

# Tax Exemption:

## Eliminating Tax on Pre-Fab Labor



Florida law currently taxes labor when construction materials are fabricated, assembled, or manufactured off-site for incorporation into real property, but does not tax the same labor when performed on the construction site.

This creates a non-neutral tax policy that penalizes modern construction methods which improve building quality, increase worker safety, reduce project timelines, reduce infrastructure costs, and enhance resilience and sustainability.

Florida is the ONLY state in the country that has this tax on labor which ultimately undermines Florida's competitiveness with other states.

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Draft Exemption Language Submitted to Appropriate Committees for Consideration:

Exemption for Off-Site Construction Fabrication Labor:

*Labor charges for the fabrication, processing, cutting, bending, welding, forming, assembly, or preparation of tangible personal property that will be incorporate into, affixed to, or become part of real property in this state is exempt from the tax imposed under this chapter, when such labor is performed off-site from the real property where the material will be installed.*

For the purposes of this section, "construction fabrication labor" includes but is not limited to:

1. The fabrication of:
  - a. Structural steel, joists, trusses and framing systems;
  - b. Mechanical, electrical and architectural components
2. Labor to assemble, cut, weld, bend, drill, fasten or otherwise prepare materials for installation into real property

Materials remain taxable - this section does NOT exempt the sale of tangible personal property used in fabrication. It only exempts the labor charges for fabrication or assembly.

Required documentation - the exemption only applies when the purchaser provides the seller with a written statement certifying that:

1. The fabricated materials will be incorporated into real property; and
2. The labor charges are separately stated on the invoice or contract

The Department of Revenue shall prescribe a uniform exemption certificate for this purpose.

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