

## ***APPLIANCE REPAIR SHOPS***

The business activities of an appliance repair shop can be defined as either “retail sales”, “direct customer services” or “construction contracting”.

### ***HOW DO I DETERMINE THE PROPER CLASSIFICATION FOR AN ACTIVITY?***

#### **Retail Sales**

When you sell tangible personal property (refrigerators, ovens, garbage disposal), but do not install the item being sold, you are considered to have made a retail sale and are required to charge the City of Prescott 2% Transaction Privilege Tax.

If you sell consumable goods incorporated or applied to real property they are considered retail sales and not construction contracting. Examples of consumable goods are lubricants, light bulbs, furnace filters, air conditioning filters & coolant.

#### **Construction Contracting**

If you attach or install tangible personal property (except “consumable goods” which are discussed above) onto real property, you are considered to be a construction contractor. If you repair, remove, replace or modify any item installed or attached to real property you are also considered to be a construction contractor. Some examples of construction contracting activities are: repair of a door, wall, built-in oven, installation of carpeting, window screens, painting, bathroom pipe repair, garbage disposal, etc.

#### **Direct Customer Services**

If you perform an activity which does not in any way repair, replace or alter real property, the activity is considered a direct customer service. Examples of direct customer services are carpet cleaning, yard cleaning and window washing. Direct customer services do not include demolition, earth moving and wrecking activities.

### ***HOW ARE THE DIFFERENT CLASSIFICATIONS TAXED?***

#### **Retail Sales**

You are liable for tax on retail sales based on the total sales price of the tangible personal property. A deduction for sales for resale is allowed if proper documentation is maintained.

#### **Construction Contracting**

You are liable for tax on construction contracting activity based on the gross income from the activity less a 35% standard contracting deduction. A deduction is also allowed for factored tax, should you elect to include tax in a lump sum price rather than to show it separately (if this is the case, please refer to the factored tax guidelines for determining proper computation of factored tax deduction). Furthermore, if you are working for a general contractor who is not acting as an owner-builder and is responsible for payment of taxes, you may deduct this subcontracting income if proper documentation is maintained. Proper documentation would include a

subcontractor’s declaration for each job performed for the general contractor.

Construction contracting is taxable to the jurisdiction in which the job site is located.

#### **Direct Customer Services**

Direct customer services are not taxable. These services, however, must be separately itemized on your invoice to avoid taxation.

# PRESCOTT PRIVILEGE TAX

## APPLIANCE REPAIR SHOPS



To view a complete copy of the tax code,  
please go to: <http://www.cityofprescott.net>



**City of Prescott**  
**Finance Department**  
**Tax & Licensing Division**  
**201 S. Cortez Street**  
**P O Box 2077**  
**Prescott, AZ 86302**

For more information please contact:

928 777-1268 Taxpayer Assistance Rep  
928 777-1231 Privilege Tax Auditor  
928 777-1247 Privilege Tax Supervisor

This publication is for general information regarding Transaction Privilege (Sales) Tax on appliance repair shops. For complete details, refer to the City of Prescott Privilege & Use Tax Code and related regulations. In the case of an inconsistency or omission in this publication, the language of the Tax Code will prevail. The transaction privilege tax is commonly referred to as a sales tax, however, under State of Arizona law, the tax is on the privilege of doing business in Prescott and is not a true sales tax.

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