

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2015

**H.B 985**  
**Apr 27, 2016**  
**HOUSE PRINCIPAL CLERK**

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HOUSE BILL DRH40550-MC-221 (04/26)

Short Title: Modify Sales Tax on Automobiles.

(Public)

Sponsors: Representative Setzer.

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 listed in this subdivision:

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

24 ...

25 (38b) Service contract. – A contract where the obligor under the contract agrees to  
26 maintain or repair tangible personal property, other than a motor vehicle,  
27 regardless of whether the property becomes a part of or is affixed to real  
28 ~~property, or a motor vehicle.~~ property. Examples of a service contract include a  
29 warranty agreement other than a manufacturer's warranty or dealer's warranty  
30 provided at no charge to the purchaser, an extended warranty agreement, a  
31 maintenance agreement, a repair contract, or a similar agreement or contract.

32 ...."

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

34 "**§ 105-164.13. Retail sales and use tax.**



\* D R H 4 0 5 5 0 - M C - 2 2 1 \*

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.