

# **TELECOMMUNICATIONS**

## **YOU OWE TAX ON TELECOMMUNICATIONS IF:**

You are engaged in the business activity of providing telecommunication services to consumers within the City of Prescott. The tax is due to the City whether or not you added privilege tax to the charge for services.

## **TAX RATE FOR TELECOMMUNICATION SERVICES**

The city tax rate is 2% of telecommunication taxable income.

## **COLLECTION OF TAXES**

You may choose to charge the tax separately on each sale, or include privilege tax in your price. If you over charge any tax to your customers, you must remit the excess tax to the City.

If your price includes privilege tax, you can compute how much of the total price is privilege tax. You may deduct the total city, state, and county privilege taxes from your gross receipts.

## **WHAT ARE TELECOMMUNICATION SERVICES?**

Telecommunication services shall include:

- Two-way voice, sound, and/or video communication over a communications channel.

- One-way voice, sound, and/or video transmission or relay over a communications channel.
- Facsimile transmissions.
- Providing relay or repeater service.
- Providing computer interface services over a communications channel.
- Time-sharing activities with a computer accomplished through the use of a communications channel.

## **WHAT IS TELECOMMUNICATION INCOME?**

Gross income from the business activity of providing telecommunication services to consumers within this City shall include:

- All fees for connection to a telecommunication system.
- Toll charges, charges for transmissions, and charges for other telecommunication services; provided that such charges relate to transmissions originating in this City and terminating in this State.
- Fees charged for access to or subscription to or membership in a telecommunication system or network.

## **WHAT TELECOMMUNICATION ACTIVITY IS EXEMPT FROM PRIVILEGE TAX?**

- Resale telecommunications services. Gross income from sales of telecommunication services to another provider of telecommunication services for the purpose of providing the purchaser's customers with such service shall be exempt from the tax; provided, however, that such purchaser

is properly licensed by the city to engage in such business.

- Interstate transmissions. Charges by a provider of telecommunication services for transmissions originating in the City and terminating outside the State are exempt from the tax.
- Effective 7/24/14 with HB2546, charges for monitoring services relating to a security or burglar alarm system located within the city where such system transmits or receives signals or data over a communications channel.

## **MOBILE EQUIPMENT**

In cases where the customer is being provided telecommunication services to receiving/transmission equipment designed to be mobile in nature (for example, mobile telephones, portable hand-held two-way radios, paging devices, etc.), the provider shall determine whether such customers are "within this city" as follows:

- by the billing address of the customer, provided that such address is a permanent residence or business location of the consumer within the State.
- in all other cases, the business location of the telecommunications provider.

## TELE- COMMUNICATIONS



This publication is for general information regarding Transaction Privilege (Sales) Tax on telecommunications services. 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.

To view a complete copy of the tax code, please go to: <http://www.prescott-az.gov>



**Finance Department  
Tax & Licensing Division**  
201 S. Cortez Street  
P O Box 2077  
Prescott, AZ 86302  
Phone: (928) 777-1268  
Fax: (928) 777-1255  
Email: [salestax@prescott-az.gov](mailto:salestax@prescott-az.gov)

# PRESCOTT PRIVILEGE TAX

*June 2016*