

## Content #10

# Reciprocal States - Reduced Rate Exemption

### ~Table of Contents~

- A) Reciprocal Reduced Rate Exempt Qualifications----Page 2
- B) Required Doc's & Audit Examination-----Page 3
- C) Frequently Asked Questions/Answers-----Page 6

# Content #10A

## Reciprocal States - Reduced Rate Exemption

(City tax is due & possible additional tax based on computational worksheet)

### Qualifications for Exemption / Deduction

- ❖ **RECIPROCAL STATE:** is a State that allows a “credit” for any State tax paid to another reciprocal State. Note: Arizona is considered a reciprocal State.
- ❖ The Purchaser can take possession of the vehicle **in** Arizona; must obtain a special ninety-day nonresident registration permit; however, the vehicle must be registered in the Purchaser’s State of residence
- ❖ Each Purchaser within a deal must complete a separate ADOR exempt certificate (Form 5011) in order to determine if he qualifies for the exemption & address must match the corresponding DL
- ❖ The nonresident will pay tax on the lower tax rate. (Whether it is the State of Arizona or the nonresident’s reciprocal State). **PLEASE NOTE: In the event, the nonresident State’s tax is higher, there is no advantage for this exemption and the customer gets to take advantage of the lower Arizona tax: proceed as a regular deal!**
- ❖ The dealer must complete and print out an ADOR Computational Worksheet that calculates the tax (if any) that will be paid to the State of Arizona.

**Corporate Policy:** When giving the Purchaser(s) the form 5011, the Salesperson must first update the Purchaser(s) on the law, using the following steps:

- Notify the Purchaser(s) that Earnhardt representatives are not allowed to complete the form for them, but do want to cover a few things pertaining to the form.
- Then, show the Purchaser(s) the section 2 notation at the very bottom on the 1<sup>st</sup> page of the form and make sure they understand the notation.
- Next, show the Purchaser(s) the 2<sup>nd</sup> page and explain the affirmations the Purchaser(s) is/are making when signing the form.
- Give a form to **each** Purchaser in the deal to complete and sign.
- Upon completion, verify the Purchaser(s) qualify for the exemption.

### ~ADDITIONAL NOTES BASED ON TYPE OF PURCHASER~

- ❖ **A Purchaser for a Trust must be listed as a Trustee in the trust**
- ❖ **A Business Entity’s agent must be listed in the Articles of Corporation as a member (i.e., Corp Officer, Partner, LLC member)**
- ❖ **A Military Service member must have official military orders to be stationed in AZ**
- ❖ **If a Purchaser is a student, must be enrolled as a non-resident in an Arizona Educational Institution**

# Content #10B

## Reciprocal States - Reduced Rate Exemption

### REQUIRED DOCUMENTATION / EXAMINATION

#### ❖ Trust Purchases (if applicable)

- Verify you have a copy of the Trust
- Verify the person(s) signing the purchase documentation is on the Trust
- Verify that we have all required signatures in order to substantiate the request. Review the Trust documents for a clause such as “a Trustee may not conduct business or act on behalf of our trust without the consent of the other Trustee”.
- Verify the Trust name and nonresident state address is on all other legal documents throughout the deal

#### ❖ Business Entity Purchases (if applicable)

- Verify we have a legible copy of a Business license, Transaction Privilege License or Articles of Corporation
- Verify the state listed on the license or articles is a state other than Arizona
- Verify the same address and state is listed on all purchase documentation
- Verify the Business Representative/Agent signing the purchase documentation is a member within the Articles of Corporation
- Complete due diligence by searching the web to determine if the Business entity has nexus in Arizona.
- Verify the payment for the vehicle is issued in the Entity name (i.e., business check, credit card or financing)

#### ❖ Military member stationed in Arizona (if applicable)

- Verify we have a copy of the military ID
- Verify we have copies of the official military orders
- Verify the orders indicate currently stationed at an Arizona facility

