



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.dorn.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).