

Tax Rate

The retail sales tax rate 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
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\$100.00 1.0785	=	\$92.72
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\$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-61, 11/13/06

Lake Havasu City



Retail Sales Tax Transaction Privilege (Sales) Tax

Who Must Pay?

If you are in the business of selling tangible personal property ("items") 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.

Reference:

*Lake Havasu City Tax Code
Section 3.04-460 & 465 Retail Sales*

Prepared by:

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Exemptions

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

1. Sales for Resale

When an item is sold to someone who intends to rent or resell it, no tax is owed on that sale. However, you must maintain complete and accurate records of these sales or all sales will be considered taxable. Records must separately identify figures for retail sales and sales-for-resale. Information required to be kept on all sales-for-resale includes: buyer's name and address, buyer's state and city sales tax numbers, nature of buyer's business, type of property to be resold, and a signed statement by the buyer that the property will be resold in the ordinary course of business. This documentation must be obtained at the time of the transaction. Wholesale suppliers making recurring sales to the same customer, for resale, may accept a blanket "resale certificate." To receive a sample resale certificate, contact the Finance Department.

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 be exempt from city sales tax as an out-of-city sale, your customer must take title and possession of the item purchased while 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 not within the city.

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 showing that the buyer is a non-resident of Arizona. In addition, your documentation must show that the items sold were shipped to the buyer out-of-state for use outside the state.

4. Freight, Labor, 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.

When you charge for repair or installation labor on items not permanently attached to real property, you do not have to pay retail sales tax on the labor charges if you clearly show charges for labor separately on customer invoices and in your books and records. The same is true for delivery charges and other direct customer service charges.

5. Services*

If you operate a service business, income from that business is generally exempt for 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.

6. Sales to Non-Profit Organizations

Sales made to churches, school districts, and other non-profit organizations are taxable, except items sold to non-profit primary health care facilities.

7. Food*

Lake Havasu City exempts the sale of food for home consumption and food sold to restaurants which is prepared and served to patrons.

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, not to exceed the original selling price.

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, 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.

11. Sales to the Government*

Sales to the U. S. Government or its departments or agencies are taxable at one-half 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.

*Notes

4 - 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 - 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.

7 - A business which prepares food for consumption on or off the premises is taxable. See LHC Tax Code Sec. 3.04-455 Restaurants & Bars.

11 - Sales made to states, cities, counties, or other political subdivisions are taxable.