



*Home of the
London Bridge*

Answers to your questions about . . .

Conducting Business in Lake Havasu City

Tax & License Requirements

This booklet provides an overview of the tax and license requirements of Lake Havasu City and the state of Arizona. A list of the most frequently contacted agencies is included.

Reference:

**Lake Havasu City Code
Titles 3 and 5**

www.lhcaz.gov

Table of Contents

Business Licensing	4
Tax Overview	6
Tax Overview for Non-Profits	7
Taxable Activity Overview	
Retail	7
Restaurants & Bars	10
Hotels / Motels	12
Construction Contracting.....	13
Personal Property Rental.....	16
Amusements	18
Use Tax	19
Remitting Tax	20
Factoring Tax.....	23
Interest & Penalties.....	25
Filing & Payment Due Date Calendar for 2012.....	26
Frequently Contacted Agencies	27
Frequently Asked Questions	28
Appendix A	30

Welcome to Lake Havasu City

This publication is designed to help Lake Havasu City businesses comply with the state and city's basic tax and licensing requirements. It covers the process for obtaining business licenses and the basics of each type of tax applicable to different business types in Lake Havasu City. Please note that in the event of inconsistency or omission, the language of the City Code will prevail.

Establishing a Transaction Privilege Tax (TPT) License with the Arizona Department of Revenue (ADOR)

To establish a new TPT License with the Arizona Department of Revenue, you may visit www.aztaxes.gov to apply on line (or download an application), or you may contact them directly (contact information is on page 27). Note that a TPT license must be issued for each location for businesses with multiple locations. The cost for each location is \$12.00, plus the applicable City fee, which is \$5.00 for Lake Havasu City (if you do business in other cities as well, contact ADOR for fees in those cities).

Lake Havasu City Business License

Before conducting business in Lake Havasu City, you must apply for a city business license (in addition to the State TPT License). You are required to have a city business license even if your business is not liable for TPT tax.

The city license application fee is \$100.00. A separate license must be issued for each location for businesses with multiple locations. Licenses must be renewed annually at the rate of \$76.00. You may obtain the application in person at City Hall, or go to www.lhcaz.gov, "Forms Applications & Permits" then go to the "Tax and Business Section" to retrieve a copy electronically (instructions for completion are included with the application).

Other City Business Licenses

- *Temporary Special Event License* – This license is issued to applicants without a storefront in the city who wish to participate in an event held in city limits that may be a one-time, weekly, monthly or annual event. An example of a special event is a street fair, and may include food vendors, artists, service or retail vendors, or any type of vendor, whether they are subject to sales tax or not. The cost for a temporary special event license is \$10.00 per day, up to four days (for events of five days or more, you must apply for a regular business).
- *Peddlers, Solicitors, Transient Merchants* – The following fees are applicable for peddlers, solicitors and transient merchants wishing to do business in Lake Havasu City.
 - \$100.00 — Business license fee
 - \$ 15.00 — Application fee, 1st person
 - \$ 50.00 — Each additional person
 - \$ 24.00 — Fingerprint fee, each person
- *Business Licensing for Non-Profits* – Although a business license is required to do business in Lake Havasu City, the business license fee will be waived for non-profit entities providing proof of their tax exempt status under Internal Revenue Code 501(c)(3).
- A business license is also required for insurance companies and their agents; however the license fee will be waived for those agencies providing proof that they are licensed by the Arizona Department of Insurance.

If your business activity is subject to TPT (sales) tax, an Arizona transaction privilege tax license number must be supplied to the city. If you have applied for your Arizona TPT license and have not yet received it, your application process will not be delayed if you provide proof that you have applied for your state license.

Tax Overview

The transaction privilege tax (TPT) is commonly referred to as a sales tax. It is, however, a tax on the privilege of doing business in Arizona and is not a true sales tax. The seller is liable for the tax but may pass the burden of the tax on to the purchaser.

Lake Havasu City is a "Program City," which means the city contracts with the Arizona Department of Revenue to collect city tax and the state agrees to remit the tax back to the city. Lake Havasu City businesses report sales and remit both state and city tax due directly to the state on Form TPT-1.

Various business activities are subject to tax and must have a state TPT license *and* a city license. Rates and class codes for the most common taxable activities are located in Appendix A in the back of this booklet. For a complete list of sales tax rates and business class codes, access the following link:

www.azdor.gov/Business/TransactionPrivilegeTax/TPTRates.aspx

Transaction Privilege (Sales) Tax

If your business is subject to transaction privilege tax, then you owe the tax regardless of whether or not the tax was added to the price of the item sold. There are certain "deductions" that you may be entitled to before you charge and remit sales tax (complete and accurate records must be kept or all sales will be taxable). Some common deductions are sales tax collected or factored, sales for resale, out of state sales, and labor & service (when they are added to an invoice as a separate line item). For a complete listing of allowable deductions, access the following link:

www.azdor.gov/Forms/TPT.aspx

then click "TPT-1 Deduction Codes."

Tax Overview for Non-Profit Organizations

Arizona does not provide an overall exemption from transaction privilege tax for non-profit organizations, but does provide that certain specific organizations may be exempt from the tax under some business classifications. Also, note that these exemptions are available for sales *by* the tax-exempt organizations, not for sales *to* the tax-exempt organizations. Generally sales to a non-profit organization are subject to the transaction privilege and use tax unless the organization is a qualified hospital or healthcare organization. A Qualifying Organization Exemption Letter from the Arizona Department of Revenue must be supplied to the seller in order for a non-profit qualified healthcare organization to be exempt from transaction privilege tax.

TAXABLE ACTIVITY OVERVIEW

Retail Sales

If you are in the business of selling tangible personal property to someone else who plans to use the items and not rent or resell them, you owe retail sales tax. You owe the tax whether or not the tax was added to the price of the items sold.

Exemptions

1. Sales for Resale – When an item is sold to someone who intends to rent it out or resell it, no tax is owed on that sale. However you must maintain complete and accurate records of these sales or all sales are considered taxable. Records must separately identify figures for retail sales and sales for resale. A seller should obtain from the buyer a fully completed “Resale Certificate,” or Arizona Form 5000A, which can be obtained by accessing the following link:

www.azdor.gov/forms/tpt.aspx.

