

# HOTELS & MOTELS

## **YOU OWE TAX ON HOTELS AND MOTELS IF:**

You are operating a hotel or motel in the city.

(Mesa Tax Code Sec 5-10-444 & 447)

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".

Examples of hotel/motel income which is taxable includes, but is not limited to:

- Guest room charges
- Meeting/banquet room charges
- Food/beverage charges
- Movie charges
- Local telephone call charges
- Commissions received on vending machine income

## **TAX RATE ON HOTELS AND MOTELS**

The city Transaction Privilege Tax (TPT) rate on hotels/motels is 2.0% of taxable income. In addition to the TPT, hotels/motels are also subject to the Transient Lodging Tax (TLT), which is discussed below.

## **COLLECTION OF TRANSACTION PRIVILEGE TAX**

You may choose to charge the TPT separately on each sale or include TPT in your price. If you over charge any tax to your customers, you must remit the excess tax to the city.

If your price includes TPT, you can compute how much of the total price is TPT. You may deduct the total city, state, and county transaction privilege taxes from your gross receipts.

## **TRANSIENT LODGING TAX**

This tax is imposed on the occupancy of space or use of furnishings or other services or accommodations in a hotel, motel, or any other structure intended for occupancy by transients for dwelling, lodging, or sleeping purposes for a period of 29 consecutive calendar days or less.

## **TRANSIENT LODGING TAX RATE**

The TLT rate is 5.0% of the total amount charged for occupancy of space including the use of furnishings. This tax is assessed above and beyond the 2.0% transaction privilege tax. (Note: The TLT rate increased from 3% to 5% on 01/01/2011.)

## **OCCUPANCY FOR OVER 29 DAYS**

The TLT only applies to lodging furnished to transients. A transient is a person who obtains lodging on a daily or weekly basis; or other basis for not more than 29 consecutive days.

In cases where the transient stays for more than 29 days, and a binding lease or prepayment is in place at the inception of the stay, then the entire length of the stay would not be subject to the TLT. In cases where the transient stays for more than 29 days, however, does so on a daily, weekly, or other basis that is in increments of less than 30 days, then the entire length of stay would be subject to the TLT. TPR 94-5; 5/25/94 Definition of "transient". See the Arizona Department of Revenue website:

The TPT (2.0%) is due regardless of the length of stay.

## **BUSINESS CODES**

- 025 Transient Lodging for State "MAR"
- 044 Hotel Code for City of Mesa "ME"
- 144 Additional Transient Lodging Tax "ME"

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## TAX MATRIX

TPR-06-1 09/14/06 Taxation of Charges for Goods, Services or Activities Customarily Provided in the Course of the Business of Operating a Transient Lodging Facility (Effective January 1, 2007) See Arizona Department of Revenue website.

<http://www.revenue.state.az.us/ResearchStats/rulings/TPR06-1.htm>

[https://azdor.gov/sites/default/files/RULINGS\\_TPT\\_2006\\_tpr06-1-matrix.pdf](https://azdor.gov/sites/default/files/RULINGS_TPT_2006_tpr06-1-matrix.pdf)

## COLLECTION & 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.

Example (Total Tax Rate 14.27%):  
 $1.00 + .0727 + .0200 + .0500 = 1.1427$

Calculate as follows (State Transient Tax, City Hotels, City Hotel Additional Tax):

Gross Income / Factor (1.1427) = Net Taxable Income

$\$500 / 1.1427 = \$437.56$  (net taxable);  
 the tax factor deduction is \$62.44

Tax Due Mesa:  $\$437.56 * 2\% = \$8.75$

Tax Due Mesa Transient:  
 $\$437.56 * 5\% = \$21.88$

Tax Due State/Maricopa County:  
 $\$437.56 * 7.27\% = \$31.81$

Total Tax = \$62.44 (should always match the total tax factor deduction amount)

*This publication is for general information only about Transaction Privilege (Sales) Tax and Transient Occupancy Tax on hotels and motels. For complete details, refer to the applicable City 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:**  
**Arizona Department of Revenue**  
<https://www.aztaxes.gov>  
**602.255.3381**

**FOR MESA TAX INFORMATION CONTACT:**  
**480.644.3816**  
[salestax.info@mesaaz.gov](mailto:salestax.info@mesaaz.gov)



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