FREE REFERENCE

Arizona business taxes, explained for 2026

Small businesses in Arizona register with the state revenue agency for income tax withholding and sales tax, and with the Arizona Department of Economic Security for unemployment tax. Arizona has a flat 2.5% income tax, a 5.6% state sales tax and a $8,000 unemployment wage base for 2026.

QUICK FACTS

- **Income tax.** A flat 2.5% income tax for 2026
- **Sales tax.** 5.6% state rate, about 8.54% combined with local
- **Unemployment.** Employers pay Arizona unemployment tax on the first $8,000 of each worker's 2026 wages

What taxes does a small business pay in Arizona?

Most Arizona businesses deal with four: federal and state payroll taxes once they hire, sales tax if they sell taxable items, income tax on profit, and the state's annual report or franchise filing for an LLC or corporation, filed with the Secretary of State.

How do I register for payroll taxes in Arizona?

Before your first payroll in Arizona:

1. Get a federal EIN and enroll in EFTPS for federal deposits.
2. Open a Arizona withholding account with the Arizona revenue agency, so you can withhold and pay state income tax.
3. Register for unemployment insurance with the Arizona Department of Economic Security. For 2026, the tax applies to the first $8,000 of each employee's wages, at a rate the state sets for new employers and then adjusts to your history.
4. Report each new hire to Arizona's new hire registry, usually within 20 days.

Our state payroll registration guide explains each step, and our payroll service handles it for you.

General information, not tax advice for your situation.

Do I need a Arizona sales tax permit?

If you sell taxable goods or services in Arizona, yes. Register with the Arizona revenue agency before your first taxable sale. Out-of-state sellers need one once they pass Arizona's economic nexus threshold.

SALES TAX IN ARIZONA, MIDYEAR 2026	RATE
State rate	5.6%
Average local rate	2.94%
Average combined rate	8.54%
Highest local rate	5.3%

The state sets how often you file. Our sales tax permit guide covers what to have ready, and the sales tax calculator adds tax to a price.

How does Arizona tax business owners?

Profit from a sole proprietorship, LLC, partnership or S-Corp passes through to the owners, who pay Arizona income tax on it at the personal rates: a flat 2.5% income tax. Arizona allows a standard deduction of $8,350 single and $16,700 joint and a $100 credit per dependent.

Estimate yours with the Arizona income tax calculator.

Where are Arizona's tax forms and refund status?

- Arizona tax forms
- Arizona revenue agency
- Arizona refund status
- Arizona Department of Economic Security

Every state's links are on our state tax forms page.

Which calculators work for Arizona?

- Arizona paycheck calculator: take-home pay after every deduction
- Arizona income tax calculator: your 2026 state income tax
- Payroll cost calculator: what a hire costs you, with Arizona unemployment

Common questions

Do I need a sales tax permit in Arizona?
Yes, if you sell taxable goods or services there. Register with the Arizona revenue agency before your first taxable sale.

What is the Arizona unemployment wage base for 2026?
$8,000. Employers pay Arizona unemployment tax on that much of each employee's wages, at a rate the state assigns.

Does Arizona have a state income tax?
Yes. Arizona has a flat 2.5% income tax for 2026.

Who runs payroll taxes in Arizona?
The Arizona revenue agency handles income tax withholding, and the Arizona Department of Economic Security handles unemployment tax.

Want payroll handled?

We set it up, run it and file the returns. Book a free 30-minute call at eminenttax.com/contact or call (972) 347-4590.

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