



# CITY OF DOUGLAS TRANSACTION PRIVILEGE TAX ORIENTATION

Presented by: Luis Pedroza

October 7, 2010

# FEW THINGS TO KNOW...



- City of Douglas now collects its own sales and use taxes
- Most businesses will file two sales tax return forms
- If your business is subject to sales/use tax, you must acquire a TPT License
- If your business is nontaxable you must acquire an occupational business license

## TRANSACTION PRIVILEGE TAX (SALES TAX)



- A tax to conduct business
- Imposed on the seller
- Seller can pass tax on to customer
- Deduction allowed for collected or factored tax

# What is Taxable?

## **Main Taxable Categories**

- Retail
- Restaurant & Bar
- Rental of Real Property
- Rental of Personal Property
- Hotel/Motel
- Transporting
- Contracting

# What is Taxable?

## Other Taxable Categories

- Utilities
- Mining
- Telecommunications
- Manufactured Buildings
- Wholesale Feed
- Publication
- Job Printing
- Amusement
- Speculative Builders
- Timbering
- Transient Lodging (Bed Tax)
- Use Tax

# Filing Sales Tax with Douglas

- The City will mail sales tax returns approximately at the end of October
- The returns should contain business activity and sales tax collected for the month of October
- All taxpayers must file by November 20th

# Filing Sales Tax with Douglas

- Everyone should receive a sales tax return
- If you file annually or quarterly you should still get a tax return at the end of October
- You will need to file for a period of 6 months on a monthly basis before we can transition to quarterly or annually
- If you did not have any business activity to report, **your business still needs to file the sales tax return form for the month.**



**Privilege (Sales) and Use Tax Return**

Mail and return remittance (if applicable) to:  
**CITY OF DOUGLAS**  
425 10th St  
Douglas, AZ 85607-2008

TAX PAYER NO.
PERIOD COVERED FROM            THROUGH
CITY LICENSE NO.

Check here if any changes in account status and complete the back of this form.

**SPECIAL NOTICE**

[Empty box for special notice]

**JUST PLACE A CHECK HERE AND SIGN AT THE BOTTOM IF YOU HAVE NO TAX TO FILE**

**THIS RETURN IS DUE ON THE 20TH OF THE MONTH**

Marking  
Zero on  
Your  
Returns

Business Description	Line	Bus. Class	Region Code	Column 1	Column 2	Column 3	Column 4	Column 5	
				Gross	Allowable pg 2 - Deductions	= Net Taxable	X Tax Rate	= Tax Amount	
	1								
	2								
	3								
	4								
	5								
	6	TOTAL FROM ADDITIONAL PAGES							
	7	SUBTOTAL (Add Col.5, Lines 5 and 6)							
	8	ENTER EXCESS CITY TAX COLLECTED						Plus (+)	
	9	GRAND TOTAL						Equals (=)	
	10	PENALTY & INTEREST (see instructions)						Plus (+)	
	11	ENTER TOTAL LIABILITY						Equals (=)	
	12	BALANCE DUE OR OVERPAYMENT FROM PRIOR TAX PERIODS						Plus/Minus( )	
	13	TAX CREDIT FOR SPECULATIVE BUILDERS (city tax already paid) AND UTILITY TELECOMMUNICATION (for Franchise Fee offset)						Minus (-)	
	14	ENTER NET AMOUNT DUE						Equals (=)	
	15	ENTER TOTAL AMOUNT PAID							

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.



Taxpayer's Signature \_\_\_\_\_

Date \_\_\_\_\_

Paid Preparer's Signature \_\_\_\_\_

Print Name \_\_\_\_\_

Phone \_\_\_\_\_

Print Paid Preparer's Name \_\_\_\_\_

**A SIGNATURE IS REQUIRED TO MAKE THIS RETURN VALID**

Return original with remittance.

Please make check payable to: CITY OF DOUGLAS  
For assistance, call Customer Service (520) 417-7333

# Filing Thresholds



Gross Annual Income determines type of filer:

MONTHLY

\$50,000 or More

QUARTERLY

\$5,000 - \$49,999

ANNUAL

Less than \$5,000

# Penalties and Interest

- Returns are delinquent on the last business day of the month that return is due
- Failure to file penalty is 5%
- Failure to pay penalty is 10%
- These two penalties together cannot exceed 25%
- Interest is calculated based on ADOR rate
  - ▣ This rate is subject to change!
  - ▣ Current rate is 4%

**Waiver:** Penalties can be waived under certain circumstances (listed on Section 5.04.540), interest can not be waived. To request a waiver submit a written request within 45 days of imposition of penalty, to Sales Tax Administrator.

# What to do in case....

- Didn't get my sales tax return
- Sales Tax Return shows incorrect tax class
- Sales Tax Return does not have my other tax classes
- The business name and/or address is wrong
  - Notify the Finance Department Immediately
  - You can download a blank form from our website:  
[www.business.douglasaz.org](http://www.business.douglasaz.org)

# What's Next?

- Forms and payment will be accepted at the Customer Service Windows at City Hall (Water Office)
- Also you can mail payments to:
  - City of Douglas
  - Sales Tax Department
  - 425 10<sup>th</sup> Street
  - Douglas, AZ 85607
- We do not accept online filing

# Example: “Do It All Hardware”

Do It All Hardware Store sells building supplies, tools, equipment.

