

RECOVERY CENTERS

Recovery centers are taxed the same as every other business operating in Prescott. If they provide lodging, meals, or engage in any other taxable activity, they are subject to privilege tax. See, Prescott City Code, **Sec. 4-1-445**.

YOU MAY OWE TAX UNDER THE REAL PROPERTY RENTAL CLASSIFICATION IF:

You rent or lease real property to others. This includes providing housing or lodging to your clients. Even if rental is not separately itemized in the total charge to your clients it is still subject to tax. Failure to itemize the lodging charge means the total bill could be subject to tax. See the Landlord & Property Manager Tax guideline for additional information.

Additionally, if you rent residential property to short-term residents for periods less than 30 days you are also liable for bed tax. Again, tax will be charged on the total bill if the lodging amount is not separately itemized. See the Hotel/Motel ~ Transient Lodging Tax guideline for additional information.

If you did not itemize, a reasonable estimate of rental charges may be used, subject to approval by the tax & licensing department.

WHAT IF MY LANDLORD OR PROPERTY OWNER PAYS THE RENTAL TAX?

You are still required to pay the tax. If you are directly renting to the tenant in actual possession (in this case, your clients), you are the taxable landlord. The responsibility for collecting and reporting the tax is with you. The owner of the property or original landlord is not required to collect transaction privilege tax since they are sub-leasing or renting to you rather than to the tenant in actual possession.

YOU MAY OWE TAX UNDER THE RESTAURANT CLASSIFICATION IF:

You engage in the business of preparing or serving food or beverages to your clients. See the Restaurant Tax guideline for additional information.

YOU MAY OWE TAX UNDER THE RETAIL CLASSIFICATION IF:

You engage in the business of reselling food or other tangible items for the use of your clients and the clients reimburse you through direct payment or through an all inclusive fee. See the Retail Tax guideline for additional information.

WHAT IF I INCLUDE TREATMENT IN MY CHARGES?

If you charge an all inclusive rate and **do not** separately itemize the invoice, then the entire invoice amount can be considered taxable income.

If you charge an all inclusive rate and separately itemize on the invoice, the portions attributed to non-taxable activities, such as treatment, would not be taxed. It is necessary for the itemization to be made on a reasonable basis, such as fair market value. For example, itemizing treatment as \$4,400 per month and itemizing lodging as \$100 per month would not be permissible.

HOW IS THE TAX CALCULATED?

The tax rate is 2.75% of the taxable receipts on the activities of real property rental, restaurant, and retail. The tax rate on short-term real property rentals is an additional 3.0% (for a total combined rate of 5.75%).

Taxable receipts is any value received either as funds, bartered services or merchandise, or payments.

COLLECTION OF TAX

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

If your price includes privilege tax, you can use factoring to back out the tax included in your gross income. Detailed factoring information is included in the Landlord & Property Manager Tax guideline.

WHAT IF I AM A 501(c) ORGANIZATION?

If you are operating the center as a federally exempt non-profit organization, you may be exempt from this tax. Your organization must have received this exemption under 26 U.S.C. Section 501(c) and the business operations must be related to the purpose of the non-profit. Any income that is considered to be unrelated business income as defined in 26 U.S.C. Section 512 will be taxable. In order to qualify for this exemption, proof of your exempt status must be provided to the tax division.

ARE THERE ANY OTHER TAXES I MAY BE LIABLE FOR?

Depending on your specific operations and what you are providing to your clients, you may also be liable for taxes on amusements, telecommunications, use tax, and rental of tangible personal property. Please call us at (928) 777-1268 to give us information regarding your precise situation so we can discuss your potential tax liability.

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



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PRESCOTT PRIVILEGE TAX

*Recovery
Centers*



This publication is for general information regarding Transaction Privilege (Sales) Tax on recovery centers. 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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