



Millennium Challenge Corporation
 Contracts and Grants Management Division
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MEMORANDUM

Date: July 21, 2025

From: Jonathan C. Hamlet
 Managing Director & Senior Procurement Executive
 Contracts and Grants Management Division
 Department of Administration and Finance
 Millennium Challenge Corporation

To: MCC Contracts and Grants Management Division Staff

Subject: Class Deviation to Implement the FAR Revisions Parts 29 *Taxes* and 52 *Solicitation Provisions and Contract Clauses* Issued on July 17, 2025

Findings

On April 15, 2025, President Trump signed the [Executive Order \(E.O.\) 14275, "Restoring Common Sense to Federal Procurement"](#) to reform the Federal Acquisition Regulation (FAR). This E.O. further advances the intent of the [E.O. 14192, "Unleashing Prosperity Through Deregulation,"](#) signed on January 31, 2025, which established that the policy of the executive branch is to be prudent and financially responsible in the expenditure of funds and to alleviate unnecessary regulatory burdens placed on the American people.

The E.O. orders the Administrator of the Office of Federal Public Procurement Policy (OFPP), in coordination with the other members of the Federal Acquisition Regulatory Council (FAR Council), the heads of agencies, and appropriate senior acquisition and procurement officials from agencies to amend the FAR to ensure that it contains only provisions that are required by statute or that are otherwise necessary to support simplicity and usability, strengthen the efficacy of the procurement system, or protect economic or national security interests. This project is referred to as the Revolutionary FAR Overhaul (RFO) initiative.

On May 2, 2025, the Office of Management and Budget (OMB) released its memo M-25-25 "Overhauling the Federal Acquisition Regulation" that directs all agencies to "Generally issue individual or class deviations to implement the FAR Council's deregulated coverage within 30 days after the Council releases its model deviation text. Provide copies of class deviations to the FAR Secretariat at gsaregsec@gsa.gov for public posting on Acquisition.gov."

On July 17, 2025, the FAR Council issued completed revisions for [FAR Part 29](#) and [FAR Part 52](#) clause. The RFO FAR Part 29 model deviation text has been updated to be more direct, active, and accessible. The main objective was to rewrite the complex tax requirements in plain language, leading to an approximate 20% reduction in word count.

Statutory requirements retained in the RFO FAR Part 29 model deviation include, but are not limited to, the following:

- 26 U.S.C. § 4041, Imposition of tax
- 26 U.S.C. § 4053, Exemptions
- 26 U.S.C. § 4064, Gas guzzler tax
- 26 U.S.C. § 4221, Certain tax-free sales
- 26 U.S.C. § 4293 and § 4483, Tax exemptions
- 26 U.S.C. § 5000C, Imposition of tax on certain foreign procurement
- 10 U.S.C. § 402, Transportation of humanitarian relief supplies to foreign countries
- 10 U.S.C. § 404, Foreign disaster assistance
- 10 U.S.C. § 2557, Domestic emergency assistance
- 10 U.S.C. § 2561, Humanitarian assistance

Other key changes include:

Retained:

- Revisions made to the “Scope of Part” at 29.000 are minor plain language adjustments. The substantive scope of the part remains.
- Subpart 29.1 - Guidance for resolving tax problems is retained at 29.101; however, contracting officers are now required to request assistance from assigned legal counsel when tax issues arise. It was previously encouraged, but not required, to do so.
- Subpart 29.2 - Federal Excise Taxes is retained; however contracting officers are now required to request offers on a tax-exclusive basis when the law exempts the Government from federal excise taxes, unless inappropriate for the circumstances. It was previously encouraged, but not required, to do so.
- Subpart 29.3 - The language governing application of State and Local Taxes has been logically reorganized and renumbered. This restructuring improves the flow of information, making the subpart more intuitive for users. For instance, the specific rules for the North Carolina Sales and Use Tax Act, previously located in a sub-paragraph, have been elevated to a standalone section, increasing their visibility and usability.
- Subpart 29.4 - Most of the solicitation provisions, contract clauses, and prescriptions are retained, with plain language edits where appropriate, because they are tied to specific tax law.
- Clauses and provisions retained with plain language adjustments include:
 - 52.229-1, State and Local Taxes
 - 52.229-2, North Carolina State and Local Sales and Use Tax
 - 52.229-3, Federal, State, and Local Taxes
 - 52.229-4, Federal, State, and Local Taxes (State and Local Adjustments)
 - 52.229-5, Remains “Reserved”
 - 52.229-6, Taxes-Foreign Fixed-Price Contracts
 - 52.229-7, Taxes-Fixed-Price Contracts with Foreign Governments
 - 52.229-8, Taxes-Foreign Cost-Reimbursement Contracts
 - 52.229-9, Taxes-Cost-Reimbursement Contracts with Foreign Governments
 - 52.229-10, State of New Mexico Gross Receipts and Compensating Tax
 - 52.229-11, Tax on Certain Foreign Procurements—Notice and Representation
 - 52.229-12, Tax on Certain Foreign Procurements

Removed:

- Definitions of North Atlantic Treaty Organization (NATO) Forces, and U.S. Forces in Afghanistan have been removed.
- Information in Section 29.304, Matters requiring special consideration has been removed or relocated, as appropriate.
- Subsection 29.402-4, prescribing tax requirements for foreign contracts in Afghanistan has been removed in its entirety, along with the following clauses prescribed in that section:
 - 52.229-13, Taxes—Foreign Contracts in Afghanistan
 - 52.229-14, Taxes—Foreign Contracts in Afghanistan (North Atlantic Treaty Organization Status of Forces Agreement)

Determination

To fully comply with the President's E.O.s and the revised FAR Parts 29 and 52, MCC shall follow the [RFO Part 29 model deviation text](#) instead of FAR Part 29 as codified at 48 CFR Chapter 29 and replace the relevant [RFO Part 52 model deviation clause](#) instead of the FAR Part 52 clause as codified at 48 CFR Chapter 52. The FAR Council's RFO Parts 29 and 52 model deviation texts are available at [Acquisition.gov](#), under the "[FAR Overhaul](#)" link.

This deviation applies to all solicitations and new contracts as of July 17, 2025. This deviation does not apply to contracts signed and executed on or before July 16, 2025.

Approval

In accordance with RFO FAR 1.304 *Class deviations*, MCC Contracts Operating Manual (COM) 1.305-3 *Contracts and Grants Management Division MD/SPE*, and the OMB memo M-25-25, the RFO Part 29 model deviation text and the RFO Part 52 model deviation clause are hereby approved effective as of July 17, 2025 for use by all MCC Contracting Officers until final implementation of the FAR update or rescission of this Memo by the SPE. Additional instructions related to this Memo may be issued by the Senior Procurement Executive, Deputy Managing Director, and the Supervisory Procurement Analyst of the MCC CGM Division on an *ad hoc* basis.

Jonathan C Hamlet Digitally signed by Jonathan C Hamlet
Date: 2025.07.21 14:13:59 -04'00'

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Attachments

OMB Memo M-25-25 *Overhauling the Federal Acquisition Regulation*