

52.229-3 Federal, State, and Local Taxes.

As prescribed in 29.401-3 , insert the following clause:

Federal, State, and *Local Taxes* (Feb 2013)

(a) As used in this clause-

After-imposed Federal tax means any new or increased Federal excise tax or duty, or tax that was exempted or excluded on the *contract date* but whose exemption was later revoked or reduced during the contract period, on the transactions or property covered by this contract that the Contractor is required to pay or bear as the result of legislative, judicial, or administrative action taking effect after the *contract date*. It does not include social security tax or other employment taxes.

After-relieved Federal tax means any amount of Federal excise tax or duty, except social security or other employment taxes, that would otherwise have been payable on the transactions or property covered by this contract, but which the Contractor is not required to pay or bear, or for which the Contractor obtains a refund or drawback, as the result of legislative, judicial, or administrative action taking effect after the *contract date*.

All applicable Federal, State, and local taxes and duties means all taxes and duties, in effect on the *contract date*, that the taxing authority is imposing and collecting on the transactions or property covered by this contract.

Contract date means the date set for bid opening or, if this is a negotiated contract or a modification, the effective date of this contract or modification.

Local taxes includes taxes imposed by a possession or territory of the *United States*, Puerto Rico, or the Northern Mariana Islands, if the contract is performed wholly or partly in any of those areas.

(b)

(1) The contract price includes *all applicable Federal, State, and local taxes and duties*, except as provided in subparagraph (b)(2)(i) of this clause.

(2) Taxes imposed under 26 U.S.C. 5000 C may not be-

(i) Included in the contract price; nor

(ii) Reimbursed.

(c) The contract price *shall* be increased by the amount of any *after-imposed Federal tax*, provided the Contractor warrants *in writing* that no amount for such newly imposed Federal excise tax or duty or rate increase was included in the contract price, as a contingency reserve or otherwise.

(d) The contract price *shall* be decreased by the amount of any *after-relieved Federal tax*.

(e) The contract price *shall* be decreased by the amount of any Federal excise tax or duty, except social security or other employment taxes, that the Contractor is required to pay or bear, or does not obtain a refund of, through the Contractor's fault, negligence, or failure to follow instructions of the *Contracting Officer*.

(f) No adjustment *shall* be made in the contract price under this clause unless the amount of the adjustment exceeds \$250.

(g) The Contractor *shall* promptly notify the *Contracting Officer* of all matters relating to any Federal excise tax or duty that reasonably *may* be expected to result in either an increase or decrease in the contract price and *shall* take appropriate action as the *Contracting Officer* directs.

(h) The Government *shall*, without liability, furnish evidence appropriate to establish exemption from any Federal, State, or local tax when the Contractor requests such evidence and a reasonable basis exists to sustain the exemption.

(End of clause)

Parent topic: [52.229](#) [[Reserved](#)]