



**Sales and Use Tax Division
North Carolina Department of Revenue
Post Office Box 25000
Raleigh, North Carolina 27640-0001**

To Taxpayers and Others:

The Sales and Use Tax Division issued additional published guidance to supplement the legislative changes communicated in the annual [Form E-505](#) (dated 10-15 and revised 1-20-16) previously provided and available on the Department's website at www.dornc.com. The following are available under "Directives" or "Notices", as applicable, on the Department's website at the following website address: <http://www.dornc.com/taxes/sales/references.html>.

Repeal of Installation Charge Exemption - Effective March 1, 2016

Effective March 1, 2016, "installation charges" by a retailer to a purchaser as part of the retail sale of tangible personal property, certain digital property, and taxable services are subject to the applicable rate of sales and use tax for the item as set forth in N.C. Gen. Stat. § 105-164.4(a), no matter that the installation charges may be separately stated by the retailer. The term "installation charges" is part of the definition of "sales price" as defined in N.C. Gen. Stat. § 105-164.3(37). N.C. Gen. Stat. § 105-164.3(33) defines the term "purchase price," in part, as "has the same meaning as the term 'sales price' when applied to an item subject to use tax." Installation charges that are a part of the purchase price of mill machinery, mill machinery parts or accessories, and other items subject to tax under Article 5F, are subject to the 1.00% certain machinery and equipment privilege tax, with a maximum tax of \$80.00 per article. Obtain a copy of the following for more details:

- [Important Notice: Repeal of Installation Charges Exemption](#) - Issued January 11, 2016

Imposition of Sales Tax on Repair, Maintenance, and Installation Services - Effective March 1, 2016

Effective March 1, 2016, N.C. Gen. Stat. § 105-164.4(a)(16) imposes the general 4.75% State rate of sales and use tax "to the sales price of or the gross receipts derived from repair, maintenance, and installation services" sold at retail and sourced to the State. The applicable local (2.00% or 2.25%) and applicable transit (0.50%) rates of sales and use tax also apply to the sales price of or the gross receipts derived from such services. The excise tax per N.C. Gen. Stat. § 105-164.6 is applicable to the purchase of repair, maintenance, and installation charges sourced to the State. Obtain a copy of the following for more details:

- [Important Notice: Shoe Repair Services \(100% Taxable\) and Shoe Polishing Services](#) - Issued January 22, 2016
- [Important Notice: Tire Recapping or Retreading Sales and Services – 100% Taxable](#) - Issued January 25, 2016
- [Important Notice: Watch, Clock, Jewelry, and Other Item Repair Sales and Services \(100% Taxable\), Cleaning Sales and Services, and Engraving Changes](#) - Issued January 27, 2016 (Engraving Changes eff. May 1, 2016)
- [Directive: Repair, Maintenance, and Installation Services](#) - Issued February 5, 2016

Retail Trade - Effective March 1, 2016

Effective March 1, 2016, a person in "retail trade," as defined in N.C. Gen. Stat. § 105-164.3(34a), is a retailer and must treat transactions with consumers as retail sales on or after such date, no matter that

such person met the definition of a real property contractor for any transactions prior to March 1, 2016. A person that meets the definition of “retail trade,” is a retailer liable for the applicable rate of sales and use tax on retail sales, unless the retailer maintains proper records to establish a sale is exempt. A person properly classified in the NAICS - Retail Trade Sector 44-45, who is engaged in business in the State, is presumed to meet the definition of “retail trade.” Obtain a copy of the following for more details:

- [Directive: Retail Trade](#) - Issued February 5, 2016

Service Contracts - Other Than Motor Vehicle Service Contracts - Effective March 1, 2016

Effective March 1, 2016, the sales price of or the gross receipts derived from the sale or the renewal of a service contract sold at retail on or after March 1, 2016, is subject to the general 4.75% State, applicable local, and applicable transit rates of sales and use tax, **regardless of whether the tangible personal property covered in the service contract becomes a part of or is affixed to real property.** Obtain a copy of the following for more details:

- [Important Notice: Sale or Renewal of a Service Contract for Tangible Personal Property Changes](#) - Issued February 2, 2016

Motor Vehicles (Installation Charges; Repair, Maintenance and Installation Services; and Service Contracts) - Effective March 1, 2016

Effective March 1, 2016, “installation charges” by a retailer to a purchaser as part of the retail sale of tangible personal property for a motor vehicle are subject to the general 4.75% State, applicable local, and applicable transit rates of sales and use tax.

Effective March 1, 2016, the sales price of or the gross receipts derived from “repair, maintenance, and installation services” for a motor vehicle sold at retail are subject to the general 4.75% State, applicable local, and applicable transit rates of sales and use tax.

Effective March 1, 2016, the sales price of or the gross receipts derived from the sale or the renewal of a service contract sold at retail for a motor vehicle on or after March 1, 2016, is exempt from sales and use tax.

- [Important Notice: Motor Vehicles \(Installation Charges; Repair, Maintenance, and Installation Services; and Service Contracts\)](#) - Issued February 11, 2016

Following are references to other recent sales and use tax changes, effective dates, and published written guidance issued by the Division. The items noted below are available at the following website address: <http://www.dorn.com/taxes/sales/references.html>.

Aircraft - Effective October 1, 2015

- [Important Notice: Sales Tax Rate Increase for Aircraft](#) – Issued September 30, 2015
- [Important Notice: Qualified Jet Engine](#) – Issued October 6, 2015
- [Important Notice: Exemption for Qualified Aircraft](#) – Issued October 13, 2015
- [Important Notice: Service Contract for a Qualified Jet Engine](#) – Issued January 14, 2016

Aviation Gasoline and Jet Fuel - Effective January 1, 2016

- [Important Notice: Aviation Gasoline and Jet Fuel](#) – Issued December 11, 2015

Qualifying Datacenter - Effective January 1, 2016

- [Important Notice: Qualifying Datacenter](#) – Issued December 15, 2015

Motorsports Exemptions and Refunds - Various Effective Dates

- [Important Notice: Certain Motorsports Exemptions and Refunds](#) - Issued December 22, 2015