



Sales and Use Tax Division
North Carolina Department of Revenue
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**IMPORTANT NOTICE: MOTOR VEHICLE REPAIR, MAINTENANCE,
AND INSTALLATION SERVICES; STORAGE; AND TOWING SERVICES**

The changes discussed herein are effective January 1, 2017 for sales made on or after that date, unless noted otherwise. The notice addresses the application of the sales and use tax laws related to or concerning motor vehicles for the following:

- Changes to the definition of “repair, maintenance, and installation services.”
- A person who only provides “repair, maintenance, and installation services” is a “retailer.”
- Enactment of specific exemptions for certain charges for repair, maintenance, and installation services.
- Separately stated storage charges for a motor vehicle are exempt from sales and use tax.
- Separately stated towing services for a motor vehicle are exempt from sales and use tax.

The sales price of or the gross receipts derived from “repair, maintenance, and installation services” sold at retail by a retailer for a motor vehicle are subject to the general 4.75% State, applicable local (2.00% or 2.25%), and applicable transit (0.50%) rates of sales and use tax. See the [Important Notice: Motor Vehicles \(Installation Charges; Repair, Maintenance, and Installation Services; and Service Contracts\)](#) issued by the Department February 11, 2016, for the application of sales and use tax to “repair, maintenance, and installation services” for a motor vehicle for the period March 1, 2016 through December 31, 2016.

The definition of the term “**repair, maintenance, and installation services**” is amended and defined, in part, as “[t]he term includes the activities listed . . . and applies to . . . [a] motor vehicle:

- a. To keep or attempt to keep property or a motor vehicle in working order to avoid breakdown and prevent deterioration or repairs. Examples include to clean, wash, or polish property.
- b. To calibrate, refinish, restore, or attempt to calibrate, refinish, or restore property or a motor vehicle to proper working order or good condition. This activity may include replacing or putting together what is torn or broken.
- c. To troubleshoot, identify, or attempt to identify the source of a problem for the purpose of determining what is needed to restore property or a motor vehicle to proper working order or good condition.
- d. To install, apply, connect, adjust, or set into position tangible personal property, digital property, or a motor vehicle.
- e. To inspect or monitor property or a motor vehicle, but does not include security or similar monitoring services for real property.” N.C. Gen. Stat. § 105-164.3(33i).

Examples - Repair, Maintenance, and Installation Services

Following are examples of services generally considered “repair, maintenance, and installation services” for a motor vehicle and subject to sales and use tax when sold at retail. This list is not all-inclusive.

- Fluid exchanges: oil, engine coolant/antifreeze, refrigerant, brake, power steering, windshield washer, transmission, differential.
- Fuel system: clean or inspect fuel injectors, visual inspection of fuel lines, adjust throttle, fuel treatment.
- Electrical: battery test, charge, or jump service; apply protective coat to battery terminals; visually inspect wiring and wiring components; test fuse; clean battery terminals or receptacles, connect wiring or battery cables.
- Tires: rotate, mount, balance, patch or plug; measure or adjust pressure.
- Suspension: align, inspect steering and suspension; grease joints or bearings; pack bearings.
- Inspections: preventative maintenance, multi-points, brake system, visual (belts, hoses, wiring, brakes, engine components, air conditioning components, lines, windshield wipers, etc.).
- Adjust or calibrate: belt tension, speedometer, tachometer, throttle, and set or adjust spark plug gap.
- Exterior: wash (except self-service), wax, or detail services; paint; remove scratches, dents, or dings; apply protective coatings (spray on bed liners, clear coat, waxes, moisture/rain protection), window tinting.
- Interior: reupholster, clean (upholstery, carpet, windows), and apply protective coatings.
- Troubleshoot a fluid leak or attempt to diagnose an unusual noise coming from a motor vehicle, whether or not the source of the leak or noise is found or remedied.
- Restore: headlights, moldings, trims, etc.
- Roadside service fees where the intent of the service call is to troubleshoot.
- Computer diagnostics, repairs, updates, and maintenance: conducted on site, remotely or in connection with other services to maintain or repair the motor vehicle.

Retailer

The term “retailer,” is amended, and includes a person **whose only business activity is providing** “repair, maintenance, and installation services.” For the period March 1, 2016 through December 31, 2016, the term “retailer” excludes “[a] person whose only [emphasis added] business activity is providing repair, maintenance, and installation services where the person's activities do not otherwise meet the definition of a retail trade.” For more detailed information on “retail trade,” see [Directive SD-16-1, Retail Trade](#), available on the Department’s website. The definition of retail trade is repealed effective January 1, 2017.

Exemption for Certain Repair, Maintenance, and Installation Services

A retailer's records must include records of the retailer's gross income, gross sales, net taxable sales, and all items purchased for resale. Failure of a retailer to keep records that establish that a sale is exempt from sales and use tax subjects the retailer to liability for tax on the sale. The sales price of or the gross receipts derived from the following are exempt from sales and use tax:

- A fee or charge for an inspection required by law, regardless of whether the amount is paid to a public or private entity, provided the charge is separately stated on the invoice or other documentation provided to the purchaser at the time of the sale. (Examples: State safety inspection, emission inspection, hazardous materials inspection required by the federal government, etc.).
- Services performed for a person by a related member. The term “related member” is defined in N.C. Gen. Stat. § 105-164.3(33g).

