

### **GENERAL INSTRUCTIONS**

## Transaction Privilege, Use, and Severance Tax Return (TPT-1)

ARIZONA DEPARTMENT OF REVENUE www.azdor.gov

### Mailing Address

Arizona Department of Revenue PO Box 29010 Phoenix, AZ 85038-9010

If you are mailing your Transaction Privilege Tax Return, it must be postmarked on or before the 25th day of the month succeeding the month in which the tax is collected or accrued. (Regarding penalties and interest, see "Due Date for Form TPT-1" information at right.)

### ONLINE FILING

Go to www.AZTaxes.gov

# CUSTOMER SERVICE CENTER LOCATIONS

8:00 a.m. - 5:00 p.m. Monday through Friday (except Arizona holidays)

# Phoenix

1600 West Monroe

#### Chandler

3191 North Washington

### Tucson

400 West Congress

All transaction privilege tax returns must be received by the Department on or before the second to the last business day of the month.

# CUSTOMER SERVICE TELEPHONE NUMBERS

8:00 a.m. - 5:00 p.m. Monday through Friday (except Arizona holidays)

Phoenix Area (602) 255-2060

**Within Arizona** 1 (800) 843-7196

### New! Online Filing:

Form TPT-1 may now be *filed online*. **www.AZTaxes.gov** is the Arizona Department of Revenue's taxpayer service center web site that provides taxpayers with the ability to file tax returns, conduct other transactions, and review tax account information over the internet. Save time and expense and comply with due date requirements with ease and convenience. File online by becoming a registered customer at **www.AZTaxes.gov**.

#### Who Must File:

All businesses with income subject to transaction privilege tax, county excise tax, use or severance tax must file a Form TPT-1 return (ADOR 60-1046) even if there is no tax liability due for the period. City tax for "**program**" **cities** is also reported on the Form TPT-1. A list of the "program" cities whose taxes are reported on Form TPT-1, is found in Table II of the **Transaction Privilege and Other Tax Rate Tables** ("Tax Rate Tables") which are available on the Department's web site.

"Non-program" cities, such as Phoenix, Tucson, Scottsdale, Tempe and other large Arizona cities, require businesses that operate in the city to obtain a **separate** city tax license. These cities collect and administer their taxes independently on city tax forms. "Non-program" city taxes are **not** reported on Form TPT-1. A listing of "non-program" cities is found in Table III of the Tax Rate Tables.

These instructions will help you prepare Form TPT-1 correctly, and are applicable to both preprinted TPT-1 forms mailed to taxpayers, blank TPT-1 forms available from Department offices and on the Department's web site, and TPT-1 forms that are filed electronically.

#### Due Date for Form TPT-1:

Arizona Revised Statutes (A.R.S.) §42-5014 states that Form TPT-1 is **due** on the 20<sup>th</sup> day of the month following the month in which the tax is collected or accrued. However, the statute allows that a return will be considered to be filed timely if it is postmarked on or before the 25th day of the month following the month (or other tax reporting period) in which the tax is collected or accrued, and received by the Department on or before the business day preceding the last business day of the month. For taxpayers that file their returns in person, the return must be received by the Department on or before the business day preceding the last business day of the month. A business day is any day except Saturday, Sunday, or a legal Arizona state holiday. For returns that are filed late, penalties (of up to 25% of the tax due) and interest will be assessed based on the statutory due date of the 20<sup>th</sup> day of the month.

### Amended Returns:

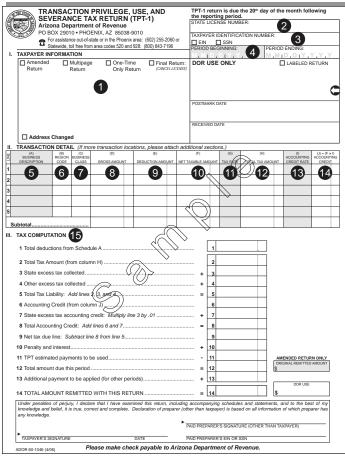
Form TPT-1 (ADOR 60-1046) can also be used to amend original returns that were filed for any previous reporting periods. To amend a previously filed Form TPT-1, check the box in Section I marked "Amended Return" and complete the return with the corrected numbers. Amended Form TPT-1 returns require some changes in the reporting of certain lines on the return as specifically noted in these instructions.