They also rent out equipment like power washers, hydraulic hammers etc.

- Do It All Hardware has the following tax classes:
  - ▣ Retail
  - ▣ Personal Property Rental
  - ▣ Use Tax



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USE TAX	3	29					2 . 5 0			
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	5									
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Taxpayer's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Paid Preparer's Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Phone

\_\_\_\_\_  
Print Paid Preparer's Name

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**INSTRUCTION AND DEDUCTION EXPLANATIONS**

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**PENALTIES:** File your return whether or not taxes are due.

1. Failure to file - A penalty of 5% of the tax due will be assessed for each month, or fraction elapsing between the delinquency date of the return and the date on which it is filed.
2. Failure to Pay - A penalty of 10% of the unpaid tax will be assessed if the tax is not paid timely.
3. Total Penalty - Total Penalties will not exceed 25%.

**INTEREST:** Taxes paid after the delinquency date will be assessed interest at the rate of 4% per year until paid.

**ALLOWABLE DEDUCTIONS BY BUSINESS ACTIVITY**

Class	Activity	Allowable Deduction Codes	Tax Rate	Class	Activity	Allowable Deduction Codes	Tax Rate
01	Advertising	551, 558	2.8%	13	Rental of Real Property	551, 558	2.8%
02	Mining	551, 740	0.1%	14	Personal Property Rental	551, 558, 740	2.8%
04	Utilities	503, 551, 558	2.8%	15	Contracting	502, 518, 550, 551, 555, 560	2.8%
05	Telecommunication	503, 551, 558	2.8%	16	Speculative Builder	502, 518, 551, 560	2.8%
06	Transporting	503, 558	2.8%	17	Retail	503, 551, 558, 504, 526, 529, 535, 536, 548, 590, 630, 730, 740	2.8%
07	Manufactured Buildings	504, 551	2.8%	18	Retail Single Item Over \$10,000	551	1.8%
08	Wholesale Feed	504, 551, 558	2.8%	20	Timbering	551	2.8%
09	Publication	504, 551, 558	2.8%	25	Hotel/Motel	551, 558	2.8%
10	Job Printing	503, 504, 551, 558	2.8%	26	Transient Lodging	551, 558	2.0%
11	Restaurant & Bar	551, 558	2.8%	29	Use Tax	551, 740	2.5%
12	Amusement	551, 558	2.8%				

**SCHEDULE A - DETAIL OF DEDUCTIONS**

For Assistance, Call Customer Service (520) 417-7333 Fax (520) 417-7162

Enter below the deductions and exclusions you used in computing your City Transaction Privilege (Sales) and Use Tax. You must keep a detailed record of all deductions and exclusions. Failure to maintain proper documentation and records required by the city ordinance may result in their disallowance. A separate detail of city's records and documentation must be maintained only when the income, deductions and exemptions are different from the state's. Please use the table above for allowable deductions.

**Note:** The line numbers listed at the top of these columns correspond with the line number for business activity on the front.

Enter Business Class Preprinted on the Front						
Deduction Code	Deduction Code Description	Line 1	Line 2	Line 3	Line 4	Line 5
502	35% Contractor Deduction					
503	Sales for Resale					
504	Out of State Sales					
518	Fair Market Value of Land					
526	Prosthetic Devices					
529	Auto to Nonresident if Shipped O/S					
535	Pipes or Valves 4 inch or Larger					
536	Prescription Drugs					
548	Retail Sales to US Gov't (50% Deduct)					
550	Subcontracting					
551	Sales Tax Collected or Factored					
555	Out of City Contracting					
558	Bad Debts					
560	Impact Fees					
561	Freight Out - Job Printing					
590	Gasoline					
630	Retail Service Labor					
730	Income Producing Capital Equipment					
740	Freight Out					
888	Other deductions not Listed					
	Explain:					
	Explain:					
	Explain:					
	<b>Total Deduction to Column 2</b>	\$	\$	\$	\$	\$

**CHANGES IN STATUS**

License Number:		Effective Date of Change:
My Business name has changed to:		
My business location has moved to:		
My new location is rented. The landlord's name mailing address and telephone number is:		Landlord's telephone no:
My phone numbers have changed:	New business phone number:	New mailing phone number:
Please change my mailing address to:		
Please send a new License Application for the following reason: <input type="checkbox"/> The ownership of my business has changed to:		<input type="checkbox"/> I have another location in Douglas
<input type="checkbox"/> Please cancel my License for the reason noted at the right: Note: If the business has been sold, please provide us with the new owner's name, address, and telephone number. Your license must be returned to complete the cancellation process.		



