ADVERTISING & PUBLISHING

ADVERTISING
YOU OWE TAX ON ADVERTISING IF:
You are in the business of selling “local advertising” within the city. This tax is due on the gross income of persons engaging in such businesses as billboards, direct mail, radio, television, etc. The commissions and fees retained by an advertising agency are not part of the taxable income. (Mesa Tax Code 5-10-405)

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”.

TAX RATE ON ADVERTISING
The tax rate is 2.0% of the taxable income from “local advertising.”
City Business Code 018 “ME”

WHAT IS “LOCAL ADVERTISING”?
Advertising is considered “local advertising” unless it fits one of the following “national advertising” categories:
- A product or service which is sold nationally or at least in other areas as well as Arizona. To qualify, the ad must not name just one specific Arizona business or one chain of Arizona businesses. It may name several different businesses.
- A facility or service which is not located in Arizona.
- A product which can only be purchased from an out-of-State supplier.
- Political advertising for a United States Presidential or Vice Presidential candidate.
- Advertising by means of a coupon for a product good at any business, which carries the product. This does not apply if the coupon is only good at one business or business chain.
- Advertising a transportation service which includes substantial interstate or foreign carriage.

These examples are typically “national advertising” when the ad does not name a specific Arizona business or chain:
- A soft drink sold nationally and available in numerous stores.
- A new movie.
- A Las Vegas hotel.
- A Caribbean cruise.
- Lots for sale in San Diego.
- A coupon for purchase of toothpaste.
- DVD’s, CD’s and tapes by mail order from out of state.
- An airline company.
- A railroad.

The following are some examples of “local advertising” and are taxable:
- A chain of stores including some within the State when only the common business name is identified.
- Sales of real estate located within the State.
- A health care facility located within the State.
- An ad for a hotel/motel chain as long as the ad identifies any location within the State.
- Stockbrokers, real estate brokers, etc. doing business within the State.
- A nonprofit organization which has an office within the State.
- Political ads except for President & Vice President.
- A restaurant chain which has an outlet within the State.
- Service businesses when the service is provided within the State.
- Coupons which can be redeemed only at a location within the State.
- Entertainment events which will be held at a location within the State.

WHEN IS AN ADVERTISING BUSINESS OPERATING “WITHIN THE CITY”??
Businesses are generally considered to be doing business in the City if a major portion of their dissemination facilities are located in the City. A broadcasting studio located in the City is an example.

Outdoor advertising such as billboards is taxable based on the city in which the billboard is located.

Advertising income from newspapers and periodicals is taxable as part of the tax on “publishing.”

PUBLISHING
YOU OWE TAX ON PUBLISHING IF:
You are in the business of publishing newspapers, magazines, or other periodicals in the City. This also includes distributing and delivering publications in the City which are
Calculate as follows:
Gross Income / Factor (1.0200) = Net Taxable Income

$1000/1.0200 = $980.39 (net taxable); the tax factor deduction is $19.61
Tax Due Mesa: $980.39*2% = $19.61
Tax Due State/Maricopa County – not taxable
Total Tax = $19.61 (should always match the total tax factor amount)

Publishing Income Example (Total Tax Rate 8.3%): 1.00 + .063 + .020 = 1.083
Calculate as follows (example assumes no advertising income):
Gross Income / Factor (1.083) = Net Taxable Income

$1000/1.0830 = $923.36 (net taxable); the tax factor deduction is $76.64
Tax Due Mesa: $923.36*2% = $18.47
Tax Due State/Maricopa County: $923.36*6.3% = $58.17
Total Tax = $76.64 (should always match the total tax factor deduction amount)

This publication is for general information only about Transaction Privilege (Sales) Tax on income from advertising and publishing. This is an informal and nonbinding communication. 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 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

MESA TAX AUDIT
P.O. Box 1466, MS1170
Mesa, Arizona 85211-1466

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