

Business Cooperation Program & Use Tax Self Accrual



A REVENUE ENHANCEMENT SERVICE

PROVIDED BY:
MUNISERVICES



Purpose

A successful Business Cooperation Program is designed to minimize use tax losses to state and county pools while maximizing use tax revenue through self-accrual of use taxes.

Business Cooperation Program

- Captures use tax revenues from County pools
- Creates construction site “Nexus”

Use Tax Self Accrual

- Increases local use tax receipts
- Captures revenues lost to County/State pools
- Protects against double taxation
- Puts tax payer in control of tax liability



Business Cooperation Program

In certain circumstances, construction contractors may establish nexus at the job site.

This means use tax payments go directly to the local government rather than county and state pools.



Regulation
1806

- Allows Jobsite Nexus

Contract
Size

- Must exceed \$5,000,000

Who
Qualifies

- Major Construction Projects

Business Cooperation Process



1. MuniServices identifies potentially qualifying contractors

3. MuniServices monitors use tax payments

2. MuniServices contacts and educates contractors

4. Agency captures revenue previously lost to county and state pools



Use Tax Self Accrual

Local governments may self accrue use tax when making out-of-state and out-of-country purchases and leases.

By self accruing use tax, local governments save revenue otherwise lost to county/state pools and earn interest.

Use Tax Generating Purchase	Without Self Accrual	With Self Accrual
Purchase Price	\$1,000,000	\$1,000,000
Sales Tax Rate	9.00%	9.00%
Total Tax Due	\$90,000	\$90,000
Local Tax to Pools	\$10,000	
Distribution to Client		\$10,000
County Pool %	3.00%	n/a
Tax to Agency	\$300	\$10,000
Net Benefit with Self Accrual		\$9,700



Compensation

Business Cooperation Program and assistance with self accrual services typically utilized for specific projects.

Compensation varies based on the type of project.

Business Cooperation Program

- Depends on Project
- Hourly, fixed, contingent

Construction Projects' Use Tax Self Accrual

- Depends on Project
- Hourly, fixed, contingent