

Certificates of Exemption Overview

Because the Alabama Department of Revenue (ADOR) recently amended Rule 810-6-3-.77 to streamline its administrative process regarding certificates of exemption for tax-exempt projects, the county no longer must complete an application (Form ST: EXC-01) for a sales and use tax certificate of exemption (Form STC-1) for tax-exempt projects, including road and bridge projects. **Because of this rule change, the county may no longer determine whether a project will be tax-exempt.**

Act 2021-372, codified at *Ala. Code* § 40-9-14.1(i)(2), allows a certificate of exemption to be awarded 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 highway, road, or bridge project entered into with a governmental entity such as a county, on or after January 1, 2022.

After the passage of the Act, ADOR amended Rule 810-6-3-.77 to exempt the purchase of construction materials for road and bridge projects from sales and use tax. Under Rule 810-6-3-.77, ADOR issued certificates of exemption first to the county, second to the general contractor, and third to the subcontractor. Since Rule 810-6-3-.77 was amended again recently, ADOR no longer requires an application for a sales and use tax certificate of exemption by the county for each tax-exempt project.

Contractors and subcontractors must complete the application (Form ST: EXC-01) and provide ADOR the required paperwork, including the contract with the county, to be granted a certificate of exemption for a project (Form STC-1). ADOR evaluates each application to ensure that a project meets the statutory requirements for a certificate of exemption prior to the award of any certificate. If a contractor is awarded a certificate of exemption, the county will automatically receive a certification of exemption for that project. See *Ala. Code* §40-9-14.1(b)(1). Contractors and subcontractors receiving certificates of exemption must report their monthly purchases for tax-exempt projects to ADOR. See *Ala. Code* § 40-9-14.1(d).