



Alaska State Legislature

Senate Majority Web: www.akrepublicans.org

Sponsor: Senator Charlie Huggins
Current Version: SB 158
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Fact Sheet for: Senate Bill 158

Short Title: MUNI TAX ON STATE CONSTRUCTION CONTRACTS

Summary:

- Prohibits the imposition of municipal sales and use tax on a construction contract awarded by the state or a state agency, or on a subcontract awarded in connection with the project funded under the construction contract.

Benefits:

- Prevents escalating costs for construction contracts and subcontracts that are awarded directly in connection with a project.
- Makes the local tax policy regarding contractors and subcontractors on state construction projects consistent throughout the state.

Background:

- Municipalities in some areas of the state impose a local sales or use tax on projects funded through the State. Because of sovereign immunity, the State owes no taxes, but in some cases a sales tax has been levied on subcontractors who are working for the contractor and not directly for the state. On one Nome airport project, a construction contract was awarded to Quality Asphalt Paving (QAP). QAP subcontracted with Dimond Electric, and Dimond was assessed a sales tax of more than \$20,000, which had not been factored into the bid.