To amend returns filed for reporting periods ending prior to December 2003, complete Schedule A (Deduction Detail Information) using the deduction type codes that appear to best categorize the claimed deduction amounts.

#### Due Date - Amended Return:

An amended return which claims a refund or credit must be filed within four years of the due date of the original return or four years from the date the original return was filed, whichever date is later. A taxpayer may not use an amended return to change a payment of estimated tax or to change the application of a claimed estimated tax payment.

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General Deductions for SELECTS:
RESALE: Sales for resale Schedule A: Deduction Detail Information The deduction amounts that have been listed on the lines in Section II, Column E must be itemized by category for each Region Code listed in Section II. The total of the amounts listed in Schedule A must equal the total of the Deduction Amounts listed in Section II. THER STATE deductions (use when specific deduction is not listed below). HER CITY de Deductions for SELLERS: (Purchasers are not allowed to claim TPT deductions)
AIRCRAFT, navigational and communication instruments sold to commercial airlines or foreign Deduction Type Codes for itemizing deductions listed at right. Some of the codes may be d in more than one business classification, descriptions of these codes are derived from a 42 of the Arizona Revised Statutes. Many PIERMOLES, SALES of themicals used in certain businesses. See ARS \$42.5061(A)(2 ODO and beverage sold to a commercial airland of the commercial or commerc Title 42 of the Arizona Revised Statutes. Many of the descriptions are abbreviated from the statutory text, or one deduction type code may apply to more than one statutory exemption. The actual text of the statutory deut INTERNET ACCESS. SALES of Internet access by a lociocommunication
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35% reduction (= Gross Beceipts — Statutory Deductions × 35%).
Land deduction (full market value)
Subcontracting load reduction (full market value)
Income derived from "HEATHY FOREST" project by a qualified prime contraction of the reduction of the contraction of the reduction of the reducti OURE PIERSY DEVICES soil by a registered solar retailer or prime contractor.

ELECOMMUNICATIONS EQUIPMENT: central office switching, switchboards, private branch exchange microwave radio and other equipment soil of telecommunications business. ed or delivered directly to a destination outside the U.S. for use in that foreign country TPP sold to a nonresident and shipped or delivered out-of-state by the seller for use outside of Arizona TPP sold to a taxable PRIME CONTRACTOR or sub to be physically incorporated into a project or struct TPP sold or rented to an IRS 501((5)(5) GROBALIZATION that refess the needy and indigent for free TPP sold or rented to a QUALIFYING HEALTH CARE CREGANIZATION to be used for specified purposes. U.S. COVT. Rotal sales to manufacture, modifies extending or repairer if and product sold to U.S. COVT. U.S. COVT. Rotal sales to U.S. COVT by a manufacturer modifies assumbler or repairer (100% deduction) U.S. COVT. The RETAIL sales directly to U.S. COVT (1PT: 50% deduction; USE TAX: 100% deduction) WARRANTIES or service contracts r rented to a QUALIFYING HEALIFF C

The following numbered instructions correspond to the numbered sections of the sample Form TPT-1. An example of completing Section II of Form TPT-1 and Schedule A is provided on page 4. When completing this form, please print or type in black ink.

# Section I - Taxpayer Information

### (1) Business Name and Address

Check the accuracy of the business name and mailing address printed on the form. Make corrections on the form as required. If you are preparing a blank form, write in the correct information. If you make changes to the address, check the "Address Changed" box. If the return is an amended return, a multipage return, a one-time only return, or if you are <u>canceling</u> your license and this is your final return, **please check the appropriate box**.

### (2) State License Number

Check the accuracy of the Transaction Privilege Tax or Use Tax license number printed on the form. If you are preparing a blank form, write in the correct number. This number should include all eight (8) numerical digits and the alphabetical letter. The state license number must also be placed in the top right hand corner of all other pages of the return.

## (3) Taxpayer Identification Number

In addition to the Transaction Privilege Tax License Number, a Taxpayer Identification Number is also required when filing any return. Check the accuracy of the Taxpayer Identification Number. The Taxpayer Identification Number is the number that the licensee uses to report federal income tax for the business: either the federal employer identification number (EIN) or social security number (SSN). Missing, incorrect or illegible Taxpayer Identification Numbers may result in a penalty and may cause delays in processing the return.

