

## 29.401-3 Federal, State, and local taxes.

(a) Except as provided in paragraph (b) of this section, insert the clause at [52.229-3](#), Federal, State, and Local Taxes, in *solicitations* and contracts if-

(1) The contract is to be performed wholly or partly in the *United States* or its *outlying areas*;

(2) A fixed-price contract is contemplated; and

(3) The contract is expected to exceed the *simplified acquisition threshold*.

(b) In a noncompetitive contract that meets all the conditions in paragraph (a) of this section, the *contracting officer may* insert the clause at [52.229-4](#), Federal, State, and Local Taxes (State and Local Adjustments), instead of the clause at [52.229-3](#), if the price would otherwise include an inappropriate contingency for potential postaward change(s) in State or local taxes.

**Parent topic:** [29.401 Domestic contracts](#).