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- Removal of waste, trash, debris, grease, snow, and other similar items from tangible personal property, including a motor vehicle. The term “removal” is defined by Merriam-Webster’s Dictionary as “the act of moving or taking something away from a place; the act of making something go away so that it no longer exists.” The term “removal” does not include to replace or to exchange what was removed. The exemption does not apply to the removal of trash as part of a car wash service or the removal or replacement of motor oil as part of an oil change for a motor vehicle. The exemption applies to septage removal from a recreational vehicle.
 - Self-service car washes (drive-thru washes, coin-operated washes, and coin-operated vacuums).

Example: A person takes a motor vehicle to an automotive repair shop that is engaged in business in North Carolina that is also a certified inspection station for North Carolina’s vehicle safety inspection and on-board diagnostic emissions inspections. As a result of the safety inspection, it is determined the motor vehicle requires a replacement bulb and windshield wipers. The automotive repair shop separately states the following charges on the invoice given to the person at the time of the sale: \$30.00 for the safety inspection and emissions inspection, \$35.00 for parts, and \$50.00 for labor. The automotive repair shop is liable for and should collect sales tax at the general 4.75% State, applicable local (2.00% or 2.25%), and applicable transit (0.50%) rates of sales and use tax on the \$85.00 sales price of the installed replacement bulb and windshield wipers. The separately stated charge of \$30.00 for the safety inspection and emissions inspection is not subject to sales and use tax.

Example: A person’s recreational vehicle that is equipped with a toilet facility and a sewage holding tank requires the removal of waste from the sewage holding tank. The person locates a dump station engaged in business in North Carolina. The dump station charges a fee for the removal of waste from the sewage holding tank. The sales price of or the gross receipts derived from the waste removal service is not subject to sales or use tax.

Example: A person takes a motor vehicle to an automotive repair shop that is engaged in business in North Carolina for an oil change. The automotive repair shop replaces the oil filter and engine oil with new engine oil and an oil filter. The automotive repair shop charges \$25.00 for the replacement of the oil filter and \$75.00 for the engine oil. The automotive repair shop is liable for and should charge sales tax at the general 4.75% State, applicable local (2.00% or 2.25%), and applicable transit (0.50%) rates of sales and use tax on the \$100.00 sales price of the oil filter and oil change.

Example: A person goes to a self-service carwash in North Carolina. At the location, the person washes their own vehicle using a soft bristled brush and a high pressure nozzle with a chemical applicator provided by the car wash facility. The person is charged for the amount of time the equipment is used and not for specific washing services. The sales price of or the gross receipts derived from the timed usage of the equipment to perform the self-service carwash is not subject to sales or use tax.

Storage Services

N.C. Gen. Stat. § 105-164.13(66) provides an exemption for “[s]torage of a motor vehicle, provided the charge is separately stated [emphasis added] on the invoice or other documentation provided to the purchaser at the time of the sale.” If a retailer does not separately state and identify a charge for storage for a motor vehicle on the invoice or other documentation provided to the purchaser at the time of the sale of an item sold at retail, the charge for storage is part of the sales price or purchase price subject to the applicable rate of sales and use tax. See the [Important Notice](#) issued February 11, 2016 by the Department and referenced above for the application of sales and use tax to charges for storage of a motor vehicle that are part of the sales price of or gross receipts derived from the repair, maintenance and installation services for a motor vehicle for the period March 1, 2016 through December 31, 2016.

A transaction with a customer, where the sole charge is only for storage services (i.e. storage facility) for a motor vehicle, is not subject to sales and use tax.

Example: A person's car is not in working order and requires repair services. The car's owner arranges for a mechanic in North Carolina to provide repair services for the car. The mechanic charges \$200.00 for the storage of the motor vehicle and \$4,300.00 for the repair services. The mechanic does not separately state the charge for the storage services on the invoice provided to the car owner at the time of the sale but rather issues an invoice for \$4,500.00 for repair services. The mechanic is liable for and should charge sales tax at the general 4.75% State, applicable local (2.00% or 2.25%), and applicable transit (0.50%) rates of sales and use tax on the \$4,500.00 sales price of repair, maintenance, and installation services.

Towing Services

N.C. Gen. Stat. § 105-164.13(67) provides an exemption for “[t]owing services, provided the charge is separately stated [*emphasis added*] on the invoice or other documentation provided to the purchaser at the time of the sale.” If a retailer does not separately state and identify a charge for towing services for a motor vehicle on the invoice or other documentation provided to the purchaser at the time of retail sale, the charge for towing is part of the sales price or purchase price subject to the applicable rate of sales and use tax. See the [Important Notice](#) issued February 11, 2016 by the Department and referenced above for the application of sales and use tax to charges for towing services that are part of the sales price of or gross receipts derived from the repair, maintenance and installation services for a motor vehicle for the period March 1, 2016 through December 31, 2016.

