

## **LOCAL BUSINESS PREFERENCE**

### **I. PURPOSE**

- A. The purpose of the Local Business Preference Policy is to designate Casa Grande's portion of the Transaction Privilege Tax (TPT) that is paid back to the City, to be used in the evaluation of quotes, bids and proposals received by the City.

Both the City and local business benefit from City purchases to locally owned organizations. The Transaction Privilege Tax (TPT) is paid back to the City while the purchases support local businesses and provide additional tax revenues, jobs and economic benefit to the City of Casa Grande and its citizens.

### **II. DEFINITIONS**

- A. *Transaction Privilege Tax (TPT)* – A gross receipt tax, similar to a sales tax, but levied on the seller rather than the purchaser (**currently 2.0%**).
- B. *Local Business* – A business that has a valid City of Casa Grande TPT license in place for a minimum of 6 months and the Casa Grande TPT applies to the purchase (See Exemptions).
- C. *Bid* – The response submitted by the bidder to an Invitation for Bids (IFB).
- D. *Proposal* – The response submitted by a vendor to a request for proposal (RFP).
- E. *Quote* – The response submitted by a vendor to a Request for Quotes (RFQ).
- F. *Bid* – The response submitted by the bidder to an invitation for bids (IFB).
- G. *City Manager* – Chief Administrative Officer of the City of Casa Grande. Supervises the purchase of all materials and equipment for which funds are provided in the budget. Serves as the Purchasing Agent of the City.

### **III. EXEMPTIONS**

- A. TPT exempt purchases (i.e. professional services, such as engineering, audit, or legal services).
- B. All construction procurements including procurements subject to A.R.S. Title 34 processes.
- C. Procurements using Federal or other funds where the agreement that provided funding precludes and Local Business Preference.
- D. Procurements that are exempt from bid and quote procedures such as emergencies and/or source purchases.
- E. State, County or other cooperative contracts being used by the City.
- F. Procurements where the City Manager specifically exempts the procurement from this policy as being in the best interest of the City.
- G. When Casa Grande and another Arizona city or town with an equivalent excise tax could claim nexus for taxing a retail sale, the city or town where the

permanent business location of the seller at which the order was received shall be deemed to have precedence, and such city or town has sole and exclusive right to the tax. If another Arizona city possesses the right to tax, and it is determined that the business would not pay sales tax to the City of Casa Grande for the purchase in question, the local preference shall not apply to such business.

**IV. PROCEDURE**

- A. Identify if the purchase will be subject to the Regulation (Does not fall under any exemptions listed above).
- B. Research local Casa Grande suppliers available and include in request for quotes.
- C. Have bidder indicate if they have a City of Casa Grande TPT license and for how long it has been in place.
- D. If the bidder indicates that they have a Casa Grande TPT in place 6 months or more, deduct the City’s portion of the Retail TPT Rate (**currently 2.0%**) from the pre-tax quote or bid price for the purpose of evaluation. Evaluate all other bids based on the pre-tax price offered. (See evaluation example below – successful bidder noted in yellow).
- E. If the deduction of the TPT caused a firm to be the low bidder, verify with Tax and License that TPT license has been in place for 6 months.
- F. Create Requisition for Purchase Order at the full price including all taxes.

<b>Evaluation Example</b>			
<b>Evaluation Price</b>			
	Local Business (In Casa Grande)	Non-Local Business (In-State)	Non-Local Business (Out of State)
Pre-Tax Price Offered	\$100,000	\$98,500	\$100,000
Casa Grande TPT Deduction	\$2,000	-	-
<b>Evaluation Price</b>	<b>\$98,000</b>	<b>\$98,500</b>	<b>\$100,000</b>