

Speculative Builders

CITY OF GLENDALE PRIVILEGE LICENSE (Sales) TAX

WHO MUST PAY THE TAX?

You must be licensed and pay tax as a “speculative builder” if you are in the business of home sales or improved lot sales (residential or commercial), or if you sell or contract to sell non- residential property either prior to completion or within 24 months of completion of the building.

You must be licensed and pay tax as an “owner-builder” if, as an owner or lessor of real property, you had improvements made to non-residential property claiming exemption from contractors and/or materials suppliers on the basis that you were improving the property for sale but did not sell or contract to sell the property within 24 months of completion of the building (speculative builder).

WHAT IS THE CITY TAX RATE?

Glendale’s tax rate for the Speculative Builder classification is 2.9%; there may be no state or county tax.

WHEN IS TAX DUE?

Your tax return and payment are due on the 20th day of the month following the reporting period. Effective January 1, 2017, you must file your tax return and send your payment to Arizona Department of Revenue using their electronic filing system, www.aztaxes.gov.

WHICH CITY IS OWED THE TAX?

The tax on speculative builders or owner-builders is due to the city where the real property is located.

WHEN IS THE AMOUNT TAXABLE?

A speculative builder must report gross income at the close of escrow or at transfer of title or possession, whichever occurs earlier. An owner-builder must report taxable amounts in the 25th month after the project was substantially complete.

WHAT IS TAXABLE?

A speculative builder is taxable on the gross income derived from the sales of improved real property within the city of Glendale. An owner-builder is taxable on amounts paid to contractors or materials vendors. Both speculative builders and owner-builders are entitled to a tax credit (see page two) for city taxes paid to or through contractors or materials vendors for materials incorporated into the project.

Improved real property includes real property:

- on which a structure has been constructed, or
- where improvements were made to land with no structure (i.e., paving or landscaping), or
- which has been subdivided, improved and sold as provided by Regulation, or
- where water, power and streets (off-site improvements) have been constructed.

EXAMPLES OF TAXABLE SPECULATIVE BUILDER SALES INCLUDE (but are not limited to) THE FOLLOWING:

- Custom, model or inventory homes, including condominiums
- Improved residential lots
- Improved commercial lots
- Recently completed (in the last 24 months) non-home property with a building

DEDUCTIONS THAT CAN BE TAKEN (when included in the gross income on the front of your tax return):

1. State, county and city tax collected whether charged separately or included in the sales price.
2. Bad debts on which tax was paid on a previous city return.
3. Discounts, refunds or returns.
4. 35% Standard deduction computed on income (or construction costs of an owner-builder) after all other deductions.

CALCULATING THE TAX

You may choose to charge the tax separately or you may include tax in your price. If you include tax in your price (no separate charge for tax), you may back out the tax to compute the amount of tax included in your gross income. **Contact Tax staff at (623) 930-3190 for assistance in computing this calculation.**

CALCULATING THE TAX CREDIT

A tax credit may be taken for city taxes paid to or through contractors or materials vendors for materials incorporated into the project.

For speculative builders reporting on sales of individual parcels (units) when the construction costs and taxes have been calculated for multiple parcels, the credit must be allocated to parcels on a per parcel, per square foot or other reasonable basis.

For speculative builders reporting sales of improved real property with construction costs and taxes related solely to that property or for owner-builders, the entire credit may be taken at the time of reporting. However, the credit must not exceed the amount of tax due from the speculative builder or owner-builder activity. **Contact Tax staff at (623) 930-3190 for assistance in computing this calculation.**

If you choose to charge the tax separately and more tax was collected than was due, the City's portion of excess tax collected must be paid to the City, unless it is refunded to the customer.

For more information on tax rates and Business Licenses (different from Transaction Privilege Tax License), email taxlic@glendaleaz.com or call Glendale Customer Service at (623) 930-3190.

For more information on Transaction Privilege Tax License, State tax returns and AZTaxes, call Arizona Department of Revenue Customer Care at (602) 255-3381 or (800) 352-4090.

This is general information only. The intent is to condense and simplify the language in the Glendale City Tax Code. For complete details, refer to the Glendale City Tax Code.