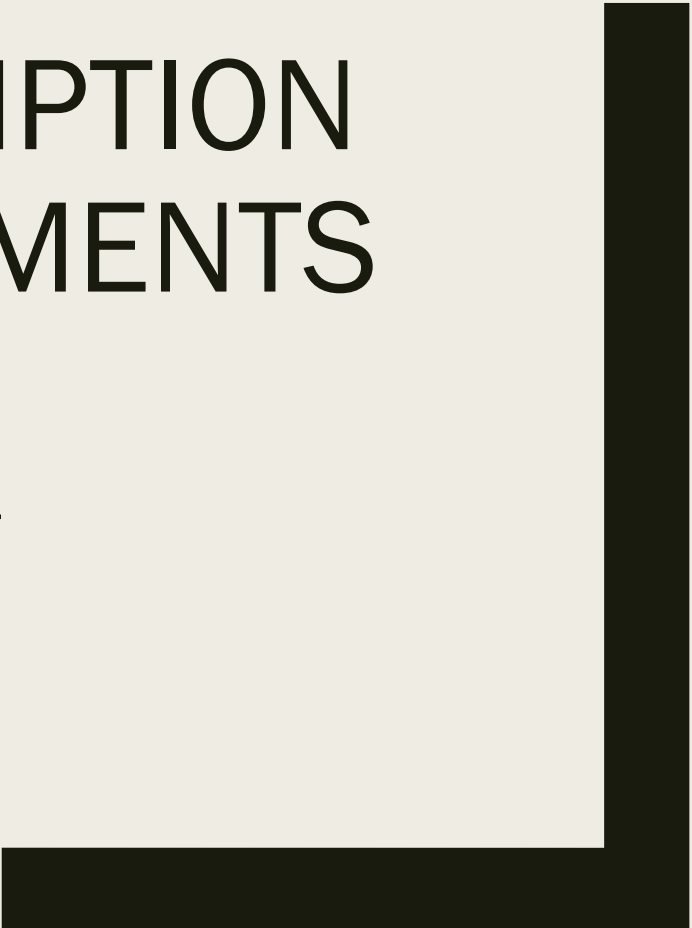




CONTRACTOR'S EXEMPTION REPORTING REQUIREMENTS

Traci Sherlock, Revenue Manager
Sales and Use Tax Division
Alabama Department of Revenue



Statute & Departmental Rules

- Section 40-9-14.1, Code of Alabama, 1975

- *Certificates of exemption to governmental entities, contractors, etc., for certain tax exempt projects.*
- *The Department of Revenue shall grant a certificate of exemption from state and local sales and use taxes to any contractor licensed by the State Licensing Board for General Contractors, or any subcontractor working under the same contract, for the purchase of building materials, construction materials and supplies, and other tangible personal property that becomes part of the structure that is the subject of a written contract for the construction of a building or other project, not to include any contract for the construction of any highway, road, or bridge, for and on behalf of a governmental entity which is exempt from the payment of sales and use taxes.*

- Sales and Use Tax Rule 810-6-3-.77

- *Exemption for Certain Purchases by Contractors and Subcontractors in Conjunction with Construction Contracts with Certain Governmental Entities, Public Corporations, and Educational Institutions*
- <http://revenue.alabama.gov/salestax/rules/810-6-3-.77.pdf>

Contractor's Reporting Requirement

- Section 40-9-14.1(c), Code of Alabama, 1975
 - *The use of a certificate of exemption for the purchase of tangible personal property pursuant to this section shall include only tangible personal property that becomes part of the structure that is the subject of the construction contract. Any contractor or subcontractor purchasing any tangible personal property pursuant to a certificate of exemption shall maintain an accurate cost accounting of the purchase and use of the property in the construction of the project.*
- Section 40-9-14.1(d), Code of Alabama, 1975
 - *A contractor who has an exemption from sales and use tax for the purchase of materials to use on a government project shall file, in a manner as prescribed by the department, reports of all exempt purchases. The reports shall be filed as a prerequisite to renewal of a certificate of exemption.*