#### ❖ Arizona enrolled student (if applicable)

- Verify we have a copy of a Student I.D. Card
- Verify Student is enrolled in an Arizona educational institution
- Verify have a statement from the educational institution reflecting Student is paying out-of-state tuition fees

❖ **Driver License of each Purchaser**

- Verify the license reflects the nonresident State being claimed
- Verify the license is valid and current (must have been reasonably issued prior to any dates in the deal; the further the issuance date of the license is from the date of the deal, the better)
- Verify the license is of the actual Purchaser
- If the Purchaser is a **Trust**
  - Verify the license is of a member on the Trust
- If the Purchaser is a **Business Entity**
  - Verify the license is of the Business Representative/Agent signing on behalf of a business entity
  - Verify the license of the Representative/Agent is from the same State as the Business Entity

❖ **Nonresident Exemption Form 5011**

- Verify that a separate form was completed by each Purchaser, and that both are in the deal.
- Verify Section 1 – Seller’s information - is complete
- Verify section 2 – Purchaser’s information - was fully completed by the Purchaser
- Verify a physical address is listed on the form for the Purchaser, even though the driver license may have a PO Box listed.
- Verify for **Business Entities** –
  - The Representative/Agent’s name, personal address, phone #, & auto insurance are listed in the applicable lines.
  - The Business Entity’s information is completed as well in the applicable lines.
- Verify that every question on 1<sup>st</sup> page is answered and initialed by the Purchaser or Representative/Agent. **Exceptions:**
  - **Military Member is not** required to answer questions 1-3 on form 5011; however the **Spouse** of the Military member **is** required to answer all of the questions on form 5011 (unless also a military member)
  - **Student is not** required to answer questions 1-3 of form 5011; however the **Spouse** of the Student **is** required to answer all of the questions on form 5011 (unless also a AZ Student)
  - Verify the Purchasers actually qualified as nonresidents
- Verify page 2 (Purchaser Affirmation) was completed and signed by the Purchaser or the Representative/Agent.

❖ **Additional Form 5011 Review**

- Verify the documents in the deal to determine if there is anything that is contradicting the answer.
- **Business entities**, run a web search on line to find out if the business has nexus in Arizona

- ❖ **Auto Insurance Card**
  - Verify the policy number is the same listed on the form 5011
  - Verify the insurance card is for the Purchaser(s)
  - For a **Business Entity**
    - Verify the insurance card is for the Representative/Agent
  
- ❖ **Verify the name and address of the Purchaser (or) Business Entity is listed on all legal documents throughout the deal.**
  - Form 5011
  - Buyers Order
  - Credit application / Purchasers Statement (if applicable)
  - 90-day nonresident registration permit
  
- ❖ **90-day nonresident registration permit**
  - Verify a copy is in the deal
  - Verify the copy denotes the out-of-state, nonresident State address
  - Does not need the permit affidavit signed; it was replaced by the 2<sup>nd</sup> page of form 5011
  
- ❖ **Nonresident tax rate schedule**
  - Verify the nonresident State being claimed is a “Reciprocal State”
  - Verify the reciprocal State tax rate is lower than the Arizona State tax rate. **PLEASE NOTE: In the event, the nonresident State’s tax is higher, there is no advantage for this exemption: the customer gets to take advantage of the lower Arizona tax rate and is handled as a regular deal.**
  
- ❖ **ADOR Computational Worksheet –**
  - Verify a copy is in the deal
  - Verify the correct State was used in the worksheet
  
- ❖ **City Tax –**
  - Verify the correct amount of tax was collected and set up based on the City jurisdiction in which the sale took place
  - Verify the City tax was written at the bottom of the ADOR Computational Worksheet
  
- ❖ **TOTAL TAX –**
  - Verify the City tax was written at the bottom of the ADOR Computational Worksheet
  - Verify the tax set up includes the amount from the ADOR Computational worksheet plus (+) the City tax