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RETAIL	1	17		<b>4,000.00</b>	<b>1,006.37</b>	<b>2,993.63</b>	2.80	<b>83.82</b>	
RENTAL - PERSON	2	14		<b>500.00</b>	<b>45.04</b>	<b>454.96</b>	2.80	<b>12.74</b>	
USE TAX	3	29		<b>200.00</b>	<b>0.00</b>	<b>200.00</b>	2.50	<b>5.00</b>	
	4								
	5								
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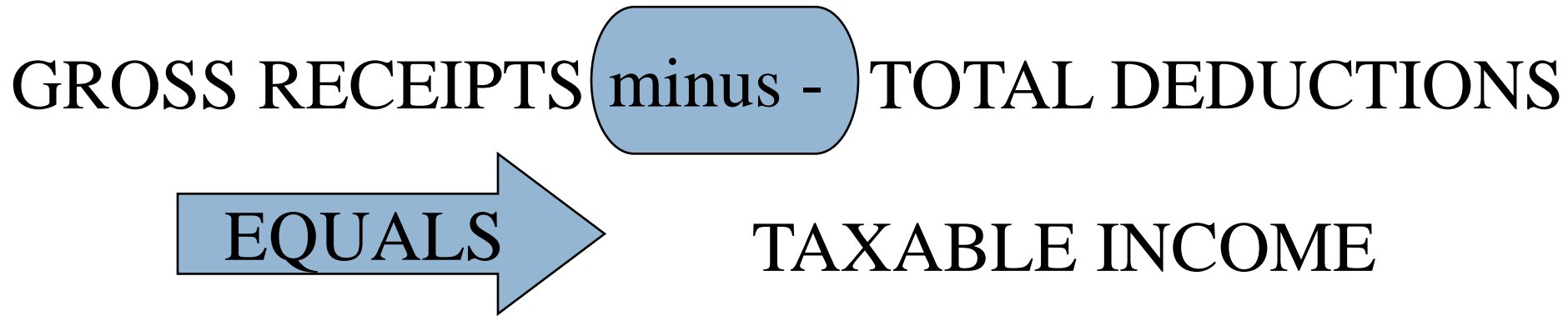
\_\_\_\_\_  
 Taxpayer's Signature  
**JANE DOE**  
 \_\_\_\_\_  
 Print Name

\_\_\_\_\_  
 Date  
 \_\_\_\_\_  
 Phone

\_\_\_\_\_  
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# FORMULAS

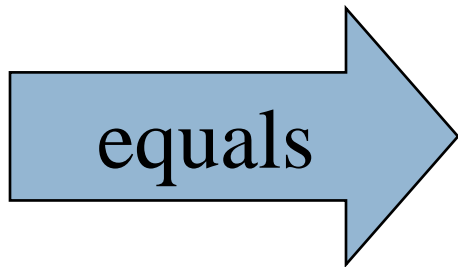


## EXAMPLE

4,000.00 minus (-) 1,006.37 equals 2,993.63

# FORMULAS

TAXABLE INCOME multiplied by .028



CITY TAX DUE

EXAMPLE

2,993.63 multiplied by .028 = 83.82

( x )

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558	Bad Debts					
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561	Freight Out - Job Printing					
590	Gasoline					
630	Retail Service Labor					
730	Income Producing Capital Equipment					
740	Freight Out	<b>60.00</b>				
888	Other deductions not Listed					
	Explain:					
	Explain:					
	Explain:					
	<b>Total Deduction to Column 2</b>	<b>\$ 1006.37</b>	<b>\$ 45.04</b>	<b>\$ 0.00</b>	\$	\$

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My new location is rented. The landlord's name mailing address and telephone number is:		Landlord's telephone no:
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\_\_\_\_\_  
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**JANE DOE**  
 \_\_\_\_\_  
 Print Name

**10/20/10**  
 \_\_\_\_\_  
 Date  
**520-417-7333**  
 \_\_\_\_\_  
 Phone

\_\_\_\_\_  
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\_\_\_\_\_  
 Taxpayer's Signature  
**JANE DOE**  
 \_\_\_\_\_  
 Print Name

**10/20/10**  
 \_\_\_\_\_  
 Date  
**520-417-7333**  
 \_\_\_\_\_  
 Phone

\_\_\_\_\_  
 Paid Preparer's Signature  
 \_\_\_\_\_  
 Print Paid Preparer's Name

**A SIGNATURE IS REQUIRED TO MAKE THIS RETURN VALID**  
 Return original with remittance.  
 Please make check payable to: CITY OF DOUGLAS  
 For assistance, call Customer Service (520) 417-7333

## EXCESS TAX COLLECTED



Remit the city portion to  
the city and the  
state/county portion to the  
state.

To Calculate:

$$\text{Excess City Tax} = ((\text{Tax Collected} - \text{Tax Due}) \div 9.9) \times 2.8$$

$$\text{Excess State/County Tax} = ((\text{Tax Collected} - \text{Tax Due}) \div 9.9) \times 7.1$$



**Privilege (Sales) and Use Tax Return**

Mail and return remittance (if applicable) to:  
**CITY OF DOUGLAS**  
 425 10th St  
 Douglas, AZ 85607-2008

TAX PAYER NO. 0000	
PERIOD COVERED FROM	THROUGH
9/01/2010	9/30/2010
CITY LICENSE NO.	

DO IT ALL HARDWARE  
 425 10TH STREET  
 DOUGLAS AZ 85607

Check here if any changes in account status and complete the back of this form.

