

TRANSPORTING FOR HIRE

WHAT IS CONSIDERED TRANSPORTATION FOR HIRE?

Transportation for hire includes transporting persons or property by railroad, oil, natural or artificial gas through pipe or conduit, transporting property by aircraft, and persons or property by motor vehicle. This includes, but is not limited to, such transportation as taxi services, railroads, shipping services, and bus lines.

WHAT IF I TRANSPORT FROM THIS CITY TO ANOTHER CITY?

If the pickup of property, persons, oil or gas originates within the City of Prescott limits and is transported to a place within the City or to another city or unincorporated area within the state, the income is subject to Prescott 2% Transaction Privilege Tax.

WHAT IF I TRANSPORT FROM ANOTHER CITY?

If the property, persons, oil or gas originates in another city within the state, the income from the transportation may be subject to tax in the other city's jurisdiction, but in any case, is not subject to Prescott's tax.

WHAT IF I CHARGE BY THE HOUR AND NOT BY THE DISTANCE?

If you charge for the use of mobile equipment by the hour or for a fixed sum it is considered a rental of tangible personal property and subject to sales tax under that category (see Guideline). Charging by the distance for the use of mobile equipment is considered transportation for hire.

HOW DO I CALCULATE THE PRIVILEGE TAX DUE?

The **gross** income from transportation for hire is summed and allowable deductions are subtracted out to arrive at the taxable income. The taxable income is multiplied by .02 to derive the privilege tax due.

If you do not charge and collect sales tax separately, you may be allowed a factored tax deduction. Factored tax is figured by dividing the gross taxable income by 1.02, and subtracting that figure from the gross taxable income.

IS ANY TRANSPORTATION FOR HIRE EXEMPT FROM PRIVILEGE TAX?

- Income classified as transporting for hire that is subject to the tax imposed by Article VI, Chapter 9, Title 28 (motor carrier tax) of the Arizona Revised Statutes is exempt from privilege tax.
- Also gross income derived from the operation of a governmentally adopted and controlled program to provide urban mass transportation is not taxable.

- Effective September 1, 2016 under A.R.S. 42-6004, a Transportation Network Company or drivers engaging in Transportation Network Services are exempt from transaction privilege tax if they hold a permit specified in Article VI, Chapter 9, Title 28.

PRESCOTT PRIVILEGE TAX

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This publication is for general information regarding Transaction Privilege (Sales) Tax on transporting for hire. 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 City tax code, please go to: <http://www.prescott-az.gov>



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June 2016