

To follow is the latest directive from North Carolina Department of Revenue Sales and Use Tax Division. This directive pertains to the sales tax on services i.e labor. Complete forms and information is available at

www.dornc.com

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IMPORTANT NOTICE: ADDITIONAL INFORMATION REGARDING REAL PROPERTY CONTRACTS AND RETAIL SALES OF REPAIR, MAINTENANCE, AND INSTALLATION SERVICES TO REAL PROPERTY

The following list provides general guidance to assist with making a determination as to whether a transaction is a real property contract with respect to a capital improvement to real property; subject to tax as a retail sale of repair, maintenance, and installation services to real property; or exempt from sales and use tax. Refer to Directive SD-16-3: Real Property Contracts, Directive SD-16-4: Repair, Maintenance, and Installation Services, and the Important Notice: Form E-589CI, Affidavit of Capital Improvement, available on the Department's website for additional information regarding the application of the sales and use tax laws to real property contracts with respect to a capital improvement and repair, maintenance, and installation services.

Listed transactions herein will **generally** constitute a real property contract with respect to a capital improvement to real property when performed for new construction, reconstruction, or remodeling. See SD-16-3 for transactions expressly listed as capital improvements in N.C. Gen. Stat. § 105-164.4H(e)(1) and taxed as real property contracts. For purposes of this notice and the list provided herein, the following apply:

- Sales and use taxes do not apply to the gross receipts derived from a real property contract with respect to a capital improvement.
- The sales price of or the gross receipts derived from services performed to resolve an issue that was part of a real property contract if the services are performed within six months of completion of the real property contract or, for new construction, within 12 months of the new structure being occupied for the first time are subject to tax as a real property contract with respect to a capital improvement.
- The term "initial installation" utilized herein refers to the performance of work in connection with new construction.
- Where the term "installation" is used without the adjective "initial" and there is an "X" in the capital improvement column, the installation of such item is a capital improvement no matter that such item may not be part of new construction, reconstruction, or remodeling.
- An addition or an alteration to real property for or by a lessee or tenant, provided it is intended to become a permanent installation and title to it vests in the owner or lessor of the real property immediately upon installation, is a real property contract.
- The term "capital improvement" does not include the replacement of a fixture in or on a building or structure unless the replacement is part of remodeling.
- Remodeling does not include a transaction that is a single repair, maintenance, and installation service unless such service is expressly listed as a capital improvement by statute.
- Where "repair and maintain" or "repair or maintain" are used in the list, it is intended that such meet the definition of "repair, maintenance, and installation services" as the definition is amended for sales on or after January, 1, 2017.
- The gross receipts from an item listed as "Taxable" in the Repair, Maintenance, and Installation Services ("RMI") column may be exempt and the transaction taxed as a real property contract where a permit under the State Building Code is required and provided such is not a single repair, maintenance, or installation service or a repair or replacement of electrical components, gas logs, water heater, and similar items.

This list is not specific tax advice. The application of sales and use tax may differ based on the facts and circumstances of a particular transaction. A person who wishes to obtain specific tax advice from the Department may do so pursuant to the Written Determination Policy available on the Department's website. The list is not an all-inclusive list and may be updated in the future by the Department.

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Transactions by Category	Capital Improvement Gross Receipts are Exempt from Sales and Use Tax	Repair, Maintenance, and Installation Services Sales Price or Gross Receipts are Taxable Unless Exemption Applies
Roofs and Roofing Materials (cont'd)		
Repair, maintain, or replace the following items or accessories: copings, cornices, drip edges, electric heating tape, expansion joints, flashings (all types), gravel stops and fascia, heating cables, louvers and screens, metal or composition valleys, metal ornaments, metal stacks, rain and draft deflectors, shingles (all types), skylights and scuttles, snow guards, and snow slides		Taxable
Security Systems		
"Initial installation" of security system	X	
Repair, maintain, install, or replace security system for existing real property		Taxable
Repair, maintain, install, or replace a component part or an accessory of any security system		Taxable
Septic, Septage, and Sewer Systems		
Excavation for installation	X	
"Initial installation" of septic system: distribution boxes, dry wells, grease traps, leach fields, lines, seepage pits, septic tanks	X	
Clean or pump out septic tank or grease trap		Exempt
Replacement or installation of a septic tank or septic tank system	X	
Repair, maintain, or replace a component part: distribution boxes, dry wells, grease traps, leach fields, lines, pump, seepage pits		Taxable
Removal of septage from portable toilets		Taxable
Removal of septage from boats, aircraft, trains, and motor vehicles		Exempt
Signage		
Traffic signs (single sign and pole)		Taxable
"Initial installation" of signs on a building, structure, or fixture on land including a billboard	X	
Repair, maintain, replace painted lettering or painted signage on a building, structure, or fixture on land	X	
Repair, maintain, or replace signage (other than painting)		Taxable
Stairs		
Eliminate squeaks		Taxable
Tighten loose balusters		Taxable
Repair, maintain, or replace: balusters, handrails, newels, risers, termite damage, treads, wet and dry rot, stair boards		Taxable
Sump Pumps		
Dig sump pump holes	X	
"Initial installation" of permanent sump pumps	X	
Repair, maintain, or install permanent sump pumps for existing real property		Taxable
Replace or install portable sump pumps for existing real property		Taxable
Repair, maintain, or replace (in permanent or portable sump pumps): floats, electrical cords, motors, piping and connectors, pump suction heads, shutoff switches		Taxable