



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

### **Who Pays Use Tax?**

The City of Peoria imposes a 1.8% use tax on any business and certain individuals who purchase tangible personal property for their own use -- not for resale -- on which no equivalent city privilege or sales tax has been paid. (Use tax is also due on the rental of tangible personal property on which an equivalent city tax has not been paid.)

Use tax is the counterpart to the privilege (sales) tax in that the sales tax is levied on the retail sales of tangible personal property within Peoria. The use tax is levied on a purchaser who acquires property from an in-state or out-of-state vendor and did not pay city sales tax at the time of purchase and then stores, uses or consumes that property in Peoria.

▶ The use tax is an indirect benefit to Peoria businesses because it removes the incentive for businesses or individuals to shop outside the state in order to avoid paying city and state privilege (sales) tax.

### **The Use Tax Rate is 1.8% of the:**

- ◆ Cost of tangible personal property bought from a retailer, upon persons storing or using the property in Peoria.
- ◆ 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 from Use Tax Include:**

Any purchases on which an equivalent city tax has already been paid, even though it was paid to another city in or out of Arizona.

Individuals who are not in business are exempt from use tax on purchases of \$1,000 or less per item on items bought outside of the City. Larger purchases such as cars, boats, RVs, etc. are taxable.

Casual sales between individuals are exempt from use tax. A casual sale is defined as a sales transaction between two individuals, neither of which is engaged in the business of selling.

### **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 business or person has not already paid a city sales tax of at least 1.8% on the item purchased.

### Businesses:

- ◆ 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 and pay use tax based on the cost of the product.
- ◆ A restaurant purchases reusable dishes, cups and silverware from a supplier who does not charge sales tax on the purchase. The restaurant must report and pay use tax on the dishes, cups and silverware.
- ◆ A business purchases some items for free distribution to their customers as part of a promotion. They paid state tax but no city tax on the items. They must pay city use tax on the cost of the items.
- ◆ A business buys a magazine subscription from an out of state publisher on which no city sales tax has been paid. The subscription is subject to use tax.
- ◆ A builder purchases a combination of building supplies and tools on which the retailer does not charge sales tax. The cost of the tools and any supplies which are not incorporated into the building project are subject to the use tax.
- ◆ 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.
- ◆ A motel provides to guests such items as a continental breakfast and stationary for which they do not impose a separate charge. No tax was paid on the items. The cost of the items provided (other than personal hygiene items) are subject to use tax.
- ◆ A business purchases a computer, office equipment or supplies from an out-of-state vendor who does not charge privilege or sales tax. Use tax must be paid on these items.

### Individuals:

An individual purchases a car for \$15,000 while on a trip out-of-state. The dealer does not charge sales tax. The individual is required to pay state use tax on the purchase price of the car when registered in Arizona. The State Department of Transportation will collect it at the time of registration. ADOT does not collect city use tax. Each city must bill and collect its own tax separately.

▶ See [FAQ's – Use Tax / Vehicle Use Tax](#) for additional information.

### **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. 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 Peoria may not have any obligation to pay sales tax to Peoria by virtue of the “out-of-state” exemption. If they do not charge a city tax of at least 1.8%, 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 Requirements**

**Businesses** or individuals planning to use, store or consume goods brought into Peoria must report and pay use tax. Some out-of-state vendors conducting business in the City or making direct sales into Peoria may also be required to report and pay the tax.

Use tax is reported on the Privilege (Sales) Tax Return in the month of purchase (certain businesses may file on a quarterly or annual basis). Businesses with Occupational Licenses are required to file on an annual basis.

► Report only the taxable purchases, no deductions are allowed.

**Individuals** who owe use tax on a vehicle will receive a separate billing from the City of Peoria for the tax after they register the vehicle with the Arizona Department of Transportation. For any other personal purchases over \$1,000 per item on which use tax is due the City, please contact us at (623) 773-7160.

## Contact Information

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Finance Dept. – Tax & License Section  
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Peoria, AZ 85345-6560

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

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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.

*Updated November 2013*