

52.229-4 Federal, State, and Local Taxes (State and Local Adjustments).

As prescribed in [29.401-3](#) , insert the following clause:

Federal, State, and *Local Taxes* (State and Local Adjustments (Feb 2013))

(a) As used in this clause-

After-imposed tax means any new or increased Federal, State, or local tax or duty, or tax that was excluded on the *contract date* but whose exclusion was later revoked or amount of exemption reduced during the contract period, other than an *excepted tax*, on the transactions or property covered by this contract that the Contractor is required to pay or bear as the result of legislative, judicial, or administrative action taking effect after the *contract date*.

After-relieved tax means any amount of Federal, State, or local tax or duty, other than an *excepted tax*, that would otherwise have been payable on the transactions or property covered by this contract, but which the Contractor is not required to pay or bear, or for which the Contractor obtains a refund or drawback, as the result of legislative, judicial, or administrative action taking effect after the *contract date*.

All applicable Federal, State, and local taxes and duties means all taxes and duties, in effect on the *contract date*, that the taxing authority is imposing and collecting on the transactions or property covered by this contract.

Contract date means the effective date of this contract and, for any modification to this contract, the effective date of the modification.

Excepted tax means social security or other employment taxes, net income and franchise taxes, excess profits taxes, capital stock taxes, transportation taxes, unemployment compensation taxes, and property taxes. "*Excepted tax*" does not include gross income taxes levied on or measured by sales or receipts from sales, property taxes assessed on completed *supplies* covered by this contract, or any tax assessed on the Contractor's possession of, interest in, or use of property, title to which is in the Government.

Local taxes includes taxes imposed by a possession or territory of the *United States*, Puerto Rico, or the Northern Mariana Islands, if the contract is performed wholly or partly in any of those areas.

(b)

(1) Unless otherwise provided in this contract, the contract price includes *all applicable Federal, State, and local taxes and duties*, except as provided in subparagraph (b)(2)(i) of this clause.

(2) Taxes imposed under [26 U.S.C. 5000 C](#) may not be-

(i) Included in the contract price; nor

(ii) Reimbursed.

(c) The contract price *shall* be increased by the amount of any *after-imposed tax*, or of any tax or duty specifically excluded from the contract price by a term or condition of this contract that the Contractor is required to pay or bear, including any interest or penalty, if the Contractor states *in writing* that the contract price does not include any contingency for such tax and if liability for such tax, interest, or penalty was not incurred through the Contractor's fault, negligence, or failure to follow instructions of the *Contracting Officer*.

(d) The contract price *shall* be decreased by the amount of any *after-relieved tax*. The Government *shall* be entitled to interest received by the Contractor incident to a refund of taxes to the extent that such interest was earned after the Contractor was paid by the Government for such taxes. The Government *shall* be entitled to repayment of any penalty refunded to the Contractor to the extent that the penalty was paid by the Government.

(e) The contract price *shall* be decreased by the amount of any Federal, State, or local tax, other than an *excepted tax*, that was included in the contract price and that the Contractor is required to pay or bear, or does not obtain a refund of, through the Contractor's fault, negligence, or failure to follow instructions of the *Contracting Officer*.

(f) No adjustment *shall* be made in the contract price under this clause unless the amount of the adjustment exceeds \$250.

(g) The Contractor *shall* promptly notify the *Contracting Officer* of all matters relating to Federal, State, and *local taxes* and duties that reasonably *may* be expected to result in either an increase or decrease in the contract price and *shall* take appropriate action as the *Contracting Officer* directs. The contract price *shall* be equitably adjusted to cover the costs of action taken by the Contractor at the direction of the *Contracting Officer*, including any interest, penalty, and reasonable attorneys' fees.

(h) The Government *shall* furnish evidence appropriate to establish exemption from any Federal, State, or local tax when-

(1) The Contractor requests such exemption and states *in writing* that it applies to a tax excluded from the contract price; and

(2) A reasonable basis exists to sustain the exemption.

(End of clause)

Parent topic: [52.229 \[Reserved\]](#)