Tax Rate

The sales tax rate on renting, leasing, and licensing tangible personal property for use by others is 7.85% of the gross income of the business activity, as follows:

State of Arizona	5.60%
Lake Havasu City	2.00%
Mohave County	.25%

Procedure for Sales Tax Payment

You must apply for a sales tax license. For information or a license application, contact:

Lake Havasu City	(928) 453-4153
Arizona Dept. of Revenue	(800) 352-4090

Lake Havasu City participates in the State Collection System; therefore, you must report and pay sales tax on the state sales tax return (Form TPT-1) under Tax Code LH00.

Factored Sales Tax

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 "back into" the tax. If you sell an item for $100.00, including tax, and the tax rate is 7.85%, the tax calculation is $7.28, as follows:

Sale Price Including Tax 1 + Tax Rate	=	Sale Price Excluding Tax
$100.00 1.0785	=	$92.72
$100.00 - $92.72	=	$7.28 Sales Tax

For More Information

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

Contact Numbers
(928) 453-4153 Telephone
(928) 855-0551 Fax
(866) 248-4150 Toll Free
(928) 855-3945 TDD

Web Site
www.lhcaz.gov

Email
rookek@lhcaz.gov

This brochure is for informational purposes only. Its intent is to condense and simplify the language in the Lake Havasu City Tax Code. In the event of any omissions or inconsistencies, the Lake Havasu City Tax Code will prevail over the language in this publication. Contact your tax advisor concerning your specific situation.

FIN-62 11/13/06

Lake Havasu City

Personal Property Rental Taxes

Transaction Privilege (Sales) Tax

Who Must Pay?

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.

Reference:
Lake Havasu City Tax Code
Section 3.04-450 Personal Property Rentals

Prepared by:
Lake Havasu City
2330 McCulloch Blvd. N.
Lake Havasu City, AZ 86403-5950

www.lhcaz.gov

Examples of Taxable Activities

Income derived from the rental of the following items is subject to sales tax.

- √ Office equipment
- √ Construction equipment
- √ Data processing equipment
- √ Restaurant equipment
- √ Gardening equipment
- √ Machines
- √ Appliances
- √ Television and radios
- √ Floor polishers
- √ Tuxedos and other clothing
- √ Linens and towels
- √ Cars, trucks, boats, planes, etc.
- √ Canned computer software
- √ Videotapes, movies for personal use

Notes

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

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

Exemptions

Income derived from the following sources is exempt from the sales tax.

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. You also do not owe tax on the purchase of rental supplies. 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 are exempt. These charges must be maintained separately in your books and records in order to be exempt.

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

3. Rent for Re-Rent

If you rent items to someone who re-rents those items, the rental income is not taxable.

To claim this exemption, you must obtain, from the lessee, a signed exemption certificate at the time of the transaction, which includes the following information: lessee's name and address, lessee's state and city sales tax numbers, nature of lessee's business, item rented, and a signed statement by the lessee that the item will be re-rented in the ordinary course of business. Without complete records, all rental income will be taxed.

4. Rental of Equipment to Contractors or Non-Profits

Items rented to any non-profit primary health care facility are exempt. Proper documentation from the Arizona Department of Revenue is required in order to claim this exemption.

Rental of equipment to contractors and most non-profit organizations are subject to tax.

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 as a retail sale.

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.