

## Tax Rate

The sales tax rate on construction contracting is 7.85% of the gross income of the business activity, as follows:

State of Arizona	5.60%
Lake Havasu City	2.00%
Mohave County	.25%

## Procedure for Sales Tax Payment

You must apply for a sales tax license. For information or a license application, contact:

Lake Havasu City	(928) 453-4153
Arizona Dept. of Revenue	(800) 352-4090

Lake Havasu City participates in the State Collection System; therefore, you must report and pay sales tax on the state sales tax return (Form TPT-1) under Tax Code LH00.

## Factored Sales Tax

You may choose to include sales tax in the total contract price, rather than show the tax separately. If so, use the following method to "back into" the tax. If you sell an item for \$100.00, including tax, and the tax rate is 7.85%, the tax calculation is \$7.28, as follows:

Sale Price Including Tax 1 + Tax Rate	=	Sale Price Excluding Tax
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\$100.00 1.0785	=	\$92.72
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\$100.00 - \$92.72 = \$7.28 Sales Tax



## For More Information

### Finance Department

Lake Havasu City  
2330 McCulloch Blvd. N.  
Lake Havasu City, AZ 86403-5950

### Contact Numbers

(928) 453-4153 Telephone  
(928) 855-0551 Fax  
(866) 248-4150 Toll Free  
(928) 855-3945 TDD

### Web Site

[www.lhcaz.gov](http://www.lhcaz.gov)

### Email

[rookek@lhcaz.gov](mailto:rookek@lhcaz.gov)

*This brochure is for informational purposes only. Its intent is to condense and simplify the language in the Lake Havasu City Tax Code. In the event of any omissions or inconsistencies, the Lake Havasu City Tax Code will prevail over the language in this publication. Contact your tax advisor concerning your specific situation.*

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## Lake Havasu City



## City Construction Contracting Taxes Transaction Privilege (Sales) Tax

### Who Must Pay?

If you are a construction contractor, speculative builder, or owner-builder, you owe sales tax. You may choose to include sales tax in the total contract price, rather than show the tax separately. If you do the latter, you must remit the total amount collected, even if it exceeds the actual tax liability.

*Reference:*

*Lake Havasu City Tax Code  
Section 3.04-415-17 Construction Contracting*

*Prepared by:*

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**[www.lhcaz.gov](http://www.lhcaz.gov)**

## Examples of Taxable Activities

Income derived from the following construction contracting activities is subject to the contracting activities sales tax.

- √ Construction or demolition of a building.
- √ Road construction.
- √ Land excavation and landscaping.
- √ Construction for government agencies (federal, state, and local), schools, churches, or non-profit organizations (such as hospitals).
- √ Installation of permanently attached equipment.
- √ Sales and installation of floor covering, including carpeting.
- √ Home remodeling (painting, wiring, plumbing, repairs, wallpapering, etc.).
- √ Installation of solar energy devices.

### Notes

*The sale of a "new" manufactured building by a licensed dealer is subject to sales tax. Sales of "used" manufactured buildings are not taxable. (See City Code Section 3.04-427 Manufactured Buildings.)*

## Exemptions for Subcontractors

Subcontractors are not subject to the contracting activities sales tax if they meet the following criteria:

- √ The job was in the control of a prime contractor who supervised, performed or coordinated the construction work and was responsible for the completion of the contract.
- √ The prime contractor received gross receipts attributable to the job.
- √ The prime contractor was subject to tax on the gross receipts attributable to the job.
- √ The prime contractor paid the subcontractor out of the taxable gross receipts attributable to the job.
- √ The contractor was given a Prime Contractor's Certificate (ADOR Form 5005).

### Deductions

All construction contracting gross income subject to the tax is allowed a 35% standard deduction.

Speculative builders are allowed a land deduction at the fair market value. In lieu of undocumented fair market value, a deduction of 20% of the gross selling price is allowed.

## Definitions

**Construction Contractor.** One who constructs, alters, repairs, adds to, subtracts from, improves, moves, wrecks, or demolishes any type of real property. A construction contractor who furnishes labor only in the performance of the work as a contractor is subject to the same provisions as one who furnishes both labor and materials. Construction contractors shall report on a progressive billing basis or cash receipts basis.

**Owner-Builder.** A person who owns or leases real property and who acts as a construction contractor, either by himself or through others.

**Speculative Builder.** An owner-builder who sells or contracts to sell improved real property prior to completion before the expiration of 24 months after the improvements of the real property sold are substantially complete. The sale of custom, model, or inventory homes and improved residential or commercial lots is taxable even if the sale occurs after the expiration of 24 months. The gross income of a speculative builder subject to the tax is the total selling price of the improved real property. The tax liability occurs at the close of escrow or transfer of title.

At the expiration of 24 months after improvement to the property is substantially complete, an owner-builder is liable to pay sales tax on the gross income of construction contractors who were provided written declaration that they were not responsible for the tax and the purchase price of materials incorporated into the property. The tax liability occurs at the 25th month after the project was substantially complete.

**Subcontractor.** A construction contractor performing work for either another construction contractor or an owner-builder.