NOTICE OF INTENT

Department of Revenue
Qualifying Purchases for Public Construction Projects by Contractors and Subcontractors
(LAC 61.I.4412)

Under the authority of R.S. 47:305.7 and 1511 and in accordance with the Administrative Procedure Act, R.S. 49:950 et seq., the Department of Revenue, through this Notice of Intent, proposes to adopt regulations to define qualifying purchases made by contractors and subcontractors in connection with public construction projects.

R.S. 47:305.7(A)(1)(b) exempts from state and local sales and use tax certain purchases of materials and other qualifying items made by contractors and subcontractors when those purchases are used to perform public construction contracts awarded by the state or its political subdivisions, including their agencies, boards, and commissions. This regulation clarifies which purchases qualify and establishes consistent standards for applying and administering the exemption.

The proposed rule text has been drafted using plain language principles to promote clarity and accessibility for all users. It has also been reviewed and tested for compliance with applicable web accessibility standards.

Title 61
REVENUE AND TAXATION
Part I. Taxes Collected and Administered by the Secretary of Revenue
Chapter 44. Sales and Use Tax Exemptions

§4412. Qualifying Purchases for Public Construction Projects by Contractors or Subcontractors

A. R.S. 47:305.7(A)(1)(b) establishes a state and local sales and use tax exemption for contractors and subcontractors when they make qualifying purchases for public construction contracts.

B. Definitions. For purposes of this Section the following words shall mean:

Public Construction Contract—construction contract for a public project awarded by the state or any of its political subdivisions, including agencies, boards, commissions, or instrumentalities thereof.

C. Qualifying Purchases. Purchases qualify for the tax exemption if they meet the following conditions:

1. For tangible personal property

a. The property is:

i. purchased for direct and exclusive use in performing the public construction contract;

ii. permanently incorporated into the structure so that it becomes part of the immovable property; and

iii. ultimately owned by the public entity (Examples: nails, drywall, HVAC systems, and concrete).

2. For leases or rentals of tangible personal property

a. The property is:

i. used directly and exclusively in the performance of the public construction contract; and

ii. would qualify for the exemption if leased or rented by the public entity (Examples: equipment leased or rented solely for use on the public construction project such as cranes, concrete pump trucks, and excavators).
D. Nonqualifying Purchases. The following purchases do not qualify for the exemption:
1. equipment or services used for general support and not directly for construction (Examples: worker transportation, office trailers, portable restrooms);
2. tools and equipment the contractor keeps after the project (Examples: hammers, saws, ladders, generators);
3. supplies used to run or maintain equipment (Examples: fuel, oil, coolants, cleaning supplies);
4. safety gear for workers (Examples: hard hats, gloves, safety glasses, fall protection);
5. payments for services or labor that are not related to buying or renting physical items (Examples: inspection services, safety monitoring, janitorial services, and traffic control); and
6. purchases that cannot be clearly linked to a specific public project.
E. The Department may require additional documentation to prove that purchases qualify for the exemption.
F. To claim this tax exemption, contractors and subcontractors must have a valid exemption certificate and follow all related rules and procedures prescribed by the Department.
AUTHORITY NOTE: Promulgated in accordance with R.S. 47:305.7.
HISTORICAL NOTE: Promulgated by the Department of Revenue, LR:52

Family Impact Statement

The proposed Rule should not have any known or foreseeable impact on any family as defined by R.S. 49:972(D) or on family formation, stability and autonomy. Specifically, the implementation of the proposed amendment will have no known or foreseeable effect on:
1. The stability of the family.
2. The authority and rights of parents regarding the education and supervision of their children.
3. The functioning of the family.
4. Family earnings and family budget.
5. The behavior and personal responsibility of children.
6. The ability of the family or a local government to perform this function.

Poverty Statement

This proposed Rule will have no impact on poverty as described in R.S. 49:973.

Small Business Analysis

The proposed Rule is not expected to have a significant adverse impact on small businesses as defined in the Regulatory Flexibility Act. The agency, consistent with health, safety, environmental and economic factors, has considered and, where possible, utilized regulatory methods in drafting this proposed Rule to accomplish the objectives of applicable statutes while minimizing any anticipated adverse impact on small businesses.

Provider Impact Statement

The proposed Rule will have no known or foreseeable effect on:
1. The staffing levels requirements or qualifications required to provide the same level of service.

2. The total direct and indirect effect on the cost to the provider to provide the same level of service.

3. The overall effect on the ability of the provider to provide the same level of service.

Public Comments

Any interested person may submit written data, views, arguments or comments regarding these proposed amendments to Bobbi Davis, Attorney, Tax Policy and Planning Division, by mail to P.O. Box 44098, Baton Rouge, LA 70804-4098. All comments must be received no later than 4:00 p.m., August 24, 2026.

Public Hearing

Interested persons may submit a written request for a public hearing no later than August 10, 2026, at 4:30 p.m. Requests may be submitted either by mail, addressed to Bobbi Davis, Attorney, Tax Policy and Planning Division, Office of Legal Affairs, P.O. Box 44098, Baton Rouge, LA 70804-4098, or via email to Bobbi.Davis@la.gov and reference Qualifying Purchases for Public Construction Projects by Contractors or Subcontractors. If the criteria set forth in R.S. 49:961(B)(1) are satisfied, a public hearing will be held on August 25, 2026, at 1:00 p.m. in the River Room, located on the seventh floor of the LaSalle Building, 617 North Third Street, Baton Rouge, La 70802, for all interested persons to attend and submit oral or written comments. To confirm whether or not the public hearing will be held, please visit the department's website at: https://revenue.louisiana.gov/tax-policy/rules-regulations and under "Types" select "Nonemergency Rulemaking." In accordance with the Americans with Disabilities Act, should individuals with a disability need an accommodation in order to participate, contact Bobbi Davis at the address given above in the Public Comments section, by email at LDRadarequests@la.gov or by phone at (225) 219-2780.

Jarrod Coniglio
Secretary, Department of Revenue