

June 24, 2004

Sales and Use Tax - Remittance of Sales Tax by Contractors. CONTRACTORS MAINTAINING THEIR BOOKS AND RECORDS ON THE ACCRUAL BASIS OF ACCOUNTING WHO RECEIVE MORE THAN ONE PAYMENT ON A TAXABLE CONSTRUCTION OR REPAIR PROJECT MAY REMIT SALES TAX WHEN THE CUSTOMER IS BILLED OR WHEN PAYMENT IS RECEIVED.

Advice has been requested on the collection and remittance of sales tax by accrual-basis contractors performing construction services. Pursuant to Laws 2004, LB 1017, beginning July 1, 2004, contractors must collect and remit sales tax on their gross receipts for labor in performing construction services as payments are received. Due to the fact contractors may utilize different billing methods, the following guidelines must be used when remitting sales tax.

Beginning July 1, 2004, accrual-basis contractors receiving multiple payments on construction projects (down payments, progress payments, etc.) **must collect and remit tax on each payment.** The tax on each payment may be reported when the amount is billed (recorded as a sale), or when the payment is received, provided the same method is used consistently for all contracts. Accrual-basis contractors who receive only one payment for a project may continue to remit sales tax on their construction services when the sales are recorded.

Contractors maintaining their regular books and records on the cash basis of accounting will continue to remit sales tax as payments are received.

Sales made by accrual-basis contractors prior to July 1, 2004, for which payments are received on or after July 1, 2004, must be reported on the Nebraska and Local Sales and Use Tax Return corresponding to the tax period in which the sale was recorded. Accrual-basis contractors cannot amend their returns to change the tax period in which such sales are reported, even though payments are received on and after July 1, 2004.

The provisions in Nebraska Sales and Use Tax Regulation 1-009.03 are superceded to the extent they do not reflect the rules for contractors reporting sales tax on down payments or progress payments.

APPROVED:



Mary Jane Egr  
State Tax Commissioner

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