



TELECOMMUNICATIONS

Scottsdale Privilege & Use Tax

This publication is for general information only. For complete details, *refer to the Model City Tax Code located at <https://azdor.gov/model-city-tax-code>*

February 2019

WHO MUST PAY THE TAX?

You must be licensed and pay tax if you are in the business of providing telecommunications services to consumers within the City of Scottsdale.

WHEN IS TAX DUE?

Tax is due on the 20th day of the month following the month in which the revenue was recognized.

WHICH CITY IS OWED THE TAX?

The tax on telecommunications is due to the City in which the customer of the telecommunications services is located. Customers being provided telecommunications services for receiving/transmitting equipment designed to be mobile (such as mobile telephones, portable two-way radios, pagers, etc.) shall be considered located at their permanent residence address or business location. If the customer does not have an Arizona location then the business location of the telecommunications provider is the taxable location.

WHAT IS THE CITY TAX RATE?

The City of Scottsdale tax rate is 1.75% of taxable income.

WHAT IS TAXABLE?

Telecommunications services include providing any of the following:

- One-way or two-way voice, sound, and/or video communication, transmission or relay over a communication channel
- Facsimile transmission services (FAX)
- Relay, repeater, or beeper service
- Computer interface services or computer time-sharing over a communications channel
- Paging and dispatch services
- Voice mail, page mail, or fax mail
- Cable TV

The following telecommunications services are also taxable:

- Fees for connection to a telecommunications system
- Fees charged for access to or subscription to or membership in a telecommunications system or network
- Local and intrastate telephone transmissions
- Cellular or mobile telephone services

The following telecommunications services are non-taxable:

- Alarm monitoring
- Internet Access Services

WHAT DEDUCTIONS ARE ALLOWED?

- Interstate telecommunications; charges by a provider of telecommunications services for transmissions which originate within the City of Scottsdale and terminate outside the State.
- Sales to another provider of telecommunications services for resale to customers, provided the purchaser is properly licensed with the City.
- Sales of prepaid calling cards or prepaid authorization numbers for telecommunications. (Taxable as retail. See the Retail Brochure)

Telecommunications revenue does not include charges for advertising, installation, maintenance and repair of telecommunications equipment. Please see brochures regarding construction contracting, real and personal property rental, retail sales and advertising for the taxation of these activities.

CALCULATING THE TAX

You may choose to charge the tax separately or you may include tax in your sales price. If you include tax in your sales price, you may factor in order to “compute” the amount of tax included in your gross income for deduction purposes.

To determine the factor, add one (1.00) to the total of state, county, and city tax rates.

Example: $1.00 + .0805 = 1.0805$

Calculate as follows:

$$\frac{\text{Taxable Income}}{\text{Factor (1.0805)}} = \text{Computed Taxable Income}$$

Taxable income less computed taxable income equals your deduction for tax collected.

If more City tax was collected than was due, the excess tax collected must be remitted to the City.

USE TAX

This is a tax on items that were purchased, leased, or rented without paying privilege or sales tax. The purchased, leased, or rented items become taxable when they are used, stored, or consumed within the City. Most commonly, purchases, leases, or rentals from out-of-state vendors will fall into this category. The use tax does not apply to purchases, leases, or rentals which are resold or re-leased in the normal course of business.

Use tax does not apply to wireless telecommunication equipment that is held for sale or transfer to a customer as an inducement to enter into or continue a contract for telecommunication services that are taxable under the telecommunication section.

The City of Scottsdale use tax rate is 1.55%. Businesses are responsible for computing and paying use tax.

For more information call (480) 312-7788.

Write or visit:
CITY OF SCOTTSDALE
Business Regulations
7447 E. Indian School Rd., Suite 230
Scottsdale, Arizona 85251

www.ScottsdaleAZ.gov