



### **CITY OF PHOENIX PRIVILEGE LICENSE (Sales) TAX**

#### **WHO MUST PAY THE TAX?**

You must be licensed and pay tax if you are in the business of constructing, repairing, improving, moving, wrecking, demolishing, or otherwise altering real property. Construction Contractors include subcontractors, specialty contractors, prime contractors, and any other persons receiving consideration for supervision and/or coordination of a construction project, or any part of a project, for others.

Sales of commercial buildings within 24 months of completion, as well as sales of homes and improved lots at any time are taxed as speculative builder income. *See separate brochure.*

#### **WHAT IS THE CITY TAX RATE?**

The City's tax rate is 2.0%; the combined rate (including State & County taxes) is 8.3%.

#### **WHEN IS TAX DUE?**

Your tax return and payment are due on the 20<sup>th</sup> day of the month following the reporting period.

#### **WHICH CITY IS OWED THE TAX?**

Construction contracting tax is due to the city in which the real property under construction or repair is located.

#### **WHEN IS CONSTRUCTION CONTRACTING REVENUE TAXABLE?**

A construction contractor must report taxable revenue on a progressive billing or cash receipts basis, not at completion of contract.

#### **WHAT IS TAXABLE?**

A construction contractor is taxable on the gross income derived from construction contracting performed within the City of Phoenix. A contractor who furnishes labor only (such as a handyman) is subject to the same provisions as a contractor who furnishes both labor and materials.

*Please see Phoenix Tax Code Regulation 14-415.2 for classification of income as construction contracting or other activity.*

A contractor is liable for tax on gross income from construction contracting unless a written declaration taking responsibility for sales tax is obtained from either a construction contractor, including the contractor's Phoenix Privilege License number, or from an owner-builder declaring that he is improving the property for sale and providing the contractor with the owner-builder's Phoenix Privilege License number. Income documented in this way is exempt subcontracting income. The State Exemption Certificate (Form 5005), is available at [www.revenue.state.az.us/tpt\\_forms.htm](http://www.revenue.state.az.us/tpt_forms.htm).

Purchases or rentals of all tools, equipment or other items not directly incorporated into the construction project are subject to tax at the time of purchase or use tax reporting where a local tax is not applicable on the sale. No claim for resale or other exemption on these purchases or rentals can be made to a vendor.

### **EXAMPLES OF TAXABLE CONTRACTING ACTIVITIES INCLUDE (but are not limited to) THE FOLLOWING:**

- Construction or demolition of a building
- Road construction
- Land excavation
- Landscaping (installation or removal, but not maintenance)
- Installation of floor covering
- Signs on buildings, poles, etc.
- Home remodeling (including painting, wiring, and wallpapering)
- Construction for government agencies (Federal, State, and Local)
- Plumbing, electrical work and air conditioning
- Construction for schools, churches, and nonprofit organizations

For further information call the phone number or write to the address listed below.

### **DEDUCTIONS THAT CAN BE TAKEN (when included in the gross income on the front of your tax return):**

1. State, County and City Tax Collected whether charged separately or included in the sales price
2. Bad Debts on which tax was paid on a previous City return
3. Discounts, Refunds or Returns
4. 35% Standard Deduction computed on income after all other deductions
5. Exempt subcontracting income (see above)
6. Out-of-city contracting

### **CALCULATING THE TAX**

You may choose to charge the tax separately or you may include tax in your price. If you include tax in your price (no separate charge for tax), you may back out the tax in order to compute the amount of tax included in your gross income. *Please refer to the City of Phoenix Worksheet for the Privilege (Sales) Tax Return, Activity 02, Construction Contracting brochure to aid in the calculation of the standard 35% deduction and the tax collected deduction.*

If more tax was collected than was due, the City's portion of excess tax collected must be paid to the City, unless it is refunded to the customer. Please refer to the Privilege (Sales) Tax Instruction Sheet for instructions on how to report excess tax collected or the tax collected deduction.

This material is available in alternate formats upon request. For more information, call (602) 262-6785, press 4, 1, TTY (602) 534-5500 or write to City of Phoenix, TAX DIVISION, 251 W. Washington Street, 9<sup>th</sup> Floor, Phoenix, Arizona 85003. For more information on our licensing, tax rates, tax return instructions or a copy of the Tax Code, visit our website at [www.phoenix.gov/PLT](http://www.phoenix.gov/PLT).

*This is general information only. For complete details, refer to the City of Phoenix Tax Code.*