Retail sales. Selling tangible personal property. (Separate brochure.)

Telecommunication services. The tax rate is 2.75% and includes charges for, subscriptions to, or access fees for one-way or two-way voice, sound, or video transmissions, facsimile transmissions, relay or repeater service, computer interface over a communications channel, computer time-sharing, and security or burglar alarm system monitoring. Telecommunications for resale and interstate transmissions are exempt.

Transporting for hire. Includes transporting by railroad, aircraft and pipelines. Transportation services like taxi cabs, buses, towing, etc. are not taxed.

Utility services. The tax rate is 2.75% and includes providing water, electricity, or natural gas to rate payers within the city. Sales for resale and sales to nonprofit hospitals are excluded.

Use Tax

Use tax is a tax on purchases or rentals for storage or use within the city, on which an equivalent excise tax has not been paid. The rate is 1.5%.

The tax is not on inventory held for resale, but if goods were purchased for resale and later removed from inventory for use by that business, use tax would apply.

Manufacturing equipment; prosthetics, seed, feed, and fertilizer purchased by a bonafide farmer or rancher; and ground water measuring devices are exempt.

Examples of taxable transactions are:

- A vehicle is purchased in another state and tax was not paid since it is to be registered in Arizona. Tax applies on the net purchase price (sales price less trade-in allowance.)
- A lift-truck is purchased from a dealer located where there is no city sales tax. You are charged 6.3% sales tax (in Maricopa County); the 1.5% use tax applies.
- You sell office supplies and remove a ream of paper from your inventory for your personal or business use. Use tax of 1.5% applies.
- You operate a restaurant and provide your employees with free meals. The cost of these meals is subject to a use tax of 1.5%
- Purchases, in cities other than Chandler, of office supplies, furniture and other items consumed by your business may be subject to use tax. If the combined tax rate paid on an invoice is less than 7.8%, then use tax is due on the difference.

If goods are purchased in a city where the local tax rate is higher than 1.5% then no use tax is due.

In all cases it is important that the sales (privilege) tax be itemized on purchase invoices as evidence that tax was paid.

NOTE: This information sheet is meant to be a guideline only. For complete details, refer to the City of Chandler Tax Code and related regulations. In case of inconsistency or omission in this publication, the language of the tax code will prevail. You can request a copy of the Chandler Tax Code by calling or writing to the address on the front of this flyer, or you can obtain a practitioner's copy of the Model City Tax Code from the League of Arizona Cities and Towns, which includes the code options for all cities in Arizona.

Every effort is made to provide adequate and accurate information. However, any verbal advice we give you is not binding on the City. For your protection, we recommend that you request tax code interpretations in writing to have documentation for your records. (City of Chandler Code Section 62-541(b) Taxpayer Bill of Rights)

The taxable activities for Chandler may differ from the State and other Arizona cities. You are urged to contact each jurisdiction individually.

Maricopa County's Small Businesses Environmental Assistance Program (SBEAP) provides a no cost, confidential service that can help you understand & comply with air quality/environmental regulations. Please call (602) 506-5102.

July/03 supercedes all previous brochures.

City of Chandler License & Sales Tax

Requirements for

- Opening a Business
- Renting Property to a Tenant

Guidelines for Transaction Privilege (Sales) Tax and Use Tax

Chandler • Arizona
Where Values Make The Difference

Mailing Address:
Mail Stop 701
PO Box 4008
Chandler, Arizona 85244-4008

Location:
Suite 105
55 North Arizona Place
Chandler, Arizona

Phone (480) 782-2280
Fax (480) 782-2295
TDD (800) 367-8939

1. **Location approval** is required for all businesses within the Chandler city limits. (Landlords of commercial or residential property are not required to have a *C of O* or *zoning approval* to license their property as a rental.)

   Commercial locations: are required to have a *Certificate of Occupancy*.

   Homebased locations: are required to have *zoning approval*.

   Applications are available at our office or from Development Services (address & phone listed below).

