

Town of Carefree Privilege Tax

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

The business receipts from construction contractor activities performed within the Town of Carefree are subject to the Town construction transaction privilege tax of 4.0% and the 6.3% tax levied by the State of Arizona and Maricopa County.

The Town of Carefree privilege tax of 4.0% is reported on your state of Arizona privilege (sales) tax return on the line coded for Carefree as “**CA015**” for Prime Contracting, “**CA016**” for Speculative Builders, “**CA037**” for Owner Builder.

Prime Contracting Changes

Effective January 1, 2015, nonconstruction, or service contractors, are exempted from prime contracting on both the state and city levels. Contractors who only enter into contracts with owners of real property to maintain, repair, replace, or alter their property will be subject to tax at the point of purchase on the building materials used in those projects.

All other contracting activity remains taxable under the current statutes.

Contractors who only enter into contracts with owners of real property to maintain, repair, replace, or alter their property are not required to obtain or renew TPT licenses.

During the 2013, 2014, and 2015 legislative sessions, the legislature made significant changes to how Arizona transaction privilege tax (“TPT”) applies to activities involving the modification or alteration of real property. This document addresses various questions and provides examples involving the implications of the changes to the Prime Contracting classification effective January 1, 2015. This document does not address other activities that may be taxable under the Prime Contracting classification.

If you are a contractor whose only business is to enter into contracts with the owner of real property for the maintenance, repair, replacement or alteration of existing property, beginning January 1, 2015, you do not need to have a transaction privilege tax (TPT) license. Contractors who fall under this category will now pay retail tax at the point of sale when materials are purchased.

For more information, you may call the Town Sales Tax Auditor, Albert Holler, (480)940-1130.

Additional information can be found at the Arizona Department of Revenue site at <https://www.azdor.gov/Business/TransactionPrivilegeTax/TPTRates.aspx>