2. Out-of-City Sales – Generally, if your permanent business location is in Lake Havasu City, you will owe retail sales tax to Lake Havasu City. In order for a sale to qualify for exemption, your customer must take title and possession of the item(s) outside the city limits. In addition, your inventory of that product must be located outside the city and you must have received the order at a permanent business location outside the city limits.

3. Out-of-State Sales – You do not have to pay sales tax on out-of-state sales if you maintain proper records for each sale. You must keep documentation that the order was placed from an entity outside the state of Arizona; that the item(s) were delivered to the buyer at a location outside the state; and that the property is purchased for use outside the state.

4. Freight, Labor or Delivery Charges – Freight charged by the retailer to deliver goods shipped to the purchaser is not subject to retail sales tax when shown separately in the books and records. Note that labor used in the production of custom made articles and any other services provided prior to the transfer of tangible property are not direct customer services and are taxable.

5. Services – If you operate a service business, income from that business is generally exempt from retail sales tax. However, this is only true if sales of tangible items are an incidental part of your business. Examples of service businesses include lawn maintenance, doctors, accountants and attorneys. Note that 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.

6. Sales to Non-Profit Primary Health Care Facilities – Sales made to non-profit primary health care facilities are exempt, provided a Qualifying Organization Exemption Letter from the Arizona Department of Revenue is supplied by the purchaser.
7. Food – Lake Havasu City exempts the sale of food for home consumption (for example, items purchased in a grocery store) and food sold to restaurants which is prepared and served to patrons. Note that a business that prepares food for consumption (even if it is not consumed on the premises) *is* taxable.
8. Trade-Ins – If you take a trade-in for partial payment on an item, you owe sales tax on the difference between the original selling price and the trade-in amount.
9. Manufacturer's Excise Tax – The price of tires, autos and other items sometimes includes a federal manufacturer's excise tax. Effective January 1, 1997, you may deduct this tax from the price of these items when calculating how much sales tax you owe. The federal excise tax imposed on heavy trucks and trailers (under 26 United States Codes 4051) is not part of the gross proceeds, and therefore is not taxable.
10. Bad Debts – A deduction is allowed for those taxpayers reporting under the accrual method. This deduction can only be taken in the month the bad debt is actually written off. Taxpayers reporting under the cash basis may deduct non-sufficient funds checks if previously reported in sales figures.

Restaurant & Bar Tax

If you operate a business which prepares and sells food and drink for consumption on or off the premises, you are subject to the restaurant and bar transaction privilege tax. The current city tax rate for restaurants & bars is 2% of gross income. Restaurants & bars are also subject to a 1% additional restaurant & bar tax, for a total city tax liability of 3% (NOTE: The 2% and 1% are reported under separate class codes, see the example on page 21).

Examples of facilities or activities that are subject to tax are eat-in restaurants; a restaurant serving food to eat in or take out; bars, taverns, cocktail lounges; catering services; delicatessens selling prepared food; street vendors and mobile vendors; food items sold in theatres, bowling alleys, concerts, etc.

Following are examples of facilities or activities that are not subject to the restaurant & bar tax:

Exemptions

1. Sales of prepared food, drink or condiments to a public educational entity, when they are prepared or served to individuals for consumption on the premises of a public educational entity during school hours.
2. Sales of food, drink or condiments prepared for consumption on the premises of any veteran's service organization chartered by Congress, including auxiliary units.
3. Sales of food, drink or condiments for the consumption within state or county prisons, jails or related institutions.
4. Sales to a restaurant by a person engaged in business under the restaurant classification, if the items are to be resold in the regular course of business.

5. Sales to hospitals or to licensed health care institutions operated exclusively for charitable purposes or operated by the federal or state government or their political subdivisions.
6. Sales of food, beverage or condiments to commercial airlines, if the items are provided without additional charge to passengers for consumption in flight.
7. A deduction is allowed for gross proceeds of sales or gross income derived from prepared food, drink, or condiments donated by a restaurant to a non-profit charitable IRS 501 (c)(3) organization that regularly serves meals to the needy and indigent on a continuing basis at no cost.

Special Situations

- Restaurants Selling Groceries – Grocery stores, delicatessens and other retail outlets qualified to sell food tax exempt, but which also operate a restaurant or deli on the premises, must keep separate records for the two activities.
- Fund Raising – Sales of food and drink for fund raising activities by churches, lodges and other non-profit organizations not regularly engaged in the restaurant business are not subject to the tax.
- Tips – Gratuities separately charged on a patron's check are not subject to the tax, providing: (a), separate records of the gratuities for all employees providing the service are kept; and (b), all of the gratuities are distributed directly to those employees who provide the service.
- Sales to Government Personnel – Income from the sale of food or drinks to the U.S. Government, the State of Arizona and all other government subdivisions or their employees is taxable. This includes food and drink sold to military personnel or inductees who are being paid by the U.S. Government.

- Employee Meals – If there is a charge for employee meals, the meals are subject to the tax. If there is no value received by the employer and no charge for the meal and the employee consumes the food and drink on the premises during work hours, there is no transaction privilege tax due.
- Coupons – If a restaurant issues and redeems its own coupons which reduce the cost of the meal, only the net selling price of the meal is subject to tax. However, a restaurant which accepts coupons or dining cards issued by a dining club or similar establishment is subject to the tax on the full value of the meal before the discount.
- Cover Charges – Cover charges made by a restaurant or bar are taxable under the restaurant classification.

Hotel / Motel (Additional) Tax

(Previously Transient Occupancy Tax)

If you are in the business of charging for lodging and or lodging space to a person for any period of not more than 30 consecutive days, you owe additional hotel / motel tax. The tax is owed whether or not the tax was added to the lodging price.

Income derived from lodging facilities such as hotels, motels, inns, hostelry, bed & breakfasts, mobile homes, trailers, resorts, campgrounds, spaces, slabs, or lots for trailers or mobile homes, vacation rentals, boarding house, apartment home or a private home are all subject to tax.

