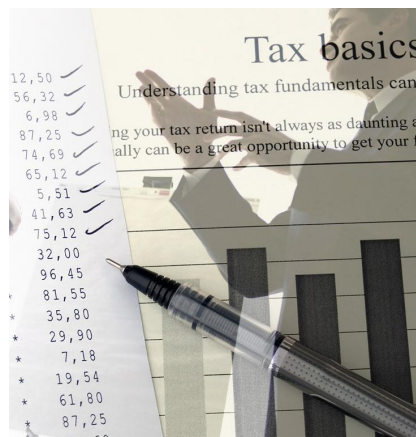




## Are Your Sales and Use Taxes Allowable?

As you may already know, Federal income taxes are an expressly unallowable expense under the provisions of FAR Part 31. However, did you know that in some cases, state sales and use taxes are unallowable as well?

FAR Part 31.205-41(b) (3) states, "Taxes from which exemptions are available to the contractor directly, or available to the contractor based on an exemption afforded the Government" are expressly unallowable. Most states have enacted policies which exclude certain purchases made on behalf of the federal government from state taxation, also known as the doctrine of intergovernmental immunity.



In other words, some states exempt government contractors from sales and use tax on purchases of material, property and equipment that essentially becomes the property of the government or vests with the government. Because there is an exemption afforded the contractor and Government, any state sales and use tax incurred regarding the purchase is considered an unallowable expense and may not be passed along to the government. If such costs are billed, those expenses may be subject to the penalty provisions of FAR 42.709-1.

Like many cost principle rules, there is an exception. The exception stated in FAR Part 31.205-41(b)(3) reads, "except when the contracting officer determines that the administrative burden incident to obtaining the exemption outweighs the corresponding benefits accruing to the Government," these cost will be determined allowable.

However, may we offer a word of advice regarding the contracting officer's waiver? Be sure to GET IT IN WRITING! Too many times we have witnessed a misunderstanding between the contractor and the contracting officer due to a lack of proper written waiver authorization. To avoid situations of this nature, the contractor should take responsibility in the request and maintenance of documentation essential to the allowability and recoverability of such cost.

## IN THIS ISSUE

- Are Your Sales and Use Taxes Allowable?
- Prompt Payment Interest Rate Set at 5¾%
- Training Opportunities

## Prompt Payment Interest Rate Set at 5¾%

The Treasury Department has established 5¾% (5.75%) as the interest rate for the computation of payments made between July 1 and December 31, 2006, under the Prompt Payment Act and the Contracts Disputes Act. This rate is also used in facilities capital cost of money calculations. The interest rate for the prior six-month period (January 1, 2006, through June 30, 2006), was 5 1/8% (5.125%). The interest rate for July 1, 2005, through December 31, 2005, was 4 1/2% (4.5%).

FAR Subpart 32.9, Prompt Payment; FAR Subpart 33.2, Disputes and Appeals; FAR 31.205-10, Cost of Money; and Cost Accounting Standard (CAS) 9904.414, Cost of Money as an Element of the Cost of Facilities Capital, are affected by this interest rate.

## **Training Opportunities**

**Government Contract Accounting Systems Compliance**  
Presented by Federal Publications Seminars

### **Dates**

Nov. 1-2, 2006, Washington DC  
Dec. 6-7, 2006, Las Vegas, NV

### **Course Instructors**

Darryl Walker and Charlie Broome

### **For more information**

Go to [www.fedpubseminars.com](http://www.fedpubseminars.com) and click on the Government Contracts tab or call Beason & Nalley at 256-533-1720.

### **Specialized Training**

Beason & Nalley will develop and provide specialized Government contracts compliance training for client/contractor audiences. Topics on which we can provide training include estimating systems, FAR Part 31 Cost Principles, TINA and defective pricing, cost accounting system requirements, and basics of Cost Accounting Standards, just to name a few. If you have an interest in training, with educational needs specific to your company, please contact Ms. Sandra Baker at [sbaker@beasonnalley.com](mailto:sbaker@beasonnalley.com), or at 256-533-1720.



### **Additional Training Opportunities**

**Beyond the Export Administration Regulations: an Export Compliance Seminar**

#### **Date:**

September 26, 2006

#### **Location:**

Lockheed Martin, 4800 Bradford Drive, Huntsville

#### **Time:**

8:00 a.m. - 4:30 p.m.

#### **For further information:**

For registration and more information, contact the Birmingham Export Assistance Center at 205-731-1331 or [nelda.segars@mail.doc.gov](mailto:nelda.segars@mail.doc.gov) or [www.naita.org](http://www.naita.org).

## **Future Newsletter Editions**

Beason & Nalley welcomes any feedback from the readers of this newsletter. We appreciate any suggestions that you may have as to future content, presentation and format, or interesting developments in the procurement community that would be of interest to our readers. Please provide any feedback or suggestions via our email address at [dwalker@beasonnalley.com](mailto:dwalker@beasonnalley.com).

---

Beason & Nalley, Inc. is an accounting firm with a focus on serving government contractors. With this focus, we go well beyond the bounds of what one would normally consider to be "typical" accounting services. We provide services such as Deltek GCS Premier™ and Deltek Costpoint® consulting, outsourced accounting, government contract services, and more. Our goal is to provide the business owner with options for their financially related administrative needs. Our service list is comprehensive. Contact us:

**Beason & Nalley, Inc.**  
101 Monroe Street  
Huntsville, AL 35801  
Tel.: 256.533.1720  
Email: [info@beasonnalley.com](mailto:info@beasonnalley.com)  
[www.beasonnalley.com](http://www.beasonnalley.com)