

## Tax Information

### What is Taxable

Construction jobs are considered taxable in Oro Valley when the work is completed within the Town boundaries.

A 35% deduction is allowed for all taxable construction/contracting income.

### Factoring Sales Tax

The following information is for the calculation of tax due per job.

The factoring is based on a combined rate of 11.1%.

There is a factoring spreadsheet and a factoring chart available on the State website - [www.azdor.gov](http://www.azdor.gov). These are tools offered by the State to aid in tax calculation for construction contracting. They offer ways to combine the 35% deduction into the job cost and tax rate.

## Exemptions

Exemptions for construction and contracting are listed in the Oro Valley Tax Code under Section 8A-415 through 8A-417. Exemptions must be listed in these sections as allowable to be considered should an audit occur. The Oro Valley Tax Code link can be found in the Finance Homepage at [www.orovalleyaz.gov](http://www.orovalleyaz.gov).

Please note that we make every effort to provide adequate and accurate tax information. This brochure is meant as a guideline only. In case of inconsistency or omission in this publication or verbal information, the language of the Oro Valley Tax Code will prevail. For complete details of the code, please refer to the Finance Homepage at [www.orovalleyaz.gov](http://www.orovalleyaz.gov). A copy of the code can be provided if you do not have internet access.

The transaction privilege tax is commonly referred to as sales tax; however it is actually based on the "privilege" of doing business within the Town and is not a true sales tax.

# Construction & Contracting Tax Guidelines



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## Definition

A construction contractor is any person who, by himself or through others, alters, improves, constructs, repairs, adds to or removes from real property.

A person or business may not meet the qualifications to be a licensed contractor by the Arizona Registrar of Contractors, but would still be subject to tax under the construction category.

This category includes the activities of developers, speculative builders, general contractors, sub-contractors, owner-builders and construction/project management.

Construction activity is taxable at the location where the work is performed.

### Construction Contractor

Any person or business who alters, improves, constructs, repairs, adds or removes from real property would fall into this category. This would apply to general contractors, sub-contractors, parties hired to oversee construction (management) and anyone else involved in any type of demolition or improvement of real property.

### Owner–Builder

Any owner or lessor of real property who, by himself or through others constructs or reconstructs any improvements to real property.

### Speculative Builders

An owner-builder becomes a speculative builder if he/she sells or contracts to sell the improved real property within a period of 2 years (24 months). At that time, any prior tax paid is credited on the calculated tax due on the full sales price at close of escrow. Home developers are considered speculative builders.

This is one of the most misunderstood taxable categories. Make sure you are aware of the laws pertaining to property construction and sales.

### Construction Activity Examples

Construction or demolition of any building

Road construction and repair

Sale of improved land

Land excavation and landscape installation

Construction of government projects

Construction of schools, churches and other non-profit agencies

Home remodeling (includes painting, wallpaper, plumbing, wiring and repairs)

Air conditioning, heating and plumbing

Concrete installation and repair

Construction/project management fees

Labor only contracts for improvements or demolition of real property

### Difference between Contracting and Retail

Repairs, replacements, additions or deletions to real property, or anything that is permanently attached to real property is construction contracting.

The installation of floor coverings, cabinets and wallpaper are construction contracting. Painting is construction contracting. The installation of a sprinkler or landscaping is construction contracting.

### Reporting Taxes

Oro Valley is a program city with the State of Arizona Department of Revenue. You need a State Transaction Privilege Tax (TPT) ID # in order to report and submit Oro Valley privilege (sales) tax. The required application may be obtained on the Arizona Department of Revenue website – [www.azdor.gov](http://www.azdor.gov), or you may pick up the application at the AZDOR Tucson office located at 400 W. Congress. Their phone number is 520-628-6600.

If you already have a State TPT ID #, you can complete a TPT License Update to add Oro Valley as a program city to your current Tax ID #. On page 2 in Section C you will indicate that you are applying for an Oro Valley Tax ID #. The cost is \$2.00.

Monthly forms will be mailed from the State to complete and submit with the tax due. If you do not receive a form, they may also be downloaded from the State website – [www.azdor.gov](http://www.azdor.gov). Penalties and interest may apply for forms not submitted as required.

The State offers several training seminars on a monthly basis. There are also specific classes for construction. These seminars deal with questions on calculating and submitting tax, along with factoring and deductions.