

Town of Dewey-Humboldt  
P.O. Box 69, 2735 S. Hwy. 69  
Dewey-Humboldt, AZ 86329  
928-632-7362

## Construction Contracting Privilege Tax Information

The following information is provided to assist you in complying with the Dewey- Humboldt privilege tax as it applies to contracting activities conducted in the Town.

### **A) Construction Contractors:**

The business receipts from construction contractor activities performed within the Town of Dewey-Humboldt are subject to the Town transaction privilege tax of 2.0% and the 6.35 % tax levied by the state of Arizona and Yavapai County.

A construction contractor is anyone that performs an improvement to real property, such as excavating, paving, landscaping, plumbing, or painting, or the development and construction of structures, or other improvements to real property.

The Town of Dewey-Humboldt privilege tax of 2.0 % is reported on your state of Arizona privilege (sales) tax return on the line coded for Dewey-Humboldt as **"DH 015"**. All contractors, except subcontractors, are subject to the Town/state tax on their gross receipts, less a factored tax deduction and the 35% standard contracting deduction. An example of how to calculate your tax liability is detailed on the enclosed tax worksheet.

Subcontractors must document that a prime contractor will assume all liability for the privilege tax on the subcontractor's activities. The enclosed form should be completed and retained as evidence to support exempt subcontractor receipts.

### **B) Owner Builder:**

If you have performed construction contracting on your property as an owner builder, you may be liable for Town of Dewey-Humboldt privilege tax of 2.0%, which is reported on your state of Arizona privilege (sales) tax return on the line coded for Dewey-Humboldt as **"DH 037"**. As the owner-builder, you are required to pay sales tax on all material purchased for use in the construction of any house, building, fence, garage, landscape or remodel project, or any other

construction improvements made to real property. You are advised to retain all receipts from any purchase of materials as proof that you paid the applicable sales taxes at the time of purchase. You will also need to complete and retain a list of information on the contractors that have worked on your project, including names, addresses, and the amount paid for their work. All contractors hired by you are responsible to pay all applicable privilege taxes on the work they have performed on the project. If your construction includes a new home and you sell it within twenty-four (24) months after completion, you may be considered a speculative builder and liable for the Town of Dewey-Humboldt privilege tax on the sales price of the home.

### **C) Speculative Builder:**

The Town of Dewey-Humboldt levies a 2.0 % privilege tax on the construction contracting receipts of speculative builders and is reported on your state of Arizona privilege (sales) tax return on the line coded for Dewey-Humboldt as **“DH 016”**. This tax is levied on the total sales price from the sale of improved and partially improved real property, at the earlier of closing of escrow or transfer of title.

A speculative builder is an owner-builder who sells or offers to sell, at anytime, improved real property consisting: 1) custom, model, or inventory homes, despite the stage of completion; 2) improved residential or commercial lots without structures. A speculative builder is also an owner-builder who sells or offers to sell any improved real property after the improvements of the real property are substantially complete.

Improved real property includes any real property upon which: 1) a structure has been built; or 2) where improvements have been made to the land without structures, such as paving, landscaping; or 3) the subdividing of real property and all construction activities performed on such property defined as reconstruction activity; or 4) where water, power, and streets have been constructed to the property line.

The taxable amount is calculated as the total sales price less the standard 35% contracting deduction, and allowable factored tax deductions. Land is not allowed as a deduction from the sales price when calculating the taxable Town of Dewey-Humboldt receipts. Further, a tax credit is allowed for the privilege tax paid directly to a taxing jurisdiction or paid directly to a vendor for purchases of tangible personal property incorporated into the real property improvements. A credit is also allowed for Town of Dewey-Humboldt privilege tax paid or separately charged to the customer by any construction contractor on the improvements made to the real property.

To calculate the Town of Dewey-Humboldt tax due on speculative contractor receipts from the sale of a home or commercial structure, please review the enclosed worksheet that provides an example of how to do so. To calculate the Town tax due on the sale of an improved residential or commercial lot, multiply the sales price by the Town tax factor of .013 to obtain the amount of Dewey-Humboldt tax due. For example, an improved lot sold for \$100,000 would be subject to Town tax of \$1,300.00 ( $\$100,000 \times .013$ ). The state of Arizona does not tax lot sales.

Please contact please contact Deni Thompson, Town Accountant, at 928-632-7362 or [DeniThompson@dhaz.gov](mailto:DeniThompson@dhaz.gov) to discuss any questions you may have on this matter.

Example:

**Dewey - Humboldt - Construction Contracting Tax Calculation**

		\$3,082.69
1)	Contracting Receipts/Draw Amount	\$250,000.00
2)	Factor for Combined Tax Rate for Town, State, & County:	0.0514809
3)	Factored Tax: (Line 1 times line 2)	\$12,870.22
4)	Basis for Standard Deduction: (Line 1 minus line 3)	\$237,129.78
5)	Standard Deduction: (35.0% times line 4)	\$82,995.42
6)	Total Deductions: (Line 3 plus line 5)	\$95,865.64
7)	Taxable Amount: (Line 1 minus line 6)	\$154,134.36
8)	State & County Tax Due: (6.35% times line 7)	\$9,787.53
9)	Town Tax Due: (2.0% times line 7)	\$3,082.69
10)	Total State, County, Town Tax Due: (Line 8 plus line 9)	\$12,870.22