**SPECIAL NOTICE**

JUST PLACE A CHECK HERE AND SIGN AT THE BOTTOM IF YOU HAVE NO TAX TO FILE

THIS RETURN IS DUE ON THE 20TH OF THE MONTH

Business Description	Line	Bus. Class	Region Code	Column 1	Column 2	Column 3	Column 4	Column 5	
				Gross	Allowable pg 2 - Deductions	= Net Taxable	X Tax Rate	= Tax Amount	
RETAIL	1	17		<b>4,000.00</b>	<b>1,006.37</b>	<b>2,993.63</b>	2.80	<b>83.82</b>	
RENTAL - PERSON	2	14		<b>500.00</b>	<b>45.04</b>	<b>454.96</b>	2.80	<b>12.74</b>	
USE TAX	3	29		<b>200.00</b>	<b>0.00</b>	<b>200.00</b>	2.50	<b>5.00</b>	
	4								
	5								
	6	<b>TOTAL FROM ADDITIONAL PAGES</b>							
	7	<b>SUBTOTAL (Add Col.5, Lines 5 and 6)</b>							<b>101.56</b>
	8	<b>ENTER EXCESS CITY TAX COLLECTED</b>						Plus (+)	<b>1.27</b>
	9	<b>GRAND TOTAL</b>						Equals (=)	<b>102.83</b>
	10	<b>PENALTY &amp; INTEREST (see instructions)</b>						Plus (+)	
	11	<b>ENTER TOTAL LIABILITY</b>						Equals (=)	
	12	<b>BALANCE DUE OR OVERPAYMENT FROM PRIOR TAX PERIODS</b>						Plus/Minus ( )	0.00
	13	TAX CREDIT FOR SPECULATIVE BUILDERS (city tax already paid) AND UTILITY, TELECOMMUNICATION (for Franchise Fee offset)						Minus (-)	
	14	<b>ENTER NET AMOUNT DUE</b>						Equals (=)	<b>102.83</b>
	15	<b>ENTER TOTAL AMOUNT PAID</b>							<b>102.83</b>



Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

\_\_\_\_\_  
 Taxpayer's Signature  
**JANE DOE**  
 \_\_\_\_\_  
 Print Name

**10/20/10**  
 \_\_\_\_\_  
 Date  
**520-417-7333**  
 \_\_\_\_\_  
 Phone

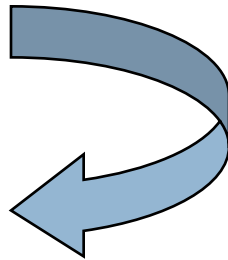
\_\_\_\_\_  
 Paid Preparer's Signature  
 \_\_\_\_\_  
 Print Paid Preparer's Name

**A SIGNATURE IS REQUIRED TO MAKE THIS RETURN VALID**  
 Return original with remittance.  
 Please make check payable to: CITY OF DOUGLAS  
 For assistance, call Customer Service (520) 417-7333

## METHOD TO FACTOR TAX FOR RETAIL SALES

Income subject to tax x .09008189

state, county, city tax to deduct



## TABLE OF TAX RATE FACTORS

(Table to be used for factoring tax out of gross income)

BUSINESS TYPE	TAX RATE	FACTOR
Rental of Real Property	2.80%	0.02723735
Contracting	9.90%	0.06045944
Retail	9.90%	0.09008189
Retail Tax Single Item over \$10,000	8.90%	0.08172635
Hotel/Motel – Transient Lodging	11.85%	0.10594546

## FACTOR TAX FOR RETAIL SALES - METHOD ONE

FACTOR FOR 9.9% RATE = 0.09008189

MULTIPLY INCOME SUBJECT TO TAX BY 0.09008189

Example:	Gross Receipts	\$2,020.07
	Labor	-20.00
	<hr/>	
	Income subject to tax	\$2,000.07
	Factor	x 0.09008189
	<hr/>	
	Deduction # 551	\$180.17
		<hr/>

## FACTOR TAX FOR RETAIL SALES - METHOD TWO

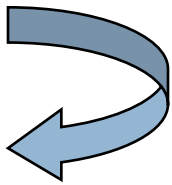
DIVIDE INCOME SUBJECT TO TAX BY 1.099

THEN MULTIPLY BY 0.099

Example:	Gross Receipts	\$2,020.07
	Commissions	-20.00
	<hr/>	
	Income subject to tax	\$2,000.07
	Factor	÷ 1.099
	<hr/>	
	Taxable Income	1,819.90
	Tax Rate	x 0.099
	<hr/>	
	Deduction # 551	\$180.17

# FACTORING TAX FOR CONTRACTORS

Income subject to city tax x .06045944  
state, county, city tax to deduct



## TABLE OF TAX RATE FACTORS

(Table to be used for factoring tax out of gross income)

BUSINESS TYPE	TAX RATE	FACTOR
Rental of Real Property	2.80%	0.02723735
Contracting	9.90%	0.06045944
Retail	9.90%	0.09008189
Retail Tax Single Item over \$10,000	8.90%	0.08172635
Hotel/Motel – Transient Lodging	11.85%	0.10594546

# CONTRACTOR WHO CHARGES CUSTOMER TAX

## \*INVOICE\*

07/15/10

Remove old roof & put on new roof	\$2,500.00
Plus tax	160.88
Due on completion	\$2,660.88

Materials	\$1,000
Labor	1,500
Total	\$2,500
	x 0.65
Amount Net of Standard deduction	\$1,625
Tax Rate	x 0.099
	\$160.88

\$ 2,500
x.064352
\$160.88



## OUT OF CITY DEDUCTIONS

Out of City sales allowed as a deduction only if all of the following occurs outside the city limits of Douglas:

1. Transference of Title and Possession.
2. Stock from which delivery is made.
3. The order is received at a permanent business location of the seller located outside of the city.

