

BUILDING AUTHORITIES INSTRUCTIONS FOR BOND CERTIFICATES

The following are guidelines for compliance with ARS § 42-5007. This law requires that building authorities obtain a certificate from the Arizona Department of Revenue to ensure that the bonding requirement has been met prior to issuing any building permit for projects of \$50,000 or more in value.

For projects of more than \$50,000 in value, contractors must present one of the following types of certificates prior to being issued a building permit.

- A. An annual bond certificate
- B. A one-time bond exemption for the project
- C. A receipt for a bond identifying the location of the project

NOTE: For contractors with the annual bond exemption certificate, please ensure that the expiration date has not passed or expired. Samples are attached for reference.

If the annual bond exemption certificate has expired or the contractor does not have a certificate, advise the contractor to call the Arizona Department of Revenue at (602) 716-6056 or (800) 634-6494 toll free.

If the contractor qualifies, a one-time exemption will be issued for the specific project for which the building permit is being requested. The one-time exemption will be faxed to the building authority so that the building permit can be issued. If qualified, the contractor will be mailed an annual bond exemption certificate.

When contractors do not have one of the acceptable forms of certificate, the Arizona Department of Revenue will advise them of further requirements. After the Arizona Department of Revenue determines that the contractor is exempt or must submit a bond, one of the following will be faxed to the building authority:

- A. A one-time bond exemption for the project
- B. A receipt for a bond identifying the location of the project

For any questions regarding these procedures or assistance to contractors, please call the Bond Compliance Officer at (602) 716-6056 or (800) 634-6494 toll free.

STATE OF ARIZONA

Department of Revenue



Janice K. Brewer
Governor

David Raber
Director

July 11, 2014

City of Tolleson
ATTN: Building Official
9555 W Van Buren
Tolleson, Arizona 85353

Dear Building Official:

This is to let you know that we are in the process of mailing annual certificates to construction contractors for purposes of compliance with **ARS § 42-5007**. This law requires that building authorities obtain a certificate from the Department of Revenue to ensure that the bonding requirement has been met prior to the issuance of any building permit for projects of \$50,000 or more in value. All qualified contractors should receive their certificate by July 31, the expiration date of the last certificates.

There are three versions of certificates that represent compliance with the bond requirement: An annual certificate issued by the Department of Revenue; a one-time exemption; and a receipt for a bond for the actual project. Please note that the one-time exemption and receipt for bond must specify the location of the project site. Examples of the different types of certificates are enclosed for reference, along with the guidelines for compliance with this law.

For any questions regarding these procedures or assistance to contractors, please contact the Bond Compliance Officers at (602) 716-6056.

Sincerely,

Robert Ellis

Robert Ellis
Administrator
License & Registration

42-5007. Taxpayer security; out-of-state prime contractors; definition

- A. In lieu of the bond required under section 42-1102 or 42-5006, a person who is in the construction business, who does not have a principal place of business in this state and who enters into a prime construction contract to be performed in this state, at the time the contract is entered into, shall furnish to the director or the director's agent a surety bond or other acceptable security in an amount equal to the gross receipts to be paid under the contract multiplied by the aggregate rates of the applicable taxes imposed by this chapter to secure payment of the tax imposed by this chapter on the gross receipts from the contract and shall obtain a certificate from the director or the director's agent that the requirements of this section have been met.
- B. If the total amount to be paid under the contract is changed by ten per cent or more after the date the bond or other security is furnished, the person shall increase or decrease, as the case may be, the amount of the bond or security within fourteen days after the change.
- C. If a person fails to comply with subsection A or B of this section, the director or the director's agent may:
1. Demand by certified mail or in person that the person comply: On the person's failure to comply within ten days after the date of the mailing of such demand, the director may institute a proceeding to enjoin the person's business as provided in section 42-1103.
 2. When a serious and immediate risk exists that an amount of tax due or reasonably expected to become due from the person on gross receipts from a prime construction contract will not be paid, request the person to comply, and, on failure to comply immediately, the director may without further notice apply to tax court for an injunction under section 42-1103.
- D. This section does not apply if the total gross receipts under the construction contract, including any change in such amount, are to be less than fifty thousand dollars.
- E. A city, town or county or an agency of this state shall not issue a building or other construction permit to any person who is subject to the requirements of this section without having first been furnished by the construction contractor with the certificate from the director or the director's agent provided under subsection A of this section.
- F. In this section "principal place of business" means a location where a person has continuously operated a facility with at least one full-time employee for the preceding twelve consecutive months.

Arizona Department of Revenue Receipt Form

Date: _____

Taxpayer ID No.: _____

Taxpayer: _____

Tax for: _____

Surety Bond No. : _____ Underwriter: _____

Received of: _____

Transaction:/Document: _____

Total: \$ _____

Check: _____

Cash: _____

Tax Type (check one):

- Income
- Withholding
- Forms
- Other _____ (Specify)
- Transaction Privilege
- Corporate
- Bonds

Preparing Section: _____
Signatures: _____
Prepared by: _____
Verified: _____
1. Comptroller: _____
2. Comptroller: _____

ADOR 09-1010 (8/04) White - Document Canary - Customer Pink - Internal Gold - Internal
Previous ADOR 10-1010



Arizona Department of Revenue
License & Registration Section
 1600 W MONROE
 PHOENIX AZ 85007-2650

BOND EXEMPTION CERTIFICATE

Issued To: (LEGAL BUSINESS NAME)
 (DBA NAME)
 (ADDRESS)
 (CITY, STATE & ZIP)

License #

ALL communications and reports MUST REFER to this LICENSE NO.

THE CONTRACTOR LISTED ABOVE IS EXEMPT FROM A.R.S. 42-5007 BONDING
 -NOT TRANSFERABLE-

SAMPLE

FROM: (DATE)
 TO: (DATE)

EFFECTIVE DATE

(PRINT DATE)

PRINT DATE



One-Time Bond Exemption Certificate

Date: _____

Legal Business Name: _____

DBA: _____

Transaction Privilege Tax License Number: _____

PROJECT ADDRESS

ESTIMATED COMPLETION DATE: _____

VALUE OF CONTRACT: _____

This exemption applies only to the construction project specified above. If you have any questions, please call our Bond Compliance Officer at (602) 716-6056 or (800) 634-6494 toll-free in state.

Signature _____

Title _____

ADOR 74-4005 (8/03)

SAMPLE



TO: TOLLESON BUILDING PERMITS ATTN MARGE S

FAX NUMBER: (623) 936-7117

FROM: NICK CASTANEDA

NUMBER OF PAGES (Not including this sheet): _____

THE INFORMATION CONTAINED IN THIS TRANSMITTAL IS CONFIDENTIAL AND INTENDED ONLY FOR THE PERSON(S) NAMES ABOVE AND FOR AUTHORIZED PURPOSES. DISSEMINATION, DISTRIBUTION OR COPYING OF THIS COMMUNICATION BY ANYONE OTHER THAN THE PERSON(S) NAMED ABOVE IS STRICTLY PROHIBITED. IMPROPER DISCLOSURE WILL BE REVIEWED FOR THIS SANCTIONS UNDER A.R.S. 42-108. IF YOU HAVE RECEIVED THIS COMMUNICATION IN ERROR, PLEASE NOTIFY THE DEPARTMENT IMMEDIATELY BY TELEPHONE (602) 542-4565 AND RETURN THE ORIGINAL MESSAGE TO US VIA ORDINARY MAIL. YOUR COOPERATION IS APPRECIATED.

Arizona Department of Revenue
License And Registration
1600 W Monroe.; Phoenix, AZ 85007
FAX (602) 542-4765

