



## Tax & Licensing Division

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### Business Licensing and Privilege (Sales) Tax for Artists

The Prescott City Code requires all persons who engage in any business activity within the City to obtain an annual city business license. Business activity, as defined in Prescott City Code, Chapter 4-6-1, means transactions or orders for goods and services with a financial exchange. This includes any trade, event, amusement, profession, occupation or performance of services whether engaged in for profit or not for profit. The fee for the license is \$35 for each year.

In addition, if you engage in any taxable activities such as selling artwork, you are required to obtain a transaction privilege tax (TPT) license issued through the Arizona Department of Revenue and remit TPT on gross sales. You can visit [www.azdor.gov](http://www.azdor.gov) for additional information. When you apply for a City of Prescott business license, you will be asked to provide your TPT license. The total fee to obtain this license is a one-time \$17, consisting of \$12 for the State and \$5 for the City of Prescott.

#### Additional Business License information:

- If you sell artwork directly to your customers, a business license is required. If you only sell artwork through local galleries and do *no* direct sales, a business license may not be required.
- If you participate in a special event and are already in possession of a valid annual Business License to operate in the City of Prescott, i.e. you have a license for a store or home-based business, you will not need to obtain an additional license.
- To apply for a City of Prescott Business License, you may apply online, in person at City Hall, or an application can be e-mailed to you. You may apply at any time of the year, however, the fee is not pro-rated; the fee is \$35. The license is good for a calendar year; it will expire on December 31<sup>st</sup> of each year. Then the license must be renewed if you continue to be engaged in business activity.

#### Taxation for Artists:

A total Transaction Privilege (Sales) Tax rate of 9.10%, consisting of 6.35% State and County, 2.75% City of Prescott, is imposed on the gross income of any person engaging in the business of selling items. Sales of artwork falls into the retail tax classification. There are some exemptions that are different for the State of Arizona and the City of Prescott for artists.

The City of Prescott exempts sales of paintings, sculptures or similar works of fine art sold by the original artist. For example, an original oil painting would not be subject to tax, but a print copy would. Sales of "art creations", however are subject to tax. "Art creations" are defined as having a dual purpose, both aesthetic and utilitarian, such as jewelry, glasswork, pottery, woodwork,

metalwork, furniture and clothing. To be clear, this has to be a sale made you as the artist. If a gallery does the selling of the artwork, it is taxable.

Unlike the City of Prescott, the State of Arizona does not exempt the sale of all fine art. In order for a sale of fine art to be exempt from sales tax to the State, it must be commissioned artwork. "Commissioned artwork" is a custom, one-of-a-kind art creation made by the individual artist pursuant to the particular requirements of a specific purchaser.

In short, if you are offering artwork for sale, you will most likely be charging at least 6.35% on all sales. For prints or dual purpose art creations, you would *a/so* charge the 2.75% City of Prescott tax for a total of 9.10%.

Should you have any questions or need additional information, please feel free to contact the Tax and Licensing Division at 928-777-1268.