### (4) Reporting Period

Check the accuracy of the PERIOD BEGINNING and the PERIOD ENDING boxes, and make corrections if necessary. If this information is missing, write in the correct periods in an eight-digit format (MMDDYYYY). (For example, May 2004 should be entered as 05312004.) Taxpayers that have been authorized by the Department to file on a quarterly or annual basis must enter the first and last months of the quarter or year in these periods.

### Section II – Transaction Detail

Note: For an **amended return**, complete Section II (and Schedule A) with the corrected numbers. Include all lines that were present on the original return, even if there are no changes to some lines. See below for special instructions for certain lines in Section III Tax Computation.

For any return which requires more than five lines, use a continuation sheet to report the additional lines, and check the "multipage return" box in Section I.

# (5) Business Class Description [Column A]

This column will identify your type of business, or "classification". For example, "retail", "restaurant/bar", "contracting", etc. A list of business classifications and other reporting categories, and the corresponding business class numbers, can be found in Table I of the Tax Rate Tables.

When reporting "program" city tax on the TPT-1, write the **city name** in this column. A list of "program" cities can be found in Table II of the Tax Rate Tables.

## (6) Region Code [Column B]

This column identifies the county or city in which you conduct business, or the special region code required of some businesses. For counties or special regions, the region code will be three letters (e.g., MAR for Maricopa County). For program cities, the region code will be two letters (e.g., KM for Kingman). Please refer to the Tax Rate Tables for the appropriate region codes. (See Tables II, IV, or V.)

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# (7) Business Class Number [Column C]

For reporting state and county tax, this column identifies the threedigit number corresponding to your business classification, which can be found in Table I of the Tax Rate Tables. (e.g., 017 is the number for a retail business).

For reporting program city tax, this column identifies the category of city tax that is being reported. These three-digit numbers can be found in Table II of the Tax Rate Tables. Please note that these numbers may vary by city.

## (8) Gross (Receipts) Amount [Column D]

For each line item (reported business class or city), enter the **gross income** in column D. Enter the **gross** amount of money, cash or other consideration you received during the reporting period of the return (if you are using the cash receipts basis of accounting), or the total amount of revenue you invoiced, billed or otherwise recognized during this reporting period (if you are using the accrual basis of accounting). For both methods of reporting, the amount reported as gross income should include the tax amount collected. The tax will be deducted in **column E**.

## 9 Deduction Amount [Column E]

Enter that portion of the reported gross receipts that is deductible or exempt income. (For most deductions or exempt income, the seller should retain appropriate documentation relating to the deductible or exempt income.) Deductions are to be itemized by category in Schedule A on page 2 of the TPT-1 form. (See separate instructions for completing Schedule A on page 4.)

Common deductions include income from: sales for resale; sales delivered out of state when the order was received from out of state; labor or delivery charges for **retail** sales; sales of exempt manufacturing equipment; and exempt retail food sales.

#### **Deduction for Taxes**

The most common deduction is the deduction for tax itself. The gross receipts in column D should include whatever tax you have collected. Deduct this tax amount to avoid calculating tax on an amount that already includes tax. You are allowed to deduct state, county, and city taxes you collected and included in your gross amount. Or, if you did not separately charge and collect tax, you are allowed to assume that the tax collected is a part of the gross receipts amount, and you can *factor* that tax.

#### Tax Factoring

Tax factoring is appropriate **only** when the taxes were **not** separately charged to the customer or charged to the customer at an incorrect rate. Taxes can be factored from gross receipts by using a mathematical formula, or by using the "factors" provided on the Department's web site. (Additional information about factoring is provided in the Department's *Transaction Privilege Tax Procedures* TPP 00-1 and TPP 00-2.)

# (10) Net Taxable Amount [Column F]

Subtract column E from column D. Enter the result in column F. This is the net income that is subject to tax.

# (11) Tax Rate [Column G]

If you receive your tax returns by mail or file online, the tax rates for your classification or for the cities for which you report should be preprinted on Form TPT-1. If they are not preprinted or you obtain a blank form, you can find the tax rates by checking the Tax Rate Tables, which are available on the Department's web site (www.azdor.gov). The tax rate shown on the return should be expressed as a decimal. (For example, 6.3% = .06300)

### (12) Total Tax Amount [Column H]

Multiply column F by column G. Enter the result in column H.

