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# State of Alabama Department of Revenue

(www.revenue.alabama.gov)  
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Montgomery, Alabama 36132

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August 20, 2021

Alabama Road Builders Association  
Attn: Mr. Thomas Layfield, Executive Director  
630 Adams Avenue  
Montgomery, AL 36103

Re: Act 2021-372

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>

The Sales and Use Tax Division would appreciate your assistance in sharing this information with your members. It is essential that the contractors understand the sales tax exemption process for governmental contracts.

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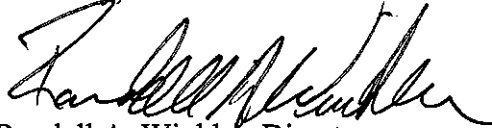
Certificate of Exemptions will be issued in the following successive order: first to the exempt entity, second to the general contractor and third to the subcontractor. The standard procedures provide that the exempt entity must apply and be approved for the Certificate of Exemption before the general contractor will be issued a Certificate of Exemption, and likewise, the general contractor must apply for the Certificate of Exemption before the subcontractor's Certificate of Exemption will be issued. This procedural order does not prevent the general contractor or the subcontractor from timely mailing or emailing their application. The applicant may apply at the time of notification of their involvement with the project. These applications are held for no less than 45 business days before a denial process is started.

The Certificate of Exemption beginning date will follow the guidelines listed on the application. The Certificate of Exemption will be issued as of the contract sign date or the received date of the application. If upon receipt of the application, the project has already commenced, the Certificate of Exemption will be issued as of the received date of the application. Any purchases made prior to the issuance of the Certificate of Exemption will not be exempt.

I have enclosed a copy of the official notice concerning Act 2021-372 which will be posted to our website at [www.revenue.alabama.gov](http://www.revenue.alabama.gov).

If you or any of your members should have any questions or need additional information, please contact the Sales and Use Tax Division Exemption Unit by telephone at (334) 242-1490, by email at [STExemptionUnit@revenue.alabama.gov](mailto:STExemptionUnit@revenue.alabama.gov), or by mail at Sales and Use Tax Division, Exemption Unit, P.O. Box 327710, Montgomery, AL 36132-7710.

Sincerely,



Randall A. Winkler, Director  
Sales and Use Tax Division

Enclosure