“Transient” is described as any person who, either at the person’s own expense or at the expense of another obtains lodging space or the use of lodging space on a daily or weekly basis, or on any other basis for less than (30) consecutive days.

The city hotel / motel additional tax rate is currently 3%, which is reported to the Arizona Department of Revenue on form TPT-1, in addition to the city transaction privilege tax sales tax of 2%. (NOTE: The 3% and 2% are reported under different class codes; see the example on page 21).

Exemptions

1. Foster homes, sheltered care homes
2. Rest homes or nursing homes
3. Primary health care facilities
4. Jails
5. Hospitals

If you choose to separately bill and collect the tax, you must remit the total amount collected even if it exceeds the calculated tax liability. The excess tax collected must be remitted to the city as excess collections.

Construction Contracting

Contracting activity is taxable regardless of whether it includes both labor and materials or labor only. Contractors must report the income from each job for the Arizona city in which the contracting activity took place, not to the city in which the contractor is based.

Construction Contractors

Contractors report their sales and pay sales tax based on the gross income from their contracting activity. Construction contractors may report on a progressive billing basis or on a cash receipts basis.

Examples of taxable contracting activities include (but are not limited to):

- Construction, demolition or repairs to a building
- Road construction
- Land excavation and landscaping
- Installation of permanently attached equipment
- Sales and installation of floor coverings
- Home remodeling
- Construction for a government agency
- Construction for a church or non-profit organization

Examples of activities that are not considered construction contracting may include:

- Landscape maintenance, such as lawn mowing and pruning bushes, trees and other plants.
- Installing "plug-in" kitchen equipment.

Speculative Builder

A speculative builder is an owner builder who is building a home or other property which is taxable based on the property's selling price. The tax on a home from a home builder's inventory is due at close of escrow or transfer of title.

Owner-Builders

Owners who are improving real property for themselves or who are building their own principal residence would not normally be the liable party for reporting sales tax. Each of the contractors or suppliers who provide materials and or services would be liable based on their income from the job.

It is important to note however, that the owner would be liable for additional tax if he sells his property within 24 months after completion of the project. An owner-builder who sells or contracts to sell improved real property prior to 24 months after the project is complete (or is deemed to be substantially complete) is taxed on the selling price of the property.

Subcontractors

Subcontracting income is exempt from tax, provided they meet the following criteria:

- The job was in the control of a prime contractor who supervised, performed or coordinated the construction work and was responsible for the completion of the contract.
- The contractor supplied the subcontractor with a completed Prime Contractor's Certificate (ADOR Form 5005).

Any contractor who works directly for a property owner is considered the prime contractor for that job.

Deductions

The following are typical deductions subtracted from the gross income to arrive at the taxable contracting income:

- 35% standard reduction of gross income
- Exempt subcontracting
- Privilege tax collected (if you charged this to your customer separately and it is included in your gross income)
- Out-of-city contracting
- Fair market value of land if included in gross income

Contractors are allowed a land deduction at the fair market value of the land. In lieu of documented fair market value, a deduction of 20% of the gross selling price is allowed.

If you have not charged your customer separately for privilege tax, you may "factor" your tax. This means that the total contract price includes tax and you can compute the amount of tax and deduct it. Formulas for factoring tax are included in this booklet on page 23.

A standard 35% deduction of gross income is allowed for all income taxable as contracting. The 35% should be computed *after* the land deduction (if applicable) and the privilege tax deduction have been taken into consideration.

Personal Property Rental

If you are in the business of renting, leasing or licensing tangible personal property for use by others, you owe sales tax. You owe the tax whether or not the tax was added to the rental, lease or licensing price.

Income derived from the rental of items such as office equipment, construction equipment, data processing equipment, restaurant equipment, gardening equipment, machinery, appliances, television and radios, floor polishers, tuxedos and other clothing, linens & towels, cars, trucks, boats, planes, canned computer software, videotapes and movies for personal use are taxable.

Income derived from the rental of personal property to federal, state and city governments is fully taxable.

Commissions received from vendors of coin-operated machines is considered tangible personal property and is taxable.

Exemptions

1. Buying Items to Rent to Others – If you are in the rental business, you do not owe sales tax on items you buy for the purpose of renting to others. These purchases are considered sales for resale and are exempt.
2. Charges Added to Rent – Charges which are separately billed for delivery, installation, repair and maintenance may be exempt. These charges must be maintained separately in your books and records in order to qualify for exemption.

Charges for items such as insurance, fuel, mileage, collision damage waivers and maintenance on the items you are renting out are taxable as part of your rental income.

3. Rent for Re-Rent – If you rent items to someone who re-rents the items to others, the rental income is not taxable. To claim this exemption, you should obtain from the lessee a fully completed “Resale Certificate,” or Arizona Form 5000, which can be obtained by accessing the following link:

<http://www.azdor.gov/forms/tpt.aspx>

It is important to note that without complete records, all rental income is subject to the tax.

4. Rental of Equipment to Contractors for Non-Profits – Items rented to any non-profit primary health care facility is exempt, provided the qualifying documentation is provided by the renter.
5. Lease Purchase – The rental income from leasing an item that has a purchase option is taxed under the personal property rental classification until the item is purchased. Income from the eventual sale of the item is taxed under the retail class code.

6. Rental of Prosthetic Appliances – Rentals of qualified prosthetic appliances and medical devices are exempt when prescribed by a doctor, dentist or other qualified medical professional.

7. Rentals of Films by Theaters – Rentals of films, tapes and slides by theaters, television stations and radio stations are exempt.

Amusement Tax

If you are in the business of charging admission for exhibitions, amusement or entertainment, you owe sales tax. You owe the tax whether or not it was included in the price of admission or the ticket price.

Income from business activities such as theaters, movies, operas, shows of any type or nature; exhibitions, concerts; carnivals or circuses; amusement parks; animal rides; fairs; horse, dog, car, boat races (e.g.); contests or games; batting and driving ranges; billiard or pool parlors; bowling alleys; skating rinks; tennis or golf courses; video games; pinball machines; public dances and dance halls; sports events; jukeboxes or any other business activity charging admission for exhibition, amusement or entertainment is subject to Amusement Tax.

