

# ***PLUMBERS***

The activities of a plumber can be defined as “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 (pipes, fittings, etc.), but do not install the item being sold, you are considered to have made a retail sale.

You are also considered to have made a retail sale when you sell consumable goods which you incorporate into or apply to real property. Examples of consumable goods are lubricants, faucet washers, and air conditioning 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: sale and installation of a water heater, installation of a sink, repair of a broken water line, replacement of a broken faucet, and modification or removal of a water line.

### **Direct Customer Services**

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

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

### **Retail Sales**

You are liable for the 2% tax on retail sales based on the total amount of the sale. A deduction for sales for resale is allowed if proper documentation is maintained.

### **Construction Contracting**

You are liable for the 2% 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 construction contracting 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 Service**

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



**City of Prescott  
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Tax & Licensing Division  
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For more information contact:

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# PRESCOTT PRIVILEGE TAX

## PLUMBERS



This publication is for general information regarding the taxation of those in the plumbing business. 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.

*June 2001*