,000 square feet in primary lease (between A and B) equals

25% of the primary lease is exempt (75% is taxable)

- A is entitled to an exemption for 25% of their \$6,000 monthly income or \$1,500.

This exemption must be computed based on the square footage subleased, not the values of the primary lease and the sublease.

### **DISPLAYING THE TAX LICENSE**

The transaction privilege tax license shall be on display to the public in the licensee's place of business in a conspicuous place. Posting the license at all times avoids delays while conducting business when tax department representatives make compliance checks to verify the vendors are licensed.

### **REPORTING YOUR TAX LIABILITY**

All taxpayers are required to report transaction privilege taxes monthly unless specifically authorized or required to report less frequently. For information on quarterly and annual filing, contact the licensing department. Please note: taxpayers are subject to penalties and interest

for late reporting on payment of taxes. Taxes are due on the 20<sup>th</sup> of the month following the month sales took place.

### **FACTORING TRANSACTION PRIVILEGE TAX**

When a business "factors" transaction privilege tax, it means the tax is included in the total price rather than shown as a separate charge. If you choose to factor the tax, the tax must be calculated using a factoring formula. There are many different factoring formulas depending on the city tax rates, state and county tax rates or differences in allowable city tax deductions.

Factors for the State, Maricopa County & City of Mesa tax rate of 9.05% are:

- .08298945 Retail, Restaurant/Bar, Amusements, Rental of Personal Property
- .02200489 Rental of Real Property - Commercial Lease (Exempt for the State)
- .01719902 Rental of Real Property - Licensing for Use (Exempt for State & County)

### **CALCULATING THE TAX**

Although transaction privilege tax is usually passed on to the customer, it is actually a tax on the vendor for doing business in Arizona. The tax can be added to the sales price or factored into the sales price.

### **TAX RATE ON RETAIL SALES AT EVENTS**

The City of Mesa tax rate is 1.75% of the taxable income. The total combined rate is 9.05% for retail sales. (6.6% state + .7% county + 1.75% city).

### **OTHER LICENSES**

You may be required to obtain a Special Event License in addition to the tax license. Please contact the Licensing office for additional details.

### **PROMOTERS RESPONSIBILITY FOR VARIOUS EVENTS**

The City of Mesa requires a Sales Tax license for any sales that go on in the City limits. This includes all the sales at various RV Parks and/or

Country Stores, Convention Center, Hotels, Trade Shows, etc... Each vendor selling items must have a City and a State Transaction Privilege Tax License PRIOR to setting up for sales.

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## SPECIAL EVENTS/CRAFT SHOWS

The Promoter, Park Managers, Event Coordinators, and/or Activity Officers should be checking that each vendor wanting to set up is able to present an actual valid license from both the City of Mesa and the State of Arizona. These licenses are required per the Tax Code for the City of Mesa and the Arizona Department of Revenue. Any vendor unable to present these licenses should not be permitted to setup and sell until proof of licensure is provided. The Promoters or Event Coordinators should retain a copy of the licenses in their files. A list of the participating vendors and City tax license numbers should be provided as backup with the event coordinators tax return regarding the booth rental income.

### *OUT OF STATE SALES*

All of the following requirements must occur for an out of state exempt sale of tangible personal property:

- The order is placed from without the State of Arizona; and
- The property is delivered to the buyer at a location outside the State; and
- The property is purchased for use outside the State.

Persons engaged in a business claiming out-of-State sales shall maintain accounting records or books indicating for each out-of State sale the following documentation:

- Information regarding location of order placement; and
- Shipping, delivery or freight documents showing where the buyer took delivery; and
- Documentation of intended location of use or storage of the tangible personal property sold to such buyer.

### *BROKERS*

A broker acting for a seller, lessor or other similar person deriving gross income shall be liable for the tax. See Mesa Tax Code, Regulation 5-10-100.1.

*This publication is for general information about Transaction Privilege (Sales) Tax on Events. 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.*

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

**480.644.2316**  
**licensing.info@mesaaz.gov**

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

**480.644.2051**  
**salestax.info@mesaaz.gov**



**LICENSING OFFICE**  
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