

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017

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HOUSE BILL 726

Short Title: Repeal Sales Tax on RMI. (Public)

Sponsors: Representatives Blust, Setzer, and Henson (Primary Sponsors).
For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Rules, Calendar, and Operations of the House

April 11, 2017

1 A BILL TO BE ENTITLED
2 AN ACT TO REPEAL THE SALES AND USE TAX ON REPAIRS, MAINTENANCE, AND
3 INSTALLATION SERVICES.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. G.S. 105-164.3 reads as rewritten:

6 "§ 105-164.3. Definitions.

7 The following definitions apply in this Article:

8 ...

9 (33e) Real property contract. – A contract between a real property contractor and
10 another person to do any one or more of the following:

- 11 a. To perform construction, reconstruction, or remodeling with respect
12 to a capital improvement to real property: installation, repair, or any
13 other service with respect to real property.
14 b. To furnish tangible personal property to be installed or applied to real
15 property and the labor to install or apply the tangible personal
16 property that becomes part of real property.
17 c. To provide the labor to install or apply the tangible personal property
18 that becomes part of real property.

19 ...

20 (33i) ~~Repair, maintenance, and installation services.~~—The term includes the
21 activities listed in this subdivision and applies to tangible personal property,
22 motor vehicle, digital property, and real property except tangible personal
23 property or digital property installed or applied by a real property contractor
24 pursuant to a real property contract taxed in accordance with
25 G.S. 105-164.4H:

- 26 a. ~~To keep or attempt to keep property or a motor vehicle in working~~
27 ~~order to avoid breakdown and prevent deterioration or repairs.~~
28 ~~Examples include to clean, wash, or polish property.~~
29 b. ~~To calibrate, refinish, restore, or attempt to calibrate, refinish, or~~
30 ~~restore property or a motor vehicle to proper working order or good~~
31 ~~condition. This activity may include replacing or putting together~~
32 ~~what is torn or broken.~~
33 e. ~~To troubleshoot, identify, or attempt to identify the source of a~~
34 ~~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.~~

(35) Retailer. – Any of the following persons:

b. ~~A person, other than a real property contractor, person engaged in business of delivering, erecting, installing, or applying tangible personal property or digital property for use in this State. State that does not become part of real property.~~

(38b) Service contract. – A contract where the obligor under the contract agrees to maintain, monitor, inspect, or repair digital property or tangible personal property for a period of time or some other defined ~~measure, regardless of whether the property becomes a part of or is applied to real property. The term does not include a single repair, maintenance, or installation service. The term includes a service contract for a pool, fish tank, or similar aquatic feature and a home warranty.~~ measure. Examples include a warranty agreement other than a manufacturer's warranty or dealer's warranty provided at no charge to the purchaser, an extended warranty agreement, a maintenance agreement, a repair contract, or a similar agreement or contract.

...."

SECTION 2. G.S. 105-164.4(a) reads as rewritten:

"(a) A privilege tax is imposed on a retailer engaged in business in the State at the percentage rates of the retailer's net taxable sales or gross receipts, listed in this subsection. The general rate of tax is four and three-quarters percent (4.75%). The percentage rates are as follows:

(13) ~~The general rate of tax applies to the sales price of an item or service subject to tax under this Article tangible personal property sold to a real property contractor for use by the real property contractor or to fulfill a real property contract. These sales are taxed in accordance with G.S. 105-164.4H.~~

(16) ~~The general rate applies to the sales price of or the gross receipts derived from repair, maintenance, and installation services and includes any tangible personal property or digital property that becomes a part of or is applied to a purchaser's property."~~

SECTION 3. G.S. 105-164.4H(d) and (e) are repealed.

SECTION 4. G.S. 105-164.4I(b) reads as rewritten:

"(b) Exemptions. – The tax imposed by this section does not apply to the sales price of or the gross receipts derived from a service contract applicable to any of the following items:

(1) ~~An item exempt from tax under this Article. This exemption does not apply to water maintained under a service contract for a pool, fish tank, or similar aquatic feature.~~

(7) ~~Repair, maintenance, and installation services exempt under G.S. 105-164.13(61a)."~~

SECTION 5. G.S. 105-164.13(49) is reinstated.

1 **SECTION 6.** G.S. 105-164.13(61a), (61c), and (61d) are repealed.

2 **SECTION 7.** This act becomes effective July 1, 2017, and applies to sales made on
3 or after that date.