

**ALABAMA DEPARTMENT OF REVENUE
SALES AND USE TAX DIVISION
ADMINISTRATIVE CODE**

**CHAPTER 810-6-3
EXEMPTIONS FROM SALES AND USE TAX**

810-6-3-.41.02 Exemption For Improvement Districts.

(1) The definitions of the terms "appointing government," "improvements," and "public person" contained in Section 11-99A-2, Code of Ala. 1975, are incorporated into this rule by reference.

(2) The term "improvement district" as used in this rule shall mean a district created pursuant to Chapter 99A of Title 11 of the Code of Ala. 1975.

(3) Subject to any limitation or restriction imposed by the appointing government pursuant to Section 11-99A-20(c) and the restrictions outlined in paragraphs (5) and (6) below; all sales of tangible personal property to, and all sales of tangible personal property by, an improvement district are exempt from all state, county, and municipal sales and use taxes and gross receipts taxes in the nature of a sales tax. (Section 11-99A-20(a)).

(4) Subject to any limitation or restriction imposed by the appointing government pursuant to Section 11-99A-20(c) and the restrictions outlined in paragraphs (5) and (6) below; the purchase, acquisition, and installation of tangible personal property for improvements by an improvement district are exempt from all state, county, and municipal sales and use taxes and gross receipts taxes in the nature of a sales tax regardless of whether the purchases of the materials are made by the improvement district or by a contractor or subcontractor for use in the acquisition, construction, or installation of improvements for an improvement district. (Sections 11-99A-20(b) and 11-99A-20(c)).

(5) The sales and use tax exemptions outlined in Section 11-99A-20 shall not apply to any purchase, acquisition, or installation that would not be exempt if purchased, acquired, or installed directly by the appointing government. (Section 11-99A-20(b)).

(6) The sales and use tax exemptions outlined in Section 11-99A-20 shall not be used for the acquisition, equipping, or construction of property to be owned by any person other than a utility company, the improvement district, or another public person. (Section 11-99A-2(6)).

(7) Any contractor or subcontractor who is making tax-exempt purchases pursuant to Section 11-99A-20(b) may apply for and

obtain a sales and use tax Certificate of Exemption (Form STE-1). A contractor or subcontractor applying for a Form STE-1 shall attach to its application a certification, under oath, from the Chairman of the Board of the improvement district outlining the terms of the improvement district's agreement with the appointing government with respect to any limitations, restrictions, or rescissions to the sales and use tax exemptions otherwise applicable to purchases by the improvement district, contractor, or subcontractor. The Form STE-1 issued to the contractor or subcontractor will be project specific and shall be provided by the contractor or subcontractor to its vendors to document the tax-exempt status of its purchases of materials for the improvement project indicated on the Form STE-1. A contractor or subcontractor who will be making tax-exempt purchases for more than one qualifying improvement project shall obtain a separate Form STE-1 for each project. A contractor or subcontractor who obtains a Form STE-1 shall comply with all of the provisions of Sales and Use Tax Rule 810-6-5-.02 entitled State Sales and Use Tax Certificate of Exemption (Form STE-1) - Responsibilities of the Certificate Holder - Burden of Proof - Liability for Taxes Later Determined to be Due.

(8) Effective October 1, 2000, the sale to, or the storage, use, or consumption by, any contractor or subcontractor of any tangible personal property to be incorporated into realty pursuant to a contract awarded prior to July 1, 2004, with an improvement district organized pursuant to Chapter 99A of Title 11, Code of Ala. 1975, is exempt from all state, county, and municipal sales and use taxes provided the contractor or subcontractor has complied with Rule 810-6-3-.77 entitled Exemption of Certain Purchases by Contractors and Subcontractors in conjunction with Construction Contracts with Certain Governmental Entities, Public Corporations, and Educational Institutions. This exemption, which is in addition to the one found in Section 11-99A-20, does not exempt any purchases by contractors or subcontractors that are not also exempt pursuant to Section 11-99A-20.

(9) In accordance with Act. No. 2004-638, the sale to, or the storage, use, or consumption by any contractor or subcontractor of any tangible personal property contract to be incorporated into realty pursuant to a contract awarded, or any portion of a contract which is revised, renegotiated, or otherwise altered, on and after July 1, 2004, to the extent that such revision, renegotiation, or alteration requires the purchase of additional tangible personal property is subject to all state, county and municipal sales and use taxes. Items purchased after June 30, 2004, pursuant to a contract awarded prior to July 1, 2004, will continue to be exempt for the remainder of the contract to the extent that any post June 30, 2004, revision or amendment does not require the purchase of additional tangible personal property.

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Statutory Authority: Code of Ala. 1975, §§40-2A-7(a)(5), 11-99A-2, 11-99A-20, 40-23-31, 40-23-83.

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