



ADVERTISING

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 owe tax on advertising if you are in the business of disseminating local advertising within Scottsdale. This tax is paid on advertising income using billboards, direct mail, radio, television, or any other means of dissemination. The commissions & fees retained by an advertising agency are not part of the taxable income.

WHEN IS TAX DUE?

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

WHAT IS THE TAX RATE?

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

WHAT IS “LOCAL ADVERTISING”?

Advertising is considered “local advertising” unless it fits one of the following “national advertising” categories:

1. The advertising of a product or service sold both within and without the State by more than one “Commonly Designated Business Entity” within the State, and in which the advertisement names either no “Commonly Designated Business Entity” within the State or more than one “Commonly Designated Business Entity”. For example:

- An ad for a soft drink sold nationally and available in a number of stores.
- An ad for a nationally released movie with either no theaters listed or more than one listed.

“Commonly Designated Business Entity” is defined as any business selling or providing a product or service to customers under a common business name or style, even though more than one legal entity may be conducting business using the same business name such as a franchise or license.

2. Advertising of a facility or service which is not located in the State.
 - An ad for a San Diego Hotel
3. Advertising a product which can only be bought from an out-of-state supplier.
4. Political advertising for a United States Presidential or Vice Presidential candidate.
5. Product coupons redeemable at any retail business carrying the product, but not product coupons redeemable only at a single commonly designated business entity.
 - Manufacturers’ coupons
6. Advertising a transportation service that includes substantial interstate and foreign travel.

Examples of local advertising that are taxable:

- A chain of stores, some of which are located within the State, when only the common business name is identified
- Financial institutions, health care facilities, hotels, and restaurants doing business within the State
- Sales of real estate located within the State
- Stockbrokers doing business within the State
- A nonprofit organization which has an office within the State
- Political ads except for President & Vice President
- Service businesses when the service is provided within the State
- Coupons which can be redeemed only at a location within the State
- An entertainment event which will be held at a location within the State

WHICH CITY IS OWED THE TAX?

The tax on advertising is due to the city in which the dissemination occurs.

Examples of dissemination facilities include, but are not limited to the following:

- Printing plants
 - Radio and television broadcasting studios
 - Distribution centers for mail order items or direct mail advertising
- Remote studios patched to a central location are taxable at the central location.

Billboards are taxable at the location of the billboard.

Advertising income from newspapers and periodicals is taxable and is allocated to each city based on circulation or if distributed by US Mail, the location of publication.

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.

$$\text{Example: } 1.00 + .0175 = 1.0175$$

Calculate as follows:

$$\frac{\text{Taxable Income}}{\text{Factor (1.0175)}} = \frac{\text{Computed Taxable Income}}{\text{Income}}$$

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

If your activity involves more than one city, an average tax rate based on circulation can be developed.

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.

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