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ASM wins reprieve on sales tax increase for construction

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The sales tax increase to 6.5% takes effect August 1, but contractors will enjoy a temporary reprieve, thanks to a special exemption in the new law included at the urging of ASM. Specifically, the law grants an exemption for building materials and supplies purchased pursuant to a bid or a contract that predates the increase. The Dept. of Revenue (DOR) must still issue "transitional rules," which are expected to be similar to those in 1975, when the rate last increased. At the very least, we expect the current 5% rate will apply to materials purchased under a contract signed before the new rate kicks in; OR under a contract signed within 60 days of the increase, pursuant to a bid that predated the increase - provided the sale or use of materials takes place before Jan. 1, 2011. The special exemption will likely apply only to contracts without escalator clauses. Watch the DOR website for information on the "transitional rules" as they become available.

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