

# STANDARD SUBCONTRACTOR STATE AND LOCAL TAX COVENANT

This State and Local Tax Covenant (the "Covenant") is entered into as of \_\_\_\_\_, by and between:

**Contractor:** \_\_\_\_\_

**Subcontractor:** \_\_\_\_\_

WHEREAS, Contractor and Subcontractor have entered into a subcontract agreement dated \_\_\_\_\_ (the "Subcontract Agreement") for the performance of certain services and/or provision of materials in connection with the project located in the State of \_\_\_\_\_, County of \_\_\_\_\_, City of \_\_\_\_\_;

WHEREAS, Subcontractor's performance under the Subcontract Agreement may subject the transactions to various state and local taxes, including but not limited to sales, use, excise, gross receipts, franchise, income, and business privilege taxes; and

WHEREAS, the parties desire to establish clear covenants regarding state and local tax compliance, indemnification, and reporting responsibilities;

NOW, THEREFORE, in consideration of the mutual promises contained herein and in the Subcontract Agreement, the parties agree as follows:

1. **Tax Registration and Compliance:** Subcontractor warrants and covenants that it is, and will remain for the duration of the Subcontract Agreement, properly registered with all applicable state and local tax authorities in the jurisdictions where services are performed or materials are delivered. Subcontractor shall timely file all required tax returns and reports related to its business activities and performance under the Subcontract Agreement.
2. **Payment of Taxes:** Except as otherwise expressly provided in the Subcontract Agreement, Subcontractor assumes exclusive liability for, and shall timely pay, all state and local taxes, fees, licenses, and assessments imposed by any governmental authority arising out of or in connection with the performance of the Subcontract Agreement, including but not limited to:
  - a. Sales, use, consumption, and excise taxes on materials, equipment, and supplies consumed or used by Subcontractor;
  - b. Payroll, unemployment, and withholding taxes for Subcontractor's employees; and
  - c. Corporate income, franchise, and gross receipts taxes applicable to Subcontractor's operations.
3. **Collection and Remittance of Transaction Taxes:** If Subcontractor is legally required to collect sales, use, or similar transaction taxes from Contractor, Subcontractor shall separately state such taxes on its invoices. Contractor shall pay such taxes to Subcontractor unless Contractor provides a valid tax exemption certificate, resale certificate, or direct pay permit prior to invoicing. Subcontractor covenants to timely remit all such collected taxes to the appropriate taxing authorities.
4. **Tax Exemptions:** If the project is exempt from state or local sales and use taxes, Contractor shall provide Subcontractor with the necessary documentation or exemption certificates. Subcontractor agrees to utilize such documentation to claim available tax exemptions on purchases of materials and equipment dedicated to the project.
5. **Indemnification:** Subcontractor shall defend, indemnify, and hold Contractor harmless from and against any and all claims, liabilities, losses, damages, penalties, interest, fines, costs, and expenses (including reasonable attorneys' fees) arising out of or resulting from Subcontractor's failure to register, file returns, pay, collect, or remit any applicable state or local taxes, or to comply with any tax laws, regulations, or the terms of this Covenant.
6. **Audit Cooperation:** In the event of an audit by any state or local tax authority concerning the transactions governed by the Subcontract Agreement, both parties agree to cooperate fully by providing, upon reasonable request, relevant invoices, tax exemption certificates, proof of tax payment, and other supporting documentation.
7. **Survival:** The covenants, obligations, and indemnities contained in this Covenant shall survive the expiration, termination, or completion of the Subcontract Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Covenant as of the date first written above.

**CONTRACTOR:**

**SUBCONTRACTOR:**

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By:  
Name:  
Title:  
Date:

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By:  
Name:  
Title:  
Date: