

**ALABAMA DEPARTMENT OF REVENUE - SALES AND USE TAX RULES**  
**Code of Alabama 1975, Sections 40-23-31 and 40-23-83**

**810-6-4-.24. Copy of Abatement Agreement to be Filed with the Revenue Department and the Procedures Governing the Use of Direct Pay Permits or Exemption Certificates by Private Users and Contractors.**

(1) Unless otherwise defined herein, the definitions of terms set forth in Code of Alabama 1975, Section 40-9B-3, are incorporated herein.

(2) As used in this rule, the term "public body" means a public authority, county, or municipal government.

(3) As used in this rule, the term "Department" means the Department of Revenue of the State of Alabama.

(4) An abatement of sales and use taxes granted by a public body as authorized by Section 40-9B-4 and in accordance with the geographical or jurisdictional limitations outlined in Section 40-9B-5 shall be embodied in an Abatement Agreement between the public body and the private user. The Abatement Agreement shall contain all the information required pursuant to Section 40-9B-6(b) and a copy of this agreement must be filed with the Department within 90 days after the granting of the tax abatement.

(5) Except as noted in paragraph (7), a private user, contractor, or subcontractor who will purchase, store, use, or consume tangible personal property which it will incorporate into a private use industrial development property or a major addition for which a valid abatement has been granted pursuant to Chapter 9B of Title 40 shall submit to the Department an application for a Sales and Use Tax Certificate of Exemption for an Industrial or Research Enterprise Project. Upon receipt and approval of the application, the Department shall issue the certificate of exemption (Form STE-2) to the qualifying applicant. Applicants who are issued Form STE-2 shall comply with all provisions of Sales and Use Tax Rule 810-6-4-.24.01. All exemption certificates issued by the Department will be limited to use on purchases of tangible personal property which qualify for the abatement and will bear an expiration date which shall be the same as the estimated date of completion contained within the Abatement Agreement. The expiration date may be extended beyond the estimated date of completion referenced in the Abatement Agreement provided the project for which the abatement was granted has not been placed in service. A request for an extension of the expiration date of a Form STE-2 issued to the private user of a project, the contractor, or a subcontractor on the project may only be made by the private user; provided that the prime contractor for the project may request the extension of the expiration date where (i) the private user has not obtained a Form STE-2 and (ii) the private user of the project confirms that the project has not been placed in service by countersigning the prime contractor's request for the extension. Certificate holders shall be responsible for reporting and remitting nonabatable sales and use taxes, including county and municipal sales and use taxes levied for educational purposes or for capital improvements for education, due on all purchases for which they use the certificate to purchase tangible personal property without payment of the tax to the vendor or supplier.

(6) A certificate of exemption (Form STE-2) shall be "project specific." Accordingly, contractors or subcontractors making tax-exempt purchases in conjunction

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**810-6-4-.24. (Continued)**

with more than one project for which abatements have been granted shall apply for and obtain a separate Form STE-2 for each qualifying project. Each Form STE-2 shall be used only to make tax-exempt purchases for the project specified on the certificate.

(7) In lieu of obtaining a Form STE-2, private users who hold a Sales and Use Tax Direct Pay Permit may elect to continue making all purchases pursuant to the terms of the direct pay permit and continue to file direct pay permit returns in accordance with Sales and Use Tax Rule 810-6-4-.14. Purchases which qualify for the abatement shall be reported on these returns and deducted from total purchases before state and noneducational county and municipal taxes are computed. County and municipal sales and use taxes which are levied for educational purposes or for capital improvements for education shall be computed and paid with the private user's local direct pay permit returns. The election by the private user to use an existing direct pay permit in lieu of obtaining a Form STE-2, does not preclude a contractor or subcontractor who will also be making tax-exempt purchases in conjunction with the project from obtaining a Form STE-2. (Adopted through APA effective May 22, 1993, amended December 10, 1996, amended October 20, 1998)