

**City Talk Article for July 10, 2013**  
**City Attorney's Office**  
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**Everything You Wish You Didn't Have to Know about City Sales Taxes**

It has been said that people who complain about taxes can be divided into two groups, men and women. It has also been said that ignorance is bliss, but that is certainly not true when it comes to city sales taxes. Not knowing what your responsibilities are when it comes to filing and remitting city sales taxes can be expensive. Actually, that is an important point to clarify. Businesses do not "pay" sales and bed taxes; customers do. Businesses merely collect the taxes and then "remit" them to the City.

It is important to understand that when it comes to paying City sales taxes, you cannot be an ostrich, put your head in the sand, and hope that your obligation to *remit* the money you have collected will go away, because it never will.

Here are some other important "Did You Knows" that every business owner should keep in mind:

- Failing to file a city sales tax return is a criminal offense.
- Of course, not remitting city sales tax is a criminal offense and can lead to costly interest and penalty charges. In addition, it can result in revocation of your business license and/or liquor license.
- If you fail to remit sales taxes collected, the City can place a lien on any future tax refunds from the State.
- It is also a criminal offense to advertise or hold out to the public that a sales or bed tax is not considered as an element in the price owed by a consumer.

Another common area of confusion is the misperception by some that if something is bought in Sedona but is shipped out of the city, that no sales taxes are owed. While it is true that the City Tax Code exempts income derived from "out-of-city-sales," the devil is in the details. An "out-of-city-sale" is a sale that meets three definite criteria: (1) the transfer of title and possession must occur outside the City, (2) the stock from which the property was taken was not within the corporate limits of the City, and (3) the order is received at a permanent business location of the seller located outside the City. The place of business of the buyer is not determinative of the site of the receipt of the order. For example, paying for a work of art at a store in Sedona but asking to have it shipped out of the City, does not exempt the sale from sales taxes.

Granted, understanding exactly what is taxable and what is not can be confusing. Here are some handy on-line resources where you can go for more information about City sales taxes, also called "transaction privilege taxes."

For a full on-line version of the "Model City Tax Code" of which Sedona's Tax Code follows, go to [modelcitytaxcode.az.gov](http://modelcitytaxcode.az.gov).

For legislative updates related to sales taxes and other information, the Arizona Department of Revenue website, [azdor.gov](http://azdor.gov), is very helpful.

Finally, if you would like to speak to a city representative about a specific sales or bed tax issue, you can contact the City Finance Department at 928-204-7185.

The City is very appreciative of those businesses that faithfully and promptly *remit* the sales and bed taxes they have collected in the City's behalf from their customers. So let's continue to all work together to create a level playing field for all businesses in the City. That means everyone collects and pays (remits) their sales taxes.