

ANDERS STATE AND LOCAL TAX (SALT)

REVERSE AUDITS FOR GOVERNMENT CONTRACTORS

There is a great opportunity for government contractors to save on sales or use taxes paid for consumables used on government contracts. The U.S. Government is not subject to sales/use tax, however, government contractors typically pay tax on their consumable purchases. Government contractors may be paying tax on many of their overhead purchases needlessly.

SALES TAX SAVINGS

Everything from raw materials to office supplies used to make government contracted items can be exempt from a certain amount of sales/use tax. This is due to certain title passing clauses in the government contracts. For example, a contractor may be paying 100% of the percentage of sales tax on items they need only pay 20%.

RESALE EXEMPTION

Federal Acquisition Regulations (FAR) govern the U.S. government's purchases, and these regulations are strictly followed. Many federal contracts outline a resale exemption for a title transfer of contractor-acquired property. There are specific clauses in a contract that have been accepted by state tax authorities to establish an exemption for the contractor. This information can easily be overlooked. The clause numbers vary, depending on the type of contract whether it be a fixed price, cost reimbursement, etc.

In many states, "title transfer" is equivalent to "sale," and therefore is a purchase for resale by the contractor. Transfer of possession is not always necessary for the resale exemption to apply. The exemption applies to many items depending on the state. Though the process can be complicated and cumbersome, Anders has the expertise to determine quickly if this opportunity is right for you.

LOWER SALES/USE TAX, BIGGER COMPETITIVE ADVANTAGE

Our sales and use tax advisors evaluate overhead purchases to redeem sales/use tax paid, generally going back 3-4 years. The top government contractors take advantage of this opportunity and can factor the savings into their bids, therefore outbidding contractors who are unaware of the opportunity, or who do not take advantage of it.

Many contractors are also unaware that they can also be reimbursed by the federal government for the cost to acquire the refund as it reduces the cost the federal government pays.

TALK WITH AN ADVISOR TODAY.

Robert V. Willeford, Jr., CPA, Esq
314-474-0706 | rwilleford@anderscpa.com