

January 7, 2015

As you may be aware, a new law in effect Jan. 1 will affect the way some contractors report their Transaction Privilege Tax (TPT) to the State of Arizona. There has been some confusion as to the new law and how it coincides with City business licenses.

The new law does not change anything with City business licensing. You still need one to do contracting work in Buckeye. But the new law could change how some contractor's collect and report their TPT.

Prime Contracting Changes

Effective January 1, 2015 (HB 2389), non-construction and service contractors are exempt from prime contracting on both the state and city levels. Contractors who only enter into contracts with owners of real property to maintain, repair, replace or alter their property will be subject to tax at the point of purchase on the building materials used in those projects.

All other contracting activity remains taxable under the current statutes. Contractors who only enter into contracts with owners of real property to maintain, repair, replace or alter their property are not required to obtain or renew TPT licenses.

If you are a contractor whose only business is to enter into contracts with the owner of real property for the maintenance, repair, replacement or alteration of existing property, beginning January 1, 2015, you do not need to have a TPT license. Contractors who fall under this category will now pay retail tax at the point of sale when materials are purchased.

To cancel a TPT license with the Arizona Department of Revenue, complete the Business Account Update form to indicate the effective date of the cancellation. The update form is available in the Forms section for TPT on their website. Or, when filing your final TPT-1, select the box at the top of the form that states "Final Return Cancel License."

Here is a link that will explain all of the changes in more detail:
<https://www.azdor.gov/TPTSimplification.aspx> .

I hope this clarifies the law changes for you. If you have any questions, you can reach me at (623) 349-6165, or via email at mmiller@buckeyeaz.gov .