

# PRIVILEGE TAX

## PRIVILEGE (SALES) TAX

The City of Mesa imposes a two percent (2.0%) privilege (sales) tax on the gross receipts from the types of business activities described herein. TPT is often passed on to the business' customers as "sales tax." However, this is a tax on the privilege of doing business and is not a true sales tax.

Privilege tax revenues are used to finance the cost of various City services such as police, fire, parks and recreation, streets, etc.

## PRIVILEGE TAX LICENSE

Applications for privilege tax licenses are obtained on [www.aztaxes.gov](http://www.aztaxes.gov) or [www.azdor.gov](http://www.azdor.gov) websites, by mail or in person at the Municipal Building at 55 N. Center Street, or by phone at (480) 644-2316. The City charges a non-refundable application fee of \$20.00 per location.

The privilege license shall be valid only for the calendar year in which it is issued unless renewed each year by filing the appropriate application for renewal and paying the renewal fee of \$20, which is due and payable on January 1st and shall be considered delinquent if not received on or before the last business day of January.

You must apply for a license if you are engaged in any activity subject to the City's Privilege Taxes as a principal or broker. Also if you maintain within the City directly, or if a corporation by a subsidiary, an office, distribution house, sales house, warehouse, or other place of business, or any agent or other representative operating within this City under the authority of such person or if a corporation, its subsidiary, irrespective of whether such place of business or agent or other representative is located here permanently or temporarily or whether such person or subsidiary is authorized or licensed to do business in this State or this City, a license is required. In addition a license is required if you are soliciting sales, orders, contracts, leases, and other similar forms of business relationships within the City from customers, consumers, or users located within the City by means of salesmen, solicitors, agents, representatives, brokers, and other similar agents or by means of catalogs or other advertising, whether such orders are received or accepted within or without this City.

Each business is required to have a separate license for each Mesa location or business name. Businesses located in Mesa are still required to comply with all building, and fire codes. If you operate a business within your home, you must comply with Mesa zoning requirements. Certain businesses may also be subject to the requirements of the Arizona Department of Health Services or other State agencies.

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".

## TAXABLE ACTIVITIES

Gross receipts generated from the following types of business activities are subject to the City of Mesa privilege tax. This summary provides only broad guidelines as to which activities are taxable and is not intended to be a comprehensive list of such activities.

**Section 5-10-460 Retail Sales:** Includes the sale of any tangible personal property such as cars, furniture, equipment, etc.

**Section 5-10-455 Restaurants and Bars:** Includes preparing and serving food or beverages for consumption on or off the premises.

**Section 5-10-445 Renting, Leasing, or Licensing for Use of Real Property:** Includes rental or lease of any real property, including commercial building(s), apartments, homes or other residential units. Licensing for use of Real Property includes leasing of kiosks, shop spaces, vending machines, retail booths and assigned parking.

**Section 5-10-444 & 447 Transient Lodging Tax:** In addition to the two percent (2.0%) privilege tax on the rental of real property, there is an additional 5% transient lodging tax on any hotel, motel or apartment, charging for lodging space to any person for less than 30 consecutive days.

**Section 5-10-450 Renting, Leasing, or Licensing for the Use of Tangible Personal Property:** Includes rental of equipment, automobiles, tools, furniture, or any tangible personal property.

**Section 5-10-427 Manufactured Buildings:** Includes the sale of only new manufactured buildings (over 400 sq. ft.) including income from site preparation, moving to the site and/or set up. Trade-ins are not allowed for reducing the tax liability (effective 2/1/95).

**Section 5-10-415, 416, & 417 Construction Contracting:** Includes developers, speculative builders, general contractors, contractors, subcontractors, construction managers, and owner-builders. Maintenance, Repair, Replacement, and Alteration activities (MRRA projects) are deductions from taxation under the Contracting Classification, provided these activities meet the definitions and criteria outlined in the statutes.

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# PRIVILEGE TA

**Section 5-10-405 Advertising:** Includes local advertising by radio, television, direct mail, billboards, or any other means.

**Section 5-10-410 Amusements, Exhibitions & Similar Activities:** Includes movies, concerts, circuses, sporting events, video games, tennis courts, golf courses, bowling, billiards, craft shows, special events, etc.

**Section 5-10-425 Job Printing:** Includes copying, photo reproduction, engraving, embossing, micrographics, etc.

**Section 5-10-435 Publishing & Periodical Distribution:** Includes newspapers, periodicals, magazines, etc. including advertising and subscription income

**Section 5-10-470 Telecommunication Service:** Includes telephone, telegraph, cable TV, computer interface, FAX, etc.

**Section 5-10-480 Utility Services:** Includes providing water, electricity, or gas.

**Section 5-10-600 thru 660 Use Tax:** Use tax is a two percent (2.0%) tax on the purchase or rental of tangible personal property (such as vehicles, equipment, supplies, etc.) on which an equivalent City tax has not been paid.

**Section 5-10-432 Mining:** Includes mining, smelting, or producing minerals. This activity is taxed at only one tenth of one percent (.1%).

**Section 5-10-475 Transporting for Hire:** Includes transporting anything by railroad, aircraft, or pipeline.

**Section 5-10-430 Timbering & Extraction:** Felling, producing or preparing timber; extracting, refining or producing oil or natural gas.

**Section 5-10-422 Jet Fuel Sales:** The tax rate is three (3) cents per gallon.

## ADDITIONAL COMMENTS

The taxable activities in Mesa may be different than the State of Arizona or other municipalities. Please contact the Arizona Department of Revenue at (602) 542-4576 or the other cities for additional information.

If you are engaged in an activity that requires a privilege tax or other specialty license or are not sure if your business activity is taxable and need additional information, please call the Licensing Office at (480)644-2316.

Brochures and a link to the Tax Code are available on our website at <http://www.mesaaz.gov>.

## PRIVILEGE TAX REPORTING

Mesa's privilege tax rate is two percent (2.0%) of the gross income generated from the various business activities discussed in this brochure, less allowable deductions. Deductions vary by taxable

activity. Businesses must maintain adequate records and documentation to support income and deductions.

## OTHER SPECIALTY LICENSES

City of Mesa specialty licenses are required for liquor sales, pawnbrokers, secondhand dealers, auctions, massage therapists, fireworks, park and swap, teen dance halls, peddlers, solicitors, mobile merchants, sidewalk vendors, fortunetellers, bingo, escort services, group home handicapped and supervised living facilities.

A special events license is required for parades, sporting events, circuses, fairs, festivals, carnivals, religious revivals, political rallies, and vehicle shows.

*This is an informal and nonbinding communication. This publication is for general information only about Transaction Privilege (Sales) Tax. 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.*

**FOR TPT LICENSING  
INFORMATION CONTACT:**  
Arizona Department of Revenue  
<https://www.aztaxes.gov>  
602.255.3381

**FOR MESA TAX  
INFORMATION CONTACT:**  
480.644.3816  
[salestax.info@mesaaz.gov](mailto:salestax.info@mesaaz.gov)



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