Gross income from coin-operated and other machines such as video games, jukeboxes, pinball machines and billiard tables is taxable under the amusement classification. No deduction is allowed for commissions paid for the equipment or the purchase or rental cost of the equipment. The person responsible for paying the tax under the amusements classification is the one who owns the machine. The sale or purchase of an amusement machine is a retail sale subject to sales or use tax. Commissions paid are taxable to the person receiving them under licensing for use of real property.

Income from sales of programs, souvenirs and related items are taxable as retail sales and not under the amusement classification.

Games and amusements operated by for-profit organizations are taxable even if hosted by non-profit religious or educational groups. For example, income from a carnival chartered by a church would be taxable if the carnival operation is other than a non-profit organization.

Exemption

Income derived from games and amusements operated by non-profit, religious or educational institutions is not taxable if the proceeds are used for charitable purposes.

Use Tax

Use tax is levied on retail purchases you make from out-of-state vendors, and was enacted with the specific intent to prevent unfair competition between states. If the out-of-state vendor does not charge sales tax, then the Arizona purchaser is responsible for remitting a use tax.

Use tax is also levied on businesses that purchase items for resale but subsequently consume the items in the ordinary course of business instead of selling them.

Casual sales between individuals are not subject to use tax.

See Appendix A on page 30 for an overview of taxable activities in Lake Havasu City.

Remitting Tax

Lake Havasu City participates in the State Collection System; therefore, you must report and pay the city tax due *directly* to the Arizona Department of Revenue along with your state tax.

Currently, there are two methods of reporting. You may register for an online user name and password with the Arizona Department of Revenue, or you may file using the state's Form TPT-1.

The online reporting form will resemble this:

The screenshot shows a web browser window with the URL <https://www.aztaxes.gov/default.aspx>. The page title is "File 2011 Transaction Privilege and Use Return - Enter Line Items". The header includes the "Taxes.gov" logo and the "State of Arizona Department of Revenue" logo. A navigation menu on the left lists options like Home, Accounts, File, Pay, History, Messages, Business Registration, License Verification, Individual Income, Newsletter, Help, and Logout.

The main content area displays the following information:

LAKE HAVASU CITY
 Taxpayer ID: EIN 86-0365905 License: 08001762 Filing Period: 8/1/2011 - 8/31/2011
 Primary Address: 2330 MCCULLOCH BLVD N, LAKE HAVASU CITY, AZ 86403

Instructions: To file a return for the first time, select a region and a business description. To enter deductions, click the Enter Deductions hyperlink. An online form will open with a list of possible deductions for your business.

Region Code Descriptions

Region	Business Description	Gross	Deductions	Net Taxable	Tax Total Rate	Credit Rate	Credit
<input type="checkbox"/> LH (City)	PRIVILEGE TAX	\$0.00	Enter Deductions \$0.00	\$0.00	2.000%	0.000%	\$0.00
<input type="checkbox"/> SWD (Statewide)	MUNICIPAL WATER	Calculate Gross \$0.00	Enter Deductions \$0.00	\$0.00	\$0.01 / Per Unit	\$0.00 / Per Unit	Calculate Credit \$0.00
<input type="checkbox"/> MOH (County)	USE TAX PURCHASES	\$0.00	Enter Deductions \$0.00	\$0.00	6.600%	0.000%	\$0.00
<input type="checkbox"/> MOH (County)	RETAIL	\$0.00	Enter Deductions \$0.00	\$0.00	6.850%	0.066%	\$0.00

Navigation buttons: Add Row, Delete Checked Rows, Continue, Previous, Next.

Footer: Privacy | Accessibility | © Copyright 2011 Arizona Department of Revenue



TRANSACTION PRIVILEGE, USE, AND SEVERANCE TAX RETURN (TPT-1)

Arizona Department of Revenue
PO BOX 29010 • PHOENIX, AZ 85038-9010

For assistance out-of-state or in the Phoenix area: (602) 255-2060 or
Statewide, toll free from area codes 520 and 928: (800) 843-7196

TPT-1 return is due the 20th day of the month following the reporting period.

I. TAXPAYER INFORMATION

Amended Return Multipage Return One-Time Only Return Final Return: (CANCEL LICENSE)

BUSINESS NAME _____

C/O _____

ADDRESS STREET ADDRESS _____

CITY CITY, STATE, ZIP STATE ZIP _____

Address Changed

Lodging and Restaurant & Bar sales subject to the regular 2% city tax are reporting on one line.

STATE LICENSE NUMBER: _____

TAXPAYER IDENTIFICATION NUMBER:
 EIN SSN

PERIOD BEGINNING: _____ PERIOD ENDING: _____

DOR USE ONLY Labeled Return

Insert your TPT number here

Insert reporting period here (monthly, quarterly or annually)

Insert your EIN or your SSN here

POSTMARK DATE _____

RECEIVED DATE _____

Deductions = total tax factored & exempt sales

II. TRANSACTION DETAIL (If more reporting lines are necessary, please attach continuation pages.)

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	(I) ACCOUNTING CREDIT RATE	(J) = (F x I) ACCOUNTING CREDIT
1	Hotels / Lodging	MOH	025	25,000.00	7,107.71	17,892.29	0.0678	1,213.10	0.00066	11.81
2	Rest & Bars	MOH	011	10,000.00	2,717.34	7,282.66	0.0685	498.86	0.00066	4.81
3	Lake Havasu	LH	000	35,000.00	9,825.05	25,174.95	0.0200	503.50	n/a	n/a
4	Add'l Rest & Bar	LH	003	10,000.00	2,717.34	7,282.66	0.0100	72.83	n/a	n/a
5	Add'l Lodging	LH	001	25,000.00	7,107.71	17,892.29	0.0300	536.77	n/a	n/a
Subtotal				29,475.15				2,825.06		16.62

III. TAX COMPUTATION

1	Total deductions from Schedule A	1	29,475.15
2	Total Tax Amount (from column H)	2	2,825.06
3	State excess tax collected	3	0.00
4	Other excess tax collected	4	0.00
5	Total Tax Liability: Add lines 2, 3, and 4	5	2,825.06
6	Accounting Credit (from column J)	6	(16.62)
7	State excess tax accounting credit: Multiply line 3 by .01	7	0.00
8	Total Accounting Credit: Add lines 6 and 7	8	(16.62)
9	Net tax due line: Subtract line 8 from line 5	9	2,808.44
10	Penalty and interest	10	0.00
11	TPT estimated payments to be used	11	0.00
12	Total amount due this period	12	2,808.44
13	Additional payment to be applied (for other periods)	13	0.00
14	TOTAL AMOUNT REMITTED WITH THIS RETURN	14	2,808.44

Restaurant & Bar and Lodging Sales are added once again since it is subject to additional tax that must be reported as separate line items.

