

## ***RENTAL, LEASING, & LICENSING FOR USE OF TANGIBLE PERSONAL PROPERTY***

A total Transaction Privilege (Sales) Tax rate of 8.35%, (6.35% State and County, 2% Prescott), is imposed on the gross income of any person engaging in this business activity.

### ***WHAT IS TANGIBLE PERSONAL PROPERTY?***

Tangible personal property is any property or substance that can be owned, touched or have value assigned. Examples include but are not limited to: tools, equipment, vehicles, pumps, cranes, coin-operated carwash & laundromat facilities, furniture, appliances, sports equipment, clothing, and video movies.

### ***WHAT IS CONSIDERED RENTAL, LEASING, OR LICENSING FOR USE?***

Renting or leasing is an agreement between the user and the owner of property whereby the owner receives consideration for the right to use the owner's property for

a period of time. Licensing for use is any agreement between the user and the owner for the use of the owner's property whereby the owner receives consideration, where the agreement does not qualify as a "sale" or "lease" or "rental" agreement. Consideration is any payment, monetary or other, received by the owner.

### ***WHAT IF THE PROPERTY IS RENTED INSIDE THE CITY FOR USE OUTSIDE?***

Tangible personal property that is rented within the City of Prescott for use outside the city is taxable at the rental business location unless the property is considered "semi-permanently" or "permanently" installed in another incorporated city.

Property deemed "semi-permanently" or "permanently" installed is expected to have a permanent location at the site and requires alterations to the real property where installed. Examples include, but are not limited to: computers, duplicating machines, nonportable furniture, major appliances, and store fixtures. Such rented property is taxable in the incorporated city where it is installed. If such property is located in an unincorporated city it is

taxable to the city where the rental business is located.

### ***WHAT IF THE RENTAL INCLUDES AN OPERATOR FOR THE EQUIPMENT OR VEHICLE?***

If the tangible personal property rented, leased, or licensed for use is earthmoving equipment, such as a backhoe or bulldozer, and includes an operator, it is considered construction contracting and taxable as such (see Construction Contracting guideline).

Rental of most other tangible personal property with an operator, or earthmoving equipment without an operator, is considered rental of tangible personal property and taxed according to this guideline.

Rental of a motor vehicle with a driver for transportation purposes is considered transportation for hire and taxed accordingly. (See Transportation for Hire Guideline)

**HOW DO I CALCULATE  
THE TRANSACTION  
PRIVILEGE TAX DUE?**

To calculate privilege tax due to the City of Prescott, the gross income is totaled and allowable deductions taken. The net amount is multiplied by 8.35% to arrive at the sales tax due.

Example: If an item is rented for \$100.00

- (1)  $\$100.00 / 1.0835 = 92.29$
- (2)  $\$100.00 - \$92.29 = \$7.71$  **Factored Tax Ded.**
- (3)  $\$92.29 \times .0200 = \$1.85$  **City Tax Due**
- (4)  $\$92.29 \times .0635 = \$5.86$  **State Tax Due**

\*Based on City tax rate of 2%, State tax rate of 5.6% & Yavapai County rate of 0.75%

You can apply, report, and pay taxes online at [www.aztaxes.gov](http://www.aztaxes.gov).

**WHAT DEDUCTIONS  
AM I ALLOWED?**

Charges for delivery, installation, repair, and optional service contracts and warranties may be deducted if they are

**separately** stated on the customer invoices and taxpayer records. Renting, leasing, or licensing for use to persons engaged in the business of renting, leasing, or licensing for use, may be deducted from gross income.

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

## RENTAL OF TANGIBLE PERSONAL PROPERTY



This publication is for general information regarding Transaction Privilege (Sales) Tax on the rental of tangible personal property. 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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