

FAQ for Artists:

Question 1: If I sell fine art, do I have to pay taxes?

Answer: You generally do not have to pay taxes to Prescott for the sale of fine art.

Question 2: What is fine art?

Answer: The first definition that comes up online for the term “fine art” is: “creative art, especially visual art, whose products are to be appreciated primarily or solely for their imaginative, aesthetic, or intellectual content.” For City tax purposes, fine art is essentially an art creation that only has aesthetic value. It does not have practical or utilitarian value.

Question 3: Are all of my “art creations” exempt from Prescott’s tax?

Answer: No. Art creations that are “dual-purpose” are taxable. A dual-purpose art creation would be a work of art that has both an aesthetic and utilitarian purpose. Examples could be jewelry, macramé, glasswork, pottery, woodwork, metalwork, furniture, and clothing, etc. These would not be exempt if created with a dual purpose in view.

Question 4: How does the State differ from the City?

Answer: Unlike the City, the State taxes fine art. However, the State has one exemption for regular sales of fine art. If the fine art is commissioned art work, it is exempt from tax. That means it has to be one-of-a-kind artwork, specified by a buyer in advance. If it is not a commissioned art creation, it is subject to State tax.

Question 5: What about print copies or bulk sales of my artwork? Are they taxable?

Answer: The exemption for the sale of fine art only covers original artwork. Copies of artwork, or mass-produced artwork (such as Kinkades, or artwork that uses a mold for sculptures, etc.), are not exempt from State or City tax.

Question 6: If I have a store or gallery sell my artwork, is it taxable?

Answer: Yes. The City exemption for sales of fine art is available only for artists who directly sell their own artwork. Indirect sales of fine art (such as through middlemen or through galleries) are taxable as retail sales.

Question 7: Do I need a City Business license?

Answer: In general yes. Anyone who sells at retail or conducts a business in Prescott needs an annual City license, which is \$35 per year.

Question 8: Do I need a Transaction Privilege Tax (TPT) license?

Answer: Yes. You will not be able to obtain a City Business license without the State TPT license number.

Question 9: Do I need a City Business license if my artwork is sold by stores or galleries?

Answer: No, you will not need a City Business license if you do not directly sell your artwork.

Question 10: What if I sell my artwork at a “special event” in Prescott?

Answer: If you already have a City Business license, you will not need another city license for the special event. The City Business license is good for all special events during the year.

Question 11: Are my online sales of artwork taxable?

Answer: Online sales of artwork are not treated differently from any other type of retail sale. If the online sale is to an out-of-State buyer, and is shipped through common carrier or regular mail, it will be exempt as a sale in interstate commerce. If the online sale is made to an in-State buyer, it is subject to the same rules as noted above.

Question 12: Do I have to file my taxes online?

Answer: Yes, in general if you sell anything at retail in 2018 you will need to file online at AZTaxes.gov. The State still accepts some paper filings, but they are trying to save money by going paperless. In the future the State may start rejecting paper returns, so it is best to file online in order to avoid any penalties.

Question 13: How often do I have to file?

Answer: You can file annually if your total estimated tax is less than \$2,000 per year. If your total tax is estimated at \$2,000 through \$8,000, you can file quarterly (every 3 months). If your total estimated tax is more than \$8,000, you

will need to file monthly. If you sell only at certain times in the year, you may be able to register with the State as a Seasonal Filer, and file only for that portion of the year.

Question 14: What is the State Tax Rate?

Answer: 6.35%

Question 15: What is the City Tax Rate?

Answer: 2.75%

Arizona Administrative Code:

R15-5-151. Artists

A. Gross receipts from the sale of paintings, drawings, etchings, sculptures, craftwork, other artwork or reproductions of such items to final consumers shall be taxable under the retail classification if the person is making regular sales of these items.

B. Gross receipts from the sale of paints, canvasses, frames, sculpture ingredients, and other items which will become an integral part of the finished product shall not be taxable if sold to a creating artist who is regularly engaged in the business of creating and selling paintings, drawings, etchings, sculptures, craftwork, other artwork, or reproductions of such items. Sales of brushes, easels, tools, and similar items to be consumed by the creating artist shall be taxable.

C. Gross receipts from the sale by the creating artist of a painting, drawing, etching, sculpture, or a piece of craftwork that is not a reproduction of an original work shall not be taxable if:

1. The sale is a casual sale pursuant to the definition in R15-5-1812; or
2. The sale is of commissioned artwork by an individual artist.

For purposes of this rule, “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.