

PRIVILEGE TAX

Licensing and Tax Information: (623) 333-2001 | salestax@avondale.org



PRIVILEGE (SALES) TAX | The City of Avondale imposes a two and half percent (2.5%) privilege (sales) tax on the gross receipts from the types of business activities described herein. Privilege tax is often passed on to the business' customers as "sales tax."

However, this is a tax on the privilege of doing business and is not a true sales tax. Privilege tax revenues are used to finance the cost of various City services such as police, fire, parks and recreation, streets, etc.

PRIVILEGE TAX LICENSE | Applications for privilege tax licenses may be obtained on our website, by mail or in person at the City Hall at 11465 W Civic Center Dr. or by phone at (623) 333-2001.

The City charges a non-refundable application fee of \$25.00 and \$40.00 license fee.

The privilege license shall be valid only for the calendar year in which it is issued unless renewed each year by filing the appropriate application for renewal and paying the renewal fee of \$40.00, which is due and payable on January 1st and shall be considered delinquent if not received on or before the last business day of January. The late fee is an additional \$10.00.

You must apply for a license if you are engaged in any activity subject to the City's Privilege Taxes as a principal or broker. Also if you maintain within the City directly, or if a corporation by a subsidiary, an office, distribution house, sales house, warehouse, or other place of business, or any agent or other representative operating within this City under the authority of such person or if a corporation, its subsidiary, irrespective of whether such place of business or agent or other representative is located here permanently or temporarily or whether such person or subsidiary is authorized or licensed to do business in this State or this City, a license is required. In addition a license is required if you are soliciting sales, orders, contracts, leases, and other similar forms of business relationships within the City from customers, consumers, or users located within the City by means of salesmen, solicitors, agents, representatives, brokers, and other similar agents or by means of catalogs or other advertising, whether such orders are received or accepted within or without this City.

Each business is required to have a separate license for each Avondale location or business name. All businesses located in Avondale are required to comply with all zoning, building, and fire codes. If you operate a business within your home, you must comply with Avondale zoning requirements. Certain businesses may also be subject to the requirements of the Arizona Department of Health Services or other State agencies.

All persons applying for an Avondale Privilege Tax License as Individuals, Sole Proprietors, or Husband & Wife businesses, must provide evidence of their legal right to be in the United States in compliance with A.R.S. 41-1080, also know as the "Legal Arizona Workers Act."

Transactions between related companies or persons may be taxable by the City of Avondale. See Avondale Tax Code Section 13A-100 for the definition of a "Person," Section 13A-210 "Determination of gross income: transactions between affiliated companies or persons," and Section 13A-220 "Determination of gross income: artificially contrived transactions."

TAXABLE ACTIVITIES | Gross receipts generated from the following types of business activities are subject to the City of Avondale privilege tax. This summary provides only broad guidelines as to which activities are taxable and is not intended to be a comprehensive list of such activities.

- ▶ **Section 13A-460 Retail Sales:** Includes the sale of any tangible personal property such as cars, furniture, equipment, etc.
- ▶ **Section 13A-455 Restaurants and Bars:** Includes preparing and serving food or beverages for consumption on or off the premises.
- ▶ **Section 13A-445 Renting, Leasing, or Licensing for Use of Real Property:** Includes rental or lease of any real property, including commercial building(s), apartments, homes or other residential units. Licensing for use of Real Property includes leasing of kiosks, shop spaces, vending machines, retail booths and assigned parking.
- ▶ **Sections 13A-444 & 447 Transient Occupancy Tax:** In addition to the two and half percent (2.5%) privilege tax on the rental of real property, there is an additional 2% transient lodging tax on any hotel, motel or apartment, charging for lodging space to any person for less than 30 consecutive days.
- ▶ **Section 13A-450 Renting, Leasing, or Licensing for the Use of Tangible Personal Property:** Includes rental of equipment, automobiles, tools, furniture, or any tangible personal property.
- ▶ **Section 13A-427 Manufactured Buildings:** Includes the sale of only new manufactured buildings (over 400 sq. ft.) including income from site preparation, moving to the site and/or set up. Trade-ins are not allowed for reducing the tax liability.
- ▶ **Sections 13A-415, 416, & 417 Construction Contracting:** Includes developers, speculative builders, general contractors, contractors, subcontractors, construction managers, and owner-builders.

