



Restaurants and Bars

CITY BUSINESS CODE (011)

Scottsdale Privilege & Use Tax

This publication is for general information only. For complete details, refer to the Model City Tax Code located at <https://azdor.gov/model-city-tax-code>

July 2025

WHO MUST PAY THE TAX?

You must be licensed and pay tax if you are engaged in the business of sales of prepared food and drink for consumption on or off the premises in Scottsdale.

Examples of taxable facilities:

- Standard eat-in restaurant
- Restaurant serving food to eat in or to go
- A restaurant section located in a retail store
- Deli serving prepared food
- Bars, taverns, cocktail lounges
- Ice cream parlors/Bakeries
- Employee cafeteria

The following are examples of “Exempt Organizations” which are not subject to the tax under the restaurant and bar classification (the purchase of food and liquor by their organization would be subject to use tax):

- Military installations
- Fraternal organizations serving food to members

The following examples are exempt from both the restaurant and bar tax and use tax:

- Sales to qualifying hospitals, qualifying community health centers or qualifying health care organizations
- Sales to a commercial airline that serves the food to its passengers without additional charge for consumption on flight

- Sales to a public educational entity to the extent such items are prepared or served to individuals for consumption on the premises during school hours

WHEN IS TAX DUE?

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

WHAT IS THE CITY TAX RATE?

The City of Scottsdale tax rate is 1.70% of the restaurant and bar income.

SPECIAL SITUATIONS

Caterers: Persons who prepare then deliver or serve food are taxable as restaurants based on their business location. Additional charges to customers for setup, delivery, or clean up are exempt provided the charges are separately itemized to customers and separately accounted for.

Government Personnel: Sales to U.S. Government military, state and city personnel are taxable.

Tips collected from patrons: Gratuities (tips) collected from patrons are not subject to tax provided:

- a) Separate records are maintained for the amounts collected; and
- b) All gratuities collected are distributed to the employees providing the service for which such gratuity was collected.

Fundraising: Sales of food and drink as a means of fundraising by churches, lodges, and other charitable nonprofit organizations not regularly engaged in the restaurant business are exempt from the City of Scottsdale tax. However, the organization would be subject to tax on the purchase of food and liquor.

Complimentary items: Promotional or complimentary items which are served to patrons or owners without consideration are subject to city use tax (1.50%) based on the cost of the items provided by the restaurant or bar.

Cover charges: Cover charges and other minimum charges made by a restaurant or bar are considered taxable. Charges for admission to entertainment are considered taxable under the amusement classification.

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: $1.00 + .0170 = 1.0170$

Calculate as follows:

$$\frac{\text{Taxable Income}}{\text{Factor (1.0170)}} = \text{Computed Taxable Income}$$

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 use tax does not apply to “accessories” such as paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper sacks or other disposable items which facilitate the consumption of food.

The use tax does not apply to free meals provided to employees.

The City of Scottsdale use tax rate is 1.50%. Businesses are responsible for computing and paying use tax.

For more information call (480) 312-7788.

Write or visit:
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