## OUT OF STATE DEDUCTION

Out of State sales allowed as a deduction only if all of the following occur:

1. The order is placed from outside the State.
2. The property is delivered to the buyer outside the State.
3. For use outside the State

\*\*\*Deduction #504

## GOVERNMENT SALES DEDUCTION

Retail Sales to Federal Government by manufacturer, modifier, assembler or repairer are 100% exempt.

Retail sales made by any other are 50% exempt.

All other Government entities are no longer exempt.

## EXEMPT INSTITUTES

APPLIES ONLY TO: NON-PROFIT, QUALIFYING COMMUNITY HEALTH CENTERS, NON-PROFIT QUALIFYING HEALTH CARE ORGANIZATIONS AND NON-PROFIT QUALIFYING HOSPITALS:

EXEMPT FROM TAX ON FOLLOWING ACTIVITIES:

RETAIL SALES OF TANGIBLE PERSONAL PROPERTY, RESTAURANT AND BAR, RENTAL, LEASING AND LEASE FOR USE, JOB PRINTING, UTILITIES USE TAX ON PURCHASES/LEASES.

NOT EXEMPT FROM TAX ON:

CONTRACTING (LABOR), ADVERTISING,  
AND TRANSIENT LODGING.



# NON-PROFIT AGENCIES



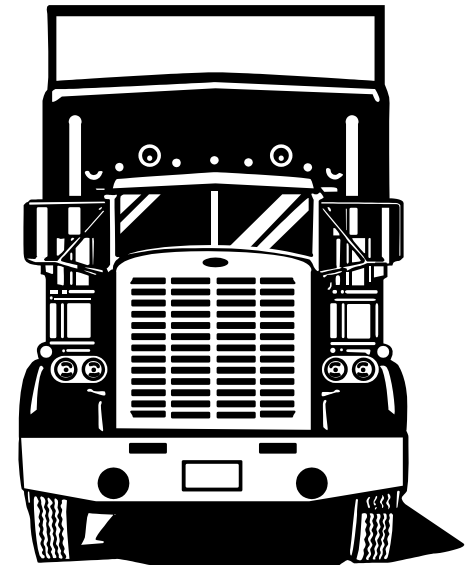
NONPROFIT AGENCIES: EXEMPT FROM COLLECTING TAX  
NOT EXEMPT FROM PAYING TAX



## FREIGHT IN VS. FREIGHT OUT

FREIGHT IN = DELIVERY FROM MANUFACTURER TO VENDOR  
IS NOT DEDUCTIBLE

FREIGHT OUT = DELIVERY FROM SELLER  
TO CUSTOMER CAN BE DEDUCTED AS  
CODE 740 IF LISTED SEPARATELY ON  
INVOICE



## DEDUCTION FOR SALES RETURNS/BAD DEBT

### Sales Returns/Bad Debt Write-off Deductions:

The amount refunded or written-off must have been reported as taxable income in a prior period.

Deduct the amount refunded/Written-off including tax as code 558.

For Sales Tax Collected deduction, code 551, show sales tax refunded/written-off as a negative amount or subtract from the amount of tax being deducted for current period.

NOTE: If amount written-off is subsequently collected, include in Gross Income for the period in which it is collected.



**Privilege (Sales) and Use Tax Return**

Mail and return remittance (if applicable) to:  
**CITY OF DOUGLAS**  
 425 10th St  
 Douglas, AZ 85607-2008

TAX PAYER NO. 0000
PERIOD COVERED FROM 9/01/2010 THROUGH 9/30/2010
CITY LICENSE NO.

DO IT ALL HARDWARE  
 425 10TH STREET  
 DOUGLAS AZ 85607

Check here if any changes in account status and complete the back of this form.

