



ANDERS STATE AND LOCAL TAX SERVICES (SALT)

SALES TAX FOR CONTRACTORS CHEAT SHEET

Determining if a contractor is responsible for paying sales tax can be complicated and vary by state and by contract. It's important to identify your role in working with tangible personal property or real property and if you're acting as a dual operator.

TANGIBLE PERSONAL PROPERTY (TPP)

Any type of property that can generally be moved, or that is not attached to land or real property

- Sales tax is imposed on tangible personal property and not on real property.

REAL PROPERTY

Land and items permanently affixed to land, such as a building

- Contractors are taxable as final users and consumers of materials and supplies that become part of real property vs. tangible personal property.

DUAL OPERATOR

A contractor that purchases supplies and materials for both consumption as an end user improving real property and for resale as a retailer

- If purchasing materials or supplies specifically for a job where the contractor is the end user, it's best to pay tax at the time of purchase.

A contractor is any person or company entering into an agreement to improve, repair, replace, erect or alter real property.

REAL LIFE EXAMPLE

A cabinet maker purchases materials to make cabinets. In some cases they will make AND install the cabinets, and other cases they will make the cabinets for a customer who will install the cabinets themselves.

If the cabinet maker installs the cabinets, title doesn't transfer to the homeowner until the installation is complete and at that point the cabinets are part of real property. **As the installer, the cabinet maker would be the end user of the materials and must pay tax on all his purchases.**

If the cabinet maker does not install the cabinets and they are merely sold to the customer it is a retail sale and tax must be charged on the transaction.

- If, at the time of purchase, the cabinet maker doesn't know if the materials they are buying will be used on an install job or a retail sale – it's best to purchase everything exempt and then at the end of each month determine how much tax to self-accrue on the install jobs and pay to the state.

NON-PROFIT CONSTRUCTION CONTRACTS

Exempt charitable, religious and educational entities, or political subdivisions may complete a project exemption certificate (Missouri Form 5060).

Once this form is presented to the contractor they may use the certificate, along with a copy of the exempt entity's Missouri Sales and Use Tax Exemption Letter, to purchase materials for a specific project performed for the tax exempt entity. Only the materials incorporated into the real property are exempt.

Missouri Form 5060 requires the following information:

- The exempt entity's name, address, Missouri tax identification number, and a signature of an authorized representative
- The project location, description and unique identification number
- The date the contract is entered into, which is the earliest date materials may be purchased for the project on a tax-exempt basis
- The estimated completion date
- The certificate expiration date

Rental equipment is not exempt from tax since it will not be incorporated into the real property.

Partnering with an experienced professional services firm to make informed business decisions is important. We understand the SALT compliance and regulations and offer valuable insights on issues that impact the growth and visibility of your organization.

To learn more about our services or arrange a meeting with our team, please contact:

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