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PRIVILEGE (SALES) TAX

On May 16, 2006, Mesa voters approved an increase of the City's Privilege (Sales) tax rate from one and one-half percent (1.5%) to one and three-fourths percent (1.75%). **This rate increase will take effect on July 1, 2006.**

Pre-Existing Transactions

1. Gross income received from written contracts entered into and executed prior to July 5, 2006 will be subject to the prior rate of 1.5% **ONLY** if one of the following conditions is present:
 - a. The contract language establishes that the taxpayer's customer will pay tax at the fixed rate of 1.5%; **OR**
 - b. The contract is silent about payment of tax increases by the customer to the taxpayer.

In these cases, the prior rate of 1.5% will be applicable until the earlier of either completion of the contract or when the parties renegotiate the contract.

If you have contracts that meet one of the conditions above, it will be necessary to complete a special Privilege tax return, in addition to your regular tax return. Please contact our office at (480) 644-2051 to request this special Privilege tax return. When calling, please be ready to provide the business name, Mesa Tax License number, and the estimated date of when the pre-existing contract(s) will be completed.

2. Contracts that contain general language, such as "plus applicable taxes", which allows the taxpayer to increase the contract amount to reflect the rate increase, will be subject to the 1.75% rate beginning on July 1, 2006.