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Governor

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Director

Rescission of Arizona Transaction Privilege Tax Procedure TPR 93-28

During the 2013, 2014, and 2015 legislative sessions, the legislature made significant changes to how Arizona transaction privilege tax applies to activities involving the modification or alteration of real property. The implications of the changes to the *Prime Contracting classification* effective January 1, 2015, means the underlying premise for the taxation of maintenance and warranty contracts under the Prime Contracting classification is no longer valid.

The gross proceeds of sales or gross income derived from the sale of warranty contracts and maintenance service contracts which provide for the performance of contracting services are eligible for MRRA treatment under the Prime Contracting classification. Qualifying MRRA projects are a deduction from the Prime Contracting classification and not subject to transaction privilege tax. Consequently, the underlying reason for the taxation of the sale of warranty contracts and maintenance service contracts that provided for the performance of contracting services taxable prior to January 1, 2015 no longer applies.

Arizona Transaction Privilege Tax Procedure TPR 93-28 is no longer current. Therefore, the Department hereby rescinds TPR 93-28.

Grant M. Nülle, Deputy Director

Signed: March 20, 2018