TPT Return must be submitted timely in order to take this accounting credit

In this example, the sales tax is factored, which means to get the tax amount, gross sales are divided by the tax rate.

AMENDED RETURN ONLY
ORIGINAL REMITTED AMOUNT \$

DOR USE \$

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

TAXPAYER'S SIGNATURE _____ DATE _____ PAID PREPARER'S SIGNATURE (OTHER THAN TAXPAYER) _____
PAID PREPARER'S EIN OR SSN _____

ADOR 10872 (6/10)
Pre-rev. ADOR 60-1046

Please make check payable to Arizona Department of Revenue.

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 and Business Class reported. The total of the amounts listed in Schedule A must equal the total of the Deduction Amounts listed on page 1. (See page 4 of the TPT-1 Instructions.)

Deduction Codes for itemizing deductions, with a paraphrased description of the deduction (or exemption), are listed at right. Some of the codes may be used for more than one business classification. Several additional Deduction Codes, as well as the statutory wording and any administrative guidance for each deduction code, are provided on the Department's web site. The actual text of the statutory deduction, exemption or exclusion is controlling for amounts taken as deductions on Form TPT-1.

If a valid state statutory deduction (or Model City Tax Code deduction provision) exists but is not shown in the listed Deduction Codes, use Deduction Code 999 for a state deduction, and use Code 888 for a city deduction.

SCHEDULE A

Deduction Detail

(K) REGION CODE	(L) BUSINESS CLASS	(M) DEDUCTION CODE	(N) DEDUCTION AMOUNT
MOH	025	551	2,107.71
MOH	025	999	5,000.00
MOH	011	551	717.34
MOH	011	503	2,000.00
LH	000	551	2,825.05
LH	000	999	5,000.00
LH	000	503	2,000.00
LH	001	551	2,107.71
LH	001	999	5,000.00
LH	003	551	717.34
LH	003	503	2,000.00
Total Deductions.....			\$ 29,475.15

ADOR 10872 (6/10)
Previous ADOR 60-1046

DEDUCTION CODES

For a listing of all Deduction Codes, the relevant statutory text and any administrative guidance, please go to www.azdor.gov/Forms/TPT.aspx and click on "TPT-1 Deduction Codes."

GENERAL DEDUCTIONS FOR SELLERS:	CODE
RESALE: Sales for resale.....	503
TAX collected or factored.....	551
OTHER STATE deductions (use when specific deduction is not listed below).....	999
OTHER CITY deductions (use when specific deduction is not listed below).....	888
DEDUCTIONS FOR SELLERS: (Purchasers are not allowed to claim TPT deductions)	
AIRCRAFT, navigational and communication instruments sold to commercial airlines or foreign governments.....	508
BAD DEBT deduction.....	558
CHEMICALS: SALES of chemicals used in certain businesses. See ARS § 42-5061(A)(39).....	510
FOOD for home consumption sold by qualified retailer.....	506
FOOD purchased with food stamps from a qualified retailer.....	513
FOOD items sold to a prison, jail, or other institution under control of DOC, DPS, or Sheriff's office.....	514
FOOD sales to a school district or charter school by a RESTAURANT.....	562
FUEL: A retailer's SALES of vehicle fuel and aviation fuel See ARS § 42-5061(A)(22).....	515
FUEL: SALES of alternative fuels used to propel a motor vehicle.....	509
INTERNET ACCESS: SALES of Internet access by a telecommunications business.....	517
INTERSTATE COMMERCE: Sales made in interstate commerce.....	504
JOB PRINTING: Actual postage and freight expenses separately stated on invoices.....	561
LIVESTOCK AND POULTRY: Sales of feed, salts, vitamins, and other additives to business.....	520
LIVESTOCK AND POULTRY: Sales of growth promotant implants/injectable medicines to business.....	516
LIQUEFIED NATURAL GAS used to fuel compressor equipment.....	563
LOTTERY TICKETS: A retailer's SALES of lottery tickets.....	521
MACHINERY AND EQUIPMENT (M&E) — SALES of:	
M&E used directly in manufacturing, processing, fabricating, printing, refining, or metallurgical operations.....	522
M&E used directly in mining operations.....	523
M&E or transmission lines used directly in producing or transmitting electrical power.....	524
M&E, technology, or related supplies sold to qualified persons (See ARS § 42-5061 exemptions.).....	525
M&E used in research and development.....	553
MEDICAL EQUIPMENT, including eyeglasses, hearing aides, DME, prosthetic appliances.....	526
MEMBERSHIPS (Class 12 only): Health, fitness, or private recreational establishments; Monthly or longer....	527
MOTION PICTURE PRODUCTION COMPANY exemptions (deductions).....	559
MOTOR VEHICLE (MV):	
MV and parts sold to a motor carrier subject to the Title 28 motor carrier fee who leases the vehicle.....	528
MV sold at auction to a nonresident if seller delivers or ships out of state.....	529
MV sold to a qualified Native American.....	530
MV sold to a qualifying nonresident (See ARS § 42-5061 exemptions.).....	531
MV: Manufacturer's cash rebate assigned by purchaser to dealer.....	501
MV LEASE: First month's lease payment transferred to third party leasing company.....	556
PIPES OR VALVES, 4" diameter or larger to transport oil, natural/artificial gas, water, coal slurry.....	535
PRESCRIPTION DRUGS or prescribed medical oxygen including equipment.....	536
PRIME CONTRACTING (PC):	
PC: 35% reduction (= Gross Receipts - Statutory Deductions x 35%).....	502
PC: Land deduction (fair market value).....	518
PC: Subcontracting income.....	550
PC: Income derived from direct costs of providing architectural / engineering services.....	557
PC: Development or impact fees paid to state or local government.....	560
SEEDS and other propagative material sold to COMMERCIAL AGRICULTURE businesses.....	537
SERVICES provided in connection with retail sales.....	549
SOLAR ENERGY DEVICES sold by a registered solar retailer or prime contractor.....	538
TEXTBOOKS that are required by a state university or community college.....	505
TANGIBLE PERSONAL PROPERTY (TPP):	
TPP shipped or delivered directly to a destination outside the U.S. for use in that foreign country.....	540
TPP sold to a nonresident and shipped or delivered out-of-state by the seller for use outside of Arizona.....	541
TPP sold to a taxable PRIME CONTRACTOR or sub to be physically incorporated into a project or structure.....	552
TPP sold or rented to an IRS 501(C)(3) ORGANIZATION that feeds the needy and indigent for free.....	544
TPP sold or rented to a QUALIFYING HEALTH CARE ORGANIZATION to be used for specified purposes.....	545
TPP sold or rented to a QUALIFYING HOSPITAL.....	546
U.S. GOVT: Retail sales to manufacturer, modifier, assembler or repairer if end product sold to U.S. GOVT....	543
U.S. GOVT: Retail sales to U.S. GOVT by a manufacturer, modifier, assembler or repairer (100% deduction).....	547
U.S. GOVT: Other RETAIL sales directly to U.S. GOVT (TPT: 50% deduction; USE TAX: 100% deduction)....	548
WARRANTIES or service contracts.....	542

