



# RENTAL OF TANGIBLE PERSONAL PROPERTY

## Scottsdale Privilege & Use Tax

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

*June 2010*

### **WHO MUST PAY THE TAX?**

You must be licensed and pay tax if you are located in Scottsdale and you lease, rent or license for use tangible personal property. You must be licensed and pay tax if you are not located in Scottsdale but lease semi-permanently or permanently installed personal property within the City of Scottsdale.

Leases of tangible personal property semi-permanently or permanently installed in another city should be reported to that city.

Semi-permanently or permanently installed property includes items requiring alterations to the premises or where a contract states that the items will be located in Scottsdale for more than 180 days.

Semi-permanently or permanently installed property does not include mobile transportation equipment or tangible personal property designed for regular use at different locations (e.g., daily or weekly rentals of automobiles, contracting equipment, janitorial equipment, and household items).

### **WHEN IS TAX DUE?**

Tax is due on the 20<sup>th</sup> day of the month following the month in which the revenue was recognized.

### **WHAT IS THE TAX RATE?**

The tax rate for the rental of tangible personal property is 1.65% of taxable income.

### **SPECIAL PROVISIONS**

1. The lease of a motor vehicle for 24 months or longer occurs at the location of the vehicle dealership, not the place of business of the lessor. If a lessor is located outside Scottsdale, the tax is still due to Scottsdale if the vehicle was acquired from a Scottsdale dealership.
2. The lease of earthmoving equipment with an operator is considered construction contracting activity. The lease of any other personal property, with or without an operator, is considered leasing of tangible personal property.
3. The hiring of mobile equipment, such as airplanes, cranes, and limousines (not subject to the motor carriers tax) is considered leasing of tangible personal property when the charge is for a fixed amount or an hourly rate. The activity of a common carrier, such as an airline, bus service, or taxi, which conveys persons or goods for a fee based on distance is transportation for hire and is not taxable.
4. Memberships or admission fees to rental clubs or limited access lessors, such as a video rental store, are taxable.
5. Motor vehicles subject to motor carrier fees imposed under A.R.S. Title 28, Chapter 16, are excluded from privilege tax.

### **WHAT DEDUCTIONS ARE ALLOWED?**

1. Leases for re-lease; detailed records such as exemption certificates must be kept for documentation.
2. Leases of prosthetics.
3. Separately billed charges for delivery, installation, repair and/or maintenance.
4. Leases to a qualifying hospital, qualifying community health center or a qualifying health care organization.
5. Leases of income-producing capital equipment.
6. Trade-ins.
7. Leases of mining and metallurgical supplies.
8. Joint pole usage by a utility or telecommunications provider.
9. Leases of aircraft acquired for use outside of the State.

- 10. Income from coin-operated washing and drying machines and coin-operated car washing machines.
- 11. Leases of tangible personal property to a non-profit charitable organization qualified under Section 501(c) of the Internal Revenue Code that engages in and uses the property exclusively for training, job placement, or rehabilitation programs or testing for mentally or physically handicapped persons.
- 12. Rental, leasing or licensing for use an alternative fuel vehicle as defined in A.R.S. Section 43-1086 if such vehicle was manufactured as a diesel fuel vehicle and converted to operate on alternative fuel and equipment that is installed in a conventional diesel fuel motor vehicle to convert the vehicle to operate on an alternative fuel, as defined in A.R.S. Section 1-215.
- 13. Rentals, leases or licensing for use of solar energy devices by registered solar energy retailers.

**CALCULATING THE TAX**

You may choose to charge the tax separately or you may include tax in your sales price. If you include tax in your sales price, you may factor in order to “compute” the amount of tax included in your gross income for deduction purposes.

To determine the factor, add one (1.00) to the total of state, county, and city tax rates.

Example:  $1.00 + .0895 = 1.0895$

Calculate as follows:

$$\frac{\text{Taxable Income}}{\text{Factor (1.0895)}} = \text{Computed Taxable Income}$$

Taxable income less computed taxable income equals your deduction for tax collected.

If more City tax was collected than was due, the EXCESS TAX COLLECTED must be remitted to the City.

**USE TAX**

This is a tax on items that were purchased, leased, or rented without paying privilege or sales tax. The purchased, leased, or rented items become taxable when they are used, stored, or consumed within the City. Most commonly, purchases, leases, or rentals from out-of-state vendors will fall into this category. The use tax does not apply to purchases, leases, or rentals which are resold or re-leased in the normal course of business.

The City of Scottsdale use tax rate is 1.45%. Businesses are responsible for computing and paying use tax.

For more information call (480) 312-2400.

Write or visit:  
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