

# AUDIT NEWSLETTER 2005

City of Tucson – Tax Audit Section (520) 791-4681 Fax (520) 791-4344

December 2005

## **RIO NUEVO**

HELP GET STATE TAX DOLLARS TO REVITALIZE DOWNTOWN TUCSON.

The Rio Nuevo District includes downtown and extends along east Broadway to Park Place Mall. Businesses are to report their state sales tax for locations in the Rio Nuevo District using the “PAD” region code line on their Arizona State tax return. The increment of the current state tax over the base year comes back to Rio Nuevo. Since July 2003 the city has received \$14,858,510 in Rio Nuevo Dollars! Thank you to all of you in the district filing “PAD”! Taxpayers can call the Tax Audit Section (520-791-4681) to find out if your business is located in the Rio Nuevo District.

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Assistance is available in Spanish at 791-4681.

Topics listed below are new items or problem areas found during audits. Please check with the State of Arizona for compliance to State law.

## **INTEREST RATE CHANGE**

On October 1, 2005, House Bill 2055 went into effect. This bill affects the interest rate that is used to compute interest on delinquent taxes, audits, and tax refund requests. On October 1, 2005, the City of Tucson began using the same rate as the Arizona Department of Revenue. The interest rate is set every quarter and will go into effect on October 1<sup>st</sup>, January 1<sup>st</sup>, April 1<sup>st</sup>, and July 1<sup>st</sup>. To check the interest rate, please go to the ADOR Web Site at [www.azdor.gov/ResearchStats/rates/tptinterestrates.htm](http://www.azdor.gov/ResearchStats/rates/tptinterestrates.htm)

## **USE TAX**

On July 1, 2003, Tucson imposed a 2% Use Tax on any business or individual who purchases tangible personal property for their own use (not for resale) on which no City tax has been paid. The vendor may be located outside Arizona or in an unincorporated area of Arizona. Individuals who are not in business are exempt from the tax on purchases of \$1,000 or less per item on items bought outside the city. Use tax is also due on the rental of tangible personal property on which an equivalent City tax has not been paid. For additional information go to <http://www.cityoftucson.org/finance/UseTax.html> or call the Tax Audit Section.

## **CONTRACTING**

### **UNLICENSED CONTRACTORS**

The City of Tucson has begun a project involving researching unlicensed contractors through the building permits issued. This special project will bring all construction contractors into compliance with the City Tax Code. In the past year the city has licensed over 175 contractors. If you feel that you may need a license for contracting activity please contact the License Section at (520) 791-4566.

### **CONTRACTING JOB LOCATIONS**

To determine if a contracting job is located in the City of Tucson or in Pima County or in another city or town in Pima County you can check the Pima County Assessors Web Site at [www.asr.co.pima.az.us/apiq/index.cfm](http://www.asr.co.pima.az.us/apiq/index.cfm). The jurisdiction will be listed next to the property address.

### **SPECULATIVE BUILDING**

If you improve real property and sell it within 24 months of completion, you may be liable for tax as a speculative builder. The City of Tucson taxes speculative builders on the selling price of the improved real property less the original purchase price of the land and a standard 35% deduction. You can call the Tax Audit Section at 791-4681 for specific deductions relative to speculative building.

## **RENTAL - REAL PROPERTY**

### **LICENSING FOR USE**

The Tucson tax rate on income from non-residential real property rental is two percent (2%). The State of Arizona tax rate is zero percent (0%). If you receive a payment for allowing the owner of amusement machines, pay telephones, or vending machines to put their equipment on your property, the payments are considered licensing-for-use income. Licensing-for-use income is taxable under the rental of real property activity.

Do you personally lease property to “your corporation”? If yes, the lease payments are taxable under the rental activity. Extra charges for cleaning, common area maintenance, forfeited security deposits, late payment charges, and utilities (that are not separately metered) are all taxable.

Any real property taxes paid to the landlord or for the landlord are considered part of taxable rental income.

Rentals to all governmental entities (except Davis Monthan Air Force Base) are taxable. Rentals to all non-profits are taxable except to non-profit primary healthcare facilities that provide the landlord with annual exemption letters from the Arizona Department of Revenue and the City of Tucson.

