

## **Content #3**

### **Lease Exemption**

#### **Sale to an entity that is in the business of leasing**

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# Content #3A

## Qualifications for Exemption / Deduction

### Lease Exemption

NO TAX (State or City)

- ❖ Purchaser must be in the business of leasing what we sold to them
  
- ❖ Purchaser must be able to provide proof of business.
  - Arizona businesses must be able to provide:
    - A current Transaction Privilege license (TPT)
  - Other state businesses must be able to provide:
    - Business license or TPT license (Which ever is applicable)
  
- ❖ Purchaser must be able to provide a current completed copy of a form 5000A exemption certificate
  
- ❖ When a Parent Company is on the TPT license, but a subsidiary company or affiliate is purchasing, the Parent Company must be able to provide a listing of the names and addresses of the Subsidiary Companies & Affiliates that are allowed to purchase under the same license

**NOTE: Commercial Lease (aka, Trac Lease) is considered a resale sale; not a lease!  
(Includes Enterprise, GE Capital and etc...) see Memorandum**

# Content #3B

## Lease Exemption

NO TAX (State or City)

### Required Documentation & Self Audit Examination

#### ❖ Current Transaction Privilege License (TPT) and/or Business License

##### TPT License

- Verify the TPT is a **current** license (each TPT expires annually). **If not**, we need to prove that the business is a legit business and is currently licensed to do business in order for it to be exempt. Log into [AZTAXES.GOV](http://AZTAXES.GOV), then [license verification](#) and enter the TPT #. Print a copy of the verification and attach to the TPT license
- Verify the TPT license has a [Rental business classification code of 014](#). **If not**, we need to verify via internet the entity is in the business of leasing vehicles. Print a copy of the verification and attach to the TPT license
- Consider whether or not the Company is in the business of leasing what we sold to them *(If not sure, sometimes we need to search online & print any information for proof)*
- Verify the business name and address on the license is the name throughout the deal

##### Business License

- If there is a business license, verify it is current
- Consider if license depicts a rental/leasing business of rental
- Consider whether or not, the Company is in the business of leasing what we sold to them *(If not sure, sometimes we need to search online & print any information for proof)*
- Verify the business name on the license is the name throughout the deal

❖ **Form 5000 (Exemption Certificate)**

- Verify the purchasers information: Business name and address is completed in full
- Verify the Name and Address are the same as the TPT license or Business License
- If the form 5000A is either an Annual or Blanket certificate, verify the date of the deal is within the range of the certificate. If the deal is not within the range of the certificate, we need a copy of a new certificate
- Blanket certificates or range dated certificates should be verified annually that their TPT number is still a valid number.
- Verify that the Precise Nature of Purchaser's Business is provided, and if the answer is logical
- Verify "Description of Property Being Purchased" denotes the Make, Model & VIN number of the new purchased vehicle
- Verify the signature and title of the person signing on behalf of the business is on the form
- Verify the signature date is, approximately, the date of the deal

# MEMORANDUM

**DATE:** April 1, 2014  
**TO:** Robbyn McDowell, Controllers, Office Managers, and Accounting Billers  
**FROM:** Lorrie Terrazas; Internal Audit Director  
**RE:** Lease Posting Clarification (lease versus retail journal)

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Due to the confusion as to what constitutes a true lease versus a retail sale. The following information is to help discern between the two. Also should assist you with tax situations and which journal they should be posted in.

## Leasing Institutions:

1. Leasing Institutions such as (but not limited to) Enterprise, GE Capital, Zion Credit Corp, Ford Motor Credit, Wells Fargo Leasing & etc..., **are to be considered retail sales** (aka True Purchases). **These are usually generated through the "P" screen in ADP and have nothing to do with the "L" screen**
2. In these specific deals, you may find a lease contract between the leasing institution and the end user. The leasing institution will usually provide a lease agreement which we will have completed and signed on their behalf.
3. Our buyers order will have only the name of the leasing institution on it, being that we are selling the vehicle directly to the institution.
4. Because this is a retail sale, we would normally charge tax; however, if we have a current updated exempt form 5000 which has the box marked "in the business of leasing", then tax is not due.
5. This deal should be posted in a non tax (exempt) journal
6. The leasing institution normally dictates how they want the vehicle registered and titled.

