

Sales and Use Taxes: Arizona

by [Pat Derdenger](#) and [Karen M. J. Lowell](#), Lewis Roca Rothgerber Christie LLP, with Practical Law Corporate & Securities

Law stated as of 01 Feb 2024 • Arizona, United States

A Q&A guide to sales and use tax law in Arizona. This Q&A addresses key areas of sales and use tax law such as tax scope, multi-state transactions and collecting taxes, and filing returns. Answers to questions can be compared across a number of jurisdictions (see [Sales and Use Taxes: State Q&A Tool](#)).

Tax Scope

Multi-State Transactions

Collecting Taxes and Filing Returns

Tax Scope

1. Does the state levy sales and use taxes?

State Tax

Arizona imposes a "transaction privilege tax" that is similar to a traditional sales tax. The state imposes the transaction privilege tax on the privilege of conducting certain enumerated business activities in Arizona ([A.R.S. § 42-5008](#)). Arizona's transaction privilege tax is broader than a normal sales tax because it is a tax on the gross receipts from these business activities. The current rate for the state transaction privilege tax for most classifications is 5.6%, although an additional county rate may also apply ([Arizona Department of Revenue: TPT Tax Rate Table](#)).

Arizona also imposes a use tax on the storage, use, or consumption of tangible **personal property** in the state ([A.R.S. § 42-5155\(A\)](#)). The use tax rate is the same as the transaction privilege tax rate (5.6%) ([Arizona Department of Revenue: Understanding Use Tax](#)). Arizona allows an offsetting credit for sales tax paid to another state ([A.R.S. § 42-5159\(A\)\(2\)](#)).

Arizona's Smart and Safe Marijuana Act ([A.R.S. §§ 36-2850 to 36-2865](#)) governs the adult use of marijuana in the state ([Arizona Department of Revenue: New TPT and Excise Tax Law for Adult Use Marijuana \(Jan. 29, 2021\)](#)). This Act deems marijuana and marijuana products to be tangible personal property subject to retail transaction privilege and use tax ([A.R.S. § 36-2864\(A\)](#)). Additionally, adult use marijuana retail businesses are subject to a 16% state Marijuana Excise Tax (MET) ([A.R.S. § 42-5452](#)).

County Tax

Counties (except for Mohave County) impose an additional transaction privilege tax that range from 0.5% to 1.3%, depending on the county. The state statutes govern the county tax, with the [Arizona Department of Revenue](#) (AZDOR) administering and collecting the county tax. Counties in Arizona do not impose a use tax.

City Tax

Cities and towns in Arizona impose their own city privilege license taxes that are separate from the state and county taxes. Arizona cities and towns impose the privilege license taxes under the Model City Tax Code, which differs (sometimes significantly) from state tax laws in both scope and exemptions. The city tax rate ranges from 1.5% to 4%, with some cities imposing a higher rate. Many, but not all, cities also impose a use tax.

This Q&A focuses on state tax law, but taxpayers engaged in taxable transactions in Arizona should consult the [Model City Tax Code](#) for more information on city tax laws. The Arizona Legislature preempted the municipal retail classification, with [A.R.S. § 42-5061](#) (the state retail classification) taking its place; however, other municipal classifications remain in place ([A.R.S. § 42-6017](#)).

The AZDOR administers all city taxes, with returns and tax payments made to the AZDOR, although municipalities may still be responsible for certain administrative functions involving pre-2017 city taxes (for example, claims for refund).

2.What is the taxable base or measure of tax?

Arizona measures the tax base for the transaction privilege tax by either:

- **Gross proceeds** of sales.
- Gross income derived from the business.

([A.R.S. § 42-5008\(A\)](#).)

Arizona defines the gross proceeds of sales as the value received from the sale of tangible personal property without any deduction for the costs of property sold, expenses of any kind, or losses. Gross proceeds of sales do not include cash discounts allowed and taken on sales. ([A.R.S. § 42-5001\(5\)](#).)

Gross income includes, without any deduction for losses, both:

- Gross receipts derived from:

- trade;
 - business;
 - commerce; or
 - sales.
-
- Value received from the sale of either or both:
 - tangible personal property; or
 - certain services.

(A.R.S. § 42-5001(4).)