Contractor's Reporting Requirement

- Section 40-9-14.1(e)(1), Code of Alabama, 1975
 - *The department may assess any contractor or subcontractor with state and local sales or use taxes on any item purchased with a certificate of exemption not properly accounted for and reported as required.*
- Section 40-9-14.1(e)(2), Code of Alabama, 1975
 - *Any contractor or subcontractor who intentionally uses a certificate of exemption in violation of this section shall, in addition to the actual sales or use tax liability due, be subject to a civil penalty levied by the department in the amount of not less than a minimum of two thousand dollars (\$2,000) or two times any state and local sales or use tax due for the property and, based on the contractor's or subcontractor's willful misuse of the certificate of exemption, may be barred from the use of any certificate of exemption on any project for up to two years.*
- Section 40-9-14.1(f), Code of Alabama, 1975
 - *The department may adopt rules to implement this section in order to effectuate the purposes of this section and to provide for accurate accounting and enforcement of this section.*

The Consumer's Use Tax Account (CNU)

- Each contractor and subcontractor awarded a certificate of exemption for a government entity project will be assigned a Consumer's Use Tax account where monthly filing is required.
- The CNU account number and online filing information will be mailed to the address on file within a few days after the new CNU account has been assigned.
- Only one Consumer's Use Tax account is assigned per contractor—not per project.
 - *All exemption certificates are reported separately on the same CNU account assigned to the contractor. While a contractor may have multiple exemption certificates for various projects, all of the purchases made using the exemption certificates will be reported on the CNU account assigned to the contractor. (i.e., A separate CNU account is not assigned per project.)*
- If a contractor applies for a certificate of exemption and already has a CNU account, they will continue using the same CNU account to report the monthly purchases for each project awarded an exemption.

The Consumer's Use Tax Account (CNU)

- The CNU account/returns should be accessed through the Department's online filing system, My Alabama Taxes (MAT). Online filing through the MAT system is a requirement. The website for MAT is the following: <https://myalabamataxes.alabama.gov/>.
- CNU returns are due by the 20th of the month following the month in which purchases were made.
 - *i.e. purchases made during the month of July 2016 should be reported on the July 2016 CNU return which is due by August 20th*
- A return filed after the 20th of the month is considered late and will incur late filing penalties.
- The CNU account does not automatically close upon the expiration of your certificate(s) of exemption. Monthly CNU returns are expected to be filed until the CNU account has been **manually** closed by the Department of Revenue.
 - *If **all** of your exemption certificates have expired and you no longer need to make tax exempt purchases for a government project, **you** are responsible for contacting the Department to close out your CNU account.*

Contractor's Responsibility to Report Monthly Purchases on CNU Account

- The monthly report is located at the bottom of the CNU return and is labeled “Contractor’s Exemption for Gov’t Construction Projects.”
 - *Do not use Lines 1 through 10 of the CNU return unless you need to pay use tax on items purchased outside of the State of Alabama on which you did not pay tax (this has nothing to do with the government entity project exemption).*
- Separate entries must be made for each exemption certificate awarded to a contractor for a government entity project in order to report the materials purchased tax free using the certificate of exemption.
- The contractor must input information into three fields on the table for each tax exempt project:
 - *Exemption #*
 - *Project #*
 - *Amount of exempt purchases made using the certificate of exemption during the filing period*

-  Home
-  Back
-  Help

 Print

REQUEST INFORMATION

[Change Request](#) [Cancel Request](#) [Print](#)

Status : Pending...
 Logon :
 Federal Employer ID # :
 Name :
 Consumers Use Tax : CNU-
 Period : 31-Jul-2016
 Submitted : 11-Aug-2016 10:09:49

