SECTION 00 73 00.03 – TAX SAVINGS PROCEDURES

PART 1 – GENERAL

1.1 DESCRIPTION
A. Tennessee Code Annotated § 67-6-209(b) will allow Vanderbilt University to forego paying the 7% state sales tax on purchases of construction materials by Contractors or Subcontractors as long as the purchase of materials is billed to and directly paid for by Vanderbilt University. This ensures that Vanderbilt holds title to those materials, which is what the law requires. Sales tax is comprised of a percentage that goes to the state, (currently 7%), and a local option portion, (currently 2.25% in Davidson County). The local option portion, or use tax, must still be remitted. It is not Vanderbilt University’s responsibility to pay the local option portion directly. However, Vanderbilt University will reimburse the entity paying the local option portion.
B. Vanderbilt University’s legal counsel has discussed the University’s desire to be exempt from the state portion of sales tax on construction purchases with the Tennessee Department of Revenue, and has sent a letter confirming this conversation. The letter states that the general contractor or the subcontractors for each project will identify, select, and make arrangements for the purchase of construction materials.

1.2 DEFINITIONS
A. The Cost of the Work stated in the Agreement shall include all state and local sales taxes. After execution of the Agreement, the Contractor shall make recommendations to the Owner on appropriate materials to be included under the State Sales Tax Program. Subject to approval, the Owner shall issue purchase orders for these materials. These purchase orders will not include an amount for state sales tax on the materials purchased. A deductive change order will be issued to reduce the Cost of the Work by the amount of the purchase orders issued by the Owner plus the amount of the total state sales tax savings. 
B. The Contractor shall order, receive, and store materials purchased under this program. The Contractor shall have full responsibility for ordering the correct materials in a timely manner, insuring against damage, and all other standard responsibilities associated with supplying materials to the Project. 
C. The Contractor shall be entitled to Fee on the dollar amount of the purchase orders written by the Owner. 
D. The minimum value of a material order to be considered for this program is $50,000. 

1.3 SUBMITTALS
A. The material supplier shall create a profile in the Owners accounting program “Oracle” and in eBuilder the project management program used by Facilities. 
B. The Contractor shall submit to the Owner, orders for materials and supplies to be purchased under the Sales Tax Savings Program. The Owner shall then issue purchase orders directly to the material suppliers. The Owner shall submit to the Contractor, in writing, evidence of said purchase orders. 
C. The material supplier shall submit invoices to the Sub-Contractor. The Sub-Contractor shall review, approve, and forward said invoices to the Contractor. The Contractor shall review, approve and notify the sub contractor they are approved to submit their invoice to the owner. 
D. The material supplier shall submit invoices directly to owners accounting program at
E. The invoice must prominently indicate the purchase order number (PXXXXXXXX).
F. The Owner shall then issue payment directly to the material supplier. Until the invoice is approved in both systems it cannot be approved for payment.
G. The Contractor shall submit to the Owner and regularly update an itemized log showing each purchase order in the State Sales Tax Program.
1.4 TAX EXEMPTION STATUS LETTER

A. See following page.
PART 2 – PRODUCTS

PART 3 – EXECUTION

END OF SECTION