3. What kinds of transactions are taxable?

Arizona's transaction privilege tax applies to business activities in the following classifications:

- Retail sales (A.R.S. § 42-5061).
- Transporting (A.R.S. § 42-5062).
- Utilities (A.R.S. § 42-5063).
- Telecommunications (A.R.S. § 42-5064).
- Publication (A.R.S. § 42-5065).
- Job printing (A.R.S. § 42-5066).
- Pipeline (A.R.S. § 42-5067).
- Private car line (A.R.S. § 42-5068).
- Commercial lease (A.R.S. § 42-5069).

- Transient lodging ([A.R.S. § 42-5070](#)).
- Personal property rental ([A.R.S. § 42-5071](#)).
- Mining ([A.R.S. § 42-5072](#)).
- Amusements ([A.R.S. § 42-5073](#)).
- Restaurant ([A.R.S. § 42-5074](#)).
- Prime contracting ([A.R.S. § 42-5075](#)).
- Online lodging marketplace ([A.R.S. § 42-5076](#)).

Each business classification is set out in a separate statute. The same business classifications apply for county taxes.

The city privilege license taxes apply to business activities in the following classifications:

- Advertising ([Model City Tax Code § 405](#)).
- Amusements, exhibitions, and similar activities ([Model City Tax Code § 410](#)).
- Construction contractors ([Model City Tax Code § 415](#)).
- Speculative builders ([Model City Tax Code § 416](#)).
- Owner-builders ([Model City Tax Code § 417](#)).
- Jet fuel sales ([Model City Tax Code § 422](#)).
- Job printing ([Model City Tax Code § 425](#)).
- Manufactured buildings ([Model City Tax Code § 427](#)).
- Timbering and other extraction ([Model City Tax Code § 430](#)).
- Mining ([Model City Tax Code § 432](#)).
- Publishing and periodicals distribution ([Model City Tax Code § 435](#)).
- Hotels and transient lodging ([Model City Tax Code § 444](#)).
- Rental, leasing, or licensing for the use of real property ([Model City Tax Code § 445](#)).

- Transient lodging ([Model City Tax Code § 447](#)).
- Rental, leasing, or licensing for the use of tangible personal property ([Model City Tax Code § 450](#)).
- Restaurants and bars ([Model City Tax Code § 455](#)).
- Telecommunication services ([Model City Tax Code § 470](#)).
- Transporting for hire ([Model City Tax Code § 475](#)).
- Utility services ([Model City Tax Code § 480](#)).
- Wastewater removal services ([Model City Tax Code § 485](#)).
- Retail sales ([A.R.S. § 42-5061](#)). The state retail classification in [A.R.S. § 42-5061](#) supersedes the retail classification of the Model City Tax Code ([A.R.S. § 42-6017](#); see [Question 1: City Tax](#)).

4. What are the most common exclusions from the tax base, tax-exempt transactions, or tax deductible items?

Arizona's transaction privilege tax includes many varied exemptions, exclusions, and deductions. Each transaction privilege tax classification is set out in a separate statute. The statute for each classification has its own list of specific exemptions that apply to that classification. The exemptions in one tax classification do not automatically apply to any other tax classification unless specifically cross-referenced, so taxpayers should review the statute for each tax classification to determine if a relevant exemption or exclusion applies. For citations to the relevant transaction privilege tax classifications, see [Question 3](#).

Because Arizona cities impose their privilege taxes under a different set of laws from the state, each city privilege tax classification also contains its own list of exemptions, exclusions, and deductions. Exemptions may also vary from city to city, depending on the model and local options adopted by a specific city.

While exemptions, exclusions, and deductions can only be determined by reference to the relevant classification statute, the following are some of the more important exemptions, exclusions, and deductions.

Personal and Professional Services

Arizona only imposes its transaction privilege tax on activities specifically included in the tax classifications (see [Question 3](#)). While some designated services are taxable (for example, prime contracting and job printing), Arizona law does not contain a general tax classification for personal or professional services. As a result, purely personal or professional services are generally not subject to tax (for example, legal or accounting services). The taxability of services rendered in conjunction with taxable activities varies depending on both:

- The tax classification.
- Whether charges for the services are separately stated.

Sales for Resale

Generally, sales for resale are not subject to tax. In most circumstances, Arizona only imposes the transaction privilege tax on the transaction with the final consumer. Taxpayers should document exempt sales for resale by obtaining [Arizona Department of Revenue Form 5000A: Arizona Resale Certificate](#) (A.R.S. §§ 42-5009(A) and 42-5022(1)).

Casual Sales

Tangible personal property purchased in a casual sale is not subject to tax. A casual sale is an occasional transaction of an isolated nature made by a person who is not engaged in or representing they are engaged in the business of selling, within or out of Arizona, the same type or character of property as that which was sold ([Ariz. Admin. Code §§ 15-5-101 and 102](#)).

