

This Week in State Tax (TWIST)

December 22, 2025



Arizona: There's a flag on the play; stadium user fees subject to Transaction Privilege Tax

The Arizona Court of Appeals recently affirmed a state Tax Court decision in [Arizona Cardinals Football Club LLC v. Department of Revenue](#), regarding the applicability of the Transaction Privilege Tax (TPT) to facility use fees. The Arizona Cardinals (Team) collected facility use fees as part of the total ticket price for events at the stadium and subsequently transferred the fees to the Arizona Sports and Tourism Authority, which was authorized by statute to impose and receive such fees to fund stadium operations and related public purposes. The Team argued that these fees should not be included in its taxable gross receipts as it acted merely as an agent for the Authority.

Arizona state and city TPTs are imposed on businesses for the privilege of engaging in various types of economic activity, including amusements, the business classification assigned to the Team. The TPT base is generally defined as "the gross receipts of a taxpayer derived from trade, business, commerce or sales ... without any deduction on account of losses." The Tax Court found that because the Team collected the fees directly from ticket buyers as part of the ticket sale, and the statutory amusement classification for TPT broadly covers all amounts received from admissions and user fees, the collection of the fee is taxable under the TPT statute.

The appellate court rejected the Team's agency argument, emphasizing that the transfer of the fees to a public entity did not alter the character of the fees as taxable receipts when collected by the Team. The ruling clarified that the nature of the transaction, along with statutory definitions, take precedence over contractual arrangements or the intended use of the funds. The original Tax Court ruling was covered in [TWIST on August 19, 2024](#). For further information, please contact [Eric Gee](#).

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