

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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SENATE BILL DRS35331-MC-199 (03/04)

Short Title: Modify Sales Tax on Labor. (Public)

Sponsors: Senator Bingham (Primary Sponsor).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO MODIFY THE SALES TAX ON LABOR.

3 The General Assembly of North Carolina enacts:

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

5 "**105-164.3. Definitions.**

6 The following definitions apply in this Article:

7 ...

8 (33g) Repair, maintenance, and installation services. – The term includes the
9 activities by a taxpayer with more than three employees listed in this
10 subdivision:

- 11 a. To keep or attempt to keep tangible personal ~~property or a motor~~
12 ~~vehicle~~property, other than a motor vehicle, in working order to avoid
13 breakdown and prevent repairs.
14 b. To calibrate, restore, or attempt to calibrate or restore tangible personal
15 ~~property or a motor vehicle~~property, other than a motor vehicle, to
16 proper working order or good condition. This activity may include
17 replacing or putting together what is torn or broken.
18 c. To troubleshoot, identify, or attempt to identify the source of a problem
19 for the purpose of determining what is needed to restore tangible
20 personal ~~property or a motor vehicle~~property, other than a motor
21 vehicle, to proper working order or good condition.
22 d. To install or apply tangible personal property except tangible personal
23 property installed or applied by a real property contractor pursuant to a
24 real property contract.

25 ...

26 (38b) Service contract. – A contract where the obligor under the contract agrees to
27 maintain or repair tangible personal property, other than a motor vehicle,
28 regardless of whether the property becomes a part of or is affixed to real
29 ~~property, or a motor vehicle~~property. Examples of a service contract include a
30 warranty agreement other than a manufacturer's warranty or dealer's warranty
31 provided at no charge to the purchaser, an extended warranty agreement, a
32 maintenance agreement, a repair contract, or a similar agreement or contract.

33"

34 **SECTION 2.** G.S. 105-164.13 reads as rewritten:

35 "**§ 105-164.13. Retail sales and use tax.**



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1 The sale at retail and the use, storage, or consumption in this State of the following tangible
 2 personal property, digital property, and services are specifically exempted from the tax imposed
 3 by this Article:

4
 5 (61a) Repair, maintenance, and installation services if one or more of the following is
 6 met:

7 a. It is provided for an item, other than a motor vehicle, item for which a
 8 service contract on the item is exempt from tax under G.S. 105-164.4I.
 9 ~~Repair, maintenance, and installation services provided for a motor~~
 10 ~~vehicle are subject to tax, except as provided under subdivision (62a) of~~
 11 ~~this subsection.~~

12 (61b) ~~Repair, maintenance, and installation services~~

13 b. It is purchased for resale.

14 (62) An item or repair, maintenance, and installation services used to maintain or
 15 repair tangible personal property pursuant to a service contract taxable under
 16 this Article if the purchaser of the contract is not charged for the item or
 17 services. ~~This exemption does not apply to an item or repair, maintenance, and~~
 18 ~~installation services provided for a motor vehicle pursuant to a service contract~~
 19 ~~exempt from tax under this Article unless the purchaser of the contract is not~~
 20 ~~charged for the item or services.~~ For purposes of this exemption, the term
 21 "item" does not include a tool, equipment, supply, or similar tangible personal
 22 property used to complete the maintenance or repair and that is not deemed to
 23 be a component or repair part of the tangible personal property for which a
 24 service contract is sold to a purchaser.

25"

26 **SECTION 3.** G.S. 105-164.4I(b) reads as rewritten:

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

- 29 (1) An item exempt from tax under this Article.
- 30 (2) A transmission, distribution, or other network asset contained on utility-owned
 31 land, right-of-way, or easement.
- 32 (3) A transmission, an engine, rear-end gears, and any other item purchased by a
 33 professional motorsports racing team or a related member of a team for which
 34 the team may receive a sales tax refund under G.S. 105-164.14A(a)(5). This
 35 subdivision expires January 1, 2020.
- 36 (4) An item subject to tax under Article 5F of Chapter 105 of the General Statutes.
- 37 (5) A qualified aircraft or a qualified jet engine.
- 38 (6) A motor vehicle."

39 **SECTION 4.** This act becomes effective July 1, 2016, and applies to sales made on or
 40 after that date.