

BEAUTY SALONS & BARBER SHOPS

The business activities of a beauty salon or barber shop can be defined as “retail sales”, “rental, leasing, and licensing for use of real property”, and “direct customer services”.

HOW DO I DETERMINE THE PROPER CLASSIFICATION FOR AN ACTIVITY?

Retail Sales

When you sell tangible personal property (beauty supplies), that is for use outside the salon, you are considered to be making a retail sale. For example, sales of shampoos, conditioners, hair clips, nail polish, etc. would be classified as retail sales.

Products that are used during the services performed which are considered inconsequential, are not subject to sales tax. For the product to be inconsequential, the product must represent less than 15% of the price charged for the service, and must be consumed during the course of the service.

Products and equipment that are not resold, but used in the ongoing business of the salon or barber shop, may be subject to use tax if no such sales tax was paid at the time of purchase. See guidelines for use tax.

Rental, Leasing, and Licensing for Use of Real Property.

If you rent a stall or space to other stylists, manicurists, or barbers, all amounts collected are subject to sales tax and as such are classified as rental, leasing or licensing for use of real property. This includes, but is not limited to, fixed based rents as well as a percentage of sales.

Direct Customer Service

If you perform an activity which does not involve the transfer of tangible personal property, the activity is considered direct customer service. Examples of direct customer services include, but are not limited to, haircuts, hair colorings, shaves, manicures, permanent waves, sets and styles.

HOW ARE THE DIFFERENT CLASSIFICATIONS TAXED?

Retail Sales

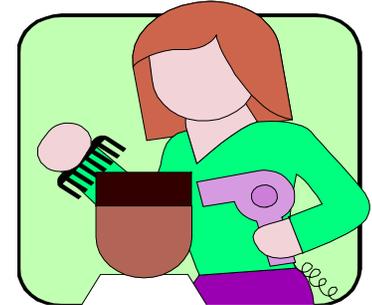
You are liable for the City of Prescott 2% tax on retail sales based on the total sales price of the tangible personal property.

Rental, Leasing, and Licensing for Use of Real Property

You are liable for the 2% tax on rental, leasing, and licensing for use of real property based on the gross income received from the stylists, manicurists, and/or barbers. A factored tax deduction may also be allowed if certain criteria is met.

PRESCOTT PRIVILEGE TAX

BEAUTY SALONS & BARBER SHOPS



Finance Department
City of Prescott
Tax & Licensing Division
P O Box 2077
Prescott, AZ 86302

For more information or to obtain a copy of
the tax code, please contact:

928 777-1268 Taxpayer Assistance Rep
928 777-1210 Privilege Tax Auditor
928 777-1231 Tax & Licensing Supervisor

Direct Customer Services

Direct customer services are not taxable.

This publication is for general information regarding Transaction Privilege (Sales) Tax on beauty salons and barber shops. For complete details, refer to the City of Prescott Privilege & Use Tax Code and related regulations. In the case of an 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, under State of Arizona law, the tax is on the privilege of doing business in Prescott and is not a true sales tax.

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