



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

IMPORTANT NOTICE:
TIRE RECAPPING OR RETREADING SALES AND SERVICES - 100% TAXABLE

Effective March 1, 2016, one hundred percent (100%) of the sales price of or the gross receipts derived from tire recapping or retreading sales or services sold at retail on or after March 1, 2016 are subject to the general 4.75% State, applicable local, and applicable transit rates of sales and use tax. **A retailer should collect the applicable sales or use tax on the entire sales price or gross receipts of tire recapping or retreading sales or services sold at retail on or after March 1, 2016, no matter that a tire may have been received by the retailer for repair or service prior to March 1, 2016.** A retailer or a wholesale merchant who does not collect the applicable sales or use tax from its customers remains liable for the tax due, unless the retailer or wholesale merchant maintains proper records to establish a sale is exempt from sales or use tax.

With the enactment of Session Law 2015-241, the Secretary is directed to repeal the Administrative Rule 17 NCAC 07B .1901 effective March 1, 2016. Prior to March 1, 2016, 17 NCAC 07B .1901 provides that if no segregation is made between the charges for the materials furnished and the charges for labor and services performed in connection with the tire recapping or retreading work, a tire recapper or retreader is allowed to remit tax at the general 4.75% State, applicable local, and applicable transit rates of sales and use tax on forty percent (40%) of the combined price or charge made for the materials, labor, and services as representing the retail charge for the materials furnished by the tire recapper or retreader.

Effective March 1, 2016, S.L. 2015-241 repeals the exemption from sales and use tax in N.C. Gen. Stat. § 105-164.13(49) for installation charges when separately stated on an invoice or similar billing document given to the purchaser at the time of sale. Refer to the [Important Notice: Repeal of Installation Charges Exemption](#) for additional information. Any installation charges on or after March 1, 2016 as part of a retail sale are part of the sales price of the item and subject to the applicable sales and use tax rate.

Items Purchased for Tire Recapping and Retreading Sales and Services

Purchases of tangible personal property which enter into or become a part of the sale or service of recapped or retreaded tires sold to customers should be purchased by the retailer or wholesale merchant exempt from sales and use tax by issuing a properly completed [Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption](#) to the seller. Examples of such items may include: camelback or other rubber products, cement and rubber solvent, cord fabric, wheel weights and other items of a similar nature.

Example:

A retailer, who is a tire retreader that purchases a retread precured rubber liner where the liner will become a part of a retreaded tire sold to a customer, should issue Form E-595E to the seller to purchase the liner without payment of sales or use tax. The retailer should check the 'resale' box and enter its sales and use tax account number on Line 'G' of Section 5, on Form E-595E.

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 that there is any change in 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 regarding sales and use tax issued prior to the date of this notice conflicts with this important notice, the provisions contained in this important notice supersede.