

September 30, 2002

Sales and Use Tax - Drainage Districts. EFFECTIVE OCTOBER 1, 2002, PURCHASES BY A NEBRASKA DRAINAGE DISTRICT ARE EXEMPT FROM SALES AND USE TAX.

Laws 2002, LB 123, provides an exemption from sales and use tax for purchases by a Nebraska Drainage District (District). For purchases made on and after October 1, 2002, the District must issue a Nebraska Resale or Exempt Sale Certificate, Form 13, to its vendors in order to purchase items tax free. As provided in Nebraska Sales and Use Tax Regulation 1-093.01, governmental units are not assigned exemption numbers. Therefore, the District must indicate exemption category #1 on Form 13. Purchases by a District for use in furnishing gas, water, electricity, or heat are not eligible for the exemption.

A District may appoint as its agent a prime contractor to purchase building materials that will be annexed to property owned by the District. The appointment of the prime contractor as its agent is completed by issuing to the contractor a Purchasing Agent Appointment and Delegation of Authority for Sales and Use Tax, Form 17. The exempt status of a District cannot be extended to a person or business purchasing property or services to be donated or given to the District.

Sales or use tax paid in error on purchases made on and after October 1, 2002, can be refunded provided the amount of the refund is \$2.00 or more. To receive a refund, the District must file a Claim for Overpayment of Sales and Use Tax, Form 7.

The provisions of Sales and Use Tax Regulations 1-012.02C and 1-093.04 are incomplete to the extent they do not include a Nebraska Drainage District as an exempt governmental unit.

APPROVED:



Mary Jane Egr  
State Tax Commissioner

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