



Scottsdale Use Tax

This publication is for general information only. For complete details, refer to the City of Scottsdale Tax Code.

July 2013

WHAT IS USE TAX?

Use Tax is a tax on items stored or used in the City which have been purchased or rented without a privilege or sales tax equal to the Scottsdale use tax rate.

HOW IS USE TAX DIFFERENT FROM PRIVILEGE (SALES) TAX?

Privilege tax is paid by the seller, lessor, or renter, but use tax is usually paid by the BUYER or LESSEE. Purchases or rentals that would have been taxable but have so far escaped the tax may be subject to use tax. Some common reasons are purchases from "out-of-state" and usage of inventory items by a business that originally purchased the items for resale.

The use tax provides an indirect benefit to retailers located in Scottsdale because it removes incentives for customers to shop outside the city in order to avoid paying the city tax.

WHO PAYS USE TAX?

Any business or individual may be required to pay use tax. This tax is imposed on purchases, leases, or rentals of tangible personal property.

WHAT IS THE TAX RATE?

The tax rate is 1.45% of the cost of the item purchased.

WHAT IS TAXABLE?

- The cost of tangible personal property purchased, leased, or rented, if a privilege or sales tax was not paid.
- The cost of the tangible personal property provided under a warranty, maintenance or service contract. The provider of the warranty is liable for the tax.

EXAMPLES OF ITEMS THAT ARE SUBJECT TO USE TAX

The following are examples of situations in which use tax is due. These apply if the person has not already paid an equivalent city privilege or sales tax of at least 1.45% on the item purchased.

- A retailer buys a product for resale. He later takes it off the shelf and uses it for his own store. He must report use tax based on the cost of the product.
- A contractor buys heavy equipment from a dealer who fails to charge a city tax.
- An individual buys a car from a dealer for more than \$1,000 while on a trip out-of-state. The dealer charges no privilege or sales tax. The buyer must pay use tax on the purchase price when he returns to Scottsdale. This \$1,000 exemption is not available to businesses.
- A business buys items for free distribution to their customers as part of a promotion. City privilege or sales tax was not paid on the items. Use tax must be paid on the cost of these items.
- A builder buys a combination of building supplies and tools on which the supplier does not charge privilege or sales tax. The cost of the tools and any supplies which are not incorporated into a building project are subject to use tax.
- The cost of complimentary items provided to customers or owners of a restaurant, hotel, or other business if tax has not been paid on the items.
- A business buys a magazine subscription from an out-of-state publisher on which no city privilege or sales tax has been paid. The subscription is subject to use tax.
- A member of a chain of stores obtains catalogs, newspaper inserts, and other printed material from its out-of-state parent company. No city tax had been paid on the printing. The material is then distributed in the City. The cost of this material is subject to use tax.
- Some suppliers will charge the state privilege or sales tax but will not charge a city privilege or sales tax. This leaves the business with the obligation to pay the city use tax.
- A business purchases a computer, office equipment or supplies from an out-of-state vendor who does not charge privilege or sales tax. Use tax must be paid on these items.

EXEMPTIONS FROM USE TAX

- Tangible personal property brought into the city by an individual who was not a resident of the city at the time the property was acquired for his own use, unless such property is used in conducting a business in this city.
- Tangible personal property not exceeding one thousand dollars (\$1,000) per item, acquired by an individual outside the city limits for personal use and enjoyment.
- Prosthetics. (This does not include medical marijuana. Medical marijuana is taxable.)
- Income-producing capital equipment.
- Rental equipment and rental supplies.
- A restaurant provides free meals to its employees from food purchased for resale. Use tax is not due on the cost of food given to employees.
- Tangible personal property purchased by a construction contractor, but not an owner-builder, when such person holds a valid Privilege License for engaging or continuing in the business of construction contracting, and where the property acquired is incorporated into any structure or improvement to real property in fulfillment of a construction contract.
- Tangible personal property used in remediation contracting.
- Tangible personal property acquired by a qualifying hospital, qualifying community health center or a qualifying health care organization.
- Tangible personal property donated to an organization or entity qualifying as an exempt organization under 26 U.S.C Section 501 (c) (3); if and only if:
 - 1) The donor is engaged or continuing in a business activity subject to privilege tax; and
 - 2) The donor originally purchased the donated property for resale in the ordinary course of the donor's business; and
 - 3) The donor obtained from the donee a letter or other evidence satisfactory to the Tax Collector of qualification under 26 U.S.C. Section 501 (c)(3) from the Internal Revenue Service or other appropriate federal agency; and
 - 4) The donor maintains, and provides upon demand, such evidence to the Tax Collector.
- Printed or photographic materials and electronic or digital media materials that are purchased by or for publicly funded libraries.
- Food, beverages, condiments and accessories used for serving food and beverages by a commercial airline that serves the food and beverages to its passengers, without additional charge, for consumption in flight.
- Wireless telecommunication equipment that is held for sale or transfer to a customer as an inducement to enter into or continue a contract for telecommunication services.

- Food, beverages, condiments and accessories purchased by or for a public educational entity, to the extent such items are to be prepared or served to individuals for consumption on the premises of a public educational entity during school hours.
- Personal hygiene items purchased by a hotel if the tangible personal property is furnished without additional charge to and intended to be consumed by the person occupying the room.
- Sale of food to a nonprofit charitable organization that has qualified under Section 501(c)(3) of the Internal Revenue Code and regularly serves meals to the needy and indigent on a continuing basis at no cost.
- The storage, use or consumption of tangible personal property in the City by a school district or charter school.

WHAT RECORDS SHOULD BE KEPT?

Records of all the tangible personal property purchased, leased, or rented should be retained for at least four years for purposes of complying with the use tax.

Copies of invoices must be kept that show the cost of purchases and the amount of privilege or sales tax paid.

HOW TO REPORT

Use tax is reported on the same form that businesses use to report their Privilege (Sales) Tax. Individuals and businesses that are not required to be licensed may occasionally need to report an isolated transaction subject to use tax. In this case, arrangements to make a one-time report can be made by visiting or calling the City's Tax Division offices.

For more information call (480) 312-2400.

Write or visit:
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Scottsdale, Arizona 85251

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www.ScottsdaleAZ.gov