Food Sales

Food for home consumption sold by a qualified retailer (as opposed to a restaurant or similar seller) is generally exempt ([A.R.S. §§ 42-5061\(A\)\(15\) and 42-5101 to 42-5106](#)).

Bad Debts

By regulation, taxpayers may take a deduction for bad debts if they originally reported the income as taxable for the month in which the sale took place ([Ariz. Admin. Code § 15-5-2011](#)).

Trade-In

When a retailer takes a trade-in as a partial payment of the article sold, tax is due only on the difference between the selling price and the **fair market value** of the trade-in. When it sells the trade-in, the retailer is subject to tax ([A.R.S. § 42-5001\(6\)](#); [Ariz. Admin. Code § 15-5-132](#)).

Customer Returns

Gross income or gross proceeds of sales do not include the value of goods returned by the customer if the seller refunds the sales price in cash or by a credit ([A.R.S. § 42-5001\(6\)](#)).

Cover Charges, Coupons, and Discounts

Cash discounts allowed to a buyer for timely payment are generally permissible deductions from the sales price. When a retailer redeems coupons issued by a manufacturer, the amounts refunded to the buyer by the retailer are not a permissible deduction from the selling price. However, coupons issued by a retailer and redeemed by the retailer as a discount on the price of the product sold are considered a reduction in the selling price, and the tax is imposed on the net sales price. ([Ariz. Admin. Code § 15-5-129.](#)) A restaurant owner's tax base includes cover charges or other minimum charges ([Ariz. Admin. Code § 15-5-1706.](#))

Finance Charges

Receipts from finance charges incurred regarding a retail sale of tangible personal property are not subject to tax if the charges both:

- Are separately stated as part of the sales transaction.
- Result from the sale of property on credit or under an installment contract.

([Ariz. Admin. Code § 15-5-106.](#))

Destination Management Companies

Destination management companies (those in the business of coordinating with third parties for services like transportation, entertainment, food, and recreational services) are not subject to transaction privilege tax on their gross receipts ([A.R.S. § 42-5039\(A\), \(C\)\(1\)](#)).

Instead, Arizona treats destination management companies as final consumers and users of tangible personal property, activities, or services subject to transaction privilege tax ([A.R.S. § 42-5039\(B\)](#)). Consequently, sellers providing non-exempt tangible personal property, activities, or services to destination management companies are subject to tax on those sales.

The exemption does not extend to transactions that are not part of a qualified destination services management contract.

Prime Contracting Classification Deductions and Exemptions

Arizona taxes construction activities differently than most states. Rather than imposing a sales tax on the sale of building materials to contractors (treating the contractor as the consumer of the materials), Arizona imposes its transaction privilege tax under the prime contracting classification on 65% of the contractor's gross receipts from its contracting activity. Subcontractors are exempt from this tax. ([A.R.S. § 42-5075\(B\), \(D\)](#).)

Projects involving work on existing property are exempt from the prime contracting classification, if they only involve the following activities, also known as MRRA:

- Maintenance.
- Repair.

- Replacement.
- Alteration work, with some limitations.

However, building materials used in these MRRRA projects are subject to tax under the retail classification. ([A.R.S. § 42-5075\(O\)](#).)

Retail Classification Deductions and Exemptions

The retail classification contains more than 75 exemptions or deductions from the transaction privilege tax. The following is a list of the more significant deductions and exemptions:

- Services rendered in addition to selling tangible personal property at retail.
- Warranty or service contracts.
- Sales of tangible personal property by certain limited types of non-profit organizations.
- Sales of food to restaurants for resale.
- Sales taxable under another tax classification.
- Stocks and bonds.
- Certain medical related items specifically identified by statute including prescription drugs, prosthetic appliances, insulin, insulin syringes, glucose test strips, prescription eyeglasses, contact lenses, and hearing aids.
- Items purchased with food stamps.
- Textbooks required by a state university or community college.
- Food, drink, or condiment and accessory items sold to a public school district or charter school that serves the items to students during school hours.
- State lottery tickets.
- Precious metal bullion, monetized bullion, and **cash equivalents** (including gift cards, gift certificates, money orders, and traveler's checks).
- Motor vehicle fuel.
- Sales to leasing companies that will rent the item purchased to customers.