## FREQUENTLY ASKED QUESTIONS

**Q1 - *What happens if a purchaser wants to register the vehicle in a different state other than where they reside?***

Purchaser must complete the form 5011 using the address on their DL; however on the second page, the state of where the customer wants to register the vehicle must be noted. Also, when completing the computational tax worksheet, the state on the DL is the state that should be used. The address used throughout the deal should be the same as the DL

**Q2A - *What happens if there are two purchasers on the deal and one has a DL from one state and the other has a DL from a different state?***

Because the DL drives the state of residency; each person must complete the form 5011 using the address/state listed on their own DL. However, when completing the computational tax worksheet, the state on the DL with the higher tax rate should be used.

**Q2A - *Then what is the address to be used on the remaining documents throughout the deal?***

The same address/state of which the tax rate was used in the computational worksheet

**Q3 - *What happens if there are two purchasers on the deal and one has a DL from one state and the other has a DL from a different state and they want to register the vehicle in yet a different state?***

As noted in previous answers – the main points to remember

- The DL is what drives the residency for each purchaser – on form 5011
- The vehicle can be registered in a different state (with exception of Arizona)
- The tax rate is driven by the DL state with the highest tax rate
- The remaining documents throughout the deal should have the same address/state of which the tax rate was used in the computational worksheet

→ \* Need a form for each purchaser. (A Seperate form)  
 → \*\* CANNOT have AN AZ DL



**Arizona Department of Revenue**  
**CERTIFICATE TO ESTABLISH RESIDENCY IN ANOTHER**  
**U.S. STATE PURSUANT TO A.R.S. § 42-5009(I)**

**ARIZONA FORM**  
**5011**

FOR PURPOSE OF A STATUTORY DEDUCTION PROVIDED BY ARS § 42-5061, SUBSECTION (A)(14), (A)(20)(a), (A)(45), OR (U); OR ARS § 42-6004 (A)(4)

**SECTION 1 - INFORMATION TO BE SUPPLIED (BY SELLER)** ← Earnhardt Representative must complete

SELLER'S NAME AND ADDRESS:

YEAR:	MAKE:	MODEL:	VIN NO.:	90 DAY PERMIT NO.:
SALES PRICE: Cash Price + Add's	PRICE ADJUSTMENTS: Rebates + Trade	NET PRICE: Taxable And	TOTAL TAXES PAID: includes City (if Applicable)	
DRIVER'S LICENSE NO. OF PURCHASER (or Entity Rep.):		STATE OF ISSUANCE: **	EXPIRES: sl/be current	

**SECTION 2 - TO BE COMPLETED BY (PURCHASER (OR ENTITY REPRESENTATIVE))** - Purchaser must complete

FULL NAME:

FULL RESIDENTIAL ADDRESS (NO P.O. BOXES):

TELEPHONE NO. OF RESIDENCE ADDRESS:	AUTO INSURANCE COMPANY:	POLICY NO.:
-------------------------------------	-------------------------	-------------

IF PURCHASER IS A NONRESIDENT ENTITY, COMPLETE THE FOLLOWING:

ENTITY NAME:

FULL BUSINESS ADDRESS:

TELEPHONE NO.:

**QUESTIONS TO BE ANSWERED AND INITIALED BY PURCHASER (OR ENTITY REP.):**

**NOTE: DO NOT** answer questions 1, 2, and 3 if you are either a Nonresident U.S. Military Service member officially stationed at an Arizona military facility, or a Nonresident Student enrolled at an Arizona Educational Institution paying out-of-state tuition fees. (PROVIDE COPY OF MILITARY ORDERS OR CURRENT STUDENT I.D. CARD)