**SPECIAL NOTICE**

JUST PLACE A CHECK HERE AND SIGN AT THE BOTTOM IF YOU HAVE NO TAX TO FILE

THIS RETURN IS DUE ON THE 20TH OF THE MONTH

Business Description	Line	Bus. Class	Region Code	Column 1 Gross	Column 2 Allowable pg 2 - Deductions	Column 3 = Net Taxable	Column 4 X Tax Rate	Column 5 = Tax Amount	
RETAIL	1	17		<b>300.00</b>	<b>127.02</b>	<b>172.98</b>	2.80	<b>4.84</b>	
RENTAL - PERSON	2	14					2.80		
USE TAX	3	29					2.50		
	4								
	5								
	6	<b>TOTAL FROM ADDITIONAL PAGES</b>							
	7	<b>SUBTOTAL (Add Col.5, Lines 5 and 6)</b>							
	8	<b>ENTER EXCESS CITY TAX COLLECTED</b>						Plus (+)	
	9	<b>GRAND TOTAL</b>						Equals (=)	
	10	<b>PENALTY &amp; INTEREST (see instructions)</b>						Plus (+)	
	11	<b>ENTER TOTAL LIABILITY</b>						Equals (=)	
	12	<b>BALANCE DUE OR OVERPAYMENT FROM PRIOR TAX PERIODS</b>						Plus/Minus ( )	0.00
	13	TAX CREDIT FOR SPECULATIVE BUILDERS (city tax already paid) AND UTILITY, TELECOMMUNICATION (for Franchise Fee offset)						Minus (-)	
	14	<b>ENTER NET AMOUNT DUE</b>						Equals (=)	
	15	<b>ENTER TOTAL AMOUNT PAID</b>							

**Sales for September**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Taxpayer's Signature  
**JANE DOE**  
 Print Name

Date  
 Phone

Paid Preparer's Signature  
 Print Paid Preparer's Name

**A SIGNATURE IS REQUIRED TO MAKE THIS RETURN VALID**

Return original with remittance.

Please make check payable to: CITY OF DOUGLAS  
 For assistance, call Customer Service (520) 417-7333

**INSTRUCTION AND DEDUCTION EXPLANATIONS**

RETURN IS DUE ON THE 20TH OF THE MONTH FOLLOWING THE REPORTING PERIOD AND DELINQUENT IF NOT RECEIVED BY THE LAST WORKING DAY OF THE MONTH.

**PENALTIES:** File your return whether or not taxes are due.

1. Failure to file - A penalty of 5% of the tax due will be assessed for each month, or fraction elapsing between the delinquency date of the return and the date on which it is filed.
2. Failure to Pay - A penalty of 10% of the unpaid tax will be assessed if the tax is not paid timely.
3. Total Penalty - Total Penalties will not exceed 25%.

**INTEREST:** Taxes paid after the delinquency date will be assessed interest at the rate of 4% per year until paid.

**ALLOWABLE DEDUCTIONS BY BUSINESS ACTIVITY**

Class	Activity	Allowable Deduction Codes	Tax Rate	Class	Activity	Allowable Deduction Codes	Tax Rate
01	Advertising	551, 558	2.8%	13	Rental of Real Property	551, 558	2.8%
02	Mining	551, 740	0.1%	14	Personal Property Rental	551, 558, 740	2.8%
04	Utilities	503, 551, 558	2.8%	15	Contracting	502, 518, 550, 551, 555, 560	2.8%
05	Telecommunication	503, 551, 558	2.8%	16	Speculative Builder	502, 518, 551, 560	2.8%
06	Transporting	503, 558	2.8%	17	Retail	503, 551, 558, 504, 526, 529, 535, 536, 548, 590, 630, 730, 740	2.8%
07	Manufactured Buildings	504, 551	2.8%	18	Retail Single Item Over \$10,000	551	1.8%
08	Wholesale Feed	504, 551, 558	2.8%	19	Timbering	551	2.8%
09	Publication	504, 551, 558	2.8%	20	Hotel/Motel	551, 558	2.8%
10	Job Printing	503, 504, 551, 558	2.8%	25	Transient Lodging	551, 558	2.0%
11	Restaurant & Bar	551, 558	2.8%	26	Use Tax	551, 740	2.5%
12	Amusement	551, 558	2.8%	29			

**SCHEDULE A - DETAIL OF DEDUCTIONS**

For Assistance, Call Customer Service (520) 417-7333 Fax (520) 417-7162

Enter below the deductions and exclusions you used in computing your City Transaction Privilege (Sales) and Use Tax. You must keep a detailed record of all deductions and exclusions. Failure to maintain proper documentation and records required by the city ordinance may result in their disallowance. A separate detail of city's records and documentation must be maintained only when the income, deductions and exemptions are different from the state's. Please use the table above for allowable deductions.

**Note:** The line numbers listed at the top of these columns correspond with the line number for business activity on the front.

Deduction Code	Deduction Code Description	Enter Business Class Preprinted on the Front				
		17 Line 1	14 Line 2	29 Line 3	Line 4	Line 5
502	35% Contractor Deduction					
503	Sales for Resale					
504	Out of State Sales					
518	Fair Market Value of Land					
526	Prosthetic Devices					
529	Auto to Nonresident if Shipped O/S					
535	Pipes or Valves 4 inch or Larger					
536	Prescription Drugs					
548	Retail Sales to US Gov't (50% Deduct)					
550	Subcontracting					
551	Sales Tax Collected or Factored	<b>17.12</b>				
555	Out of City Contracting					
558	Bad Debts	<b>109.90</b>				
560	Impact Fees					
561	Freight Out - Job Printing					
590	Gasoline					
630	Retail Service Labor					
730	Income Producing Capital Equipment					
740	Freight Out					
888	Other deductions not Listed					
	Explain:					
	Explain:					
	Explain:					
	<b>Total Deduction to Column 2</b>	<b>\$ 127.02</b>				

