



## North Carolina Department of Revenue

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Governor

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Secretary

### **Sales and Use Tax Changes Effective January 1, 2017**

A person, who generally operates as a contractor, is liable for sales or use taxes on transactions with individuals, contractors, and other customers. The topics below contain brief information that highlight the various requirements.

#### **Repair Maintenance and Installation Services**

- The sales price or gross receipts from repair, maintenance, or installation services performed to real property are subject to sales or use tax.
- A person performing repair, maintenance, and installation services to real property is required to register, collect, and remit the tax to the Department, regardless if that is their only business activity.

#### **Real Property Contracts**

- A real property contract is for construction, reconstruction, or remodeling with respect to a capital improvement to real property.
- Form E-589CI, Affidavit of Capital Improvement, generally must be obtained from a customer and kept on file for a real property contract. (Form E-589CI is to be available on the Department's website prior to January 1, 2017.)
- If a transaction does not meet the definition of a capital improvement for sales and use tax purposes, it is not a real property contract and may be taxable as a repair, maintenance, and installation service to real property.
- A contract that includes both a capital improvement to real property and a repair, maintenance, and installation service is a mixed transaction contract and taxed accordingly.

#### **Service Contracts**

- Certain service contracts for monitoring or inspecting property are taxable. (Real property security monitor contracts are exempt.)
- Service contracts for a pool, fish tank, or similar aquatic feature and for a home warranty are taxable. (Additional note: Service contracts for tangible personal property affixed to real property became taxable on March 1, 2016, as did many home warranties.)

#### **Assistance**

For additional information for the changes listed above, refer to the following publications on the Department's web site, [www.dornc.com](http://www.dornc.com):

- [Repair, Maintenance, and Installation Services - Directive SD-16-4 \(11-15-16\)](#)
- [Real Property Contracts - Directive SD-16-3 \(11-15-16\)](#)
- [Service Contracts - Important Notice \(11-15-16\)](#)

Questions regarding this correspondence should be directed to the Taxpayer Assistance and Collection Center at telephone number 1-877-252-4487 (toll-free).