

**YOU OWE TAX ON RESTAURANTS & BARS IF:** | You are operating a Restaurant and/or Bar in Lake Havasu City.

**DEFINITION OF A RESTAURANT:** | "Restaurant" means any business activity where articles of food, drink, or condiment are customarily prepared or served to patrons for consumption on or off the premises, also including bars, cocktail lounges, the dining rooms of hotels, and all caterers. For the purposes of this Chapter, a "fast food" business, which includes street vendors and mobile vendors selling in public areas or at entertainment or sports or similar events, who prepares or sells food or drink for consumption on or off the premises is considered a "restaurant", and not a "retailer".

**LAKE HAVASU CITY TAX RATE:** | The tax rate shall be at an amount equal to two percent (2%) and an additional one percent (1%), for a total of three percent (3%) of the gross income from the business activity upon every person engaging or continuing in the business of preparing or serving food or beverage in a bar, cocktail lounge, restaurant, or similar establishment where articles of food or drink are prepared or served for consumption on or off the premises, including also the activity of catering.

When filing your Arizona State Transaction Privilege Tax (TPT) you will use the following descriptions and codes:

**State/County – MOH                      Lake Havasu City – LH**

Business Description	Region Code	Business Class	Percentage %
Restaurant & Bar	MOH	011	5.60%
Restaurant & Bar	LH	011	2.00%
Restaurant & Bar (Add'l Tax)	LH	111	1.00%
<b>Total</b>			<b>8.60%</b>

**FUND RAISING:** | Sales of food and drink for fund raising by churches, lodges and other nonprofit organizations not regularly engaged in the restaurant business are not subject to the transaction privilege tax.

**RESTAURANTS SELLING GROCERIES:** | Grocery stores, delicatessens, and other retail outlets qualified to sell food tax exempt, but which also operate a restaurant on the premises, must keep separate records for the two activities. Food sold in the restaurant is taxable as a restaurant sale whether it is consumed on or off the premises.

**COVER CHARGES:** | Cover charges and other minimum charges made by a restaurant or bar are taxable under the restaurant classification; and must be included in gross income.

**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 premises during work hours, there is not transaction privilege or use tax due.

**TIPS:** | Gratuities (tips) separately charged on a patron's check are not subject to transaction privilege tax providing:

- a. You keep separate records of the gratuities for all employees providing the service; and
- b. All of the gratuities are distributed directly to those employees who provided the service.

Otherwise, the full amount of the gratuity is subject to tax.

*This publication is for general information only about Transaction Privilege Tax (TPT) on income from "Restaurant & Bar" activities. This is an informal and nonbinding communication.*

*For complete details, refer to Lake Havasu City Code for Privilege and Excise Taxes. 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 Lake Havasu City and is not a true sales tax.*

*Lake Havasu City Code in its entirety can be found at:*

<https://codelibrary.amlegal.com/codes/lakehavasu>