**This is \$27.02 less Tax \$9.90**

**This is \$100 return + Tax \$9.90**

**CHANGES IN STATUS**

License Number:		Effective Date of Change:
My Business name has changed to:		
My business location has moved to:		
My new location is rented. The landlord's name mailing address and telephone number is:		Landlord's telephone no:
My phone numbers have changed:	New business phone number:	New mailing phone number:
Please change my mailing address to:		
Please send a new License Application for the following reason: <input type="checkbox"/> The ownership of my business has changed to:		<input type="checkbox"/> I have another location in Douglas
<input type="checkbox"/> Please cancel my License for the reason noted at the right: Note: If the business has been sold, please provide us with the new owner's name, address, and telephone number. Your license must be returned to complete the cancellation process.		

## DEDUCTION FOR SERVICE LABOR

Applies to: Retail Businesses Only

The labor charge must be separated on Invoice.

Does not apply to Contracting  
or Manufacturing



# INSTRUCTIONS



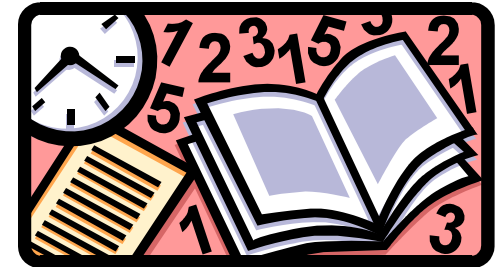
## Other Deductions

Number 590 - deduction for gasoline applies only to businesses engaged in sale of gasoline.

Number 560 - deduction for Impact Fees

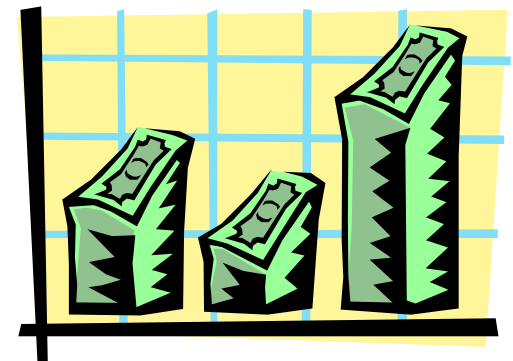
## REPORTING - ACCOUNTING METHODS

**ACCRUAL BASIS = INCOME EARNED  
DETERMINED BY THE INVOICE DATE**  
**CASH BASIS = WHEN PAYMENT IS  
RECEIVED**



**General Contractors:** must report on progressive Billing or Cash receipts basis. You must report when you bill or when draws are received.

**Speculative Builders:** must report at the close of escrow or at the transfer of title whichever occurs earlier.



## SALE FOR RESALE DEDUCTION

Applies to Tangible Personal Property Sales

Exemption Certificate (Copy Included in Workshop Booklet) must be completed by the purchaser.

City Code requires exemption certificate to be completed for each transaction. For regular customers, exemption certificate should be updated annually.

It is a deductible transaction only if the purchaser is engaged in a similar business where the items purchased will be resold.

## SUBCONTRACTOR DEDUCTION

Applies to Sub-Contractor who performs work for a General Contractor who is assuming responsibility for sales tax.

Obtain a completed Exemption Certificate (Copy included in Workshop Booklet) from the General Contractor for each job.





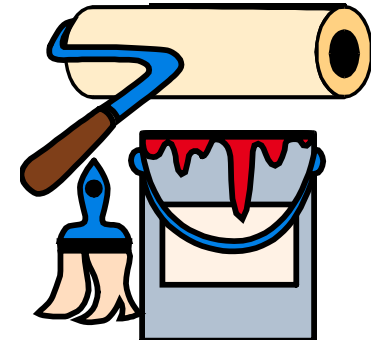
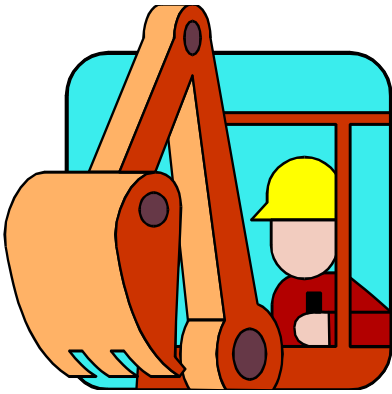
# DEFINITION OF CONTRACTING



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- Improvement to real property  
(real property is land, home, building)
- Item is attached or installed on real property
- Method of payment does not matter
- Contractor license does not matter
- 65 % of total job is taxable

# EXAMPLES OF CONTRACTING



Painting

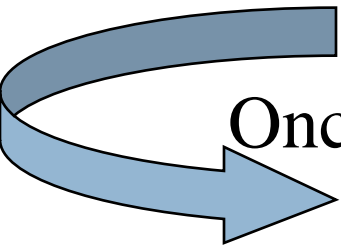
Cabinet Installation

Landscaping

Floor Covering

Plumbing

Once contracting always contracting, even if labor only



# Handyman

- ❑ Must acquire license
- ❑ Work performed must follow conditions as listed in A.R.S 32-1121
- ❑ <http://www.azleg.state.az.us/ars/32/01121.htm>

