

Section 2.42

Taxes, Fees, Surcharges

State and Local Taxes

The State of Texas is exempt from paying certain taxes such as state and local (City, Transit Authority, etc.) sales tax ([Texas Tax Code §151.309 \(4\)](#)). During the solicitation process, the agency shall notify the bidders that purchases made for the state are not subject to Texas sales tax. Taxes of other states are not applicable if F.O.B. destination in Texas is specified.

Suggested language for solicitations:

“Purchases made for state use are exempt from the Texas state sales tax, and certain purchases are exempt from federal excise tax.”

In addition, TPASS recommends that a tax exempt statement appear on the front of each purchase order.

In situations where solicitations require both labor and materials, the state is exempt from the tax paid by the contractors on behalf of the state for the incorporated materials they supply when performing a labor and materials contract job. The contractor must ALWAYS pay the tax unless the materials will be used entirely for the state's project. Contractors must pay tax on the purchase and rental of equipment, accessories and repair or replacement parts for equipment ([Texas Tax Code §151.311](#)).

Federal Taxes

The state of Texas is exempt from paying federal excise taxes for specified commodities. Suggested language for solicitations if applicable:

"Generally, the State of Texas is exempt from Federal Excise Taxes. However, the State of Texas is not exempt from Federal Excise Taxes for certain purchases, i.e. vaccines."

Taxes, Fees and Surcharges Paid by the State

Telecommunication Services - Current information regarding taxes, fees, and surcharges on telecommunication services is available on the Department of Information Resources' Web site.

State Motor Fuels Tax - Agencies are required to pay the state motor fuels tax on gasoline and diesel fuel. However, agencies holding either a Dyed Diesel Fuel Bonded User permit or Dyed Diesel Fuel Signed Statement registration are not required to pay the state motor fuel tax on dyed diesel fuel purchased for use in off-highway equipment. State agencies may request a refund of state motor fuels taxes paid on gasoline and diesel fuel used in off-highway equipment. Agencies should contact TPASS for information on obtaining a diesel fuel permit or requesting a refund.

Tax Exemption Certificates

State and Federal Tax Exemption Certificate forms are available in the [Procurement Forms Library](#).

Legal Authority:

[Texas Tax Code §151.309 \(4\)](#)

[Texas Tax Code §151.311](#)