FACTORING TAX

Factoring Tax – TPT Rate of 8.85%

You may choose to include sales tax in the price of an item, rather than show the tax separately. If so, use the following method to identify the tax amount. If your gross sales are \$1,000.00 (which includes the tax), and the tax rate is 8.85%, the amount of tax calculated is \$81.30, as shown below:

$\frac{\text{Sales Price Including Tax}}{1 + \text{Tax Rate}}$	=	$\text{Sales Price Excluding Tax}$
$\frac{\$1,000.00}{1.0885}$	=	$\$918.70$
$\$1,000.00 - \918.70	=	$\$81.30 \text{ Sales Tax}$

Factoring Tax – TPT Rate of 9.85%

You may choose to include sales tax in the price of an item, rather than show the tax separately. If so, use the following method to identify the tax amount. If you have restaurant (and or restaurant & bar) sales of \$1,000.00 for the month (which includes the tax), and the tax rate is 9.85%, the calculated tax is \$89.67, as shown below:

$\frac{\text{Sales Price Including Tax}}{1 + \text{Tax Rate}}$	=	$\text{Sales Price Excluding Tax}$
$\frac{\$1,000.00}{1.0985}$	=	$\$910.33$
$\$1,000.00 - \910.33	=	$\$89.67 \text{ Sales Tax}$

Tax Factoring for **Contracting Activity** – TPT Rate of 8.85%

You may choose to include sales tax in the price of an item, rather than show the tax separately. If so, use the following method to identify the tax amount. If you have contracting activity resulting in gross sales of \$1,000.00 for the month (which includes the tax), and the tax rate is 8.85%, the tax factor calculation is as shown:

TAX FACTOR WORKSHEET FOR CONTRACTORS	
Arizona State + Mohave County Rate	0.0685
Lake Havasu City Tax Rate	0.0200
Combined tax rate	8.850%
GROSS SALES	1,000.00
State Tax Factor	0.04210303
City Tax Factor	0.01229285
Calculated Tax Factor	0.05439588
State Tax (Gross Sales x State Tax Factor)	\$ 42.10
City Tax (Gross Sales x City Tax Factor)	\$ 12.29
Factored Tax Deduction	\$ 54.39
Net Sales amount without tax	\$ 945.61
Contracting Factor 35% Deduction (NET sales amount x 35%)	\$ 330.96
Taxable Sales (net sales less deductions)	\$ 614.65
Tax Rate	8.8500%
Tax	\$ 54.39
Factored Tax Amount	\$ 54.39
Actual Tax Amount	\$ 54.39

However you choose to report your transaction privilege (sales) tax, it is important to note that state and city sales and sales tax should be reported using the correct Region and Business Class codes. By doing so, it ensures that the monthly sales tax report that the city receives from the state accurately reflects your payment in the appropriate category. Failure to do so may result in inaccuracies that lead to improper payments, which may result in interest and penalties (Region and Class Codes are listed in Appendix A on page 30).

Interest & penalties will be applied for non-filing and non-payment of taxes due. They are as follows:

Interest & Penalties For Transaction Privilege Tax

- Failure to Pay = 10% of the total tax due
- Failure to File = 5% of the total tax due per month
- Interest accrues monthly with no cap

The city desires to support businesses in Lake Havasu City and to promote compliance and other good business practices. If you have questions on the completion of your TPT-1 or questions on sales tax rates or classifications, please email finance@lhcaz.gov, or call the Finance Department at (928) 855-2115, Extension 4124.

Please be advised that we are not bound by oral advice given by city staff. Official, written responses may be given to those requests submitted in writing to the Finance Department at the city address listed within this brochure.

