



**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 09-16) previously provided and available on the Department's website at www.dornrc.com. The following are available under "Directives" or "Notices", as applicable, on the Department's website: <http://www.dornrc.com/taxes/sales/references.html>.

Repair Maintenance and Installation Services – Effective January 1, 2017

- The sales price of or gross receipts derived from repair, maintenance, or installation services performed to real property by a retailer-contractor are subject to sales or use tax.
- A person who makes sales of or derives receipts from repair, maintenance, and installation services for real property is required to register and collect tax on service transactions to real property.
- Enactment of specific exemptions for certain charges for repair, maintenance, and installation services.
- A person performing repair, maintenance, and installation services is required to collect and remit the tax to the Department, regardless if that is the person's only business activity.
- 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.

[Directive: Repair, Maintenance, and Installation Services](#) – Issued November 15, 2016

[Important Notice: Motor Vehicle Repair, Maintenance, and Installation Services; Storage; and Towing Services](#) – Issued November 15, 2016

Real Property Contracts – Effective January 1, 2017

- Definitions for "real property," "real property contract," and "capital improvement" are enacted.
- A contract is taxed as a real property contract where the contract is for new construction, reconstruction, or remodeling with respect to a capital improvement to real property.
- Form E-589CI, Affidavit of Capital Improvement, is generally required to give notice to a retailer-contractor, subcontractor, or other person that any work or subcontract work is to be taxed as a real property contract.
- Certain transactions are capital improvements by definition such as "landscaping services."

[Directive: Real Property Contracts](#) – Issued November 15, 2016

[Important Notice: Erroneous Collection of Sales Tax on a Real Property Contract](#) – Issued October 25, 2016

Service Contracts – Effective January 1, 2017

- Expands sales and use tax to a contract that is for monitoring or inspecting. (Real property security monitoring contracts are exempt.)
- Provides that a contract may be for a period of time or some other defined measure (i.e. number of hours).
- Expands sales and use tax to a service contract for a pool, fish tank, or similar aquatic feature.
- Clarifies that a home warranty, by definition, is a service contract.
- A definition of motor vehicle service contract is enacted.
- The exemption for service contracts for motor vehicles is expanded to include contracts for one or more components, systems, or accessories of a motor vehicle sold by a motor vehicle dealer or by or on behalf of a motor vehicle service agreement company.

[Important Notice: Service Contracts](#) – Issued November 15, 2016

[Important Notice: Motor Vehicle Service Contracts](#) – Issued November 15, 2016

Retail Sales by Certain Nonprofits – Effective January 1, 2017

[Important Notice: Retail Sales by Certain Nonprofits Where the Net Proceeds Benefit the State of North Carolina, or its Agencies or Instrumentalities](#) – Issued November 4, 2016

Service Contract Sold to a Professional Motorsports Racing Team or Related Member – Effective retroactive to January 1, 2014

[Important Notice: Exemption for Service Contract Sold to a Professional Motorsports Racing Team or Related Member](#) – Issued October 26, 2016

Fuel and Piped Natural Gas Used Solely for Comfort Heating– Effective January 1, 2017

[Important Notice: Fuel or Piped Natural Gas Used Solely For Comfort Heating By Certain Manufacturers](#) – Issued October 19, 2016

Alternate Highway Use Tax on a Lease or Rental Contract – Effective January 1, 2017

[Important Notice: Alternate Highway Use Tax on a Lease or Rental Contract Sold to Another Retailer](#) – Issued October 14, 2016

Exemption for Certain Products Made of Recycled Materials – Effective October 1, 2016

[Important Notice: Exemption for Certain Products Made of Recycled Materials](#) – Issued September 15, 2016 (Revised September 30, 2016)

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 document, the provisions in this document 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 document conflicts with this document, the provisions contained in this document supersede.