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Alabama Department of Revenue NOTICE

Tax Guidance for Contractors, Subcontractors and Alabama Governmental Entities Regarding Construction-related Contracts

Legislative Act 2013-205 (Section 40-9-14), requires the Department of Revenue to issue Form STC-1, *Sales and Use Tax Certificate of Exemption for Government Entity Projects*, to all contractors and subcontractors working on qualifying governmental entity projects. Each contractor and subcontractor who obtains a certificate of exemption for a government entity project is required to file monthly consumers use tax returns. Contractors should report their exempt purchases made for each project on the return. The returns are required to be filed electronically through the department's online filing and payment portal, My Alabama Taxes (MAT). Section 40-9-14.1(d) states, "... The reports shall be filed as a prerequisite to renewal of a certificate of exemption." Section 40-9-14.1 provides that contractors who fail to comply with the reporting requirements will face certain consequences.

The department will begin **notifying contractors of any non-compliance**. Contractors will be **allowed 14 days** to comply with the law by filing their delinquent or incomplete consumers use tax returns.

Contractors and subcontractors working on qualifying governmental entity projects who fail to complete the project portion of their Consumers Use Tax Return (by entering the Exemption#, Project#, and Purchase Amount) will be subject to:

1. **Revocation** of all certificates of exemption currently issued to the contractor and,
2. **Notification** of such revocation to the project owner. Certificates that have been revoked will be reinstated sixty (60) days after the contractor complies with the reporting requirements.
3. **Automatic denial** of any future exemption certificates. Contractors not in compliance with reporting requirements will be barred from receiving certificates of exemption on any future projects. Certificates that have been denied due to non-compliance with reporting will be issued sixty (60) days after the contractor complies with the reporting requirements and resubmits a completed application.
4. **Assessment of state and local taxes** on all purchases made with the certificate of exemption.
5. **Civil penalties** which are the greater of \$2,000 or two times any state and local taxes found due.

For additional information concerning this guidance, taxpayers should contact Sales and Use Tax Division representative Traci Sherlock at 334-353-9680 or by email at stexemptionunit@revenue.alabama.gov.