



This Week in State Tax (TWIST)

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Arizona: Cardinals Fumble by Not Including Facility Use Fee in TPT Base, Court Says

The Arizona Cardinals (team) dropped the ball by failing to collect state and city Transaction Privilege Tax (TPT) on a ticket surcharge, the Arizona Tax Court held in a recent ruling. The team entered into a Facility Use Fee Agreement with the Arizona Sports and Tourism Authority, requiring it to collect and remit to the Authority a fee for use of State Farm Stadium. The fees at issue here were per-ticket surcharges for events held at the stadium, including the team's home games and tickets sold through the stadium box office to other events. The fees were used to retire bonds issued by the Authority to finance the stadium.

Arizona state and city TPTs are imposed on businesses for the privilege of engaging in various types of economic activity, including amusements, the classification assigned to the team. The base of the TPT is generally defined as "the gross receipts of a taxpayer derived from trade, business, commerce or sales ... without any deduction on account of losses." In its assessment, the Department of Revenue alleged that the facility use fee fell within the definition of gross income, meaning the team should have collected TPT on the fee in addition to any tax due on the tickets.

The team contended that the facility use fee should not be included in its gross income because it acted as an agent for the Authority in collecting the fee and that the fee was imposed on ticket purchasers, not the Cardinals. Additionally, the team claimed the fee was not booked as either an expense or revenue for income tax purposes and was not subject to the NFL revenue sharing obligation. The tax court, however, determined that the definition of "gross receipts" includes all receipts from sales without deductions for expenses and that the taxpayer had cited to no authority allowing an exemption or deduction. Therefore, the tax court determined the facility use fee should be included in the TPT tax base. For further information on [Arizona Cardinals Football Club LLC v. Department of Revenue](#), contact [Eric Gee](#).

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