

## Sales/Use/Indirect:

### Arizona: Comments on Draft Ruling Addressing Transaction Privilege and Use Tax Nexus and Sourcing are Due September 30

*Arizona Transaction Privilege Tax Ruling TPR 24-XX*, Ariz. Dept. of Rev. (8/12/24). The Arizona Department of Revenue posted a draft Arizona transaction privilege tax (TPT) ruling addressing whether an out-of-state business has substantial nexus with Arizona, and if so, how it should source its sales for Arizona TPT and use tax purposes. As currently drafted, the proposal cites Quill and Wayfair and generally concludes that an out-of-state company must have a substantial nexus with Arizona in order for Arizona to impose either the TPT or the duty to collect use tax on the business – stating that “substantial nexus exists when an out-of-state business has either substantial nexus by physical presence (applicable to all classifications) or economic nexus (applicable to the retail TPT classification)” with Arizona. The draft ruling also states that if a business establishes substantial nexus by physical presence with Arizona, then such business is subject to TPT for all business activities under all TPT classifications performed within Arizona or with Arizona customers. Moreover, a business “with only economic nexus, and no substantial nexus by physical presence, is subject to TPT under the retail classification.” The draft ruling includes several illustrative examples on nexus. Comments on this proposal are due by September 30, 2024. Please contact us with any questions.

[URL: https://azdor.gov/sites/default/files/document/DRAFT\\_RULINGS\\_TPT\\_TPR24-XX.pdf](https://azdor.gov/sites/default/files/document/DRAFT_RULINGS_TPT_TPR24-XX.pdf)

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