

# **GENERAL GUIDELINES**

The City of Prescott Transaction Privilege (sales) Tax Code requires businesses to report and pay taxes on certain sales made and certain activities occurring within the City of Prescott. The privilege tax rate is 2% and is generally payable on a monthly basis. Below are guidelines to assist you in the filing of your returns.

## **WHEN ARE MY RETURNS DUE?**

The due date for filing your returns is the 20th of the month following the month being reported. Delinquent penalties will apply if your return is not received by the City on or before the last business day of the month in which it is due. Postmarks are not evidence of timely filing.

## **CAN I REPORT ONCE EVERY THREE MONTHS OR ONCE A YEAR?**

If you have a minimum of a six month reporting history with the City and you meet the following criteria, you may be able to file your returns quarterly (once every three months) or annually (once a year).

- **Quarterly Filing** - If your taxable income is greater than \$5,000 a year but less than \$50,000, you may be allowed to file quarterly reports.
- **Annual Filing** - If your taxable income is less than \$5,000 a year you may be allowed to file your returns on a calendar year basis.

Once a year, we will review your account. If our records indicate that you meet either of these taxable income requirements you will be considered for either quarterly or annual filing. If it is determined that a change is warranted, you will be notified of your new filing schedule.

## **ARE THERE ANY PENALTIES FOR LATE FILING OR PAYMENT?**

Late filing and payment penalties are as follows:

- The late filing penalty is 5% per month of the tax due, not to exceed 25%.
- The late payment penalty is 10% of the tax due (this is in addition to the late filing penalty).
- The combination of late filing and late payment penalties cannot exceed 25% of the tax due.
- Additional penalties may apply when a taxpayer fails or refuses to file a return on notice and demand by the City, or when there is negligence, civil fraud or evasion of tax.

## **IS INTEREST CHARGED ON OVERDUE TAXES?**

Yes, interest is charged daily on unpaid tax balances and is in addition to any penalties that may apply.

## **HOW LONG DO I HAVE TO RETAIN SALES TAX RECORDS?**

The City may examine your books and records at any time within four (4) years after the month in which a return is required

to be filed, or is actually filed, whichever is later. However, if you have underreported your income by over 25%, the City may go back six (6) years. You are required to maintain detail and summary records for the four year period unless the six year period applies.

## **ARE SALES TO THE CITY OF PRESCOTT TAXABLE?**

Yes, all sales you make to the City are taxed in the same manner as other taxable sales, which means that the City will be subject to the regular 2% City tax in addition to the 5.6% State tax and .75% Yavapai County tax on retail sales.

## **CAN I FACTOR THE TAX OUT OF MY GROSS INCOME?**

Yes, you are allowed a deduction for tax collected when you do not separately charge the tax to your customers. This is done by factoring out the tax in the same manner as allowed by the State.

*Example:*

Your gross income for the month is \$1,000. The combined tax rate is 8.35% (5.6% State tax, .75% County tax plus 2% City tax). If you did not separately charge or collect the tax from customers, you may factor the tax out of the gross income by dividing the gross income of \$1,000 by 1.00 plus the combined tax rate (e.g. 8.35% tax rate would be 1.0835). The resulting amount is the taxable income.

*Note:*

- Landlords with residential units will use a factor of 1.02 to determine the tax due because there is no State or County tax on residential rentals.
- Construction contractors are required to use the factoring procedures outlined in the Construction Contracting guideline.

To view a complete copy of the tax code, please go to: <http://www.cityofprescott.net>



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# PRESCOTT PRIVILEGE TAX

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This publication is for general information regarding Transaction Privilege (Sales) Tax. For complete details, refer to the City of Prescott Privilege & Use Tax Code and related regulations. In the case of an 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, under State of Arizona law, the tax is on the privilege of doing business in Prescott and is not a true sales tax.

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