   The location approval business name must match the business/company/applicant name on the business/tax license application.

   A business/tax license cannot be approved/ issued until required information (on the license application) is submitted **and** location approval is received from Development Services. Allow 2-3 weeks for location approval.

   All questions regarding the *Certificate of Occupancy* or *zoning approval* should be directed to: **Development Services, 215 East Buffalo Street, Chandler, AZ 85225, (480) 782-3100.**

2. **Obtain a Chandler Transaction Privilege (Sales) and Use Tax License.** Currently, the total fee is $40, except for residential rentals. Residential landlords pay an application fee of $15, plus $2 per rental unit, not to exceed a total of $40. **Fees are based on the calendar year and are not prorated. Fees are not refundable**, therefore we urge you to make certain that the certificate of occupancy or zoning approval (see #1 listed above) can be issued prior to submitting the license application and fees.

   This license is required even if you are planning to operate a professional or service oriented business. All types of businesses may incur a use tax liability. (See "Use Tax") Each separate business name or location requires a separate license. A new license is required for a change of address within the city limits or a change of ownership.

3. Certain other specialty licenses are required for pawnbrokers, secondhand dealers (including antiques), liquor sales, amusement games (video, pinball, etc), massage therapists, massage establishments, theaters, peddlers, solicitors and transient merchants.

4. Contact the Arizona Department of Revenue for information regarding state licensing requirements at (602) 255-3381. Their East Valley office is located at 3191 North Washington Street, in Chandler (480) 545-3500 or toll free 1-800-843-7196.

5. If you are planning to perform construction contracting (altering, modifying, adding to, or removing from "real property") also contact the Registrar of Contractors at (602) 542-1525.

Transaction Privilege (Sales) Tax Guidelines

Chandler's tax rate is 1.5% of gross business income (less certain deductions) unless otherwise noted. Tax returns are generally due monthly on the 20th of the month following a reporting period. Quarterly or annual reporting options may be allowed based on provisions in the tax code. All requests for a change of reporting frequency must be submitted in writing.

The following business activities are subject to transaction privilege (sales) tax.

Advertising by billboards, direct mail, flyers, radio, television, or any other means. A deduction is available for "national" advertising.

Amusements, exhibitions, sports/athletic type instruction, or other similar activities. This includes movies, concerts, sporting events, video games, golf fees, health spas, fitness centers, aerobic or dance classes and like activities.

Construction contracting. Any alterations to real property or items attached to real property. (See separate brochure.)

Job printing. Includes engraving of printing plates, embossing, micrographic and photo reproduction. Deductions available include printing for resale, out-of-state sales and sales to nonprofit hospitals.

Mining, timbering and other extraction. Sand and gravel operations are not included; these operations are retail activities.

Publishing and periodical distribution. Includes advertising and subscription income. Taxed on the basis of circulation within the city; published articles sent through the U.S. Mail to Arizona locations are taxable as though delivered within Chandler for Chandler based publishers.

Rental, leasing and licensing for use of real property. Includes all real property rentals, commercial and residential. Each different property location requires a separate business license. (See separate brochure.)

Rental or leasing to transients. This tax is in addition to the 1.5% tax on real property rentals, and the rate is 2.9%. It applies to the first thirty days a person occupies a lodging space.

Rentals, leasing and licensing for use of tangible personal property. Includes coin operated laundromats and carwashes. Deductions include rent for re-rent, rentals of prosthetics (artificial limbs, crutches, etc.), rentals of certain manufacturing and mining equipment, and rentals to charitable, nonprofit hospitals. (See separate brochure.)

Restaurants and bars. The tax rate is 1.8%. Preparing and serving food or beverages for on or off premise consumption, including cover charges. Caterers are taxed according to their business location, not the catering site. Delivery, set-up and clean-up fees separately charged and maintained in the books are exempt from catering income. Sales to nonprofit hospitals and to public school cafeterias are exempt.