

Financial Services Manual (FIN)

FIN 108: Sales Tax

Effective: 5/1/1985

Revised: 7/1/2022

Purpose

To define university sales transactions subject to Arizona sales tax

Sources

Arizona Revised Statutes (ARS) § 42-5001 to 6010

Arizona Administrative Code, R15-5-101 to R15-5-2242

Arizona Department of Revenue

University policy

Background

For convenience purposes, most refer to Arizona's taxing structure as a "sales tax." The State of Arizona is not a "sales tax" state; rather, it is a "Transaction Privilege Tax" (TPT) state. Under this taxing structure, the vendor/seller is responsible for paying the state of Arizona for the privilege of doing business in this state; it is not a tax on the purchaser. If the vendor/seller so chooses, they can pass on the cost of the transaction privilege tax to the purchaser. Even though Arizona is a TPT state, for simplicity purposes, this policy will refer to the TPT as a sales tax.

When the university is a vendor/seller, all taxes are reported and remitted under a single Arizona sales tax license. The Tax Unit in Financial Services is responsible for reporting and remitting sales tax payments to the Arizona Department of Revenue. Departments desiring to sell goods or services need to contact the Tax Unit in Financial Services to determine whether the sales are taxable and, if taxable, for the procedures to be followed.

Responsibility for making inquiries to Financial Services for sales tax considerations and collection of the sales taxes rests with each university department. Financial Services' responsibility is to facilitate the overall sales tax process and provide guidance to departments.

Policy

The university is subject to Arizona sales tax; however, this sales tax does not apply to interdepartmental transactions and sales that are casual or inconsequential at the university level.

The sales areas subject to sales tax are listed in the table below.

State Sales Tax Categories		
Tax Area	Definition	
1. Amusements	Admissions to movies, athletic events, concerts, plays, etc., are considered amusements other than for activities or projects of bona fide religious or educational institutions. Essentially, this provision exempts amusement sales for which ASU is the sponsor or promoter.	
2. Printing	Sales of printing applies to job printing, engraving, embossing, and copying.	
3. Retail	Retail sales include tangible personal property.	
4. Publishing	Publishing revenues include sales of newspapers, magazines, or other periodicals, including gross income from subscriptions.	
5. Rental of Personal Property	Includes rental or leasing of any tangible personal property.	
6. Rental of Real Property	Commercial rentals of real property are subject to sales tax. Rentals of 30 days or more for residency purposes are exempt.	

ASU Foundation

Proceeds from the sale of tangible personal property or subscriptions must be deposited with the university if the transaction requires that the department collect and pay sales tax to the State of Arizona. Proceeds from such sales cannot be deposited with the ASU Foundation because the Foundation is not established to collect, report, and remit sales tax.

Tax Exemption Certificates

ASU as Seller

Departments that do not collect sales tax because of the tax exempt status of their customer are responsible for obtaining and keeping on file a copy of the customer's Arizona Form 5000—Transaction Privilege Tax Exemption Certificate. The certificate documents the reason for the exemption within the guidelines of the *Arizona Revised Statutes*. Tax exemption certificates should be obtained on a sale-by-sale basis or updated yearly for vendors who continuously purchase items from ASU that are tax exempt (i.e.: items for resale.). Each sale made by a department should be considered separately to determine whether the transaction is truly tax exempt. Blank copies of the certificate for the customer to complete can be obtained from the Arizona Department of Revenue's website (<http://www.azdor.gov>) or from the Tax Unit of Financial Services.

ASU as Buyer

In a limited number of circumstances, purchases that ASU makes are tax exempt, so no sales tax would be owed on them. *Arizona Revised Statutes* outlines which transactions would be tax exempt, such as machinery or equipment used in research and development or goods purchased for resale. However, goods purchased for resale are not exempt from city sales tax. City sales tax must be paid on goods purchased for resale when billed by the vendor. For tax exempt purchases, Arizona Form 5000-Transaction Privilege Tax Exemption Certificate should be completed and provided to the vendor so that no Arizona sales tax is assessed to ASU on the purchase. Contact Tax Services in Financial Services for assistance in preparing the form, if needed.

Caution: In order to take advantage of the state sales tax exemption on goods purchased with the intent to resell them, Departments must then collect state sales tax at the time of the retail sale to the customer. Additionally, the department must then remit and record the state sales tax collected at the time of the retail sale in the university accounting system for inclusion in the university-wide monthly tax return prepared and filed by the Tax Unit of Financial Services.