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S.F. No. 216 – Sales tax exemption for certain construction materials purchased by contractors

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Under current law, sales to and purchases by certain local government entities, certain hospitals and other medical care entities, and nonprofit groups are generally exempt from sales and use tax. This exemption does not apply to sales to and purchases by a contractor or subcontractor of building, construction, or reconstruction materials, supplies, and equipment as part of a lump-sum or similar type of contract with a guaranteed price for both materials and labor. Lump-sum contracts are generally used in construction projects, so the exemption only applies if the eligible entities purchase the construction materials, supplies, and equipment themselves, which is uncommon.

This bill would allow the exemption to apply to sales to and purchases by contractors and subcontractors of building, construction, or reconstruction materials used or consumed in or incorporated into buildings or facilities used principally by the following entities:

- School districts;
- Local governments;
- Hospitals and nursing homes operated by state political subdivisions;
- County law libraries, public libraries, regional public libraries, and multicounty/multitype library systems;
- Certain nonprofit groups;
- Hospitals, outpatient surgical centers, and critical access dental providers; and
- Nursing homes and boarding care homes.

The bill would also allow the exemption for purchases by school districts and local governments for materials, supplies, and equipment used in construction, repair, maintenance, or improvement of various public infrastructure projects.

Contractors and subcontractors would pay sales tax upfront and apply for a refund under the provisions of current law.

Effective for sales and purchases made after June 30, 2021.