

REIMBURSEMENT

Reimbursement is the standard method of payment for Federal-aid projects. The LGA pays for services (pre-construction and construction), the Department reimburses the LGA, and then FHWA reimburses the Department. Reimbursement requests may be submitted throughout the progression of the project, as phases are completed.

POLICY: The LGA must pay 100% of the project costs and then request reimbursement - generally the reimbursement rate is 80%, which means the LGA must pay 20% of project costs, although the reimbursement rate may vary depending on the program area. Final reimbursement will not be made until the project has been inspected and accepted by the Department.

Generally, for federally-funded projects, NCDOT will reimburse 80% of eligible project costs up to the Federal Award amount, in accordance with the Project Agreement. Reimbursement means the LGA must pay 100% of the costs up front, document payment, and then request reimbursement of 80% of eligible project costs from NCDOT. This guarantees that the LGA pays at least 20% of project costs; however, LGAs may pay more than 20% if project costs are higher than originally estimated. For certain program areas, the LGA may not be required to participate with a match. Specific reimbursement rates will be specified in the Project Agreement and will detail any requirements for a local match.

PROCEDURE

LGA must submit a Reimbursement Package that includes the following

- Cover letter (on LGA letterhead) that shows
 - Project TIP # and WBS Elements
 - Total costs paid (separate PE, ROW, and construction costs and exclude any sales tax);
 - List of invoices and firms paid with amounts
 - Materials test results - QA & QC reports
- Actual invoices from consultants, pay applications from contractors, etc., referencing the work done for the project
- Subcontractor Payment Report
- Evidence of Payment
 - Copy (front and back) of cancelled checks, or
 - Copy of bank statement showing where checks have cleared, or
 - A certified EBT (Electronic Benefits Transfer) statement

The Time Frame for processing a complete reimbursement package will be about two weeks. Any missing documentation will delay the payment processing by the NCDOT.

SALES TAX

Municipalities and other units of Local Government are eligible for sales tax refunds under GS 105-164.14 (b) or (c); therefore, when an LGA enters into a contract with a contractor, they usually require the contractor to submit a Sales Tax Certification Form with every pay application. That form identifies how much local or state tax has been paid by the contractor. The LGA pays the entire amount due the contractor as part of the contract payment. Then, the LGA requests reimbursement from NCDOT for contract payments, less the sales tax amount. The LGA may also request reimbursement of the sales tax from the NC Department of Revenue on an annual or quarterly basis in accordance with GS 105-164.14 (b) or (c). Under no circumstances does NCDOT reimburse sales tax paid directly or indirectly by the LGA.

Here is an example:

Contractor submits Pay Application	\$500,000
Contract submits Sales Tax Paid (part of total pay app)	\$ 20,000
LGA pays Contractor	\$500,000
ELIGIBLE EXPENSES for REIMBURSEMENT	\$480,000
LGA requests 80% reimbursement from NCDOT	\$384,000
LGA pays 20% non-federal match	\$ 96,000
LGA requests sales tax from NCDOR	\$ 20,000

It is the LGA’s responsibility to deduct the sales tax as part of their request for reimbursement from NCDOT. The Department should review the LGA's reimbursement request and determine that all sales tax has been deducted from the amount requested for reimbursement prior to authorizing payment.

WORK PERFORMED BY THE DEPARTMENT

If a Project Agreement specifies that the Department will perform either Pre-Construction or Construction activities, then the Department will charge 100% of the costs to the project funds. The Department will then deduct the LGA’s share from any invoices the LGA submits for reimbursement. All costs over the federal/state funding and match will be the responsibility of the LGA.