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Tax Simplification Task Force could them millions of dollars.

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Some cities and towns in southern Arizona say the recommendations by the Arizona Tax Simplification Task Force could them millions of dollars.

Arizona Governor Jan Brewer created the task force because Arizona has one of the most complex sales tax systems in the nation. One of the group's recommendations sent to her last month was to eliminate the construction and contracting sales tax.

That change would have "radical impacts" on Sahuarita, Marana and Oro Valley, said Pima Association of Governments official Jim DeGroot.

The towns' managers talked about the budget threat at a PAG committee meeting Wednesday.

"The communities that are most vulnerable are those small, fast-growing communities because the contracting tax is an enormous component percentagewise of their overall budgets," DeGroot said.

Sahuarita Town Manager Jim Stahle chose a stronger word: "cataclysmic."

The construction sales tax has brought \$3 million to \$11 million a year to Sahuarita to help pay for infrastructure projects. The town also has avoided charging impact fees by relying on the construction sales tax revenue, he said.

DeGroot made a case study of a current construction project on Sahuarita Road.

Sahuarita will collect around \$323,000 in construction sales tax for the project. If the construction sales tax were eliminated, the town would collect less than \$3,000 for the project, DeGroot said.

The governor's task force recommends taxing project materials at the retail rate. The

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should be paid for the same way.

Because of its larger size and slower rate of growth, Tucson would feel the impact less severely but still plans to join the other communities in opposing the change, Assistant City Manager Albert Elias said.

"It erodes local control of one of our most significant revenue streams," he said.

Because of the economic downturn, Sahuarita has reached a new low this fiscal year in construction sales tax collections, and the amount the town brings in is about equal to what the town owes in debt payments, Stahle said.

Without construction sales tax revenue, the town would have to dip into its general fund and likely cut jobs, he said.

Stahle said the task force came up with a lot of good ideas, and the sales tax system does need to be simplified, but this proposal is "particularly onerous."

Oro Valley and Marana leaders said they spoke to state legislators about this issue last week.

Oro Valley Town Manager Greg Caton said the town collected as much as \$8 million in construction tax revenue a year to help pay for street maintenance.

And Marana is in a similar situation, said Town Manager Gilbert Davidson.

The PAG regional council, made up of representatives of each government within Pima County, will likely take an official stance against the proposed tax elimination at its meeting later this month.

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