- Tangible personal property sold to certain hospitals, healthcare organizations, or community health centers.
- Sales of property to a prime contractor or subcontractor that the contractor will incorporate into a taxable contracting project.
- Sales of motor vehicles to a nonresident if the buyer's residence:
 - does not allow a corresponding use tax exemption; and
 - the nonresident has obtained a special 90-day nonresident vehicle registration permit.
- Sales of motor vehicles to enrolled members of an Indian Tribe who live on the tribe's reservation.
- Sales by a marketplace seller facilitator where the marketplace facilitator has remitted the tax to the department of revenue.
- Machinery or equipment used directly in manufacturing, processing, fabricating, job printing, refining, or metallurgical operations.
- Machinery or equipment used in commercial mining.
- Certain designated items of tangible personal property sold to a telecommunications business.
- Machinery, equipment, or transmission lines used directly in producing or transmitting electrical power, but not including distribution.
- Certain breeding or production livestock.
- Machinery or equipment used directly to drill for or extract oil or gas for commercial purposes.
- Machinery and equipment used in research and development.
- Property incorporated into a clean room used for manufacturing, processing, fabrication, or research and development.
- Solar energy devices.
- Sales made by a marketplace seller where the marketplace facilitator must collect and remit the tax.
- Computer data center equipment sold to the owner, operator, or qualified colocation tenant of a computer center certified by the Arizona Commerce Authority.

(A.R.S. § 42-5061(A), (B).)

Retail Classification Machinery, Equipment, and Tools Used in Manufacturing and Extracting Deductions and Exemptions

Machinery and equipment exemptions are broad and encompass machinery and equipment used directly in, among other things:

- Manufacturing.
- Processing.
- Job printing.
- Refining or metallurgical operations.
- Mining.
- Certain telecommunications operations.
- Electric transmissions.

(A.R.S. § 42-5061(B).)

Equipment is used directly when it is both:

- Essential to an operation.
- Necessary to make an integrated system.

(*Duval Sierrita Corp. v. Ariz. Dep't of Revenue*, 568 P.2d 1098, 1104 (Ariz. App. 1977).)

The machinery and equipment exemption does not include, among other things:

- Expendable materials, except for some categories of tangible personal property.
- Janitorial equipment and hand tools.
- Office equipment.
- Furniture and supplies.
- Tangible personal property used in selling or distributing activities.
- Licensed motor vehicles.

- Shops.
- Buildings.
- Docks.
- Depots.
- Motors and pumps used in drip irrigation systems.

(A.R.S. § 42-5061(C).)

Multi-State Transactions

5. What types of business activities create "nexus" for sales and use tax liability in the state?

Arizona, unlike many states, has no general positive or negative "nexus" statutes or regulations. Rather, nexus considerations in Arizona are generally guided by the concepts of nexus embodied in the US Constitution's due process and commerce clauses.

In 2018, the US Supreme Court's *South Dakota v. Wayfair* decision eliminated physical presence as a prerequisite for nexus in favor of an economic nexus standard (138 S. Ct. 2080, 2099 (2018)). In response, Arizona adopted an economic nexus standard for remote sellers and marketplace facilitators in A.R.S. § 42-5044.

Arizona law requires out-of-state retailers making sales for delivery into the state, where no connection had previously been established ("remote sellers"), to file and pay transaction privilege tax to the Arizona Department of Revenue (AZDOR).

A remote seller is a seller that both:

- Sells products for delivery into Arizona.
- Does not have a physical presence or other legal requirement to obtain a transaction privilege tax license in Arizona, other than because the person's business exceeds the threshold provided in A.R.S. § 42-5044.

(A.R.S. § 42-5001(16).)

Remote sellers must file and pay transaction privilege tax if their total annual sales in the current or previous calendar year exceed:

- \$200,000 in 2019.
- \$150,000 in 2020.
- \$100,000 in 2021 and each year after that.

(A.R.S. § 42-5044(A)(1).)

Arizona has a separate economic nexus threshold for "marketplace facilitators." A marketplace facilitator is a person who assists in the transacting of a retail sale on behalf of a marketplace seller by listing or advertising the tangible personal property for sale in a marketplace and collecting payment from the buyer (A.R.S. § 42-5001(9)(a)). A marketplace can be a physical or electronic place, platform, or forum, including a store, booth, internet website, catalog, or dedicated sales software application (A.R.S. § 42-5001(8)).

A marketplace facilitator must collect and remit transaction privilege taxes on taxable sales in Arizona made through its platform on its own behalf or on behalf of at least one marketplace seller if gross retail proceeds or income for the marketplace facilitator exceeds \$100,000 annually (A.R.S. § 42-5044(A)(2)). There is no phase-in of the economic nexus thresholds for marketplace facilitators.

