

SALES AND USE TAX SAVINGS ARRANGEMENTS

Alabama entities who are exempt from sales and use taxes may save the costs of sales and use taxes on purchases of materials, supplies, equipment, and other items necessary for the performance of their construction projects if these purchases conform to regulations of the Alabama Department of Revenue. To effect tax exemption requires, among other things, that the materials be purchased by the Awarding Authority instead of the contractor. If care is not taken in the preparation of the bid/contract documents, the Awarding Authority may assume responsibilities and liabilities that traditionally belong to the contractor. Tax savings arrangements require added administration by the contractor, design professional, and the Awarding Authority, the cost of which may not be offset by the tax savings in all cases. Tax savings arrangements should be implemented with the award of the contract. Attempts to effect tax savings after materials have been paid for by the contractor, and particularly after they have been installed, will not be honored by the Alabama Department of Revenue.

If the Awarding Authority determines that it is in its best interest to implement a tax savings arrangement, the Technical Staff can provide sample documents and procedures. **However, it is the Awarding Authority's responsibility to confirm with the Department of Revenue that these sample documents and procedures conform to current tax law and regulations.**