

TRANSIENT LODGING HOTEL / MOTEL

This publication provides general information about Arizona Transaction Privilege Tax on transient lodging businesses. The Arizona transaction privilege tax is commonly referred to as a sales tax; however, the tax is on the privilege of doing business in Arizona and is not a true sales tax. The Transaction Privilege Tax is imposed on persons engaged in business under the transient lodging classification by Arizona Revised Statutes (A.R.S.) § 42-5070. For complete details, refer to the statute and title 15, chapter 5 of the Arizona Administrative Code. (links to access these laws are available on the Department's web site: www.revenue.state.az.us). In case of inconsistency, error or omission in this publication, the language of the Arizona Revised Statutes and the Arizona Administrative Code will prevail.

Who Must Pay

If you operate a lodging facility for occupancy by transients, you may be subject to the Transaction Privilege Tax. For detailed information, see A.R.S. § 42-5070. Examples of taxable business activities include, but are not limited to:

- hotels
- rooming houses
- motels
- apartment houses (see Renting to both Temporary and Permanent Residents)
- dormitories
- inns
- public & private clubs
- dude ranches
- mobile homes
- resorts
- campgrounds
- spaces, slabs or lots for trailers or mobile homes

The following facilities are not subject to the tax:

- convalescent homes
- jails
- hospitals
- military installations
- homes for the aged
- fraternity/sorority houses
- owner-occupied bed & breakfasts which lease 4 or fewer rooms at no more than a 50% average

annual occupancy rate.

- non-profit organization operated facilities (operated for religious, charitable or educational purposes)
- government operated facilities

What is the Tax Rate on Transient Lodging, and How Do I Pay?

The current combined state and county tax rates for retail sales can be found in the *Arizona State, County and City Transaction Privilege and Other Tax Rate Tables* under Business Class Code 025. Many cities impose their own tax rates. "Program cities" have the state collect their taxes using a state form, the Transaction Privilege, Use and Severance Tax Return (Form TPT-1). Most of the larger cities license and collect privilege tax independently of the state and are called "non-program" cities. If you are unsure whether your city collects its own tax or if the state collects for it, check the *Arizona State, County and City Transaction Privilege and Other Tax Rate Tables*.

NOTE: For ease of reporting, state and county rates are combined on the state's tax rate tables. City tax is reported separately. See Form TPT-1 instructions for details.

Factoring Transaction Privilege Tax

When a business "factors" transaction privilege tax, it means the tax is included in the total price rather than shown as a separate charge. If you choose to factor the tax, the tax must be calculated using a factoring formula. There are many different factoring formulas depending on city taxes, county taxes or differences in allowable city tax deductions. For detailed information about factoring, see Transaction Privilege Tax Procedure TPP 00-1.

Renting to both Temporary and Permanent Residents

Renting dwelling units and lodging facilities to a customer **is not** taxable under the transient lodging classification if the lodging is obtained for a continuous block of time of 30 or more days. However, lodging obtained in daily or weekly increments **is** taxable under the transient lodging classification, regardless of whether the total stay ends up totaling more than 30

days. For additional clarification and examples of taxable and nontaxable situations, please refer to the Arizona Administrative Code.

Additional Charges

Extra charges that are included in rent, such as maid service, laundry service, pay per view TV charge, or a hotel charge for telephone usage, are considered part of the gross income from the business and therefore taxable.

Lodging for Government Employees

Lodging for government or non-profit organization employees is **NOT** exempt from this tax.

Other Activities

Other services and activities are taxable under the transient lodging classification when they are included in the rent charged. If the charges for these services and activities are separately itemized on the guest's bill, they are taxable under the tax classification and class code shown below.

Amusement (Class Code 012)

See Pub 604, *Amusements*

- Health Club Privileges (Subject to qualifications)
- Activity Fees Charged to Guests
- Golf
- Tennis
- Skeet Shooting
- Horse Rental

Commercial Lease (Class Code 013)

See Pub 608, *Commercial Lease*

- Banquet and Meeting Room User Fees
- Lease of Space to Independent Retail or Service Businesses

Job Printing (Class Code 010)

See Pub 614, *Job Printing*

- Photo Copy Charges

Personal Property Rental (Class Code 014)

See Pub 606, *Personal Property Rentals*

- Table and Chair Use Fee (including set up fee)
- User Fees For Projectors, Movies, Tapes, etc.
- Mobile Cart Rental
- Car Rental

TRANSIENT LODGING HOTEL / MOTEL

ARIZONA TRANSACTION PRIVILEGE TAX

Restaurants & Bars (Class Code 011)

See Pub 605, *Restaurants & Bars*

- Food Sales
- Restaurant & Room Service
- Beverage Sales
- Room Service Delivery Charges
- Catering
- Recovered Salaries for:
 - Bartender
 - Meat Carver

Retail (Class Code 017) See Pub 602, *Retail Sales*

Sales of:

- Souvenirs
- Books
- Magazines
- Newspapers
- Flowers
- Clothing
- Jewelry
- All Other Nonfood Items
- Exempt Items
- Interstate Long Distance Charge for Telephone or Fax Machine
- Massage
- Prepackaged Food/Candy sold in vending machines

Purchases Made By Transient Lodging Businesses

Most purchases of tangible personal property by operators of transient lodging facilities for use in the business of providing lodging accommodations are taxable. Examples include, but are not limited to, linens, coat hangers, shower curtains, blankets and pillows.

However, purchases of personal hygiene items, food, drink, (except alcoholic beverages) or condiment which are furnished to and intended to be consumed by transients during their stay at no additional charge are not subject to either the transaction privilege tax or use tax.

A listing of the items which do or do not qualify as personal hygiene items for the purpose of this tax can be found in Arizona Transaction Privilege Tax Ruling TPR 95-18.

Items which qualify include:

soap, shampoo, hair conditioner, shower caps, toothbrush, toothpaste, mouthwash, sunscreen lotion, razors, shave cream, after shave, hand/body lotion, talcum powder, bathroom tissue, facial tissue, sanitary napkins/disposal bags, glass wrappers, disposable cups and ice container liners.

Items which **do not** qualify include:

laundry bags, hangers, sewing kit, shoe mitts/polishers, garbage bags, trashcan liners, clothes brush, shoe horns, stationery, postcards, pens, pads of paper, matches and local attraction magazines.

For Additional Information, call:

Phoenix(602) 255-2060
Toll free from area codes 520 & 928.....(800) 352-4090

For Hearing Impaired - TDD only:

Phoenix(602) 542-4021
Toll free from area codes 520 & 928.....(800) 397-0256

Or Write to:

Arizona Department of Revenue
Taxpayer Information & Assistance
PO Box 29086
Phoenix AZ 85038-9086

For Related Tax Information:

Recorded Tax Information(602) 542-1991
Other Arizona areas, toll-free(800) 845-8192
Forms by Mail(602) 542-4260
Forms by Fax(602) 542-3756
Internet Address www.revenue.state.az.us



TRANSIENT LODGING HOTEL / MOTEL

Arizona Department of Revenue
November 2001
Reviewed December 2002
Pub 607

This publication is
available in
alternative format
upon request.