

YOU OWE CONSTRUCTION CONTRACTING TAX IF: | You are engaged in the business of Construction Contracting in the City of Lake Havasu. Contractors report the income from each job to the Arizona city in which the job is located, not the city in which the contractor is based.

LAKE HAVASU CITY TAX RATE: | The tax rate shall be at an amount equal to two percent (2%) of gross income. Income is any value received either as funds or bartered services or merchandise.

WHO IS A PRIME CONTRACTOR? | A prime contractor is a person who supervises, performs or coordinates the modification of any building, highway, road, railroad, excavation, manufactured building or other structure, project, development or improvement, including the contracting, if any, with any subcontractors or specialty contractors, and who is responsible for the completion of the contract.

ARE SUBCONTRACTORS TAXED? | Income from acting as a subcontractor may be exempt from tax if they meet the following criteria: The job is in the control of a prime contractor who supervises, performs or coordinates the construction work and is responsible for the completion of the contract; the prime contractor receives gross receipts attributable to the job; the prime contractor is subject to tax on the gross receipts attributable to the job and pays the subcontractor out of the taxable gross receipts attributed to the job; the subcontractor is given a prime contractors certification (ADOR form 5005).

MRRRA Projects: | Maintenance, Repair, Replacement, and Alteration activities are not subject to transaction privilege tax under the Prime Contracting classification, provided these activities meet the definitions and criteria outlined in the statutes and the transaction privilege tax is paid at the time the materials are purchased for the MRRRA project. The Arizona Department of Revenue has issued TPN 15-1 to answer FAQ's from the MRRRA perspective.

This publication can be found at:

<https://azdor.gov/reports-statistics-and-legal-research/publications>

ARE MATERIALS TAXABLE? | The retail tax does not apply to the sale of materials to a taxable prime contractor or a subcontractor if the materials are incorporated into a taxable modification construction project. However, the retail tax does apply for material incorporated into an eligible MRRRA project.

EXAMPLE:

A Prime contractor who performs both MRRRA contracts and modification projects may purchase materials tax exempt for their taxable modification projects, but must pay retail tax on the materials used for MRRRA contracts. If material were purchased tax exempt for a modification project and then later used on a MRRRA contract, the materials are subject to taxes imposed under the retail classification.

When filing your Arizona State Transaction Privilege Tax (TPT) you will use the following descriptions and codes:

State/County - MOH

Lake Havasu City - LH

Business Description	Region Code	Business Class	Percentage %
Prime Contracting	MOH	015	5.60%
Prime Contracting	LH	015	2.00%
Total			7.60%

Business Description	Region Code	Business Class	Percentage %
MRRRA	MOH	315	5.60%
MRRRA	LH	315	2.00%
Total			7.60%

This publication is for general information only about Transaction Privilege Tax (TPT) on income from "Prime Contracting" activities. This is an informal and nonbinding communication.

For complete details, refer to Lake Havasu City Code for Privilege and Excise Taxes. In case of inconsistency or omission in this publication, the language of the Tax Code will prevail. The transaction privilege tax is commonly referred to as sales tax; however, the tax is on the privilege of doing business in Lake Havasu City and is not a true sales tax.

Lake Havasu City Code in its entirety can be found at:

<https://codelibrary.amlegal.com/codes/lakehavasuicity>