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## **Tax Bulletin July 2008**

The City Council has adopted changes to the Mesa Tax Code. The three changes in Ordinance 4835 relate to the “Out of State Sale” definition, exemption of Solar Energy Devices and Installation, and exemption of Architectural and Engineering Fees included in a construction contract. All three changes will put the Mesa Tax Code in conformance with Arizona Revised Statutes. The effective date of these changes will be July 1, 2008.

### **1. OUT OF STATE SALES**

***This amendment requires the order to be placed from outside Arizona and removes the criteria requiring the purchaser to be a non-resident of the State. The property needs to be delivered to the buyer at a location outside the State and the property must be purchased for use outside the State.***

**Note: This definition applies to the sale of all tangible personal property, with the exception of motor vehicles for which there is different criteria as provided under MTC Section 5-10-465 (I). The sale of motor vehicles is not associated with this amendment.**

- “Out of State Sales” deductions should be taken under Code 55 on Line 9 under the deduction section on the back of the tax return. Documentation verifying the deduction should be kept in your books and records verifying the validity of the deduction.

### **2. SOLAR DAYLIGHTING AND SOLAR DEVICES**

***This amendment adds the definition of solar daylighting and solar energy device. It also adds an exemption to the construction contracting, speculative builder, and owner-builder sections for the installation of solar daylighting and solar energy devices and to the retail section for the sale of solar daylighting and solar energy devices.***

***The exemption requires the contractor, speculative builder, owner-builder, or retailer to register with the Arizona Department of Revenue as a solar energy contractor or retailer. The exemption will be available for the period***

**of July 1, 2008 to January 1, 2011.**

- **Solar Daylighting and Solar Energy Device** deductions should be taken on Lines 17 thru 20 under the deduction section on the back of the tax return as a retail or contracting line item. Documentation verifying the deduction should be kept in your books and records verifying the validity of the deduction.

NOTE: The solar deduction must be subtracted from gross income before calculating the factored tax and 35% standard contracting deductions used to determine taxable income under the construction contracting classification.

### **3. ARCHITECTURAL AND ENGINEERING SERVICES**

***This amendment adds an exemption to the construction contracting, speculative builder, and owner-builder sections for the actual direct costs of architectural and engineering fees included in a construction contract.***

- **Architectural and Engineering Services** deductions included in a construction contract should be taken on Lines 17 thru 20 under the deduction section on the back of the tax return as a contracting line item. Documentation verifying the deduction should be kept in your books and records verifying the validity of the deduction.

NOTE: The architectural and engineering services deduction must be subtracted from gross income before calculating the factored tax and the 35% standard contracting deductions used to determine taxable income under the construction contracting classification.

**Please refer to the Mesa Tax Code and Ordinance 4835 for the exact language change to the City of Mesa Tax Code. See the Tax & Licensing webpage at <http://cityofmesa.org/salestax/default.aspx> for additional information.**