



CITY OF PEORIA PRIVILEGE (SALES) TAX GUIDELINES: RESTAURANTS & BARS

You Owe Tax on Restaurants and Bars if:

You are engaged in the business of sales of prepared food and drink for consumption on or off the premises in the city.

Examples of taxable facilities:

- ◆Standard eat-in restaurant
- ◆Restaurant serving food to eat in or to go
- ◆A restaurant section located in a retail store
- ◆Deli serving prepared food
- ◆Bars, taverns, cocktail lounges
- ◆Ice cream parlors
- ◆Employee cafeteria
- ◆Mobile vendors selling in public areas
- ◆Caterers

The following facilities are not subject to the tax:

- ◆Military installations
- ◆Schools
- ◆Fraternal organizations serving food to members
- ◆Day care centers
- ◆Nursing homes, hospitals

Tax Rate on Restaurants and Bars

The City of Peoria tax rate is 2.8% of the taxable income from the business of restaurants and bars. The combined rate (including State & County taxes) is 9.1%.

Collection of Tax

You may choose to charge the tax separately on each sale or include Privilege (Sales) Tax in your price. If you over charge any tax to your customers, you must remit the excess tax to the city. If you include tax in your price, you can use factoring to calculate the tax included in your gross sales.

For example, if you make a sale for \$100, tax included, and the tax rate is 9.1% (the combined City, State, and County tax rate), your tax calculation is:

Price excluding Privilege (Sales) Tax = $\$100 / 1.091 = \91.66

(NOTE: 1.091 is calculated by adding 1 to the total tax rate of 9.1% or 0.091)

Peoria City Tax = $\$91.66 \times .028 = \2.57

State & County Tax = $\$91.66 \times .063 = \5.77

Total City, State & County Tax = \$8.34

▶ Cross Check: Factored Tax Deduction of \$8.34 ($\$100.00 - \$91.66 = \8.34) equals Tax Due to City, State & County of \$8.34 ($\$2.57 + \$5.77 = \8.34)

Special Situations

▶ Caterers

Persons who prepare then deliver or serve food are taxable as restaurants based upon their business location. Additional charges to customers for setup, delivery, clean up are exempt provided the charges are separately itemized to customers and maintained separately in records.

▶ Government Personnel

Sales to U.S. Government military, state and city personnel are taxable.

▶ Tips Collected From Patrons

Gratuities (tips) collected from patrons are not subject to tax provided:

- a. Separate records are maintained for the amounts collected, and
- b. All gratuities collected are distributed to the employees providing the service for which such gratuity was collected.

▶ Fund Raising

Sales of food and drink as a means of fund raising by churches, lodges, and other nonprofit charitable organizations not regularly engaged in the restaurant business are exempt from the City of Peoria tax. However, the organization would be subject to tax on the purchase of food and liquor.

▶ Cover Charges

Cover charges and other minimum charges made by a restaurant or bar are considered taxable. Charges for admission to entertainment are considered taxable amusement revenues and are reportable under that classification. See [Guidelines for Amusements](#) for additional information.

▶ Employee Meals

Charges by a restaurant to its employees for meals are taxable restaurant sales. If a charge is not made for food and beverage provided to employees, the cost of the items provided is subject to city use tax (1.8%).

▶ Complimentary Items

Promotional or complimentary items, which are served or given to patrons free of charge, are subject to city use tax (1.8%) based upon the cost of the items provided to the restaurant. See [Guidelines for Use Tax](#) for additional information.

▶ Coupons

When coupons issued by a vendor are later accepted by the vendor as a discount against the transaction, the discount may be excluded from gross income as a cash discount. Amounts credited or refunded by a vendor for redemption of coupons issued by any person other than the vendor may not be excluded from gross income.

▶ Sales of Food to a Public School Cafeteria are Exempt

▶ Sales of Food to Qualifying Hospitals, Qualifying Community Health Centers or Qualifying Health Care Organizations are Exempt

Exemptions Available For Items You Purchase

Purchases of food, beverages and condiments, which are resold by the restaurant, are not subject to tax when purchased from suppliers. Purchases of non-returnable or disposable paper, cups, plates, bags, napkins, straws, knives, forks and other similar food accessories to contain or facilitate the consumption of the food, drinks or condiments are also sales for resale and are not taxable when purchased from suppliers.

Contact Information

City of Peoria
Finance Dept. – Tax & License Section
8401 W. Monroe Street
Peoria, AZ 85345-6560

Phone: (623) 773-7160
FAX: (623) 773-7383
E-mail: salestax@peoriaaz.gov

Office Hours are Monday through Thursday – 7:00 a.m. to 6:00 p.m.

► **This brochure is meant to be a guideline only.** For complete details, refer to the [City of Peoria Tax Code](#) and related regulations. In all cases, the language of the tax code shall prevail.