



**Sales and Use Tax Division
North Carolina Department of Revenue
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Raleigh, North Carolina 27640-0001
www.dornc.com**

**IMPORTANT NOTICE: WATCH, CLOCK, JEWELRY, AND OTHER ITEM
REPAIR SALES AND SERVICES (100% TAXABLE), CLEANING SALES AND SERVICES,
AND ENGRAVING CHARGES**

Effective March 1, 2016, one hundred percent (100%) of the sales price of or the gross receipts derived from repair charges sold at retail for watch, clock, jewelry, or other items by a watch, clock, or jewelry repairman or other retailer on or after March 1, 2016, are subject to the 4.75% general State, applicable local, and applicable transit rates of sales and use tax. **A jewelry repairman is a retailer and should collect the applicable sales or use tax on the sales price of or the gross receipts derived from repair sales and services sold at retail on or after March 1, 2016, no matter that the item repaired may have been received by the retailer prior to March 1, 2016.** A retailer or wholesale merchant who does not collect the applicable sales or use tax from its customers on the sales price of or gross receipts derived from repair sales and services remains liable for the tax due, unless the retailer or wholesale merchant maintains proper records to establish a sale is exempt from sales or use tax.

With the enactment of Session Law 2015-241, the Secretary is directed to repeal the Administrative Rule 17 NCAC 07B .1003, effective March 1, 2016. Prior to March 1, 2016, 17 NCAC 07B .1003 provides that if no segregation is made between the charges for the materials furnished and the charges for labor and services performed in connection with the repair work, a watch, clock, or jewelry repairman is allowed to remit tax at the general 4.75% State, applicable local, and applicable transit rates of sales and use tax on ten percent (10%) of the combined price or charge made for the materials, labor, and services as representing the retail charge for the materials furnished by the repairman.

Effective March 1, 2016, S.L. 2015-241 repeals the exemption from sales and use tax in N.C. Gen. Stat. § 105-164.13(49) for installation charges when separately stated on an invoice or similar billing document given to the purchaser at the time of sale. Examples of installation charges, that are part of the sales price of tangible personal property and subject to sales or use tax on or after March 1, 2016, include: charges to install watch bands, batteries, necklace clasps, or other tangible personal property. Refer to the [Important Notice: Repeal of Installation Charges Exemption](#) for additional information.

Tangible Personal Property Purchased for Repair Services

Purchases of tangible personal property to repair a watch, clock, jewelry, or other item, and that will become a part of the customer's repaired item, should be purchased by the retailer or wholesale merchant exempt from sales and use tax by issuing a properly completed [Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption](#) to the seller. Examples of such purchases of tangible personal property may include: watch crystals, clasps, clockhands, and watchband pins. Additionally, any purchase of repair, maintenance, and installation services by a retailer or wholesale merchant for resale should be purchased exempt from sales and use tax by issuing Form E-595E to the seller.

Example:

A retailer purchases a lug to repair a customer's watch. The lug will become a part of the customer's repaired watch. The retailer should issue Form E-595E to the seller to purchase the lug without payment of sales or use tax. On Form E-595E, the retailer should check the 'resale' box and enter its sales and use tax account number on Line 'G' of Section 5. The retailer is liable for sales or use tax on the sales price of the repair services at the general 4.75% State, applicable local, and applicable transit rates of sales and use tax charged by the retailer to repair the customer's watch.

Cleaning Sales and Services

Effective March 1, 2016, the sales price of, the gross receipts derived from, or any charge for cleaning services, sold at retail, to clean or restore a watch, clock, jewelry, or other item by a watch, clock, or jewelry repairman or other retailer are subject to the general 4.75% State, applicable local, and applicable transit rates of sales and use tax under the imposition for sales and use tax on "repair, maintenance, and installation services." A person, whose gross receipts are solely derived from watch, clock, jewelry, or other item cleaning services and who does not make other retail sales, does not meet the definition of retailer. A person who is not a retailer is not liable for sales and use tax on receipts derived from cleaning services. Additional information regarding the application of the sales and use tax statutes to "repair, maintenance, and installation services" will be issued by the Department in the near future.

Other Retail Sales

The sales price of watches, clocks, watch bands, watch chains, batteries, trophies, jewelry, and other tangible personal property sold at retail continue to be subject to the general 4.75% State, applicable local, and applicable transit rates of sales and use tax.

Engraving Charges

Effective May 1, 2016, a charge to engrave tangible personal property sold at retail by a retailer is part of the sales price subject to the general 4.75% State, applicable local, and applicable transit rates of sales and use tax, unless the property is subject to another rate of tax as set in N.C. Gen. Stat. § 105-164.4, and provided such charge to engrave is made at the time of the sale of the property. N.C. Gen. Stat. § 105-164.3(37) defines "sales price," in part, as "[t]he total amount or consideration for which tangible personal property, digital property, or services are sold, leased, or rented. . . . The term includes . . . [c]harges by the retailer for any services necessary to complete the sale."

N.C. Gen. Stat. § 105-264(c) provides, in part, "[t]his section does not prevent the Secretary from changing an interpretation, and it does not prevent a change in an interpretation from applying on and after the effective date of the change. An interpretation that revises a prior interpretation by expanding the scope of a tax or otherwise increasing the amount of tax due may not become effective sooner than . . . [f]or a tax that is payable on a monthly or quarterly basis, the first day of a month that is at least 90 days after the date the revised interpretation is issued."

A charge to engrave tangible personal property owned by a customer continues to be exempt from sales and use tax prior to, on, and after May 1, 2016 provided a retailer retains a record to establish the sale is exempt from sales or use tax.

Assistance

General questions regarding this notice should be directed to the Taxpayer Assistance and Collection Center at telephone number 1-877-252-3052 (toll-free).

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