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ADDITIONAL COMMENTS | The taxable activities in Avondale may be different than the State of Arizona or other municipalities.

Please contact the Arizona Department of Revenue at (602) 542-4576 or the other cities for additional information.

If you are engaged in an activity that requires a privilege tax or other specialty license or are not sure if your business activity is taxable and need additional information, please call the Tax and Licensing Department at (623) 333-2001. Brochures and a link to the Tax Code are available on our website at <http://www.avondale.org>.

PRIVILEGE TAX REPORTING | Avondale's privilege tax rate is two and a half percent (2.5%) of the gross income generated from the various business activities discussed in this brochure, less allowable deductions. Deductions vary by taxable activity.

Businesses must maintain adequate records and documentation to support income and deductions.

Privilege taxes are due and payable on or before the 20th of the month succeeding the period, in which the tax accrues. The return is delinquent is not received in our office by the last business day of such month (without regard to postmark date). The return must be filed even when no income has been received. Tax must be reported on a City of Avondale Privilege and Use Tax Return. Tax not paid before the delinquency date will be subject to a 10% late payment penalty, 5% per month late filing penalty, plus prorated interest.

OTHER SPECIALTY LICENSES OR BUSINESS SIGNAGE | City of Avondale specialty licenses are required for liquor sales, cable licensing, sexually oriented businesses, off-track betting, peddlers and solicitors.

Contact the City Clerk's Office for further details at (623) 333-1200.

All license applications are required to be reviewed and approved through the following departments: Finance, Planning, Zoning, Fire and Police.

Contact the Planning Department about any business signage at (623) 333-4000.

SPECIAL EVENTS | A special events permit is required for parades, sporting events, circuses, fairs, festivals, carnivals, religious revivals, political rallies, rummage sales, vehicle shows, etc.

A special event liquor license is required for non-profit organizations. Applications must be submitted 60 days prior to the event. The license requires City Council approval. Contact the City Clerk's Office for further details at (623) 333-1200.

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

For complete details, refer to the City of Avondale 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 Avondale and is not a true sales tax.

TAXABLE ACTIVITIES | Continued

- ▶ **Section 13A-405 Advertising:** Includes local advertising by radio, television, direct mail, billboards, or any other means.
- ▶ **Section 13A-425 Job Printing:** Includes copying, photo reproduction, engraving, embossing, micrographics, etc.
- ▶ **Section 13A-410 Amusements, Exhibitions & Similar Activities:** Includes movies, concerts, circuses, sporting events, video games, tennis courts, golf courses, bowling, billiards, craft shows, special events, etc.
- ▶ **Section 13A-435 Publishing & Periodical Distribution:** Includes newspapers, periodicals, magazines, etc. including advertising and subscription income
- ▶ **Section 13A-470 Telecommunication Service:** Includes telephone, telegraph, cable TV, monitoring security or alarm systems, computer interface, FAX, etc.
- ▶ **Section 13A-480 Utility Services:** Includes providing water, electricity, or gas.
- ▶ **Sections 13A-600 through 660 Use Tax:** Use tax is a one and half percent (1.5%) tax on the purchase or rental of tangible personal property (such as vehicles, equipment, supplies, etc.) on which an equivalent City tax has not been paid.
- ▶ **Section 13A-432 Mining:** Includes mining, smelting, or producing minerals. This activity is taxed at only one tenth of one percent (.1%).
- ▶ **Section 13A-475 Transporting for Hire:** Includes transporting anything by railroad, aircraft, or pipeline.
- ▶ **Section 13A-430 Timbering & Extraction:** Felling, producing or preparing timber; extracting, refining or producing oil or natural gas.

LICENSING OFFICE:

11465 W Civic Center Dr. | Suite 270

Avondale, Arizona 85323-6807

www.avondale.org