



**Sales and Use Tax Division  
North Carolina Department of Revenue  
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[www.dornrc.com](http://www.dornrc.com)**

**To Taxpayers and Others:**

The Sales and Use Tax Division published [Important Notice: Additional Information Regarding Real Property Contracts and Retail Sales of Repair, Maintenance, and Installation Services to Real Property](#) on its website earlier this year and the notice contains a list of transactions by category. The information included in the notice provides general guidance to assist with making a determination as to whether a transaction is a real property contract with respect to a capital improvement to real property; subject to tax as a retail sale of repair, maintenance, and installation services to real property; or exempt from sales and use tax.

You are encouraged to review the important notice if you perform transactions related to real property. The first page of the important notice should not be overlooked as it provides important caveats that must be considered prior to referencing the specific transactions included and categorized in the remaining pages of the important notice (see excerpt below).

**Disclaimer:** *This list is not specific tax advice. The application of sales and use tax may differ based on the facts and circumstances of a particular transaction.*

<b>Transactions by Category</b>	<b>Capital Improvement Gross Receipts are Exempt from Sales and Use Tax</b>	<b>Repair, Maintenance, and Installation Services Sales Price or Gross Receipts are Taxable Unless Exemption Applies</b>
<b>Air Cleaners</b>		
"Initial installation" or replacement of a complete central air cleaner unit or system (excludes self-contained air cleaners)	X	
Repair, maintain, or replace a component part: collector plates, electronic plates, filters, power boxes, return, air ducts, and sails		Taxable
<b>Air Conditioners (other than central air conditioning systems) (see also - Central Air Conditioning)</b>		
Installation or complete replacement of through-the-wall mounted air conditioner unit or system	X	
Repair or maintain through-the-wall mounted air conditioner		Taxable
Repair, maintain, or replace a component part: air flow controls, air handlers, blowers, casings, copper tubing, fan, motors, filters, grilles		Taxable
Installation or complete replacement of a window air conditioner		Taxable
The addition, replacement or change in the design of air where a permit is required under the NC State Building Code	X	
<b>Bathrooms (see also - Electrical, Plumbing, and Walls)</b>		
A replacement or a repair of: cabinets, sink/vanity, toilet, tub, exhaust fan, tub/shower enclosure (non-tile), mirror, lighting fixture, faucet, shower head, various knobs, or other individual items or fixtures		Taxable
Remodel (replace toilet, tub, vanities, shower insert, paint, etc.)	X	

Refer to [Directive SD-16-3: Real Property Contracts](#); [Directive SD-16-4: Repair, Maintenance, and Installation Services](#); and the [Important Notice: Form E-589CI, Affidavit of Capital Improvement](#) to obtain additional guidance regarding the application of sales and use taxes to transactions for real property.

**Assistance**

Visit the Department's website at [www.dornrc.com](http://www.dornrc.com) to obtain a copy of the Important Notice and Directives referenced herein.

*To the extent there is any change in the rate or amount of tax, change to a statute or regulation, or new case law subsequent to the date of this document, the provisions in this document may be superseded or voided. To the extent that any provisions in any other notice, directive, technical bulletin, or published guidance issued prior to the date of this document conflicts with this document, the provisions contained in this document supersede.*