

**M e m o r a n d u m****565.0060**

To: Ms. Joan Albu  
Audit Evaluation & Planning

June 12, 1987

From: Donald J. Hennessy  
Senior Tax Counsel

Subject: Job Training Partnership Act Amendments of 1986

This is in reply to your May 26, 1987 memo to Assistant Chief Counsel Gary Jugum asking our opinion on the sales and use tax effects fo the amendment to the Federal Job Training Partnership Act, 29 USCA 1707, effective October 16, 1986. Such amendment reads as follows:

“(c) Transactions conducted by a private for-profit contractor or a nonprofit contractor in connection with the contractor’s operation of a Job Corps Center, program, or activity shall not be considered as generating gross receipts. Such contractors shall no be liable, directly or indirectly, to any State or subdivision thereof (nor to any person acting on behalf thereof) for any gross receipts taxes, business privilege taxes measured by gross receipts, or any similar taxes imposed on, or measured by, gross receipts in connection with any payments made to or by such contractor for operating a Job Corps Center, program, or activity. Such contractors shall not be liable to any State or subdivision thereof to collect or pay any sales, excise, use, or similar tax imposed upon the sale to or use by such contractors of any property, service, or other item in connection with the operations of a Job Corps Center, program or activity.”

We agree that such amendment exempts sales or purchases of tangible personal property used on construction contracts as well as any other sales or purchases of tangible personal property sold to or by, or used by, an operator of a Job Corps Center, program or activity. But such exemption should be given no retroactive effect for periods prior to October 16, 1986. Job Corps Center operators had no exemption from sales or use tax, either as to construction contracts or otherwise, prior to October 16, 1986.

In our next CLD we will delete annotation 505.0500 stating that sales to a Job Corps Center are taxable since it is not an agency of the United States. We will add an annotation

stating that sales to or by, or use by, a Job Corps Center, program or activity are exempt, and that such exemption applies event to U. S. construction contracts. We plan to add such annotation under both Sales to the U.S., etc., and U.S. Contractors in the Business Taxes Law Guide.

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cc: Mr. Gary J. Jugum  
Mr. W. E. Burkett  
Mr. E. L. Sorensen, Jr.  
Mr. John. G. Abbott