

## **USE TAX**

### **WHAT IS USE TAX?**

Use tax is levied on the purchase of tangible personal property stored, used or consumed within Prescott City limits, when an equivalent city privilege tax has not been paid. This tax was designed to eliminate the unfair tax advantage a business located in an unincorporated area may have over our in-town vendors. It also protects the state and local government revenues by imposing a tax in situations where no sales or privilege tax has been paid.

The current total use tax rate is 7.6%, consisting of 5.6% State and 2% City of Prescott. The reason the use tax is different than the retail rate of 8.35% is because Yavapai County does not have a use tax.

### **AM I LIABLE FOR USE TAX?**

Use Tax applies to both businesses and individuals who purchase tangible personal property, such as equipment, furniture, vehicles, boats, tools, or motor homes, from retailers located out-of-state or in unincorporated areas which do not charge city sales or privilege tax at the time of purchase.

### **WHAT ABOUT THE TRANSACTION PRIVILEGE TAX?**

Transaction privilege tax applies when you buy tangible personal property from a retailer located within an incorporated area. Use tax is applied when items are purchased outside of the City and then brought into the City without paying an equivalent city privilege tax. The two taxes are

complementary, so only one applies to a given transaction.

### **WHAT IF I PAY CITY TRANSACTION PRIVILEGE TAX TO ANOTHER CITY AND THEN BRING THE PROPERTY INTO PRESCOTT?**

You are allowed a credit for privilege tax paid to any other City in Arizona; thus, if you purchase a car in Phoenix and pay Phoenix City privilege tax, you do not owe use tax in Prescott.

If you live within Prescott City limits and purchase a car out-of-state or in an unincorporated area that does not have, or charge a city privilege tax, you will be liable for use tax when you bring that property into Prescott.

If you purchase a vehicle from an out-of-state dealer or manufacturer, the Department of Transportation will, at the time of vehicle registration, require proof that the tax was paid in the state of purchase and the tax is equal to or greater than the Arizona tax rate. If the tax was not paid in the state of purchase or was less than the Arizona use tax, the Department of Transportation will require that use tax be paid at the time of registration. The State will then notify the towns and cities which have a use tax and the various taxing authorities will collect the use tax they are entitled to.

### **AS A RETAILER, IN AN UNINCORPORATED AREA THAT DOES NOT CHARGE CITY SALES TAX, AM I LIABLE FOR USE TAX?**

If you are in an unincorporated area selling to Prescott residents, you *may, if you wish,*

obtain a Use Tax permit and collect the tax from your Prescott customers. Generally, if a person has a Prescott address it is assumed that they are bringing the property into Prescott and they will be subject to the tax. As a vendor outside the City of Prescott and voluntarily collecting Use Tax on behalf of the city, you would only be responsible for the amounts collected.

### **WHAT IS EXEMPT FROM THE USE TAX PROVISION?**

Generally, those items that are exempt from transaction privilege tax are exempt from use tax such as sales for resale, income-producing capital equipment, etc.

In addition, tangible personal property not exceeding \$1,000.00 per item, ***purchased by an individual for his or her personal use and enjoyment is exempt.***

### **WHAT MAY NOT BE SUBJECT TO THE CITY OF PRESCOTT USE TAX**

Casual sales between individuals are not subject to use tax. Property purchased by a non-resident individual whose first actual use or consumption occurred outside the City may not be subject to use tax.

# PRESCOTT PRIVILEGE TAX

## USE TAX



To view a complete copy of the City tax code, please go to: <http://www.prescott-az.gov>



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This publication is for general information regarding Transaction Privilege (Sales) Tax on use tax. 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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