



## **CITY OF PEORIA PRIVILEGE (SALES) TAX GUIDELINES: RETAIL SALES**

### **You Owe Retail Sales Tax if:**

You are in the business of selling items (tangible personal property) to someone who plans to use the items and not rent or resell them. The seller owes the Privilege (Sales) Tax to the City of Peoria whether or not the seller added the tax to the price of the item sold.

### **Tax Rate on Retail Sales**

The City of Peoria tax rate is 1.8% of the taxable income

### **Which City is Owed the Tax?**

The city in which the seller's business is located and which receives the order shall be entitled to the retail tax. The retail tax liability is based upon the seller's location, NOT the location of the buyer, unless the seller is a mobile vendor.

### **Collection of Tax**

You may choose to charge the Privilege (Sales) Tax separately on each sale, or include the tax in your price. If you overcharge 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 "back into" the tax included in your gross sales. See our brochure on Factored Tax.

### **Trade-Ins**

If you take a trade-in for partial payment on an item, you owe privilege (sales) tax on the difference between the original selling price and the trade-in amount. The trade-in allowance may not exceed the full sales price.

### **What is Taxable?**

Generally, all sales of tangible personal property are taxable. Examples include:

- ◆Sales to churches, schools, clubs, nonprofit organizations, and governmental agencies
- ◆Sales to service businesses
- ◆Sales of food for home consumption, including all vending machine sales
- ◆Sales to Indians off the reservation, Armed Forces personnel, etc.
- ◆Sales to winter visitors, even though the item may later be removed from the state
- ◆Sales of supplies to doctors, dentists, and veterinarians.
- ◆Sales of consigned or auctioned goods
- ◆Membership, admission, or other fees charged by a limited access retailer
- ◆Sales of non-custom computer software
- ◆Sales of furnishings and appliances to consumers, apartment complexes and businesses

- ◆Sales of model home furnishings to builders
- ◆Sales of tools and equipment to contractors
- ◆Sales of artwork
- ◆Sales of sand, rock, and gravel extracted from the ground

## **Allowable Retail Sales Exemptions Include:**

▶ Exempt sales must be properly segregated in all accounting records. Proper documentation must be obtained and preserved. In the absence of documentation, taxes will be assessed on gross receipts.

### **1. Sales to a Person Regularly Engaged in the Business of Selling or Renting Such Property**

When you sell an item to someone who plans to rent or resell it, you do not owe tax on that sale. But clear and complete records of these sales must be kept in order to take the deduction.

### **2. Out of State Sales**

When an order is placed from outside Arizona, and the item is delivered to the buyer at a location outside the state for use outside the state, you do not owe tax on that sale. Regarding sales of motor vehicles, vehicles sold to nonresidents for use outside the state and when delivered out of state are exempt. Adequate records must be kept to prove that a transaction was an out of state sale.

### **3. Charges for Delivery and Installation**

When you charge for delivery or installation labor on items not becoming permanently attached to real property, you don't have to pay tax on the charges if you clearly show them separately on customer invoices and in your records.

### **4. Services**

If you operate a service business, income from that business is generally exempt from retail sales tax. However, this is true only if sales of tangible items are an incidental part of your business. If you regularly make sales of tangible items to your customers and/or maintain an inventory of tangible items available for sale to customers, you are engaged in retail business and are liable for tax on those sales. Examples of service businesses include lawn maintenance, pool maintenance, doctors, attorneys and accountants.

### **5. Repair or Service Labor Charged in Conjunction with a Retail Sale (Not Manufacturing Labor)**

### **6. Bad Debts**

A deduction is allowed for bad debts previously reported as taxable sales. If current period sales are less than the bad debt amount, file an amended return to adjust the month in which the sale was initially reported. Do not file a return for negative taxable income as it cannot be processed.

### **7. Cash & Trade Discounts**

Cash discounts allowed for timely payment by customers are not included in gross income. When coupons issued by a vendor are accepted as a discount against a transaction, the discount may be excluded from gross income. However, discount amounts for coupons issued by any person other than the vendor, such as a manufacturer, may not be excluded from gross income.

### **8. Refunds on Returned Merchandise**

A deduction is allowed for refunds on amounts previously reported as taxable sales.

### **9. Sales of Warranty, Maintenance and Service Contracts (if Optional)**

### **10. Sales of Prosthetics**

These include medically prescribed drugs, eyeglasses, contact lenses, insulin syringes, hearing aids, hospital beds, wheelchairs, corrective shoes, crutches, braces for neck, back, arm or leg, and artificial limbs or teeth.

#### **11. Sales of Income-Producing Capital Equipment**

The sale of certain machinery or equipment is exempt if it is used by the purchaser directly in activities such as manufacturing, processing, fabricating, job printing, mining, producing and transmitting electrical power or research and development. This does not include furniture, hand tools, office equipment, janitorial supplies, etc.

#### **12. Sales of Gasoline**

#### **13. Sales of Custom Computer Software**

When a sale is made of custom computer software which is prepared exclusively for a customer, the charges are considered direct customer services and are exempt from sales tax.

#### **14. Food Purchased With Food Stamps**

#### **15. Tangible Personal Property Sold to a Licensed Contractor to be Incorporated into a Structure**

The exemption *does not* apply to construction equipment and tools sold or leased to a contractor, or to any other tangible personal property which is not incorporated into the actual improvements being built.

#### **16. Fifty Percent (50%) of Sales Made Directly to the US Government (100% if Sold by a Manufacturer, Modifier Assembler, or Repairer)**

#### **17. Food Sales to Restaurant, Bars and Educational Entities**

#### **18. Sales of Items to Qualifying Hospitals or Health Care Organizations**

#### **20. Sales of Solar Daylighting & Energy Devices by a Solar Energy Retailer Registered with the Arizona Department of Revenue**

### **Documenting Non-Taxable Sales**

To properly document a non-taxable sale, obtain all of the following information:

1. Customer's name
2. Customer's business address
3. Customer's specific business activity
4. Customer's state license number (if any)
5. Customer's city license number
6. Reason for exemption, and
7. Evidence to establish to a reasonable business person that the sale is exempt

For sales for resale and other applicable transactions, a fully completed exemption certificate should be obtained **AT THE TIME OF THE SALE**. The State Exemption Form – [ADOR Form 5000](#) – is accepted by both the State of Arizona and the City of Peoria. Also available is the [Peoria Tax Exemption Certificate](#).

### **Distinguishing the Sale of Food From Restaurant and Bar Activity**

The restaurant and bar tax rate of 2.8% applies to sales by a retailer when food or beverages are served in trays, cups, glasses, or other open containers or when food is purchased hot or prepared, like sandwiches. The restaurant rate also applies to food sales by caterers and other mobile vendors.

Businesses that offer both retail and restaurant-type sales must segregate these transactions; otherwise the higher tax rate will apply to all sales. See [Guidelines for Restaurants & Bars](#).

## Contact Information

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► **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.

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