## Financial Institutions:

1. **For a deal to be considered a lease, a lease agreement contract is generated through the "L" screen in ADP.** These can include financial institutions (but not limited to) Ford Red Carpet Lease, LFS, TFS, US Bank, GMAC, Wells Fargo Bank and etc.
2. These institutions basically finance the lease for the customer; therefore you will find a lease contract between the financial institution and the end user. The financial institution will usually provide a lease agreement which we will have completed and signed on their behalf.
3. Our buyers order will possibly have the name of the leasing institution, as well as the customer's name on it. Note: a lease buyers order will not have dollars on them.
4. Most "Lease Sales Dollars" are not taxable to the dealer and are to be taken as a deduction at the time of reporting our taxes. The portion of dollars that are taxable to the dealer, include any monies paid directly to the dealer, which is in excess of the upfront fees that the dealer must pay on behalf of the lease agreement.
5. These deals should be posted in a lease journal and should have cap cost reduction tax set (if applicable). It is not necessarily the case that cap cost reduction exist on every deal. The customer could have all of this financed in the lease; therefore, no tax will be set up.
6. The finance institution normally dictates how they want the vehicle registered and titled.



Arizona Form 5000A

Arizona Resale Certificate

- Use this form to purchase tangible personal property for resale in the ordinary course of business.
- Wholesalers must have a Transaction Privilege Tax ("TPT") or other state's Sales Tax License to purchase tangible personal property for resale.

This Certificate is prescribed by the Department of Revenue pursuant to A.R.S. § 42-5022. The purpose of the Certificate is to document the purchase of tangible personal property for resale in the purchaser's regular course of business. It is to be filled out completely by the purchaser and furnished to the vendor. The vendor shall retain this Certificate for single transactions or for specified periods as indicated below. This Certificate shall be obtained from the purchaser at the time of the sale. Incomplete Certificates are not considered to be accepted in good faith.

<b>A. Business Name and Address:</b>		<b>B. Check Applicable Box:</b>	
Name	*TPT/Sales Tax License No.	<input type="checkbox"/> Single Transaction Certificate	← or ↓
Address		<input type="checkbox"/> Period From _____ Through _____	
City	State ZIP Code	<i>You must choose specific dates for which certificate will be valid not to exceed a 12 month period.)</i>	
Vendor's Name Earnhardt . . . .			

**C. Precise Nature of Purchaser's Business:**

**D. Description of Property Being Purchased:**

year, make, model VIN #

**E.**

The following sales of tangible personal property do not require the purchaser to provide a TPT or other Sales Tax License (check appropriate box):

- Sales to the U.S. government or its departments or agencies for resale (purchased directly by the Federal Government).
- Sales to an unlicensed Arizona School District for resale (purchased directly by the school district).
- Sales to a nonprofit charitable I.R.C. § 501(c)(3) organization for resale. (Attach I.R.S. determination letter to this form.)
- Sales to a nonprofit charitable I.R.C. § 501(c)(3), (c)(4), or (c)(6) organization associated with a major league baseball team or a national professional golfing association for resale. (Attach I.R.S. determination letter to this form.)
- Sales to a nonprofit charitable I.R.C. § 501(c)(3), (c)(4), (c)(6), (c)(7), or (c)(8) organization that sponsors a rodeo featuring farm and ranch animals for resale. (Attach I.R.S. determination letter to this form).
- Sales to a nonprofit charitable I.R.C. § 501(c)(6) organization that produces, organizes, or promotes a cultural or civic related festival or event - for resale. (Attach I.R.S. determination letter to this form).

**F. Certification**

A seller that has reason to believe that this Certificate is not accurate, complete, or applicable to the transaction may not accept the Certificate in good faith and the seller will not be relieved of the burden of proving entitlement to the exemption from tax. A seller that accepts a Certificate in good faith will be relieved of the burden of proof and the purchaser may be required to establish the accuracy of the claimed exemption from tax as provided in A.R.S. § 42-5009. Subsequent use or consumption of the tangible personal property by the purchaser other than sale in the ordinary course of business will subject the purchaser to the Arizona use tax. Willful misuse of this Certificate will subject the purchaser to criminal penalties of a felony pursuant to A.R.S. § 42-1127(B).

→ I, (print full name) \_\_\_\_\_, hereby certify that these purchases are for resale in the ordinary course of business and that the information on this Certificate is true, accurate and complete. Further, if purchasing as an agent or officer, I certify that I am authorized to execute this Certificate on behalf of the purchaser named above.

→ Purchaser or Agent Signature \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_

SIGNATURE OF PURCHASER TITLE DATE