WHO PAYS USE TAX?
Any business and some individuals may be required to pay use tax. Use tax is imposed on items you acquire from a retailer which you store or use in the city. You pay it on items on which you have not already been charged a sales tax equal to at least the 2.0% Mesa tax rate when you acquired the item. As this tax is imposed on purchases from retailers, “casual” purchases from individuals are not taxable. (Mesa Tax Code 5-10-600 through 5-10-660)

HOW IS USE TAX DIFFERENT FROM PRIVILEGE LICENSE (SALES) TAX?
Sales tax is paid by the seller on items sold, but use tax is usually paid by the purchaser. Purchases which would have been taxable retail sales but have so far escaped the tax may be subject to use tax. There are several reasons why an item may have escaped a city sales tax on the original transaction. Some common reasons are “out-of-state” purchases or a person has purchased the item for an exempt usage but has changed the use.

The use tax is an indirect benefit to retailers located in Mesa because it removes incentives for customers to shop outside of the city in order to avoid paying the city tax. It also allows people who buy items and claim an exemption the flexibility to change the usage to a non-exempt usage.

THE USE TAX RATE IS 2.0% OF THE:
- Cost of tangible personal property bought from a retailer, upon persons storing or using the property in Mesa.
- Cost of the tangible personal property provided under a warranty, maintenance or service contract.
- Cost of complimentary items other than personal hygiene items, provided to customers of a restaurant, hotel, or other business without itemized charge.
- Cost of food consumed by the owner or employees of a restaurant or bar.

EXEMPTIONS:
Purchases from persons not in the business of selling tangible personal property (casual sales). Any purchases on which an equivalent city tax has already been paid, even though it was to another city in or out of Arizona. Individuals who are not in business are exempt from the tax on purchases of $1,000.00 or less per item on items bought outside of the City. Larger purchases are taxable. Individuals who buy motor vehicles outside of the State are required to pay the tax at the time they register the vehicle unless they have paid equivalent tax to another city. This exemption is not available to businesses.
- Items which you first put into use in another location outside of the City.
- Items purchased for resale.
- Charges for delivery, installation and other customer services.
- Charges for repair services.
- Charges for warranty, maintenance, and service contracts.
- Prosthetics.
- Income-producing capital equipment.
- Rental equipment and rental supplies.
- Mining and metallurgical supplies.
- Motor vehicle fuel and use fuel which is used upon the highways.
- Tangible personal property purchases by a construction contractor, but not an owner-builder which becomes part of a building project.
- Rental, leasing, or licensing for use of film, tape, or slides by a theater, radio station, television, or subscription television system.
- Food served to patrons for a consideration.
- Property acquired by a qualifying hospital or health care organization.
- Food for home consumption.
- Paintings, sculptures, or similar works of fine art purchased from the original artist.
- Aircraft purchased for use outside of the state.
- Stocks, bonds, options, and similar securities.
- Platinum, bullion, and monetized bullion except coins purchased primarily for numismatic value.

EXAMPLES OF ITEMS WHICH ARE SUBJECT TO USE TAX:
The following are a few examples of situations in which use tax is due. These apply if the person has not already paid a city sales tax of at least 2.0% on the item purchased.
- A retailer purchases a cleaning product for resale. He later takes it off the shelf and uses it to clean his own store. He must report use tax based on his cost of the product.
- A manufacturer purchases some equipment from out of state for use in a
Use Tax

department which is not part of the production process as defined under “Income Producing Capital Equipment.” The supplier does not charge a city sales tax. This manufacturer should pay the city use tax.

• An individual purchases a car for more than $1,000 while on a trip out of state. The dealer charges no sales tax. The person must pay use tax on the purchase price when he returns to Mesa.

• A restaurant provides free meals to their employees from food they purchased for resale. They must pay use tax on the cost of the food.

• A business purchases some items for free distribution to their customers as part of a promotion. They did not pay city sales tax on the items. They must pay use tax on the cost of these items.

• A motel provides such items to guests as continental breakfast, and stationery for which they do not impose a separate charge. No tax has yet been paid. The cost of items other than personal hygiene items are subject to a use tax.

• A builder purchases a combination of building supplies and tools on which the supplier does not charge sales tax. The cost of the tools and any supplies which are not incorporated into a building project are subject to use tax.

• A person purchases an item and does not pay city sales tax because he claimed an exemption with the retailer in error. He later discovers that he had claimed an exemption to which he was not entitled. He should then pay use tax on the item.

• A member of a chain of stores obtains catalogs, newspaper inserts, and other printed material from their out-of-state parent company. No city tax has been paid on the printing. The material is then distributed in the City. This material is subject to use tax.

**RECORD KEEPING:**
You should keep records of the tangible personal property you purchase for purposes of complying with the use tax. Copies of invoices must be kept to support the cost of purchases and to evidence the amounts of sales tax paid to your suppliers. You should be aware that some suppliers will charge the state sales tax but will not charge a city sales tax, leaving you with the obligation to pay the city use tax.

Businesses which are located out of state and sell and ship items to buyers in Mesa may not have any obligation to pay sales tax to Mesa by virtue of the “out-of-state” exemption. If they do not charge a city tax of at least 2%, they may leave their customers with an obligation to pay use tax. These out-of-state retailers may elect to obtain a city tax license and pay the use tax for their customers.

**REPORTING:**
Use tax is reported on the same form that licensed businesses use to report their Privilege License (sales) tax. Individuals and businesses who are not required to be licensed may occasionally need to report an isolated transaction subject to use tax. In this case come to the office or call to make arrangements to make a one-time report.

This publication is for general information only about Use 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
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