A transaction with a customer, where the sole charge is only for towing services (i.e. wrecker service) for a motor vehicle, is not subject to sales and use tax.

Example: A person's car is not in working order and requires repair services. The car's owner arranges for a mechanic in North Carolina to provide towing and repair services for the car. The mechanic charges \$150.00 for the towing services and \$1,350.00 for the repair services. The mechanic separately states and identifies the charge for the towing services of \$150.00 on the invoice provided to the purchaser at the time of sale. The mechanic is liable for and should charge sales tax at the general 4.75% State, applicable local (2.00% or 2.25%), and applicable transit (0.50%) rates of sales and use tax on the \$1,350.00 gross receipts from repair, maintenance, and installation services. The separately stated charge of \$150.00 for towing services is not subject to sales or use tax, as it was separately stated on the invoice provided to the purchaser at the time of the sale.

Definition of Motor Vehicle

N.C. Gen. Stat. § 105-164.3(23) defines the term “motor vehicle,” in part, as “[a] vehicle that is designed primarily for use upon the highways and is either self-propelled or propelled by a self-propelled vehicle. . . .” A motor vehicle includes but is not limited to: a private passenger vehicle, a motorcycle, a recreational vehicle, a park model RV, and a commercial motor vehicle used to transport passengers or property. The term motor vehicle does not include a moped; special mobile equipment; a tow dolly that is exempt from motor vehicle title and registration requirements under N.C. Gen. Stat. §§ 20-51(10) or (11); a farm tractor or other implement of husbandry; a manufactured home, a mobile office, or a mobile classroom; or road construction or road maintenance machinery or equipment.

Process to Purchase Qualifying Items Exempt from Sales and Use Tax for Resale

To purchase qualifying parts; “repair, maintenance, and installation services;” or other items for resale exempt from sales and use tax, a person should issue to a seller [Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption](#), in connection with a qualifying purchase as the seller’s authority to exempt the sale from sales and use tax. Alternatively, the data elements, as required by N.C. Gen. Stat. § 105-164.28(a) to substantiate an exemption, may be provided to a seller. A person,

who does not charge the applicable sales or use tax on the retail sale or gross receipts derived from an item or a transaction subject to tax per N.C. Gen. Stat. § 105-164.4, remains liable for the tax due, unless the person maintains proper records to establish a sale is exempt from sales or use tax.

Seller's Reliance on Exemption Certificate or Data Elements

A seller who obtains, maintains, and relies on a fully completed Form E-595E or data elements required by N.C. Gen. Stat. § 105-164.28(a), provided to the seller by a purchaser claiming an exemption, is not liable for any tax due on a sale to such person. If the purchaser fails to give proper notice that the exemption information should no longer be relied upon or where a purchaser claims an invalid exemption, the purchaser is liable for any tax, penalty, and interest due on such purchase unless the retailer is involved in any of the fraudulent activities listed in N.C. Gen. Stat. § 105-164.28(c).

Sourcing

The retail sale of “repair, maintenance, and installation services” is sourced in accordance with the sourcing principles set forth in N.C. Gen. Stat. § 105-164.4B. Specifically, “repair, maintenance, and installation services” performed on a motor vehicle are generally sourced or received at the location where the customer can potentially make first use of the motor vehicle on which the retailer performed “repair, maintenance, and installation services.”

Example: A business services a motor vehicle at the business's North Carolina location where the customer drops off and then picks up the serviced motor vehicle. The business is liable for and should charge the customer the general 4.75% State, applicable local (2.00% or 2.25%), and applicable transit (0.50%) rates of sales and use tax for the county where the business is located.

Example: A business services a motor vehicle at the business's location, but the business picks up the motor vehicle from the customer's residence and delivers the serviced vehicle to the customer's residence upon completion of the service. The “repair, maintenance, and installation services” are sourced to the owner's residence since that is the location where the vehicle is returned to the owner. The business is liable for and should charge the customer the general 4.75% State, applicable local (2.00% or 2.25%), and applicable transit (0.50%) rates of sales and use tax for the county where the customer's residence is located.

Example: A business providing onsite calibration of equipment and also charging a trip fee should charge sales tax on the charge for calibration and the trip fee. Following the sourcing principles provided in N.C. Gen. Stat. § 105-164.4B, the business is liable for and should charge the customer the general 4.75% State, applicable local (2.00% or 2.25%), and applicable transit (0.50%) rates of sales and use tax for the county where the onsite calibration takes place.

Assistance

General questions regarding this notice should be directed to the Taxpayer Assistance and Collection Center at telephone number 1-877-252-3052 (toll-free).

To the extent there is any change in the rate or amount of tax, change to a statute or regulation, or new case law subsequent to the date of this notice, the provisions in this important notice may be superseded or voided. To the extent that any provisions in any other notice, directive, technical bulletin, or published guidance issued prior to the date of this notice conflicts with this important notice, the provisions contained in this important notice supersede.