	True	False	Initial
1. I am physically present in Arizona for at least seven (7) months of the year.....	<input type="checkbox"/>	<input type="checkbox"/>	_____
2. I am engaged in a trade, profession or occupation in Arizona in other than seasonal agricultural work or temporary seasonal work.....	<input type="checkbox"/>	<input type="checkbox"/>	_____
3. I am employed in the State of Arizona.....	<input type="checkbox"/>	<input type="checkbox"/>	_____
4. I have placed my children in an Arizona public school (K-12) without payment of nonresident tuition.....	<input type="checkbox"/>	<input type="checkbox"/>	_____
5. I attend an Arizona educational institution and pay resident status tuition rates.....	<input type="checkbox"/>	<input type="checkbox"/>	_____
6. I am an individual, partnership, company, firm, corporation or association that maintains a main office, a branch office or warehouse facilities in this state and that bases and operates motor vehicles in this state.....	<input type="checkbox"/>	<input type="checkbox"/>	_____
7. I am an individual, partnership, company, firm, corporation or association that operates motor vehicles in intrastate transportation, for other than seasonal agricultural work.....	<input type="checkbox"/>	<input type="checkbox"/>	_____
8. I am purchasing this vehicle for transfer to a resident of Arizona.....	<input type="checkbox"/>	<input type="checkbox"/>	_____
9. I have a valid driver's license issued by the State of Arizona.....	<input type="checkbox"/>	<input type="checkbox"/>	_____
10. I am registered to vote in the State of Arizona.....	<input type="checkbox"/>	<input type="checkbox"/>	_____
11. I file Resident status income tax returns, or business tax returns in the State of Arizona.....	<input type="checkbox"/>	<input type="checkbox"/>	_____
12. The insurance policy listed above (other than a temporary binder) is issued under the laws of Arizona.....	<input type="checkbox"/>	<input type="checkbox"/>	_____

**SECTION 2 INFORMATION THAT INDICATES AN ARIZONA ADDRESS, OR AN ANSWER OF TRUE TO ANY OF THE ABOVE QUESTIONS, WILL MAKE THIS PURCHASER INELIGIBLE FOR THE STATUTORY DEDUCTIONS LISTED AT THE TOP OF THIS PAGE.**

ADOR 60-5604 (9/08)

\*\* refers to the custodial parent (if purchaser is the custodial parent + has children in an AZ school - Answer is True.) (if purchaser is non-custodial + has children in an AZ school - Answer is False)

→ Purchaser must complete !!

**AFFIDAVIT OF NONRESIDENCY**

should be the state the purchaser is claiming

**AFFIRMATIONS OF PURCHASER:**

✓



I will register this vehicle in the state of \_\_\_\_\_ prior to the expiration of the 90 Day Nonresident Registration Permit, and will not use this vehicle in Arizona after this date for other than purely temporary or transitory purposes.

I will personally be liable for an amount equal to the state, county and city taxes that would have applied to a non-exempt sale, plus penalties and interest computed from the date of sale, if this vehicle is registered in Arizona within 365 days of the date of sale.

I will personally be liable for an amount equal to the state, county and city taxes that would have applied to a non-exempt sale, plus penalties and interest computed from the date of sale, if I have provided false information on this certificate.

I understand that in Arizona, it is a Class 5 Felony to "knowingly prepare, present or aid, procure or advise in preparing or presenting any return, affidavit, claim or other document which is fraudulent or is false as to any material matter, whether or not the falsity or fraud is with the knowledge or consent of the taxpayer authorized or required to present the return, affidavit, claim or document." [See A.R.S. § 42-1127(B)(2)]

I understand that I will be subject to criminal penalties if I have either omitted required information or provided false information on this certificate. [See A.R.S. § 42-1127(B)(4)]

I have verified that my driver's license information provided on Page 1 is correct.

**I hereby certify that the information I have provided on this Certificate is true, accurate and complete. Further, if I am the representative of a nonresident entity, I certify that I am authorized to execute this Certificate on behalf of the nonresident entity named above.**

Signed by:



\_\_\_\_\_  
Purchaser or Entity Representative

\_\_\_\_\_  
Date



Do need 90-Day Permit  
No longer need 90-Day Permit Affidavit - This page replaces the affidavit.



