

## **ADVERTISING/PUBLISHING**

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

You are in the business of selling “local advertising” within the city. This tax is paid on the advertising income of persons in such businesses as billboards, direct mail, radio, television, etc. The commissions and fees retained by an advertising agency are not part of the taxable income.

### **TAX RATE ON ADVERTISING**

The tax rate is 2.75% of the gross income from “local advertising”.

### **COLLECTION OF TAX**

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 privilege taxes from your gross receipts.

### **WHAT IS “LOCAL ADVERTISING”?**

Advertising is considered “local advertising” unless it fits into one of the following “national advertising” categories:

- A product or service which is sold nationally or at least in other areas as well as Arizona. To qualify, the ad must not name just one specific Arizona business or one chain of Arizona businesses. It may name several different businesses.
- A facility or service which is not located in Arizona.

- A product which can only be bought from an out-of-state supplier.
- Political advertising for a United States Presidential or Vice Presidential candidate.
- Advertising by means of a coupon for a product good at any business which carries the product. This does not apply if the coupon is only good at only one business or business chain.
- Advertising a transportation service which includes substantial interstate and foreign carriage.

The following examples are typically “national advertising” when the ad does not name a specific Arizona business or chain:

- A soft drink sold nationally and available in numerous stores.
- A new movie.
- A Las Vegas hotel.
- A Caribbean cruise.
- Lots for sale in San Diego.
- A coupon for purchase of toothpaste.
- Records and tapes by mail order from out of state.
- An airline company.
- A railroad.

The following are some examples of “local advertising” and are taxable:

- A chain of stores including some within the State when only the common business name is identified.
- Sales of real estate located within the State.
- A hospital located within the State.
- An ad for a motel chain as long as the ad identifies any location within the State.
- Stockbrokers doing business within the State.
- A nonprofit organization which has an office within the State.

- Political ads except for President & Vice President.
- A restaurant chain which has an outlet within the State.
- Service businesses when the service is provided within the State.
- Coupons which can be redeemed only at a location within the State.
- An entertainment event which will be held at a location within the State.

### **WHEN IS AN ADVERTISING BUSINESS OPERATING “WITHIN THE CITY”?**

Businesses are generally considered to be doing business in the City if a major portion of their dissemination facilities are located in the City. A broadcasting studio located in the City is an example.

Outdoor advertising, such as billboards, is taxable based on the city in which the billboard is located.

Advertising income from newspapers and periodicals is taxed in the same manner as “publishing”.

### **AS A PUBLISHER, WHAT ARE MY RESPONSIBILITIES?**

As a publisher you are required to be licensed through the Arizona Department of Revenue (ADOR) and to report and pay tax on your income as required by City Code. You can apply, report, and pay taxes online at [www.aztaxes.gov](http://www.aztaxes.gov). The tax is 2.75% of your gross income from:

- 1) PUBLICATION: Publication of newspapers, magazines, or other periodicals when published within the City, measured by the gross income from notices, subscriptions, and local advertising.

- 2) **DISTRIBUTION:** Distribution or delivery within the City of newspapers, magazines, publications, etc., not published within the city, measured by the gross income from subscriptions and advertising.

**WHAT IS MEANT BY  
“PUBLISHED WITHIN THE CITY”?**

- 1) If the publisher does the physical printing, the location of publication is determined by the location of the editorial offices and/or the printing facilities.
- 2) If the publisher does not do the physical printing, the location of publication is determined by the location of the editorial offices.

**WHAT IS INCLUDED IN  
SUBSCRIPTION INCOME?**

Subscription income includes all of your circulation revenue. In measuring gross income, circulation is considered to occur at the place of delivery of the published items. However, delivery by the United States mails is considered to occur at the location of publication. Two items you will not include in your subscription income are:

- 1) Amounts retained by or credited to carriers as compensation for delivery by those carriers within the state.
- 2) Sales of published items to retailers for resale, where the retailer is subject to Privilege Tax on such resale.

**WHAT IF I PUBLISH BOOKS?**

The sale of books is not considered to be publishing; rather, it is considered to be a

retail sale and taxed as such. (See Retail Sales Guidelines)

**WHAT IF I PUBLISH OR  
DISTRIBUTE IN MORE THAN  
ONE CITY OR TOWN?**

When you publish or distribute in more than one city or town, you will measure your gross income subject to Prescott tax as follows:

- 1) Include that portion of your gross income from publication which reflects the ratio of circulation within this City to circulation in all incorporated cities and towns in this state having substantially similar provisions, plus
- 2) When publication occurs within the City, that portion of your remaining gross income from publication which reflects the ratio of circulation within the City to the total circulation of all incorporated cities or towns in this State where you maintain a location of publication.

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**

**ADVERTISING  
AND  
PUBLISHING**



This publication is for general information regarding Transaction Privilege (Sales) Tax on advertising and publishing. 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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