

ADVERTISING & PUBLISHING

ADVERTISING

YOU OWE TAX ON ADVERTISING IF:

You are in the business of selling “local advertising” within the city. This tax is due on the gross income of persons engaging in such businesses as billboards, direct mail, radio, television, etc. The commissions and fees retained by an advertising agency are not part of the taxable income. (Mesa Tax Code 5-10-405)

Transactions between related companies or persons are taxable by the City of Mesa. See Mesa City Code Section 5-10-100 for the definition of a “Person”, Section 5-10-210 “Determination of gross income: transactions between affiliated companies or persons”, and Section 5-10-220 “Determination of gross income: artificially contrived transactions”.

TAX RATE ON ADVERTISING

The tax rate is 2.0% of the taxable income from “local advertising.”
City Business Code 018 “ME”

WHAT IS “LOCAL ADVERTISING”?

Advertising is considered “local advertising” unless it fits one of the following “national advertising” categories:

- A product or service which is sold nationally or at least in other areas as well as Arizona. To qualify, the ad must not name just one specific Arizona business or one chain of Arizona businesses. It may name several different businesses.
- A facility or service which is not located in Arizona.
- A product which can only be purchased from an out-of-State supplier.
- Political advertising for a United States Presidential or Vice Presidential candidate.
- Advertising by means of a coupon for a product good at any business, which carries the product. This does not apply if the coupon is only good at one business or business chain.
- Advertising a transportation service which includes substantial interstate or foreign carriage.

These examples are typically “national advertising” when the ad does not name a specific Arizona business or chain:

- A soft drink sold nationally and available in numerous stores.
- A new movie.
- A Las Vegas hotel.

- A Caribbean cruise.
- Lots for sale in San Diego.
- A coupon for purchase of toothpaste.
- DVD’s, CD’s and tapes by mail order from out of state.
- An airline company.
- A railroad.

The following are some examples of “local advertising” and are taxable:

- A chain of stores including some within the State when only the common business name is identified.
- Sales of real estate located within the State.
- A health care facility located within the State.
- An ad for a hotel/motel chain as long as the ad identifies any location within the State.
- Stockbrokers, real estate brokers, etc. doing business within the State.
- A nonprofit organization which has an office within the State
- Political ads except for President & Vice President.
- A restaurant chain which has an outlet within the State.
- Service businesses when the service is provided within the State.
- Coupons which can be redeemed only at a location within the State.
- Entertainment events which will be held at a location within the State.

WHEN IS AN ADVERTISING BUSINESS OPERATING “WITHIN THE CITY”?

Businesses are generally considered to be doing business in the City if a major portion of their dissemination facilities are located in the City. A broadcasting studio located in the City is an example.

Outdoor advertising such as billboards is taxable based on the city in which the billboard is located.

Advertising income from newspapers and periodicals is taxable as part of the tax on “publishing.”

PUBLISHING

YOU OWE TAX ON PUBLISHING IF:

You are in the business of publishing newspapers, magazines, or other periodicals in the City. This also includes distributing and delivering publications in the City which are

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ADVERTISING & PUBLISHING

published elsewhere. The printing and sale of books is taxable under the “job printing” and “retail” categories of the tax code, not publishing. (Mesa Tax Code 5-10-435)

TAX RATE ON PUBLISHING

The tax rate on publishing is 2.0% of taxable income.

City Business Code 009 “ME”
State Business Code 009 “MAR”

WHAT IS PUBLISHING INCOME?

The gross income from subscriptions, notices, and local advertising as defined above is taxable. The portion of the income which a carrier or vendor keeps as payment for delivery is not taxable. Also you may deduct sales of publications to retailers who are buying them for resale. The income from publishing is allocated to the cities based on circulation as described below.

ALLOCATING THE INCOME FROM PUBLISHING

If your publication is distributed in more than one city, the income is allocated to each city in which your publication is distributed for purposes of reporting the taxable income.

This allocation is based on the percentage of the circulation within each of these cities. After computing this allocation, there is often a portion of the income which has not been allocated to a city for tax purposes. This occurs because some cities may not tax publishing or because part of the circulation occurred in unincorporated areas. This remaining portion should be reported to the city of your location of publication.

For purposes of computing the allocations, publications distributed through the U.S. mail should be treated as being distributed at the location of publication. Your location of publication is the location of either your editorial offices or your printing facilities.

CALCULATING THE TAX (Tax Factoring)

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 and obtain the “Net Taxable”. To determine the factor, add one (1.00) to the total of state, county, and city tax rates.

Advertising Income Example (Total Tax Rate 2%): $1.00 + .0200 = 1.0200$

Calculate as follows:

Gross Income / Factor (1.0200) = Net Taxable Income

$\$1000/1.0200 = \980.39 (net taxable); the tax factor deduction is \$19.61

Tax Due Mesa: $\$980.39 \times 2\% = \19.61

Tax Due State/Maricopa County – not taxable
Total Tax = \$19.61 (should always match the total tax factor amount)

Publishing Income Example (Total Tax Rate 8.3%): $1.00 + .063 + .020 = 1.083$

Calculate as follows (example assumes no advertising income):

Gross Income / Factor (1.083) = Net Taxable Income

$\$1000/1.0830 = \923.36 (net taxable); the tax factor deduction is \$76.64

Tax Due Mesa: $\$923.36 \times 2\% = \18.47

Tax Due State/Maricopa County: $\$923.36 \times 6.3\% = \58.17

Total Tax = \$76.64 (should always match the total tax factor deduction amount)

This publication is for general information only about Transaction Privilege (Sales) Tax on income from advertising and publishing. This is an informal and nonbinding communication. For complete details, refer to the City of Mesa Privilege & Excise Tax Code and related regulations. In case of inconsistency or omission in this publication, the language of the Tax Code will prevail. The transaction privilege tax is commonly referred to as a sales tax; however, the tax is on the privilege of doing business in Mesa and is not a true sales tax.

FOR TPT LICENSING INFORMATION CONTACT:

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<https://www.aztaxes.gov>
602.255.3381

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