TRANSACTION PRIVILEGE and USE TAX (TPT-1)

Filing and Payment DUE DATES 2012

January		February		March																
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
1	2	3	4	5	6	7	5	6	7	8	9	10	11	4	5	6	7	8	9	10
8	9	10	11	12	13	14	12	13	14	15	16	17	18	11	12	13	14	15	16	17
15	16	17	18	19	20	21	19	20	21	22	23	24	25	18	19	20	21	22	23	24
22	23	24	25	26	27	28	26	27	28	29				25	26	27	28	29	30	31
29	30	31																		

April		May		June																
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
1	2	3	4	5	6	7	6	7	8	9	10	11	12	3	4	5	6	7	8	9
8	9	10	11	12	13	14	13	14	15	16	17	18	19	10	11	12	13	14	15	16
15	16	17	18	19	20	21	20	21	22	23	24	25	26	17	18	19	20	21	22	23
22	23	24	25	26	27	28	27	28	29	30	31			24	25	26	27	28	29	30
29	30																			

July		August		September																
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
1	2	3	4	5	6	7	5	6	7	8	9	10	11	2	3	4	5	6	7	8
8	9	10	11	12	13	14	12	13	14	15	16	17	18	9	10	11	12	13	14	15
15	16	17	18	19	20	21	19	20	21	22	23	24	25	16	17	18	19	20	21	22
22	23	24	25	26	27	28	26	27	28	29	30	31		23	24	25	26	27	28	29
29	30	31												30						

October		November		December																
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
7	8	9	10	11	12	13	4	5	6	7	8	9	10	2	3	4	5	6	7	8
14	15	16	17	18	19	20	11	12	13	14	15	16	17	9	10	11	12	13	14	15
21	22	23	24	25	26	27	18	19	20	21	22	23	24	16	17	18	19	20	21	22
28	29	30	31				25	26	27	28	29	30		23	24	25	26	27	28	29
														30	31					

- Return Due Date
- Postmark Date
- Received by or hand delivered to DOR
- Federal/State Holiday Observed
- Electronic Payment and Electronic Return Must be Received By This Date:
Both the **payment** and **return** must be submitted electronically by 5:00 pm (MST) on the business day **before** this date to ensure timely receipt by the Department.

QUARTERLY DUE DATES

Withholding Due Dates*

1st Quarter: April 30th, 2012
 2nd Quarter: July 31st, 2012
 3rd Quarter: October 31st, 2012
 4th Quarter: January 31st, 2013

TPT Due Dates

1st Quarter: April 20th, 2012
 2nd Quarter: July 20th, 2012
 3rd Quarter: October 22nd, 2012
 4th Quarter: January 22nd, 2013

* Every payment in the preceding quarter must be made timely to extend the quarterly (A1-QRT) due date by 10 days.

**CAUTION: You may be required to PAY electronically, or FILE and PAY electronically.
 To avoid additional penalties, please refer to A.R.S. § 42-1125, 42-1129 and 43-419.**

This calendar can be downloaded from the Arizona Department of Revenue's website at: <http://www.azdor.gov/Business.aspx>

FREQUENTLY CONTACTED AGENCIES

Department of Revenue
1600 W. Monroe
Phoenix, AZ 85007
Licensing/TPT Info (800) 843-7196
www.azdor.gov

Arizona Small Business Association
4600 E. Washington St., Suite 340
Phoenix, AZ 85034
(602) 306-4000
www.asba.com

Arizona Commerce Authority
1700 W. Washington St., Suite 600
Phoenix, AZ 85007
(602) 771-1100
www.azcommerce.com

Registrar of Contractors
3838 N. Central Ave., Suite 400
Phoenix, AZ 85012
(602) 542-1525
Toll Free (877) 692-9762
www.azroc.gov

Registrar of Contractors
231 Swanson Ave., Suite 100
Lake Havasu City, AZ 86403
(928) 855-2144

Internal Revenue Service
4041 N. Central Ave.
Phoenix, AZ 85012
(800) 829-4933
www.irs.gov

Internal Revenue Service
60 Acoma Blvd.
Lake Havasu City, AZ 86403
(928) 453-2670

Arizona Corporation Commission
Commissioners Wing
1200 W. Washington St.
Phoenix, AZ 85007
(800) 222-7000
www.azcc.gov

Secretary of State
Capitol Executive Tower, 7th Floor
1700 W. Washington St.
Phoenix, AZ 85007
(602) 542-4285
www.azsos.gov

Department of Insurance
2910 N. 44th St.
Suite 210, Second Floor
Phoenix, AZ 85018
(602) 364-4457
Toll Free (877) 660-0964
www.id.state.az.us

FAQs

Q: What is a “Program City?”

A: A Program City is a municipality that has an agreement with the Arizona Department of Revenue to act as the collecting agent for transaction privilege tax, who agrees to remit it back to the municipality.

Q: How and when do I pay my state and city taxes?

A: For a monthly filer, the due date to remit your sales and sales tax is the 20th of each month for the prior month’s business activity (some exceptions apply). All taxpayers use the AZ Form TPT-1 or file online via www.aztaxes.gov.

Q: What is the difference between “sales” tax and “transaction privilege tax?”

A: Transaction privilege tax (TPT) is imposed on the seller, but is usually passed on to the buyer and is commonly referred to as “sales” tax.

Q: What if I don’t collect the tax from my customers?

A: It is the responsibility of the business to remit transaction privilege tax. Regardless of whether you collect it from your customers or not, the tax liability for all taxable business activity conducted must be remitted.

Q: Are commercial leases taxable?

A: No, they are not. The commercial lease tax was repealed in Lake Havasu City with an effective date of July 1, 1998 (Ordinance No. 98-545).

Q: Are sales to the U.S. Government taxable?

A: Retail sales to the U.S. Government are taxable at one-half of the regular tax rate. Sales of products directly to the U.S. Government by a manufacturer, modifier, assembler or repairer of such products are not taxable.

Q: Are sales to State and City Governments taxable?

A: Yes. Sales made to state, counties, cities or other political subdivisions are taxable at the full rate.

Q: Some months I have no sales to report. Am I still obligated to file a TPT-1?

A: Even if you have no sales to report, you must submit your report for your specific reporting period timeline, reporting zero dollars.

Q: What is “use” tax?

A: Use tax is imposed on any individual who uses, stores or consumes in Arizona and Lake Havasu City any tangible personal property purchased from a retailer upon which tax has not been collected by the retailer. Use tax is also imposed on businesses when they purchase items tax exempt for resale and then consume them in the regular course of their business.

Q: What if I have employees?

A: Arizona withholding and other related employee taxes and requirements are governed by federal and state governments. You must contact the Internal Revenue Service and the Arizona Department of Revenue directly if you are obligated to pay withholding and other employer tax.