# \* EXAMPLE \*

## SALE OF MOTOR VEHICLE TO NONRESIDENT UNDER A.R.S. § 42-5061(U) AUTOMATIC WORKSHEET TO COMPUTE ARIZONA TRANSACTION PRIVILEGE TAX (ADJUSTED TO STATE TAX RATE OF NONRESIDENT), COUNTY EXCISE TAX, AND FORM TPT-1 DEDUCTIONS

**NOTE:** The imposition of CITY PRIVILEGE ("SALES") TAX is NOT affected by A.R.S. § 42-5061(U), and applies at the full rate. As this worksheet computes only STATE and COUNTY tax, city tax must be computed separately.

**FOR THE FOLLOWING AUTOMATIC WORKSHEET COMPUTATION:**

- ENTER THE NET TAXABLE SALES PRICE HERE  $\longrightarrow$  \$20,000.00
- SELECT THE NONRESIDENT'S STATE FROM THE MENU  $\longrightarrow$  WY WYOMING
- SELECT THE ARIZONA COUNTY FROM THE MENU  $\longrightarrow$  MAR MARICOPA

The State tax (B), County tax (D), and the TPT-1 Tax Base Deduction (E) will be calculated. For this transaction, the TPT-1 entries are shown below.

1. SALES PRICE SUBJECT TO TAX ..... \$20,000.00 (A) SALES PRICE

2. NONRESIDENT'S STATE TAX COMPUTATION:

(A) \$20,000.00 x WY STATE TAX RATE 0.04 = \$800.00 (B) STATE TAX

3. ARIZONA TAX BASE SUBJECT TO COUNTY TAX:

(B) \$800.00 DIVIDED BY AZ TAX RATE OF 5.6% (.056) = \$14,285.71 (C) ARIZONA TAX BASE

ARIZONA COUNTY TAX COMPUTATION:

(C) \$14,285.71 x MAR COUNTY TAX RATE 0.007000 = \$100.00 (D) COUNTY TAX

5. TAX BASE DEDUCTION AMOUNT (FORM TPT-1):

(A) \$20,000.00 MINUS AZ TAX BASE (C) \$14,285.71 = \$5,714.29 (E) TPT-1 TAX BASE DEDUCTION

REPORTING ON FORM TPT-1:

TOTAL RECEIPTS: (A) \$20,000.00 + (B) \$800.00 + (D) \$100.00 = \$20,900.00 TO COLUMN D (BELOW)

TOTAL DEDUCTIONS: (B) \$800.00 + (D) \$100.00 + (E) \$5,714.29 = \$6,614.29 TO COLUMN E (AND SCHEDULE A)

TOTAL TAX: (B) \$800.00 + (D) \$100.00 = \$900.00 = COLUMN H

SCHEDULE A			
Deduction Detail			
(K) REGION CODE	(L) BUSINESS CLASS	(M) DEDUCTION CODE	(N) DEDUCTION AMOUNT
MAR	17	531	\$5,714.29
MAR	17	551	\$900.00
Total Deductions.....			\$6,614.29

On Schedule A, use Deduction Code 531 to report the Tax Base Deduction Amount under A.R.S. § 42-5061(U)

After printing this worksheet, review Tax Rates and Calculations for accuracy.

II. TRANSACTION DETAIL (If more reporting lines are necessary, please attach continuation pages.)

(A) BUSINESS DESCRIPTION	(B) REGION CODE	(C) BUSINESS CLASS	(D) GROSS AMOUNT	(E) DEDUCTION AMOUNT	(F) NET TAXABLE AMOUNT	(G) TAX RATE	(H) TOTAL TAX AMOUNT	(I) ACCOUNTING CREDIT RATE
1 RETAIL	MAR	17	\$20,900.00	\$6,614.29	\$14,285.71	.06300	\$900.00	

THE DEPARTMENT OF REVENUE IS NOT RESPONSIBLE FOR ERRONEOUS CALCULATIONS

Revenue State, AZ, US