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NOTICE

Tax Guidance for Alabama Governmental Entities and Roadbuilder Contractors Regarding Construction-Related Contracts

The legislature has passed and Governor Kay Ivey has signed into law Act 2021-372 relating to Sales and Use Tax Certificate of Exemption for government entity projects. The Act removed the restriction in §40-9-14.1 that prohibited contracts for the construction of any highway, road, or bridge from qualifying for the Sales and Use Tax Certificate of Exemption for government entity projects.

Qualifying projects and contracts are defined as those generally entered into with the following governmental entities, unless otherwise noted: the State of Alabama, a county or incorporated municipality of Alabama, an Alabama public school, an Alabama industrial or economic development board or authority, airport authority, or any Alabama public water or sewer authority, district, system, or board that otherwise is already exempt from sales and use taxes. Please note that projects entered into with the federal government do not qualify for the exemption provided by Act 2021-372.

Act 2021-372 applies to any contracts with a governmental entity as defined above for the construction of a highway, road, or bridge entered into on or after January 1, 2022, and shall not apply to any contracts for the construction of a highway, road, or bridge entered into prior to January 1, 2022, nor shall this section apply to any contract change order or contract extensions: including revised, renegotiated, or altered contracts, when the original contract was entered into prior to January 1, 2022.

In the past, applications for government entity projects relating to the construction of any highway, road, or bridge were denied because they were not eligible for the Certificate of Exemption under Act 2013-205 and Act 2018-234. With the passage of Act 2021-372, starting January 1, 2022, and thereafter, construction-related contracts for highway, road, or bridge projects with a qualifying governmental entity, will now be eligible for the Certificate of Exemption. The governmental entity, the general contractor, and any subcontractors must apply for and obtain the Certificate of Exemption for each project in order to utilize the tax-exempt privilege. Eligible governmental entities and contractors may apply for the Certificate of Exemption by completing the Application for Certificate of Exemption for Government Project (ST: EXC-01), which is available at the following link:

<https://revenue.alabama.gov/wp-content/uploads/2017/05/ST-EXC-01.pdf>

If you should have any questions concerning this notice, please contact the Sales and Use Tax Division by telephone at (334) 242-1490, by email at STExemptionUnit@revenue.alabama.gov, or by mail at Sales and Use Tax Division, Exemption Unit, P.O. Box 327710, Montgomery, AL 36132-7710.