



Subcontractor Affidavit Frequently Asked Questions

Why did I get this letter from you?

The city is conducting a construction use tax reconciliation on the general contractor for this project. According to information provided to us by the general contractor, your firm was listed as a subcontractor, supplier, or service provider for this project.

What is a “construction use tax reconciliation”, and how does it affect me as a subcontractor?

When a general contractor obtains a building permit from the city, he is required to pay a use tax deposit up front, which is based on the estimated value of materials purchased for the project. After the project is complete, a reconciliation is required to determine the actual amount of use tax due. This is then compared to the use tax deposit paid by the general contractor. The general contractor will either receive a partial refund of that deposit, or will be required to pay additional use tax.

As a subcontractor, am I going to be held liable for any taxes?

The general contractor is liable for the payment of the correct use tax to the city. However, you should refer to your contract for this project, as the general contractor may have the ability to recover costs from the subcontractor or the property owner. The city will generally not assess the subcontractors for use tax on construction projects which have a building permit.

So what exactly do you need from me?

- In order to reconcile the value of the project, we need to know the total amount paid to you by the general contractor for the work you performed or materials you supplied. This number will be compared to the information the general contractor provided to ensure there are no discrepancies.
- In order to accurately calculate the taxable cost of the project, we need to know how much of the payment you received was for materials, equipment, rentals, fabrication labor, and sales/use taxes associated with these items.

I have numerous transactions associated with this project. Do you really want all 200 invoices?

If you consistently purchase materials from the same vendors, then simply provide us with a list of purchases associated with the project (by vendor). A detailed job cost ledger will be sufficient. In addition, be sure to include 3 or 4 sample invoices from each vendor so that we can see how they generally tax your purchases.

See reverse side for more information

We purchase all of our materials in bulk, and then hold them in our warehouse until allocated to specific jobs. I can't provide an invoice for this specific project.

- If you include a mark up in the cost of the materials to the general contractor, provide a list of materials, amount charged, and any sales taxes collected.
- If you do not mark up the cost of the materials, please provide us with a list of all materials (including cost) allocated to the project, as well as the name of the vendor you originally purchased the materials from. *Please include 3 or 4 sample invoices from each vendor.*
- If you have purchased the materials from more than one vendor and are unable to identify exactly which vendor you purchased a specific item from, provide the percentage of purchases associated with each vendor during the project (i.e. you purchased 30% of hardware from ABC Company and 70% from XYZ Company). In addition, *please include 3 or 4 sample invoices from each vendor for these items.*

We don't keep track of how much materials are purchased for each job.

Based on your experience with this type of work, provide an estimated percentage of materials for this project. Please indicate that this is an estimate on the affidavit.

We didn't purchase or provide any materials for this project. We only provided labor. Do I still need to do this?

If your involvement with this project was limited to labor only (not including fabrication labor), then indicate so on the affidavit.

Can you give an example of fabrication labor?

To determine whether or not labor could be considered to be fabrication labor, determine what the general contractor is purchasing, and how that item is normally purchased. For example, if the general contractor purchases a door from your company, any labor necessary to manufacture that door is considered to be fabrication labor. The purchase is for a finished product, and the labor is needed for the creation of the product. In contrast, if the contract is for roofing, then the general contractor is purchasing the labor necessary to install the roof, even if materials are included in the contract. The general contractor is not purchasing a finished roof as a product. Therefore, the labor would not be considered to be fabrication labor. In addition, installation labor is not fabrication labor.

Is the general contractor going to see what my overhead or profit is for this job?

The general contractor will be provided a report which lists the *total* amount of materials, equipment rentals, fabrication labor, and other taxable costs for this project by subcontractor. Information such as profit, overhead, or non-fabrication labor is not needed, and should not be placed on the affidavit.
