



# TELECOMMUNICATIONS

## **Chandler Transaction Privilege (Sales) & Use Tax**

*This serves as general information only. For complete details, please refer to the City of Chandler Tax Code.*

*June 2013*

### **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 Chandler.

### **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.

### **WHEN IS TAX DUE?**

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

### **WHAT IS THE TAX RATE?**

The tax rate for the Telecommunications classification is 2.75% of taxable income.

## **WHAT IS TAXABLE?**

Telecommunications services include providing any of the following:

1. One-way or two-way voice, sound, and/or video communication, transmission or relay over a communication channel.
2. Facsimile transmission services (FAX).
3. Relay, repeater, or beeper service.
4. Computer interface services or computer time-sharing over a communications channel.
5. Paging and dispatch services.
6. Sales of furnishings and appliances to consumers, apartment complexes, and businesses.
7. Voice mail, page mail, or fax mail.
8. Cable TV.

The following telecommunications services are also taxable:

9. Fees for connection to a telecommunications system.
10. Fees charged for access to or subscription to or membership in a telecommunications system or network.
11. Local and intrastate telephone transmissions.
12. Cellular or mobile telephone services.
13. Alarm monitoring (limited to in-state monitoring companies).

## **WHAT DEDUCTIONS ARE ALLOWED?**

1. Interstate telecommunications; charges by a provider of telecommunications services for transmissions which originate within the City of Chandler and terminate outside the State.
2. Sales to another provider of telecommunications services for resale to customers, provided the purchaser is properly licensed with the City.

3. Sales of prepaid calling cards or prepaid authorization numbers for telecommunications. (NOTE: Said sales are taxable under the Retail Classification).

Telecommunications revenue does not include charges for advertising, installation, maintenance and repair of telecommunications equipment. Please refer to the individual classifications 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.

$$\text{Example: } 1.00 + .0905 = 1.0905$$

Calculate as follows:

$$\frac{\text{Taxable Income}}{\text{Factor (1.0905)}} = \text{Computed Taxable Income}$$

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 Chandler Use Tax rate is 1.5%. Businesses are responsible for computing and paying use tax.

