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**GAO**

United States General Accounting Office  
Washington, DC 20548

Office of  
General Counsel

In Reply  
Refer to: B-193343

*[Comments on Third Federal Acquisition Regulation Draft Segment]*

Mr. Strat D. Valakis  
FAR Project Review Coordinator  
Office of Federal Procurement  
Policy  
Office of Management and Budget  
Executive Office of the President

DEC 29 1978

Dear Mr. Valakis:

By letter dated October 23, 1978, you transmitted for our comment the third Federal Acquisition Regulation draft segment. This segment consists of Part 29 - Taxes.

29.000 Scope of part - states that this part explains Federal, State and local taxation of certain supplies and services, the applicability of such taxes to the Federal Government, and prescribes policy and procedures for use of tax clauses.

29.1 General - advises contracting officers to coordinate with and consult legal counsel on tax matters and to discourage contractors from negotiating independently with taxing authorities under certain circumstances.

29.2 Federal Excise Taxes - discusses the imposition of Federal excise taxes on certain supplies and services and the fact that the Federal Government is often exempt from such taxes. It describes the procedures and circumstances under which the Government takes advantage of the available exemptions.

29.3 State and Local taxes - discusses the application of State and local taxes to the Federal Government and to its contractors and subcontractors. It covers the procedure for claiming exemption from the taxes, as well as the special circumstances involving the North Carolina Sales and Use Tax Act.

29.4 Contract Clauses - prescribes the circumstances for use of certain tax clauses.



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You indicate that this segment of the FAR contains new policy only to the extent that certain Department of Defense policies have been extended to all agencies.

We note that the proposed clause at FAR 52.XXX-1, Federal State and Local Taxes does not include the phrase "no adjustments of less than \$100 shall be made in the contract price \* \* \*" as included in the present clauses at DAR 7-103.10 and FPR 1-11.401-1. Since the proposed clause at FAR 52.XXX-2, which concerns similar subject matter, does include such a phrase and since the policy of ignoring such small sums in a price adjustment action seems reasonable we suggest that the phrase be included in the proposed clause at FAR 52.XXX-1.

Although the remaining portions of the draft segment contain several variations from the present regulations such as an expanded section on exports and evidence of exemption, these changes do not appear to represent significant departures from present policy. Therefore, we have no further comments.

Sincerely yours,

MILTON SOCOLAR

Milton J. Socolar  
General Counsel