SPECIAL SITUATIONS

1. **Buying items to rent to others**
   If you are in the rental business, you do not owe retail sales tax on items you buy to rent to others. These sales are considered sales for resale and are exempt.

2. **Charges added to rent**
   Charges for items such as insurance, fuel, mileage, collision damage waiver and maintenance are taxable as part of your rental income. This is true even though the charges may be billed separately from the rental charge.

3. **Rent for re-rent**
   If you rent items to someone who re-rents the items, you are not taxable on your rental income. To claim this exemption, the lessor must obtain a properly completed Arizona Department of Revenue resale certificate from the lessee (https://azdor.gov/forms/tpt-forms). Rental of items such as bedding and linens to hotels/motels is not considered rent for re-rent.

4. **Renting to contractors or non-profit organizations**
   Rentals of equipment to contractors or most nonprofit organizations (except hospitals, community health centers or health care organizations) are subject to tax.

5. **Lease-purchase**
   The rental income from leasing an item that has a purchase option is taxed under personal property rentals until the item is purchased. Income from the eventual sale is taxed as a retail sale.

6. **Mobile Equipment**
   Equipment that is leased and is not permanently or semi-permanently installed in one location is taxed at the location of the leasing company.

7. **Motor Vehicle**
   Motor Vehicles leased for a minimum of twenty-four (24) months are taxed at the location of the dealership rather than the location of the lessor.
This is an informal and nonbinding communication. This publication is for general information only about Transaction Privilege (Sales) Tax on rental of tangible personal property. 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.

**EXEMPTIONS**

1. Items rented to a qualifying hospital, a community health center or a health care organization.

2. The rental of a prosthetic device prescribed or recommended by a physician, dentist or medical professional.

3. Rental of films, tapes, and slides by theaters, television stations, and radio stations. This does not include the rental of videotapes to individuals for their own use.

4. Rental of certain machinery, equipment, and related items used directly in manufacturing, processing, mining, by telephone companies, for electric power production, and transmission pipelines, airlines, railroads, and by the oil and gas industries.

5. Rental to nonresidents of Arizona for use outside the state if you ship or deliver the item out of state.

6. Items semi-permanently or permanently installed within another city or town that levies an equivalent tax on the transaction.

7. Separately billed charges for delivery and installation. See Regulation 5-10-100.2.

8. Income from the operation for car washes and coin-operated washing and drying machines.

9. Rental, leasing or licensing of aircraft that would qualify as aircraft acquired for use outside the State, if such rental, leasing or licensing had been a sale and further provided that required documentation is maintained.

10. Warranty, maintenance or similar service contracts with rental, leasing or licensing for use of tangible personal property. See Regulation 5-10-450.5B and 5-10-465.2.

11. Repair charges are subject to tax under the retail classification. See Section 5-10-460 and Regulation 5-10-465.1.

**FOR TPT LICENSING**

**INFORMATION CONTACT:**

Arizona Department of Revenue
https://www.aztaxes.gov
602.255.3381

**FOR MESA TAX**

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