Remote sellers do not need to collect transaction privilege taxes on transactions when a marketplace facilitator is collecting and remitting transaction privilege taxes for them (A.R.S. §§ 42-5044(A)(1) and 42-5061(A)(60)).

6. Are there special rules for sales and use taxes on multi-state transactions?

Arizona has special rules requiring out-of-state remote sellers and marketplace facilitators making sales for delivery into Arizona to collect and remit transaction privilege tax (see [Question 5](#)). Sales made by an Arizona seller to an out-of-state customer will be considered to be a sale in interstate or foreign commerce and not subject to Arizona's tax. A sale is in interstate or foreign commerce if all of the following apply:

- The retailer receives the order from a location outside Arizona.
- The retailer ships or delivers the tangible personal property to a location outside Arizona for use outside of Arizona.

(Ariz. Admin. Code § 15-5-170(A).)

Collecting Taxes and Filing Returns

7. Who has a duty to collect and pay sales and use taxes?

Unlike most state sales taxes, Arizona imposes the transaction privilege tax on the seller, not the buyer, for the privilege of engaging in business. Any retailer (as defined in [A.R.S. § 42-5001\(17\)](#)) engaged in business in Arizona must remit transaction privilege taxes on its taxable activities (although sellers may pass on the economic burden of the tax to customers as an unspecified portion of the overall selling price or through a separately stated charge) ([A.R.S. § 42-5008](#); [Ariz. Admin. Code § 15-5-2210\(A\)](#)). A retailer must register with the state by completing an Arizona Department of Revenue Joint Tax Application (Form JT-1) ([A.R.S. § 42-5005\(A\)](#)).

An out-of-state seller with economic nexus must collect and pay both state and city transaction privilege tax ([A.R.S. § 42-5044\(A\)](#)).

Out-of-state sellers making recurring sales to Arizona customers must register with the state for the collection of use taxes ([A.R.S. § 42-5154](#)).

8. Do out-of-state sellers have a duty to collect sales and use taxes?

In Arizona, out-of-state sellers with sufficient economic nexus must collect state and city transaction privilege tax ([A.R.S. § 42-5044\(A\)](#); see [Question 7](#)).

9. What is the last day payment of sales and use tax can be made without incurring a penalty and to whom is payment made?

Taxpayers must file transaction privilege and use tax returns and pay any tax liability each month with the [Arizona Department of Revenue \(AZDOR\)](#) ([A.R.S. § 42-5014\(A\)](#)). Taxpayers whose estimated annual liability is between \$2,000 and \$8,000 may file and pay quarterly, with the AZDOR's approval. A taxpayer whose estimated annual liability is \$2,000 or less may file and pay annually ([A.R.S. § 42-5014\(B\)](#)).

Taxpayers must file their monthly return and pay the tax by the 20th day of each month following the reporting month ([A.R.S. § 42-5014\(A\)\(1\)](#)).

The return is delinquent and subject to penalties and interest if the AZDOR does not receive it by the following deadlines for:

- Monthly and quarterly filers, on or before:
 - the last business day of the month following the reporting month or quarter, if filing electronically; and
 - the second to last business day of the month following the reporting month or quarter, if filing by mail.

(A.R.S. § 42-5014(A)(2), (B)(3)(a), (b).)

- Annual filers, on or before:
 - the last business day of January of the following calendar year, if filing electronically; and
 - the second to last business day of January of the following calendar year, if filing by mail.

(A.R.S. § 42-5014(B)(3)(c), (d).)

Taxpayers in Arizona can file their monthly sales and use tax returns [online](#) for state, county, and city returns. Electronic filing is mandatory for taxpayers who have two or more Arizona business locations or operate under two or more business names (A.R.S. § 42-5014(L)).

Taxpayers filing under Chapter 5 (transaction privilege tax) and Chapter 6 (local sales taxes) of Title 42 of the Arizona Revised Statutes must use electronic filing if their annual total tax liability is:

- \$20,000 or more for taxable periods after December 31, 2017.
- \$10,000 or more for taxable periods after December 31, 2018.
- \$5,000 or more for taxable periods after December 31, 2019.
- \$500 or more for taxable periods after December 31, 2020.

(A.R.S. § 42-5014(M) to (P).)

The AZDOR maintains a central online portal that provides a single point for:

- State, county, and city tax licensing.
- Filing a single state, county, and city sales tax return.
- Remitting all state, county, and city sales taxes.