**RETAIL**

**SALES FOR RESALE**

Sales for resale are sales of items to a person who is in the business of re-selling or renting the items to others, and is properly licensed to do so. Sales for resale are exempt from tax. For example, sales of materials that a contractor incorporates into a job are exempt from the tax. If your business has sales for resale you will need an occupational license for those resales to be exempt. An occupational license is also required for businesses with service types of income. The occupational license is billed quarterly.

**ALL BUSINESSES**

**OTHER ISSUES**

City of Tucson tax is a Business Privilege Tax. The tax is the responsibility of the business. The business passes the tax onto its customers. Generally, tax is collected based on the business location on all retail activities. If a non-profit business makes a purchase from an in-city business, the Tucson tax will apply. Sales to qualified non-profit primary health care businesses would be exempt under the retail activity. If a county resident makes a purchase from an in-city business, the Tucson tax will apply. On contracting, telecommunications, and utility activities, the tax is based on the location of the customer (job). For other activities, see the specific Tucson Code Section.

**DO YOU HAVE TAX QUESTIONS?**

If you have tax questions, please call 791-4681, Monday through Friday from 8 a.m. until 5 p.m. Because the tax collector is not bound by oral advice, you may want to receive a written response to your question. To get a written response to your questions regarding unusual transactions, please send your **detailed** explanation of the transaction to:

Revenue Administrator  
 City of Tucson  
 PO Box 27210  
 Tucson, AZ 85726-7210

**WEB PAGE: [www.cityoftucson.org](http://www.cityoftucson.org)**

This is the City of Tucson’s home page. Explore the many interesting and informative pages for departments and other items. You can access the **Business Privilege (Sales) Tax Code** from at least two city departments,

Finance and City Clerk’s Office. From the home page, access “Departments” and “click” on Finance Department ([www.cityoftucson.org/finance/](http://www.cityoftucson.org/finance/)). You will also find the Occupational License Tax Code Sections, Tax Information Brochures, Newsletters, Business Privilege Tax Return Forms, 17 Step–Business License Process, and other information and guides.

**FREE TAX SEMINARS**

Please call us at 791-4681 to register. We will ask for your name and number of attendees (needed for seating and material planning). **For 2006, eight additional seminars have been added.** There will be 12 seminars held. Four will cover general information, four will cover the Construction Contracting activity, and four will cover Retail and similar activities. Questions are welcome. It is recommended that you bring a calculator to the Contracting and Retail classes as return examples are done.

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The general seminars emphasize licensing and reporting requirements. ADOR will also be speaking.

The Construction Contracting seminars will discuss prime contracting, subcontracting, and speculative building. ADOR will not be speaking.

The Retail seminars will cover the retail activity and similar activities such as restaurants and equipment rentals. ADOR will not be speaking.

<b>Date</b>	<b>Library</b>	<b>Time</b>
<b>General Seminars</b>		
January 19, 2006	Wilmot	8:30 AM – 11:30 AM
April 12, 2006	Main	9:00 AM – 12:00 PM
July 13, 2006	Wilmot	9:10 AM – 12:10 PM
October 11, 2006	Main	9:00 AM – 12:00 PM
<b>Construction Contracting</b>		
February 8, 2006	Woods	1:30 PM – 4:30 PM
May 17, 2006	Columbus	1:30 PM – 4:30 PM
August 16, 2006	Woods	1:30 PM – 4:30 PM
November 15, 2006	Columbus	1:30 PM – 4:30 PM
<b>Retail and Similar Activities</b>		
March 15, 2006	Columbus	1:30 PM – 4:30 PM
June 14, 2006	Woods	1:30 PM – 4:30 PM
September 20, 2006	Columbus	1:30 PM – 4:30 PM
December 13, 2006	Woods	1:30 PM – 4:30 PM

**The addresses for the libraries are:**

Wilmot Library	530 N Wilmot Rd
Main Library	101 N Stone Ave
Woods Library	3455 N 1 <sup>st</sup> Ave
Columbus Library	4350 E 22 <sup>nd</sup> St