

Taxpayer Service Centers

■ Auburn/Opelika

3300 Skyway Drive (36830)
P.O. Box 2929, Auburn (36831-2929)
Phone: (334) 887-9549

■ Dothan

344 North Oates Street (36303)
P.O. Box 5739 (36302-5739)
Phone: (334) 793-5803

■ Gadsden

235 College Street (35901)
P.O. Drawer 1190 (35902-1190)
Phone: (256) 547-0554

■ Huntsville

4920 Corporate Drive, Suite H (35805)
P.O. Box 11487 (35814-1487)
Phone: (256) 837-2319

■ Jefferson/Shelby

2020 Valleydale Road, Suite 208
Hoover (35244)
P.O. Box 1927, Pelham (35124-5927)
Phone: (205) 733-2740

■ Mobile

955 Downtowner Boulevard (36609)
P.O. Drawer 160406 (36616-1406)
Phone: (251) 344-4737

■ Montgomery

1021 Madison Avenue (36104)
P.O. Box 327490 (36132-7490)
Phone: (334) 242-2677

■ Muscle Shoals

874 Reservation Road (35661)
P.O. Box 3148 (35662-3148)
Phone: (256) 383-4631

■ Tuscaloosa

518 19th Avenue (35401)
P.O. Box 2467 (35403-2467)
Phone: (205) 759-2571

■ TDD Number

(334) 242-3061



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Alabama Department of Revenue

TAX FACTS

FOR

TAX- EXEMPT ENTITIES

January 2012

An informational guide
published for
tax-exempt entities.

Tax-Exempt Entities

As a tax-exempt entity, your organization, school, or governmental agency (instrumentality of the federal government, State of Alabama, county government in the State of Alabama, or any incorporated Alabama municipality) is exempt from payment of Alabama sales and use taxes. To be classified as a tax-exempt entity, your organization, state department, school, etc., must be specifically exempted by law from the payment of sales and use taxes or must fall within the exemptions granted to the governmental agencies or instrumentalities outlined above.

As a tax-exempt entity, you are not charged sales or use taxes on your purchases of tangible personal property. Others are not able to claim an exemption on their part from Alabama sales or use taxes on tangible personal property that is purchased by them and used in completing or fulfilling building, maintenance or service contracts with your particular tax-exempt organization.

Also, as a tax-exempt entity, you cannot transfer your exempt status to a contractor or developer who is required to purchase and pay for the materials that are to be used pursuant to a construction contract with your tax-exempt entity.

However, a tax-exempt entity may appoint as its agent a contractor to act on its behalf to order materials or to order and pay for the materials that are to be incorporated into real estate pursuant to a construction contract with its particular tax-exempt entity. Purchases made by the agent on behalf of the tax-exempt entity will be exempt from the payment of state and local sales or use taxes provided that the procedures outlined in Alabama Department of Revenue Rule 810-6-3-.69.02 are followed.

The appointment of the contractor as purchasing agent of the tax-exempt entity must be made in writing and may, but is not required to take the form of a completed Purchasing Agent Appointment, Form ST:PAA-1. The appointment must be made prior to the contractor's purchase of materials that are claimed to be tax exempt. In the absence of a written appointment, the contractor must pay the sales and use taxes otherwise due.

Purchases made by the purchasing agent on behalf of the tax-exempt entity are exempt from the payment of sales and use taxes, provided that funds belonging to the tax-exempt entity are directly obligated and payment is made with funds belonging to the tax-exempt entity. When the contractor is also appointed as agent to pay for

the materials on behalf of the tax-exempt entity, payment must be made from an account designated for this specific purpose and funded by the tax-exempt entity.

Invitation to Bid

Oftentimes, contractors or builders may not be aware that sales tax or use tax is due upon their purchases of materials or items that are used or consumed by them in completing building, maintenance or service contracts for tax-exempt entities.

In preparing invitations to bid, the department recommends that you include a copy of the brochure entitled *Sales to Tax-Exempt Entities* as a part of your bid package. Free copies of the brochure may be obtained by contacting the department's Sales and Use Tax Division.

Work Performed by Contractors and Builders

All supplies and equipment that are purchased by and used or "consumed" by a contractor or builder in completing or fulfilling contracts with tax-exempt entities are taxable to the contractor or builder at the time the builder or contractor purchases such items or when the items are withdrawn from inventory for use or consumption by the contractor or builder. The fact that these items or materials will be used in performing or completing work for tax-exempt entities has no bearing upon determining whether the sale is taxable or non-taxable to the contractor or builder.

Questions?

For more information concerning any sales or use tax reporting liabilities that a contractor or builder may have or for more information concerning any reporting responsibilities that your particular organization, agency, school etc., may have, contact the Revenue Department's Sales and Use Tax Division or visit the nearest Taxpayer Service Center listed on the back page.

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Sales and Use Tax Division
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Montgomery, AL 36132**

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