(A.R.S. § 42-5015.)

Taxpayers that report and pay state income tax with the following sales tax liability in the prior year must make an estimated sales tax payment each June either in the amount of one-half of the May liability or the actual tax liability for the first 15 days of June:

- \$1 million or more in 2019.
- \$1.6 million or more in 2020.
- \$2.3 million or more in 2021.
- \$3.1 million or more in 2022.
- \$4.1 million or more in 2023 and each year after that.

(A.R.S. § 42-5014(D); Arizona Department of Revenue: Publication 650 (Jan. 2021).)

The AZDOR requires taxpayers to make electronic funds transfer payments if a taxpayer's liability is greater than or equal to \$500 in tax year 2021 and after. (A.R.S. § 42-1129(A), (B); Arizona Department of Revenue: Publication 650 (Jan. 2021).)

10. What are the penalties for failure to comply with the sales and use tax statute(s)?

The following penalties apply to both Arizona transaction privilege and use taxes:

- **Failure to file a return.** Here, the taxpayer is subject to a penalty of 4.5% of the imposed tax or \$25, whichever is greater. The Arizona Department of Revenue (AZDOR) adds the penalty for each month or partial month elapsed between the due date and the date of filing, up to a maximum of 25% of the imposed tax or \$100. If a taxpayer fails to file a return after notice and demand by the AZDOR, they must pay an additional 25% of the tax or \$100, whichever is greater. (A.R.S. § 42-1125(X), (Y).) The AZDOR may also revoke any transaction privilege tax license to any person who, without reasonable cause, fails to make and file a return by the due date for 13 consecutive months (A.R.S. § 42-5005(P)).
- **Failure to provide information.** If a taxpayer fails or refuses to furnish any information requested in writing by the AZDOR without reasonable cause, then the taxpayer may be subject to a penalty of 25% of the amount of any deficiency tax assessed by the AZDOR relating to the information that was requested (A.R.S. § 42-1125(C)).
- **Failure to pay.** If a taxpayer does not pay tax on time without reasonable cause, the taxpayer is subject to a penalty of 0.5% of the unpaid amount for each month or partial month, up to a maximum of 10%. If the taxpayer is also subject to the failure to file penalty, the maximum combined penalty cannot exceed 25%. (A.R.S. § 42-1125(D).)

- **Negligence penalty.** A tax deficiency that is due to negligence without intent to defraud will result in a penalty of 10% of the amount of the deficiency (A.R.S. § 42-1125(F)).
- **Fraud penalty.** A tax deficiency due to fraud with intent to evade taxes will result in a penalty of 50% of the amount of the tax (A.R.S. § 42-1125(G)).
- **Failure to pay by electronic funds transfer.** A taxpayer who must make payment by electronic funds and fails to do so without reasonable cause is subject to a penalty of 5% of the amount of tax due as shown on the taxpayer's return (A.R.S. § 42-1125(O)). For more information on taxpayers required to pay electronically, see [Question 9](#).

Cities also impose penalties similar to state penalties. Taxpayers should consult the [Model City Tax Code](#) for more information.

11. Is the purchaser, transferee, or assignee of the assets of a business liable for the seller's unpaid sales tax?

Arizona's transaction privilege tax is a **lien** on the property of a person who sells a business or stock of goods, or quits business, if the person fails to make a final return and pay any taxes owed within 15 days after selling or quitting the business (A.R.S. § 42-1110(A)). A buyer, transferee, or assignee of the assets of a business subject to the transaction privilege tax must withhold from the purchase money an amount sufficient to cover the taxes that it must collect, as well as interest or penalties due and payable, until the seller either produces:

- A receipt from the [Arizona Department of Revenue](#) (AZDOR) showing that the seller has paid the amount due.
- A certificate stating that the AZDOR's records show no amount is due.

(A.R.S. § 42-1110(B).)

The AZDOR must respond to requests for a **tax clearance certificate** within 15 days either by issuing:

- A clearance certificate.
- A written notice indicating why it cannot issue a certificate.

(A.R.S. § 42-1110(B).)

If a buyer obtains a tax clearance certificate and a subsequent audit shows a deficiency arising before the sale of the business, the deficiency is an obligation of the seller only and does not pass to the buyer. However, if the buyer does not obtain a certificate or fails to withhold enough of the purchase price to cover the seller's outstanding tax liability, then the purchaser is personally liable for the seller's outstanding taxes, plus penalties and accrued interest. (A.R.S. § 42-1110(B).)