

Sales/Use/Indirect:

Arizona: New Ruling Addresses Transaction Privilege and Use Tax Substantial Nexus and Sourcing

Transaction Privilege Tax Ruling 24-1, Ariz. Dept. of Rev. (12/6/24). The Arizona Department of Revenue posted a new 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. The ruling 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. Specifically, the ruling 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. However, a business “with only economic nexus, and no substantial nexus by physical presence, is subject to TPT under the retail classification.” The ruling includes several illustrative examples on nexus. Please contact us with any questions.

URL: https://azdor.gov/sites/default/files/document/RULINGS_TPT_TPR24-1.pdf

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