APPENDIX A

OVERVIEW OF TRANSACTION PRIVILEGE TAXES IN LAKE HAVASU CITY

TITLE 3: REVENUE AND FINANCE - Privilege and Excise Taxes

Business Class Code* (State)	Business Class Code* (City)	City Code Section	Taxable Activities	Example / Description	State & County Tax Rate	LHC City Tax Rate	Combined Rate
MOH 017	LH 000	3.04-460	Retail Sales	Businesses selling tangible personal property at retail. (This includes "art creations" such as jewelry, macrame, glasswork, pottery, woodwork, metalwork, furniture and clothing when such creations have a dual purpose. Exemptions include "fine art," provided that the works are sold by the original artist).	6.85%	2.00%	8.85%
MOH 011	LH 000	3.04-455	Restaurants & Bars	Businesses preparing or serving food or beverage in a bar, restaurant or similar establishment, including catering. Cover charges must be included in the gross income of this business activity and are taxable. <i>Note: The combined total tax rate for Restaurants & Bars is 9.85%.</i>	6.85%	2.00%	8.85%
N/A	LH 003	3.04-455	Restaurant & Bar Additional 1% Tax	In Lake Havasu City, there is an additional tax of 1% that must be reported to ADOR on a separate line (under LH 003) for business activity described on the line above and in Section 3.04-455. <i>Note: The combined total tax rate for Restaurants & Bars is 9.85%.</i>	0.00%	1.00%	1.00%
MOH 025	LH 000	3.04-444	Hotels / Transient Lodging	Businesses charging fees for lodging and or providing lodging space to any transient ("Transient" means any person who obtains lodging space or the use of lodging space on a daily or weekly basis, or on any other basis for less than thirty (30) consecutive days). <i>Note: The combined total tax rate for Transient Occupancy (Bed) Tax is 11.78%.</i>	6.78%	2.00%	8.78%
N/A	LH 001	3.04-447	Hotel / Motel Additional 3% Tax	Businesses charging fees for lodging and or providing lodging space to any transient ("Transient" means any person who obtains lodging space or the use of lodging space on a daily or weekly basis, or on any other basis for less than thirty (30) consecutive days). This tax is reported to the Arizona Department of Revenue on state form TPT-1. <i>Note: The combined total tax rate for Transient Occupancy (Bed) Tax is 11.78%.</i>	0.00%	3.00%	3.00%
MOH 015	LH 000	3.04-415	Construction Contracting (Prime)	Businesses engaging in the activity of construction contracting (see city ordinance for details on allowable deductions).	6.85%	2.00%	8.85%
MOH 037	LH 000	3.04-416	Construction Contracting (Owner-Builder)	Businesses engaging in the activity of construction contracting as a speculative builder (see city ordinance for details on allowable deductions).	6.85%	2.00%	8.85%

MOH 012	LH 000	3.04-410	Amusement	Businesses providing amusement that begins in the city or takes place entirely in the city; which includes (but is not limited to) conducting theaters, movies or shows of any type or nature, exhibitions, concerts, carnivals, circuses, fairs, races, billiard or pool parlors, video games, public dances, sports events, jukeboxes, animal rides, or any other business charging admission for exhibition, amusement or entertainment.	6.85%	2.00%	8.85%
MOH 014	LH 000	3.04-450	Personal Property Rental	Businesses engaging in the activity of renting or leasing tangible personal property (examples include but are not limited to: bicycle, kayak or scooter rental, construction equipment and party supply rentals).	6.85%	2.00%	8.85%
MOH 029	LH 002	3.06-610	Use Tax (On Purchases)	If you purchase equipment or items from an out of state vendor to be utilized or consumed by your business and are not charged sales tax, your businesses owes Use Tax.	6.60%	2.00%	8.60%
MOH 030	LH 002	3.06-610	Use Tax (From Inventory)	If your business purchases items that are non-taxable because you are purchasing them to re-sell; but you ultimately use or consume them in the ordinary course of business, then your business owes Use Tax to the state and city.	6.60%	2.00%	8.60%
MOH 005	LH 000	3.04-470	Communications	Businesses engaging in providing telecommunication services to consumers within the City; (see referenced section for detailed list of taxable services).	6.85%	2.00%	8.85%
MOH 006	LH 000	3.04-475	Transporting	Businesses engaging in providing transportation for hire from this City to another point within the State (see referenced section for detailed taxable transportation activities).	6.85%	2.00%	8.85%
MOH 009	LH 000	3.04-435	Publication	Businesses engaging in the publication of newspapers, magazines or other periodicals when published within the City.	6.85%	2.00%	8.85%
MOH 010	LH 000	3.04-425	Job Printing	Businesses engaging in printing activities, which includes the engraving of printing plates, embossing, copying, micrographics and photo reproduction.	6.85%	2.00%	8.85%
MOH 004	LH 000	3.04-480	Utility Services	Businesses producing, providing or furnishing electricity, power or gas (natural or artificial).	6.85%	2.00%	8.85%
MOH 049	LH 007	3.04-422	Jet Fuel	Businesses selling jet fuel are subject to a "per gallon" rate as opposed to a tax percentage rate.	3.020	0.030	3.050
N/A	N/A	N/A	Commercial Lease	Lake Havasu City currently imposes no Transaction Privilege Tax in this category.	0.00%	0.00%	0.00%

(Please refer to the City Code for detailed information on tax exemptions that may apply to your business category)

* These Codes are used in Section II of the ADOR TPT Return, Form TPT-1

Note: This publication is for informational purposes only and does NOT fully explain all categories. To review the City Code in full detail, go to www.lhcaz.gov and click on "City Code" under the Government Information heading. Please email the tax department at Finance@lhcaz.gov, or call (928) 855-2116, Ext. 4124 for more detail on your specific business questions. In the event of omissions or inconsistencies, the Lake Havasu City Code will prevail over any language in this information sheet.



LAKE HAVASU CITY

Finance Department
2330 McCulloch Blvd. N.
Lake Havasu City, AZ 86403-5950

928-453-4153 Business Licenses

928-855-2116 TPT Tax

866-248-4150 Toll Free

928-855-0551 Fax

928-855-3945 TDD

Email - finance@lhcaz.gov

Website – www.lhcaz.gov