

ARIZONA DEPARTMENT OF REVENUE

ARIZONA TRANSACTION PRIVILEGE TAX RULING

TPR 93-22

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:

The tax treatment of subscription income from the sale of Arizona publications to out-of-state purchasers.

APPLICABLE LAW:

Arizona Revised Statutes (A.R.S.) § 42-1310.05.A states that the publication classification is comprised of the business of publishing newspapers, magazines or other periodicals and publications if published in this state.

A.R.S. § 42-1310.05.B states that the tax base for the publication classification is the gross proceeds of sales or gross income derived from the business, including the gross income derived from notices and subscription income.

A.R.S. § 42-1310.05.C states that "subscription income" includes all circulation revenue, except amounts actually retained by or credited to carriers and other vendors as compensation for sale or delivery of publications, and revenue from publications sold, directly or through wholesalers or jobbers, to retailers for resale.

Arizona Administrative Code (A.A.C.) R15-5-1305 states that income from publications, other than books, mailed or distributed from a point within this state to a point outside the state, is subject to tax under the publications classification.

DISCUSSION:

OUT-OF-STATE SUBSCRIPTIONS

Subscription income derived from the sale of newspapers, magazines or other periodicals **published in this state** is subject to tax under the publication classification. This includes subscription income from such Arizona publications mailed or distributed from a point within Arizona to purchasers outside the state.

MAILING COSTS

There is no deduction from the tax base under the publication classification for mailing or other delivery service costs associated with the distribution of publications by Arizona publishers.

A.R.S. § 42-1310.05.C defines "circulation income" to include "all circulation revenue, except amounts actually retained by or credited to carriers and other vendors as compensation for sale or delivery of publications."

The statute contemplates a seller when it excludes from the tax base "amounts retained by or credited to" a carrier or other vendor. Neither the United States Post Office nor other delivery services qualify as carriers or other vendors under this concept, nor are amounts paid for such postage or delivery "retained by or credited to" the Post Office or other delivery service. Thus, mailing and other delivery service costs are not deductible under the publication classification.

RULING:

Subscription income from sales of newspapers, magazines or other periodicals published in this state and mailed or distributed from a point within Arizona to purchasers outside the state is subject to tax under the publication classification.

Mailing and other delivery costs associated with such subscriptions are not deductible from the tax base.

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.