CONSUMER'S USE TAX RETURN

CONTRACTOR'S EXEMPTION

SIMPLIFIED SELLER OVERPAYMENTS

Consumer Use Return (2610)	Column A Farm/Mfg. 1.5%	Column B Auto. 2%	Column C All Other 4%
1. Total Purchase Price of Items Bought Outside Alabama	0.00	0.00	0.00
2. Total Deductions	0.00	0.00	0.00
3. Amount Remaining as Measure of Tax (Line 1 - Line 2)	0.00	0.00	0.00
4. Gross Tax (Line 3 x rate shown at column heading)	0.00	0.00	0.00
5. TOTAL AMOUNT OF TAX (Gross Tax from Cols. A, B, C)			0.00
6. LESS: Tax Paid on Purchase to Seller in Another State			0.00
7. PLUS: Penalty and Interest			0.00
8. LESS: Credit Claimed. Any credit for prior overpayment must be approved in advance by Department of Revenue			0.00
9. LESS: Credit Claimed for Overpayment of Tax to a Simplified Sellers Use Tax Vendor (click here)			0.00
10. TOTAL AMOUNT DUE			0.00
		Interest	0.00
		Late Filing Penalty	0.00
		Late Pymt Penalty	0.00

Contractor's Exemption for Gov't Construction Projects

Please use the correct format when filling out the table below.

Exemption number's correct format "EXM-R#####"

Project number correct format "EXC#####"

Exemption #	Project #	Purchase Amt
EXM-R009572331	EXC002815	0.00
		0.00



Contractor's Responsibility to Report Monthly Purchases on CNU Account

- Individual projects awarded a certificate of exemption should be listed separately on the return. The report will allow you to input information for as many exemption certificates/projects as needed.
 - *Do not combine totals for different projects and list the amounts as one total*
- Contractors should total all invoices for the filing period for each individual project and report those amounts in the "Purchase Amount" column.
 - *Do not report the totals for individual invoices separately for the same project*
- Contractors should report all **active exemption certificates** during a particular period even if **no** purchases were made during the month for a particular project.
 - *If no purchases were made, the contractor should list the exemption number, project number, and leave \$0.00 in the Purchase Amount column.*







Example of Monthly Report

Contractor's Exemption for Gov't Construction Projects

Please use the correct format when filling out the table below.

Exemption number's correct format "EXM-R#####"

Project number correct format "EXC#####"

		Exemption #	Project #	Purchase Amt
		EXM-R001234567	EXC001234	1,000.00
		EXM-R002345678	EXC002345	5,000.00
		EXM-R003456789	EXC003456	0.00

3 Rows

6,000.00

Submit

Save and finish later

Cancel

Examples of CNU Reporting Issues

- I have logged into my MAT profile and selected my CNU account, but I don't see the table for reporting the projects at the bottom of the CNU return:
 - *Send an email regarding the problem to STExemptionUnit@Revenue.Alabama.Gov or contact our office at 334-242-1490 and ask to speak with a Revenue Examiner in the Exemption Section. We will be able to assist you and correct the problem.*

- I don't have access to a particular filing period/return that my exemption certificate was active for:
 - *Send an email regarding the problem to STExemptionUnit@Revenue.Alabama.Gov or contact our office at 334-242-1490 and a Division Representative will be able to assist you.*

- I forgot to report the purchases for a specific project, but I already filed my CNU return for the month:
 - *You may log into your MAT profile, select the CNU account and the appropriate filing period that needs to be corrected, and amend the return online by selecting "Amend" or "Change Request" located in the upper right hand corner of the return.*
 - *If you need assistance with amending a previously filed CNU return, you may contact our office at 334-242-1490.*

Examples of CNU Reporting Issues

- I placed an order for materials in June, received them in July, and paid for them in August, when should I report them on my return?
 - *This depends on whether you use the cash basis or accrual basis method of accounting.*
 - *Neither way is incorrect. Just be sure that you are consistent in your accounting method every time.*
 - *Also make sure that your certificate of exemption has not expired during the month you are reporting the purchases.*

Frequently Asked Questions:

- I have no government entity projects active at this time, but I keep getting delinquent notices for my consumer's use tax account, what should I do?
 - *If all exemption certificates have expired and you have filed all the required reports for each project, you may contact our office at 334-242-1490 and request to speak with a Revenue Examiner in the Exemption Section to close out your CNU account. You may also contact a Revenue Examiner in the Exemption Section by emailing STExemptionUnit@Revenue.Alabama.Gov.*
 - *Remember, the CNU account requires a monthly return and does not know when all of your exemption certificates have expired. Therefore, you must contact our office to have the CNU account manually closed if the account is no longer needed.*
 - ***You should not request to close a CNU account if you have active Exemption Accounts open for government entity projects.***