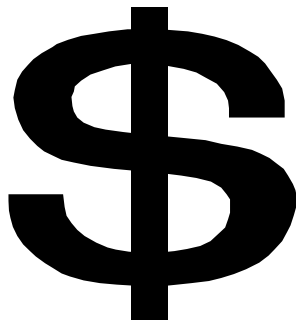


# CALCULATION OF 35% STD. CONTRACT DEDUCTION

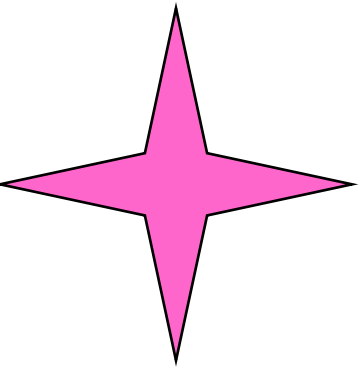
CALCULATION OF 35% STD. CONTRACT DEDUCTION		
Gross Income		\$200,000.00
Less Income not subject to city tax:		
<i>Subcontractor Income (Deduction #550)</i>	35,000.00	
<i>Out-of-City Projects (Deduction #555)</i>	5,000.00	<u>(40,000.00)</u>
Income subject to city tax		160,000.00
contracting Factor	x	<u>0.06045944</u>
Sales Tax Factored (Deduction #551)		<u>9,673.51</u>
Income subject to city tax		160,000.00
Less: Sales Tax		<u>(9,673.51)</u>
Income net of tax		150,326.49
	x	<u>0.35</u>
Standard 35% (Deduction #502)		<u>52,614.27</u>
Gross Income		200,000.00
Less: Total deductions		<u>(102,287.78)</u>
Taxable Income		97,712.22
City Sales Tax Rate		<u>0.028</u>
<b>City Tax Due</b>		<b>2,735.94</b>

## PAYMENT OF TAX ON PURCHASE OF MATERIALS

- Credit given only to speculative builders and owner-builders
- Will be paying tax twice if others choose to pay tax on materials
- Tax is applied to sales price - not your cost



## HOW LONG TO KEEP RECORDS?



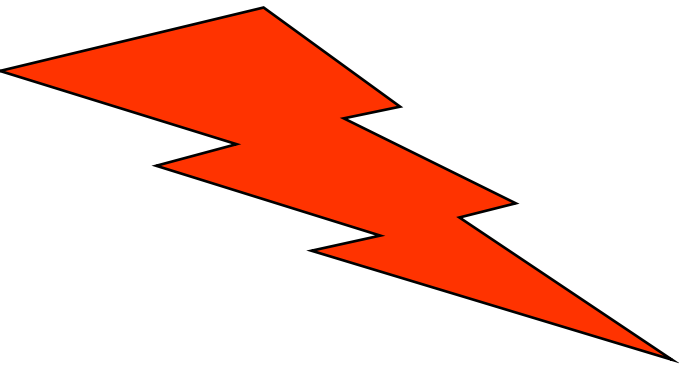
MINIMUM OF FOUR YEARS

If under report taxable income by 25 % and if audited - audit period extended to SIX YEARS

## RECORDS AND DOCUMENTS

Page 10 & 11 of handout list records and documents which should be kept for audit purposes

**REMEMBER:**



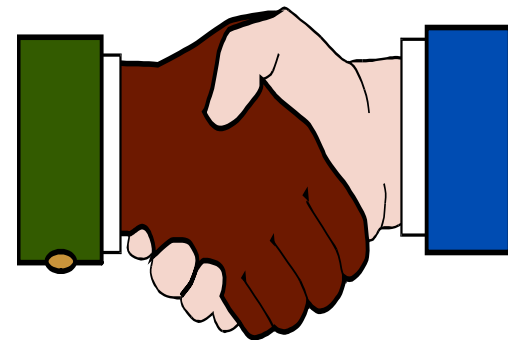
All income is subject to tax until the taxpayer establishes otherwise

# TRADE-OUTS BARTER

These transactions are income

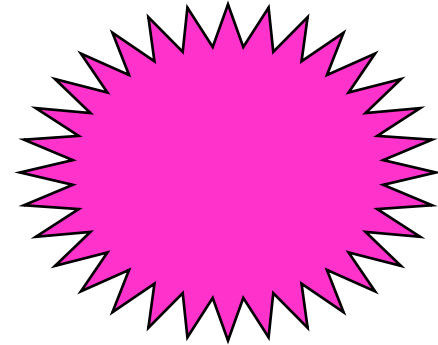
Represent consideration given for  
consideration received

Use fair market value



# USE TAX

- 2.5% city use tax
- No county use tax
- 6.6 % state use tax



Items purchased for resale and used for personal use are also subject to use tax

# Avoid an Audit

- Charge and remit sales tax appropriately
- Take only allowable deductions
- Remember that tax can be passed on to the customer but responsibility ultimately falls on the business
- If you have questions if transactions are taxable, PLEASE ASK....

# QUESTIONS

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