

**Florida Department of Revenue  
Tax Information Publication**

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**BUILDING CONTRACTORS**

**APPLICATION OF DISCRETIONARY SALES SURTAX  
FOR FABRICATION AND CONSTRUCTION PROJECTS**

This Tax Information Publication discusses the application of the discretionary sales surtaxes to fabrication and construction projects.

**County Surtax**

Florida counties are authorized to levy a surtax on most transactions that are subject to sales and use tax. The tax is computed using the tax rate in the county in which the consumer, usually the contractor, takes delivery of the tangible personal property.

In the case of a lump sum, cost plus, fixed fee, guaranteed price, or similar type of contract, tax is computed using the tax rate of the county in which the delivery is made. When the tangible personal property is delivered to a location within a county not imposing the surtax, no surtax is due.

If a contractor pays use tax upon using materials to fabricate items at the contractor's shop, the tax is computed using the tax rate in the county in which the fabrication occurs. Neither labor performed at the job site where the item will be incorporated into real property nor transportation charges from the contractor's shop to the job site is subject to sales tax or surtax.

**Example:** A plumbing contractor operates a warehouse in Leon County where all of the plumbing materials and supplies are

delivered. The plumber performs real property contracts in several different counties, some of which impose a surtax and some of which do not. The Leon County surtax applies to all of the plumbing materials and supplies, since the warehouse in Leon County is the point of delivery.

**Example:** A heating and air conditioning contractor operates a warehouse and fabrication shop in Leon County. The contractor uses a resale certificate when purchasing sheet metal from a supplier in a county that does not impose surtax. The contractor takes delivery at the supplier's place of business and transports the sheet metal to the Leon County warehouse. Subsequently, the contractor withdraws the sheet metal from inventory and uses it to fabricate ductwork in the Leon County shop for a lump sum real property contract. The contractor is required to accrue surtax at the Leon County rate, as well as the state use tax at 6 percent, when the material is taken from inventory to use in fabrication. If the contractor had elected to pay sales tax to the supplier rather than extending a resale certificate, the applicable surtax rate would have been the rate at the supplier's location where delivery occurred.

### **\$5,000 Surtax Limitation**

The surtax does not apply to sales amounts in excess of \$5,000 for a single item. Multiple items may count as one item if they are sold by a dealer to the same purchaser at the same time, when the sale or purchase is a single sale, and it is a sale of items normally sold in bulk or items that comprise a working unit or part of a working unit. When a real property contractor fabricates tangible personal property that is identified to a single contract, surtax does not apply to the taxable fabrication costs in excess of \$5,000.

**Example:** When a heating and air conditioning contractor, who normally purchases several heating and air conditioning units at the same time, purchases several units from a selling dealer who bills for the units on one invoice, the surtax applies to the first \$5,000 of the total amount of the invoice.

**Example:** When a lumber and building supply dealer sells lumber

of various kinds and sizes, nails of different sizes, rolls of felt, squares of shingles, and other building materials that are used by the purchaser to comprise a working unit (e.g., a roof), the surtax applies to the first \$5,000 of the total amount of the single sale. If the single sale or purchase contains items that are not used to comprise the working unit (e.g., the roof), the surtax applies to the first \$5,000 of each item separately itemized on the sales invoice or other evidence of sale.

Examples of such items that are used by the contractor to construct the roof, but do not become a part of the roof when completed are hammers, saws, shovels, and power tools.

**Example:** A heating and air conditioning contractor operates a fabrication shop in Leon County. The contractor incurs \$15,000 in taxable costs fabricating ductwork for a specific cost plus real property contract. Leon County surtax must be accrued and remitted on only the first \$5,000 of the fabrication cost.

References: Sections 212.054, 212.055, Florida Statutes; Rule 12A-15.004, 12A-15.008, Florida Administrative Code.

### **FOR MORE INFORMATION**

This document is intended to alert you to the requirements contained in Florida laws and administrative rules. It does not by its own effect create rights or require compliance.

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Hearing- or speech-impaired persons should call our TDD at 800-367-8331 or 850-922-1115.

For a detailed written response to your questions, write the Florida Department of Revenue, Taxpayer Services, 1379 Blountstown Highway, Tallahassee, FL 32304-2716.

To receive a fax copy of a form, call 850-922-3676 from your fax

machine telephone.