- I received an extension for a project, do I need to file a report for the extended months?
 - *You must file a report through the extended dates of the certificate of exemption.*
 - *You may need to amend previous returns if necessary depending on the date you request the extension and the date the extension is processed. If an amendment is necessary, make sure to amend the return(s) as soon as you receive the extended certificate.*

Frequently Asked Questions:

- My certificate was effective during the month of July 2016, but I did not receive the certificate until August 2016, what month should I start reporting for this project?
 - *You must file a return for the month of July 2016 and list the project information on the report. A report must be filed for a project for each month the certificate of exemption is active regardless of when you actually received it.*
 - *The “Effective Date” listed on the certificate of exemption determines when a certificate is active. If the effective date of an exemption certificate is July 31st, a report for the month of July must be filed for that project.*

- My certificate was active for the month of August 2016, but I did not make any purchases using the certificate in August, what month should I start reporting for this project?
 - *You must file a report for the period of August 2016 and list the exemption number, project number, and \$0 in the Purchases Amount column.*
 - *If the certificate is active/effective during a particular month, a report must be filed.*

Frequently Asked Questions:

- What should I do if a project is completed earlier than the expiration date listed on the certificate of exemption?
 - *Return the certificate to the following address:*
 - Alabama Department of Revenue
 - Sales and Use Tax Division
 - Post Office Box 327710
 - Montgomery, AL 36132-7710
 - *Indicate whether the certificate of exemption should be closed early by attaching a letter or by writing the actual completion date on the certificate.*
 - *The Department will close your certificate as of the day we receive the returned certificate in our office.*
 - *You will receive a letter from the Department regarding the early closure of your certificate.*
 - *Make sure you file a report for the project through the closing date listed in the Department's letter.*
- Requesting to close a certificate of exemption does not automatically close your CNU account. You must make a separate request to close the CNU account.

Frequently Asked Questions:

- My project will not be finished by the original expected completion date. I will need to order additional materials after the current completion date listed on my certificate. How do I request an extension for a project?
 - *Send an email requesting an extension directly to STExemptionUnit@revenue.alabama.gov*
 - *Provide a specific date that you are requesting the extension through*
 - *Attach a copy of the original certificate awarded.*
 - ***Do not send an extension request to an individual Revenue Examiner or Division Representative's email.***

Failure to Comply with the Reporting Requirements May Result In:

- Revocation of all certificates of exemption currently issued to the contractor
 - *Purchases made after the revocation of a certificate of exemption will not be tax exempt.*
- 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 and resubmits a completed application.
 - *Once the certificate has been reinstated after the 60 days, the contractor may purchase materials tax exempt. Purchases made during the 60 days will not be tax exempt.*
- 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 requirements will be issued sixty (60) days after the contractor complies with the reporting requirements and resubmits a completed application.
- Assessment of state and local taxes on all purchases made with the certificate of exemption.
- Civil penalties which are the greater of \$2,000 or two times any state and local taxes found due.

Quick Recap:

- Only 1 CNU account is assigned to a contractor for reporting purposes
- Use the MAT system to access and file your CNU return
- Returns are due by the 20th of the month
- Exemption Certificates must be reported monthly starting with the effective date through the completion date listed on the certificate
 - *Pay attention to any changes to the effective/completion dates if an extension is requested for the project*
- Monthly reports must include the exemption #, project #, and amount of purchases
 - *Project must be accounted for even if amount of purchases was zero*
- List each project separately on return
- Amend reports as needed
- Contact our office to close a CNU account if you no longer have any active exemption certificates for which a report is required
- Contact us for any assistance

Contact Us: We Are Here to Help You

- Phone: 334-242-1490 or toll-free 1-866-576-6531
- Fax: 334-353-7867
- Email: STExemptionUnit@Revenue.Alabama.Gov
- In Person:
Gordon Persons Building, Room 4303
50 North Ripley Street
Montgomery, AL 36132

Questions?

- “The wise man doesn’t give the right answers, he poses the right questions.”

-Claude Levi-Strauss