

## TPT Notice

During the afternoon of May 17<sup>th</sup> Governor Doug Ducey signed into law SB1409, changing our TPT world once again! This change to the current MRRA tax methodology was the result of many meetings, numerous phone calls and a fair amount of adult beverages. While it does not “wave a magic wand” over TPT, it does provide some simplification to the current confusion.

[Here's a link to SB1409 in its final form.](#) **NOTE:** Effective date is January 1, 2019 (see grandfathering provision covered below).

### Key elements:

- Prime contracting will not apply to contractors who are NOT required to be licensed by the Registrar of Contractors (page 1 of pdf)
- MRRA is still ‘in play’ with the ONLY change being in the commercial Alteration thresholds as follows:
  - The \$750,000 threshold remains; ALL OTHER THRESHOLDS ARE ELIMINATED (page 13 of pdf)
- Grandfathering was considered, and is defined as follows (page 22 of pdf):

*This act is effective from and after December 31, 2018. For bids submitted or contracts entered into, or any other binding obligation executed prior to December 31, 2018, the contractor shall treat such contracts or obligations in a manner consistent with the tax requirements prior to December 31, 2018.*

Residential threshold remains ‘as is’, thus, subject to the 25% FCV threshold.

By elimination of the commercial square footage thresholds, the inconsistency of application to tenant improvements based on property ownership is gone, as well as the sales tax risk on those projects that, over the course of the job, may breach these particular thresholds.

All tax exemptions remain unchanged.