

**Revenue Information Bulletin No. 26-010
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Sales Tax**

Qualifying Purchases for Contractors and Subcontractors on Public Construction Projects

Act 384 of the 2025 Regular Session of the Louisiana Legislature extended the governmental sales and use tax exemption in R.S. 47:305.7(A). Effective July 1, 2025, the state and local sales and use tax exemption applies to certain purchases made by general contractors and their subcontractors related to performing work pursuant to construction contracts for the state, local governments, or any agency, board, commission, or instrumentality of the state (“public projects”).¹

The exemption is limited to purchases of materials and equipment rentals for public projects. This RIB explains the conditions under which general contractors and subcontractors (“contractors”) may qualify for the exemption when making purchases related to public construction projects, clarifies the ownership and use requirements necessary for exemption eligibility, and provides examples of purchases that do and do not qualify for the exemption.

Purchases Eligible for Exemption

To qualify for the exemption, the tangible personal property must be purchased for exclusive and direct use in performing a public construction contract and, upon completion of the public project, be incorporated into and owned by the public entity as part of the completed immovable property. Examples include, but are not limited to, nails, sheetrock, HVAC systems, and concrete retained by the public entity upon completion of the contract.

The exemption also applies to leases and rentals of tangible personal property, but only when the leased or rented property is used exclusively in the construction of the public project and would have qualified for exemption if leased or rented directly by the public entity. Illustrative examples include cranes for structural framing, concrete pump trucks, and excavators leased solely for use on the public project.

Purchases Not Eligible for Exemption

Leases or rentals of tangible personal property that are used to support the general operations but are not directly used in the performance of the public construction contract

¹ La. R.S. 47:305.7(A)(1)(b). See [Revenue Information Bulletin 25-023](#) for more information about the application process and exemption certificate requirements.

do not qualify for the exemption. Some examples are bus rentals to transport workers to the site, office trailers or job site offices, portable restroom facilities, and temporary storage containers used in the performance of the contract.

Materials, consumables, and equipment that remain the property of the contractor upon completion of the contract do not qualify for the exemption. Such examples may include hammers, reciprocating saws, ladders, generators, and other small equipment or tools that remain the property of the contractor upon completion of the contract.

Materials and consumables used to operate or maintain equipment in support of the construction process do not qualify for the exemption. Examples may include fuel, lubricants, coolants, and cleaning solvents used on equipment in support of completion of the contract.

Materials and consumables used as worker safety or protective equipment do not qualify for the exemption. Examples may include hard hats, safety gloves, safety glasses, fall protection, and other personal protective equipment used in support of completion of the contract.

Charges for services or labor do not qualify for the exemption because they do not constitute purchases of tangible property under R.S. 47:305.7(A).

Additionally, the exemption does not apply to property owned by a public entity and leased to a private party under a payment in lieu of taxes or other similar agreement unless the agreement is approved by the Secretary of the Department of Revenue and the Secretary of the Louisiana Department of Economic Development.²

Questions concerning this publication should be directed by email to PolicySales@La.gov.

Jarrold Coniglio
Secretary

² La. R.S. 47:305.7(A)(1)(c). See [Revenue Information Bulletin 25-022](#) for more information.

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