

ARIZONA DEPARTMENT OF REVENUE

ARIZONA TRANSACTION PRIVILEGE TAX RULING

TPR 93-19

(Note: On 9/2/2020, the statute reference was updated to show the current number. See footnote for details. No substantive changes were made.)

This substantive policy statement is advisory only. A substantive policy statement does not include internal procedural documents that only affect the internal procedures of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona administrative procedure act. If you believe that this substantive policy statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes § 41-1033 for a review of the statement.

ISSUE:

Taxation of layaway sales.

APPLICABLE LAW:

Arizona Revised Statutes (A.R.S.) § 42-5061(A)¹ levies the Arizona transaction privilege tax under the retail classification as follows:

The retail classification is comprised of the business of selling tangible personal property at retail. The tax base for the retail classification is the gross proceeds of sales or gross income derived from the business.

DISCUSSION:

A layaway sale is a transaction in which a seller agrees to hold property for a purchaser conditioned on payment by the purchaser of the agreed sales price in a series of deposits to be made within a specific period of time.

¹ This ruling originally cited A.R.S. § 42-1310.01.A which was renumbered as A.R.S. § 42-5061(A).

The gross receipts from layaway sales are subject to transaction privilege tax under the retail classification when title or possession of the property is transferred to the purchaser.

The layaway agreement may provide that the deposits made by the purchaser are non-refundable. In this case all non-refundable deposits retained by the seller are considered to be gross receipts under the retail classification and subject to the transaction privilege tax at the time the deposits are determined to be non-refundable. In the event of a default by the purchaser, only the non-refundable deposits (not the full sales price) are includable in the seller's gross receipts.

If a non-refundable charge is imposed on customers for use of the layaway service, the charge is part of gross receipts and subject to the transaction privilege tax. The charge is not considered to be a finance charge because the seller is not extending credit pursuant to the layaway sale. A layaway sale is made upon the condition that the customer may not obtain title or possession until the full purchase price is paid.

RULING:

The gross receipts from layaway sales including non-refundable deposits and non-refundable service charges are subject to the Arizona transaction privilege tax when title or possession transfers to the purchaser or at the time the receipts from the transaction are determined to be non-refundable, whichever occurs first.

Harold Scott, Director
Signed April 16, 1993

Explanatory Notice

The purpose of a tax ruling is to provide interpretive guidance to the general public and to department personnel. A tax ruling is intended to encompass issues of law which are not adequately covered in statute, case law or administrative rules. A tax ruling is a position statement which

provides interpretation, details or supplementary information concerning the application of the law. **Relevant statute, case law, or administrative rules, as well as a subsequent ruling, may modify or negate any or all of the provisions of any tax ruling.** See GTP 92-1 for more detailed information regarding documents issued by the Department of Revenue.