



CITY OF FLAGSTAFF PRIVILEGE (SALES) TAX

AMUSEMENTS

This publication is for general information about the City of Flagstaff Transaction Privilege (Sales) Tax on amusements. The Transaction Privilege Tax is commonly referred to as a sales tax, however, the tax is on the privilege of doing business in Flagstaff. For complete details, refer to the City of Flagstaff Transaction Privilege Tax Code. In case of inconsistency or omission in this publication, the language of the city code will prevail.

WHO PAYS AMUSEMENT SALES TAX?

You owe sales tax on amusements for which you charge admission or if you operate any other form of entertainment in the city.

Examples of taxable amusement business activities include, but are not limited to:

- . theaters
- . exhibitions
- . sporting events
- . coin-operated and other amusement machines
- . off-track betting
- . activities for which you pay to participate: bowling, golf, etc.

TAX RATE ON AMUSEMENTS EFFECTIVE JANUARY 1, 2007

City of Flagstaff	1.721%
State	5.60 %
County	<u>1.125%</u>
Total Tax Rate on Amusements	8.446%

PROCEDURE FOR TRANSACTION PRIVILEGE (SALES) TAX PAYMENT

First, apply for a Privilege (Sales) Tax license from the City of Flagstaff licensing department; or call (928) 779-7685 ext 7614. Then, report and pay tax to the city with the tax return provided by the licensing department. Taxpayers pay tax monthly, quarterly or annually based upon the annual city tax liability estimated by the taxpayer.

Income from amusement activities is reported under business class code 7940 on the city tax return.

FACTORING AND COLLECTING TRANSACTION PRIVILEGE TAX

Whether you charge the tax separately or factor the tax into the sales price, tax should be included in the gross income reported on the tax return. Deduction #11 then may be taken on the return for the

city, county and state taxes included in the gross income figure.

FACTORING AND COLLECTING TRANSACTION PRIVILEGE TAX (continued)

1. Factoring the Tax

You are allowed to include the tax in the amount charged, rather than show the tax separately. If you choose to do so, use factoring to "back into" the tax included in your gross sales. To factor the tax, divide the gross income by 1 plus the combined tax rates. For amusements the total tax rate is 8.446%, thus the gross income is divided by 1.08446. The result will be taxable income excluding taxes. The difference between gross income and taxable income is the tax collected.

Gross Income (Including Tax)	Divided by 1.08446 (1 plus the Tax Rate)	=	Taxable Income (Excluding Tax)
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For example, if your gross income from amusement activities totals \$100, tax included, and the tax is 8.446%, your tax calculation is:

Gross Income, including tax, of \$100 divided by 1.08446 = Taxable Income of \$92.21
\$100 - \$92.21 = \$7.79 Tax collected, which can be taken as deduction #11 on city tax return.

2. Collecting the Tax

If you choose to separately bill and collect the tax, you must remit the total amount collected even if it exceeds the calculated tax liability. The excess tax collected must be remitted proportionately to the city, county and state as excess collections.

SPECIAL SITUATIONS

1. Machines

Gross income from coin-operated and other machines such as electronic games, jukeboxes, pinball games, and billiard tables is taxable. No deduction is allowed for commissions paid or the purchase or the rental of the equipment. **Note:** The person who has direct control of the funds generated by the machine is liable for paying the tax.

2. Promoters of Concerts and Events

Promoters of concerts and events are subject to tax. The promoter is the person who will profit or lose from the concert or event. The total proceeds received for the promotion are subject to the tax.

3. Programs, Souvenirs, Refreshments

Report income from sales of programs, souvenirs, and related items as retail sales under business class 5999. The city tax rate is 1.601%. The income from the sale of refreshments is reported as restaurant food sales with a city tax rate of 3.601%. This should be reported under business class 5820.

SPECIAL SITUATIONS (continued)

4. Private Clubs

Fees and charges for recreational facilities which are operated by a private club but open to the

public, such as golf courses, swimming pools, and tennis courts, are taxable. If the charges are included in membership dues, the income is not taxed.

5. Religious and Educational Organizations

Games and amusements operated by bonafide religious or educational institutions are not taxable if the proceeds are used for charitable or educational purposes.

6. Jeep Tours, Balloon Rides, River Trips, Scenic Flights, Etc.

These activities are taxable under the amusement category and should be taxed at the origination point of the amusement activity.

FOR INFORMATION CALL:

(928) 779-7685 ext 7614

(928) 779-7656 fax line

OR WRITE:

City of Flagstaff
Sales Tax Division
211 West Aspen
Flagstaff, AZ 86001

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