

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: House Bill 2231 (First Edition)

SHORT TITLE: Prohibit Tax on Interior Design Services

SPONSOR(S): Representatives Justus, Goforth, Rapp, and Fisher

| <b>FISCAL IMPACT</b>                                      |                                 |                          |                                  |                          |                          |
|---|---------------------------------|--------------------------|----------------------------------|--------------------------|--------------------------|
|   | <b>Yes ( )</b>                  | <b>No ( )</b>            | <b>No Estimate Available (X)</b> |                          |                          |
|   | <b><u>FY 2008-09</u></b>        | <b><u>FY 2009-10</u></b> | <b><u>FY 2010-11</u></b>         | <b><u>FY 2011-12</u></b> | <b><u>FY 2012-13</u></b> |
| <b>REVENUES</b>   | See Assumptions and Methodology |                          |                                  |                          |                          |
| <b>EXPENDITURES</b>                                       |                                 |                          |                                  |                          |                          |
| <b>POSITIONS (cumulative):</b>                            |                                 |                          |                                  |                          |                          |
| <b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> |                                 |                          |                                  |                          |                          |
| <b>EFFECTIVE DATE:</b>                                    | Effective July 1, 2008          |                          |                                  |                          |                          |

**BILL SUMMARY:**

H2231 Amends GS 105-164.13 to exempt interior design services provided in conjunction with the sale of tangible personal property from the Sales and Use tax.

**ASSUMPTIONS AND METHODOLOGY:**

Under current law the definition of 'sales price' includes "any charges by the retailer for any services necessary to complete the sale" (see G.S. 105-164.3 (35) & (37)). If design services are considered necessary to complete the sale of the tangible personal property, then the cost of those services (by definition of 'sales price') are subject to sales tax.

Since interior designers and decorators currently report and remit taxes without itemizing associated services data required to estimate the impact of this proposed exemption is unavailable.

**SOURCES OF DATA:**

North Carolina Department of Revenue

**TECHNICAL CONSIDERATIONS:** None

**PREPARED BY:**

Sandra D. Johnson, Fiscal Analyst  
Fiscal Research Division

**APPROVED BY**

Lynn Muchmore, Director  
Fiscal Research Division

**DATE:** May 28, 2008



**Signed Copy Located in the NCGA Principal Clerk's Offices**