



April 16, 2004 (Extended April 17, 2014)

Pennsylvania Sales and Use Tax

No. SUT-04-015

Dedication of Water Mains and Sanitary Sewer Lines to Municipal Authorities

ISSUE

May the Contractor claim an exemption from Pennsylvania sales tax on its purchase of tangible personal property that it will use to install water and sanitary sewer lines for a private developer, rather than a public utility or municipal authority?

CONCLUSION

The Contractor may claim exemption from Pennsylvania Sales Tax on its purchase of certain tangible personal property that it will use to install water and sanitary sewer lines for a private developer, provided it submits to its supplier the documentation explained below.

FACTS

The Contractor is performing site development work. The contract includes the installation of water and sanitary sewer lines. Upon completion of the work, the sewer lines will be dedicated to a municipal township authority, and the water lines will become the property of a regulated water company.

DISCUSSION

Pursuant to Department regulations, the contractor may purchase certain property exempt from sales tax, if the purchases are made pursuant to a contract with a public utility. 61 Pa. Code § 31.13(b). The exemption is limited to the purchase of property constituting equipment, machinery and parts that the contractor, in conjunction with the contract, transfer to the public utility or a municipal authority engaged in a sanitary sewer operation. The property purchased pursuant to the exemption must be directly used in a sanitary sewer installation, not a storm sewer. The exemption does not apply to any items used beyond the curb of what will be commercial property or privately owned property of a residential subdivision. Water mains, sewer treatment equipment, pipes, fittings, manholes and covers, stone bedding and covering, cement and pumping equipment are examples of exempt property.

The Department of Revenue interprets Regulation § 31.13 to include situations in which the Contractor enters into a contract with a developer that will dedicate the sanitary sewer installation, upon completion of the subdivision, to a public utility, municipality or municipal authority. In order for the Contractor to claim the sales tax exemption on the described purchases, the Contractor must present the following to its supplier:

1. A copy of a properly executed Pennsylvania Exemption Certificate, Form REV-1220. That form or an attached sheet should list the Developer, description of the job, the exempt entity to which the property will be dedicated and a list of items purchased and to which the exemption applies, and

2. A copy of this letter ruling.