### **Accounting Credit**

The State of Arizona provides a credit for accounting and reporting expenses to be used by businesses filing Transaction Privilege, Use and Severance Tax Returns with the Department of Revenue. The accounting credit is applicable **only** to state Transaction Privilege Tax or Severance Tax; it does not apply to city, county or other taxes. (See Table I of the Tax Rate Tables for the state business classes eligible for the accounting credit.) The Department allows this credit to taxpayers who file and pay their transaction privilege taxes timely and in full. If these conditions are not met, the accounting credit will be disallowed. The credit is equal to 1% of the amount of state tax due, but cannot exceed \$10,000 for a calendar year. [See A.R.S. § 42-5017 and Arizona Administrative Code (A.A.C.) Rule R15-5-2007 for more information.]

# (13) Accounting Credit Rate [Column I]

The accounting credit rate for your classification should be preprinted on the form. If you are preparing a blank form, you can find the accounting credit rates in Table I of the Tax Rate Tables.

# (14) Accounting Credit [Column J]

Multiply column F by column I. Enter the result in column J. This is your accounting credit. (For an **amended return** in which the state transaction privilege tax liability is **increased**, the accounting credit is limited to what was claimed on the original return. For an amended return in which the state transaction privilege tax liability is **decreased**, the accounting credit <u>must also</u> be decreased.)

#### Subtotals

It is only necessary to add the amounts in columns E, H and J. For multipage returns, you may enter the grand totals of all columns E, H and J on this line.

# (15) Section III – Tax Computation

#### Line 1: Total Deductions from Schedule A

Enter the sum of the deduction amounts entered in Schedule A, which should equal the sum of the amounts entered in column E.

### Line 2: Total Tax Amount

This amount should be the sum of the amounts entered in column H on page 1 plus any additional pages.

#### Line 3: State Excess Tax Collected

By law, if you collected/charged more tax than is calculated as due, the combined excess must be reported and paid to the Department of Revenue. Excess **state** tax collected/charged should be entered on line 3.

### Line 4: Other Excess Tax Collected

Other excess tax (city or county) collected/charged should be entered on line 4

### Line 5: Total Tax Liability

Add lines 2, 3, and 4 and enter the sum on line 5.

### Line 6: Accounting Credit

This amount should be the sum of the amounts entered in column J on page 1 plus any additional pages.

### Line 7: State Excess Tax Accounting Credit

Multiply line 3 by .01 and enter the result on line 7. (For an amended return in which the state excess tax reported is increased, the accounting credit is limited to what was claimed on the original return.)

### Line 8: Total Accounting Credit

Add lines 6 and 7 and enter the result on line 8.

### Line 9: Net Tax Due

Subtract line 8 from line 5 and enter the result on line 9.

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### Line 10: Penalty and Interest

By law, returns that are filed late are assessed a **late filing penalty** of 4.5% per month or any portion of a month up to a maximum of 25%. The **late payment penalty** is .5% per month up to a maximum of 10%. The maximum total of these two penalties cannot exceed 25 percent of the tax due.

Arizona's interest rate is the same as the federal rate and continues to accrue until taxes are paid. Interest rate tables are available on the Department's web site, or you may contact the Department at one of the phone numbers listed on page 1. Late payments of estimated tax are also subject to penalty and interest.

### Line 11: Estimated Tax Payments

Enter the amount paid as an estimated tax payment on Arizona Form TPT-ES. (Note: For an **amended** return in which an estimated tax payment was claimed on the original, do not restate the payment.)

### Annual Estimated Tax Payment Filing Requirements

Some taxpayers are required to make a single Annual Estimated Tax Payment on June 20th on Form TPT-ES. These are taxpayers that have previously had an annual tax liability of \$100,000 or more, or those who can reasonably anticipate such a liability in the current year. (See A.R.S. § 42-5014, A.A.C. Rule R15-5-2215, and Form TPT-ES for additional information and instructions.)

#### Line 12: Total Amount due this Period

Add lines 9 and 10. Subtract line 11 from this amount and enter the result on line 12.

### Line 13: Additional Payment to be Applied

If you owe a tax, penalty or interest liability originating from the filing of a previous TPT-1 return, you may include payment of this liability with this return. Please enter the amount of the additional payment on line 13.

### Line 14: Total Amount Remitted With This Return

Add lines 12 and 13 and enter the result on line 14. (For an amended return, you may note the amount paid with the original return in the box to the right of line 12. On line 14, indicate only the additional amount remitted with the amended return. If the amended return is claiming a refund, leave line 14 blank and the Department will compute the refund due.)

### Signature

**Sign the return.** Every return must be signed by the taxpayer or the taxpayer's authorized agent as noted.

**Paid preparer's signature.** If the return has been prepared by a paid preparer, the return must include the paid preparer's signature and Taxpayer Identification Number.

# SCHEDULE A INSTRUCTIONS (Page 2)

- 16 In Schedule A, the deductions that have been taken in column E on page 1 must be itemized by category. The total of the amounts listed in Schedule A should equal the total of the amounts listed in column E. The deductions taken on all lines in Section II, including lines that report city tax, must be itemized.
- 17 Deduction Type Codes to be used for itemizing deductions listed on all lines, are provided to the right of Schedule A on page 2. Many of the deduction codes listed can be used for several business classifications, as allowed by statute. If none of the deduction codes listed are applicable, please use Deduction Code 999 for other state tax deductions authorized by state statute, and Deduction Code 888 for other city tax deductions authorized by the Model City Tax Code.

Schedule A should be completed as follows: In columns K (Region Code) and L (Business Class), list the region code and business class corresponding to the line on which the deduction was

taken in Section II on page 1. In column  $\mathbf{M}$  (Deduction Code), choose the appropriate deduction code from the Deduction Type Code List. In column  $\mathbf{N}$ , list the specific amount of each deduction. The total itemized deductions in Schedule A should equal the total of the deduction amounts in column  $\mathbf{E}$  in Section II.

### Example: Completing Section II and Schedule A

A retailer located in Carefree, has \$2,324.50 of gross receipts, which breaks down as follows:

GROSS RECEIPTS	\$2,324.50
DEDUCTIONS:	
Nontaxable Sales for Resale	400.00
Exempt Delivery Charges	120.00
Exempt Sales to Qualifying Hospitals	180.00
State and County Tax (\$1,500 x 6.3%)	94.50
Carefree City Tax (\$1,500 x 2.0%)	30.00
TOTAL DEDUCTION AMOUNT	<\$824.50>
NET TAXABLE AMOUNT	\$1500.00

Carefree is a "program" city (located in Maricopa County) whose city taxes are administered and collected by the Department on Form TPT-1. Combined state and county taxes are reported on one line in Section II, and city taxes are reported on a **separate line** in Section II. In reporting the state transaction privilege tax and county excise taxes, **MAR** is the Region Code for Maricopa County, and **017** is the state Business Class for retail sales. In reporting the Carefree privilege tax, **CA** is the Region Code and **000** is the Business Class code for Carefree's city privilege tax.

# In Section II on the front of the form, the income, deductions and tax are reported as follows:

#### II. TRANSACTION DETAIL (If more transaction locations, please attach additional sections.)

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LINE	(A) BUSINESS DESCRIPTION	(B) REGION CODE	(C) BUSINESS CLASS	(D) GROSS AMOUNT	(E) DEDUCTION AMOUNT	(F) NET TAXABLE AMOUNT	(G) TAX RATE	(H) TOTAL TAX AMOUNT	ACC CRE
1	Retail	MAR	017	2324 50	824 50	1500 00	.06300	94 50	
2	Carefree	CA	000	2324 50	824 50	1500 00	.02000	30 00	
3									
	Subtotal				1649 00			124 50	

#### On Schedule A, the deductions are itemized as follows:

### **SCHEDULE A**

#### **Deduction Detail**

Deduction Detail							
(K) REGION CODE	(L) BUSINESS CLASS	(M) DEDUCTION CODE	(N) DEDUCTION AMOUNT				
MAR	017	551	124 50				
MAR	017	503	400 00				
MAR	017	546	180 00				
MAR	017	549	120 00				
CA	000	551	124 50				
CA	000	503	400 00				
CA	000	546	180 00				
CA	000	549	120 00				
Total	Deduct	1649 00					

You will notice that the Total Deductions listed in Schedule A is equal to the total of the amounts listed in column E in Section II. The total from Schedule A is also to be entered on line 1 in Section III.