

ARIZONA DEPARTMENT OF REVENUE

ARIZONA TRANSACTION PRIVILEGE TAX RULING

TPR 93-5

(Note: On 8/28/2020 the statute numbers and the number for the cross referenced procedure were updated to reflect current numbers and the footnotes were added. See footnotes for more 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:

Sales or rentals of copying equipment to persons engaged in business under the job printing classification.

APPLICABLE LAW:

A.R.S. § 42-5061(A)¹ states in part:

The tax base for the retail classification is the gross proceeds of sales or gross income derived from the business.

A.R.S. § 42-5061(B)² provides that:

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

² This ruling originally cited A.R.S. § 42-1310.01.B which has been renumbered as A.R.S. § 42-5061(B).

[T]he gross proceeds of sales or gross income derived from sales of the following categories of tangible personal property shall be deducted from the tax base:

1. Machinery or equipment used directly in ... job printing. ...

A.R.S. § 42-5159(B)(1)³ provides a similar exemption from the use tax.

A.R.S. § 42-5071(B)(2)⁴ provides an exemption for:

Leases or rentals of tangible personal property which, if it had been purchased instead of leased or rented by the lessee, would have been exempt under A.R.S. § 42-5061⁵, subsection B. ...

A.R.S. § 42-5009⁶ states in part:

A. A person who conducts any business classified under this article may establish entitlement to the allowable deductions from the tax base of that business by both:

1. Marking the invoice for the transaction to indicate that the gross proceeds of sales or gross income derived from the transaction were deducted from the tax base.

2. Obtaining a certificate executed by the purchaser indicating the name and address of the purchaser, the precise nature of the business of the purchaser, the purpose for which the purchase was made, the necessary facts to establish the appropriate deduction and the tax license number of the purchaser to the extent the deduction depends on the purchaser conducting business classified under this article and a certification that the person executing the certificate is

³ This ruling originally cited A.R.S. § 42-1409.B.1 which has been renumbered as A.R.S. § 42-5159(B)(1).

⁴ This ruling originally cited A.R.S. § 42-1310.11.B.2 which has been renumbered as A.R.S. §42-5071(B)(2).

⁵ See footnote number 2.

⁶ This ruling originally cited A.R.S. § 42-1316 which has been renumbered as A.R.S. § 42-5009.

authorized to do so on behalf of the purchaser. The certificate may be disregarded if the seller has reason to believe that the information contained in the certificate is not accurate or complete.

B. A person who does not comply with subsection A of this section may establish entitlement to the deduction by presenting facts necessary to support the entitlement, but the burden of proof is on that person.

A.R.S. § 42-5066(A)⁷ states that:

The job printing classification is comprised of the business of job printing, engraving, embossing and copying.

Arizona Administrative Code (A.A.C.) rule R15-5-1104⁸ states in part:

A printer is defined as any person who copies or reproduces an article by any means, process, or method.....Examples include: multigraphing, lithographing, photostating, multilithing, and other similar means of duplicating.

DISCUSSION:

Any person who derives income from copying or reproducing an article by any means, process or method is subject to tax under the job printing classification.

Machinery or equipment used directly in job printing is exempt from tax. A job printer may use equipment such as photocopy machines, laser printers and fax machines to copy or reproduce an article.

⁷ This ruling originally cited A.R.S. § 42-1310.06.A which has been renumbered as A.R.S. § 42-5066(A).

⁸ A.A.C. R15-5-1104 has been repealed. However, the information it contained is now in the definitions of "printer" and "job printing" in A.A.C. R15-5-1101.

RULING:

Sales or rentals of machinery or equipment, including equipment such as photocopy machines and laser printers, that are used directly in job printing are not subject to the transaction privilege tax or the use tax if the purchaser is licensed to conduct business under the job printing classification.

Sales or rentals of equipment such as copy machines and laser printers to persons who are not job printers, or to job printers for a use other than for use directly in job printing, are subject to tax.

The seller or lessor may establish entitlement to a deduction from the tax base by marking the invoice and obtaining a certificate executed by the purchaser as prescribed by A.R.S. §42- 1316⁹. A person who does not comply with these requirements may establish entitlement to the deduction by presenting facts necessary to support the entitlement, but the burden of proof is on that person. See TPP 17-1¹⁰ for further information regarding documenting a deduction from the tax base.

Paul Waddell

Signed February 19, 1993

⁹ See footnote 6.

¹⁰ This ruling originally referenced TPP 92-1 which was rescinded. TPP 17-1 is the current procedure that provides this information.