Client News

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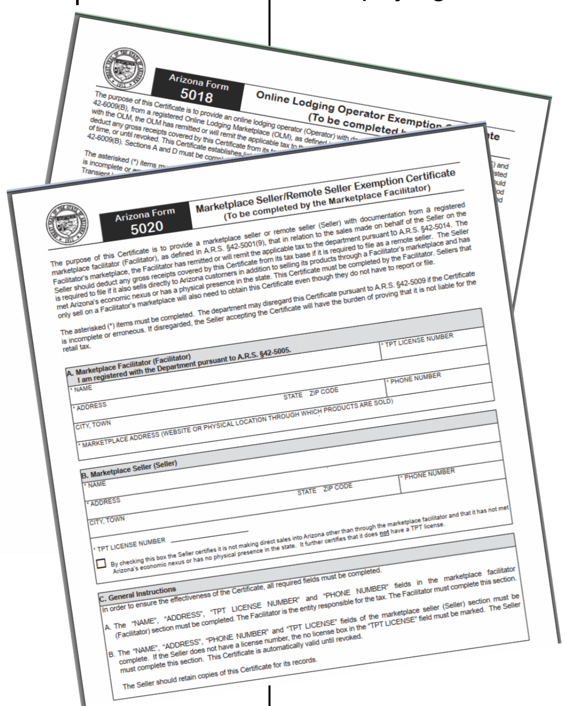
Selling online in AZ

Some small retailers now supplement their in-store sales with online sales. These online sales can add paperwork and tax complexity for the unaware.

For a pizza parlor, the process is simple. While the order may be placed online, the pizza is either picked up or delivered locally. So the "sales tax" is no different from that for an order placed and eaten in the restaurant.



Arizona Form 5018 Online Lodging Operator Exemption Certificate (To be completed by ...)

The purpose of this Certificate is to provide an online lodging operator (Operator) with ... 42-6009(B), from a registered Online Lodging Marketplace (OLM), as defined ... with the OLM, the OLM has remitted or will remit the applicable tax to the ... deduct any gross receipts covered by this Certificate from its ... of time, or until revoked. This Certificate establishes ... 42-6009(B). Sections A and D must be comp...

Arizona Form 5020

Marketplace Seller/Remote Seller Exemption Certificate
(To be completed by the Marketplace Facilitator)

The purpose of this Certificate is to provide a marketplace seller or remote seller (Seller) with documentation from a registered marketplace facilitator (Facilitator), as defined in A.R.S. §42-5001(9), that in relation to the sales made on behalf of the Seller on the Facilitator's marketplace, the Facilitator has remitted or will remit the applicable tax to the department pursuant to A.R.S. §42-5014. The Seller should deduct any gross receipts covered by this Certificate from its tax base if it is required to file as a remote seller. The Seller is required to file if it also sells directly to Arizona customers in addition to selling its products through a Facilitator's marketplace and has met Arizona's economic nexus or has a physical presence in the state. This Certificate must be completed by the Facilitator. Sellers that only sell on a Facilitator's marketplace will also need to obtain this Certificate even though they do not have to report or file.

The asterisked (*) items must be completed. The department may disregard this Certificate pursuant to A.R.S. §42-5009 if the Certificate is incomplete or erroneous. If disregarded, the Seller accepting the Certificate will have the burden of proving that it is not liable for the retail tax.

A. Marketplace Facilitator (Facilitator)
I am registered with the Department pursuant to A.R.S. §42-5005.

* NAME	* TPT LICENSE NUMBER
* ADDRESS	* PHONE NUMBER
CITY, TOWN	STATE ZIP CODE
* MARKETPLACE ADDRESS (WEBSITE OR PHYSICAL LOCATION THROUGH WHICH PRODUCTS ARE SOLD)	

B. Marketplace Seller (Seller)

* NAME	* PHONE NUMBER
* ADDRESS	
CITY, TOWN	STATE ZIP CODE

* TPT LICENSE NUMBER ______

☐ By checking this box the Seller certifies it is not making direct sales into Arizona other than through the marketplace facilitator and that it has not met Arizona's economic nexus or has no physical presence in the state. It further certifies that it does **not** have a TPT license.

C. General Instructions

In order to ensure the effectiveness of the Certificate, all required fields must be completed.

A. The "NAME", "ADDRESS", "TPT LICENSE NUMBER" and "PHONE NUMBER" fields in the marketplace facilitator (Facilitator) section must be completed. The Facilitator is the entity responsible for the tax. The Facilitator must complete this section.

B. The "NAME", "ADDRESS", "PHONE NUMBER" and "TPT LICENSE" fields of the marketplace seller (Seller) section must be complete. If the Seller does not have a license number, the no license box in the "TPT LICENSE" field must be marked. The Seller must complete this section. This Certificate is automatically valid until revoked.

The Seller should retain copies of this Certificate for its records.

Tangible goods ordered remotely and shipped out of state get more complicated. If a business has an Arizona location, it is an Arizona business and not a "remote seller." The taxes are handled the same as other in-state sales.

Although it is commonly called a sales tax, Arizona actually has a "transaction privilege tax" (TPT). The distinction is that it is not a tax on the sale but on the seller for the privilege to do business in Arizona.

That can get more confusing when the products are sold through an online marketplace (OLM), also called a marketplace facilitator. The marketplace is probably not an Arizona business, but the state still wants its tax bite.

For example, a belt or a hat in a shop's inventory is offered for sale through Etsy, based in New York City. The buyer pays Etsy. Etsy passes along the order to the Arizona shop along with the paymment less Etsy's fee. The shopkeeper then packages up the belt and ships it to the buyer.

If the marketplace is big enough -- more than $100,000 of Arizona sales a year -- the marketplace is required to register with the Arizona Department of Revenue and collect the TPT tax on behalf of the seller. Most marketplaces meet this standard.

So the state knows who is responsible for paying the taxes for the online sales, there is a form, Marketplace Seller/Remote Seller Exemption Certificate Form 5020. This form is completed by the marketplace facilitator and provides the seller with documentation about tax collection.

The seller is required to file if it also sells directly to Arizona customers in addition to selling its products through a facilitator's marketplace. Sellers that only sell on a marketplace also need to obtain this certificate even though they do not have to report or file TPT returns.

Another form is for owners who rent short-term lodging through online marketplaces such as AirBnB or VRBO. Unlike long-term residential rentals, short-term stays are taxed like hotels.

Again, the marketplace platform is responsible for handling the TPT taxes. The lodging owner should obtain a Form 5018 Online Lodging Operator Exemption Certificate from the marketplace to protect itself.