

SUBCONTRACTOR TAX INDEMNIFICATION AND COMPLIANCE AGREEMENT

This Subcontractor Tax Indemnification and Compliance Agreement (the "Agreement") is entered into as of _____, 20_____ (the "Effective Date"), by and between:

Contractor: _____, with a principal place of business at _____ ("Contractor"), and

Subcontractor: _____, with a principal place of business at _____ ("Subcontractor").

RECITALS

WHEREAS, Contractor and Subcontractor have entered into a subcontract agreement or prime construction agreement dated _____, 20_____ (the "Subcontract") for performance of work and/or provision of materials related to the project known as _____ located in the State of _____, County of _____, and City of _____ (the "Project"); and

WHEREAS, Subcontractor's performance of the work and/or provision of materials may subject the transactions to various state and local taxes, including but not limited to sales, use, gross receipts, excise, transaction privilege, and other similar taxes; and

WHEREAS, the parties desire to define their respective obligations regarding the reporting, collection, remittance, and indemnification of state and local taxes associated with the Subcontract.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. TAX COMPLIANCE AND REGISTRATION

- A. **Registration:** Subcontractor represents, warrants, and covenants that it is, and will remain during the term of the Subcontract, properly registered with the appropriate state and local taxing authorities in the jurisdiction(s) where the Project is located for the collection and remittance of all applicable sales, use, gross receipts, excise, and other transaction tax liabilities.
- B. **Compliance with Laws:** Subcontractor shall timely file all tax returns and report and remit all applicable state and local taxes, including interest and penalties, arising out of or related to the Subcontractor's performance under the Subcontract.
- C. **Tax Documentation:** Subcontractor shall provide Contractor with valid tax exemption certificates, resale certificates, or other sufficient documentation acceptable to the relevant taxing authorities if any transaction under the Subcontract is claimed to be exempt from state or local taxes. In the absence of such documentation, Subcontractor shall invoice and collect, or pay, all applicable taxes as required by law.

2. TAX ALLOCATION AND PAYMENT

- A. **Included Taxes:** Unless otherwise explicitly agreed to in writing in the Subcontract, the Subcontract price includes all applicable state and local taxes, including but not limited to sales and use taxes on materials, equipment, and consumables used or consumed by Subcontractor in the performance of the work.
- B. **Exclusions:** If the Subcontract specifies that certain taxes are excluded from the contract price and are to be billed separately, Subcontractor shall clearly itemize such taxes on its invoices, indicating the tax rate, taxable amount, and the specific taxing jurisdiction.

3. TAX INDEMNIFICATION

- A. **Indemnity:** Subcontractor agrees to defend, indemnify, and hold harmless Contractor, its officers, directors, employees, agents,

and the Project owner (collectively, the "Indemnified Parties") from and against any and all claims, liabilities, losses, damages, costs, expenses, interest, penalties, assessments, and reasonable attorney's fees arising out of, resulting from, or in any way connected with:

- i. Subcontractor's failure to register, report, file, withhold, collect, or remit any applicable state or local tax, fee, or assessment;
- ii. Any tax assessment, audit, or claim by any state or local taxing authority alleging that additional taxes, penalties, or interest are due with respect to the work, materials, or services provided by Subcontractor under the Subcontract; and
- iii. Any inaccuracy in or breach of any representation, warranty, or covenant made by Subcontractor in this Agreement.

B. **Procedures:** Contractor shall promptly notify Subcontractor of any tax audit, assessment, or inquiry initiated by a taxing authority that relates to Subcontractor's work or tax obligations. Subcontractor shall, at its sole cost and expense, cooperate fully with Contractor and the taxing authority to resolve such audit or assessment. Contractor reserves the right, at its option, to control the defense of any such tax claim, audit, or assessment, and Subcontractor shall reimburse Contractor for all costs, expenses, and tax liabilities incurred in connection therewith.

4. RECORD KEEPING AND AUDIT COOPERATION

- A. **Retention of Records:** Subcontractor shall maintain complete and accurate records of all transactions related to the Subcontract, including but not limited to invoices, purchase orders, tax returns, and proofs of tax payment, for a period of not less than _____ years following the completion of the Project, or longer if required by applicable state or local law.
- B. **Access to Records:** Upon reasonable notice, Subcontractor shall make such records available to Contractor and its authorized representatives for inspection and copying to verify Subcontractor's compliance with its tax obligations under this Agreement.

5. MISCELLANEOUS PROVISIONS

- A. **Governing Law:** This Agreement shall be governed by, and construed in accordance with, the laws of the State of _____, without regard to its conflict of law principles.
- B. **Severability:** If any provision of this Agreement is held to be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.
- C. **Survival:** The provisions of this Agreement, including the indemnification obligations contained in Section 3, shall survive the completion of the Subcontract, the termination of the Subcontract, and the expiration of this Agreement.
- D. **Entire Agreement:** This Agreement constitutes the entire agreement between the parties regarding the subject matter hereof and supersedes all prior or contemporaneous agreements, understandings, or representations, whether oral or written. This Agreement may not be amended except by a written instrument signed by both parties.

IN WITNESS WHEREOF, the parties hereto have executed this Subcontractor Tax Indemnification and Compliance Agreement as of the Effective Date written above.

CONTRACTOR:

SUBCONTRACTOR:

(Company Name)

(Company Name)

By: (Signature)

By: (Signature)

Name: (Printed)

Name: (Printed)

Title:

Title:

Date:

Date: