ATRA SUPPORTS SB1068

Eliminating double taxation under the Prime Contracting TPT

Background
Unlike most states that tax construction materials at retail, Arizona taxes construction materials where the construction occurs under the prime contracting classification. Construction materials are exempt when purchased by the contractor. Those materials are ultimately taxed in the construction contract. When the current prime contracting law was established in 1978, contractors were provided a 35% deduction from the contract in recognition of labor and overhead costs. The remaining 65% was supposed to roughly represent the cost of the materials that were exempt at retail.

In recent years, many local governments have created development fees to cover the infrastructure costs associated with growth. These development fees are directly passed on to the buyer and become a part of the contract taxed under prime contracting.

Basis for ATRA’s Support
SB1068 provides an exemption for development and impact fees paid to a government entity to offset the cost to the government in providing public infrastructure.

ATRA considers a TPT on development fees charged by the governmental entity as double taxation and should therefore be exempt from the TPT base under the prime contracting classification.

SB1068 IS AN ATTEMPT TO RESOLVE A DOUBLE TAXATION ISSUE

ATRA ASKS LEGISLATORS TO VOTE YES ON SB1068!