Sales and Use Tax Division
North Carolina Department of Revenue
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IMPORTANT NOTICE: SHOE REPAIR SERVICES (100% TAXABLE) AND SHOE POLISHING SERVICES

Effective March 1, 2016, one hundred percent (100%) of the sales price of or the gross receipts derived from charges for shoe repair on or after March 1, 2016, are subject to the general 4.75% State, applicable local, and applicable transit rates of sales and use tax. **A retailer of shoe repair services should collect the tax on the entire charges to customers for retail shoe repair services 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 who fails to collect the tax due from its customers or remit the tax due to the Department remains liable for the tax.**

With the enactment of Session Law 2015-241, the Secretary is directed to repeal the Administrative Rule 17 NCAC 07B .1002, effective March 1, 2016. Prior to March 1, 2016, 17 NCAC 07B .1002 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 shoe repairman is allowed to remit tax at the general 4.75% State, applicable local, and applicable transit rates of sales and use tax on forty percent (40%) of the combined price or charge made for the materials, labor, and services as representing the retail charge for the materials furnished by the shoe 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. Refer to the Important Notice: Repeal of Installation Charges Exemption for additional information. Any such charges on or after March 1, 2016 as part of a retail sale are part of the sales price of the item and subject to the applicable sales and use tax rate.

Items Purchased for Use in Shoe Repair Services

Leather, rubber or like products, cement, thread, and other items of a similar nature which ordinarily become a part of or attached to shoes which are repaired and are sold to and delivered with the repaired shoes to customers, including bags for delivery of the shoes, should be purchased for resale exempt from sales and use tax by issuing a properly completed Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption.

Shoe Polishing Services

Effective March 1, 2016, the sales price of or the gross receipts derived from charges by a retailer for shoe polishing services, are subject to the general 4.75% State, applicable local, and applicable transit rates of sales and use tax as a result of the imposition of sales and use tax on "repair, maintenance, and installation services." **A retailer of shoe polishing services should collect the tax on the entire charges to customers for retail shoe polishing services on or after March 1, 2016, no matter that the item may have been received by the retailer prior to March 1, 2016. A retailer who fails to collect the tax due from its customers or remit the tax due to the Department remains liable for the tax.**

A person who solely provides shoe polishing services and does not have other sales transactions, is not a retailer as of March 1, 2016, and is not required to collect and remit sales

tax on the gross receipts derived from shoe polishing services. Such may include a person that polishes shoes in an airport for consideration provided such person is not otherwise a retailer. Where a person provides shoe polishing services but is not a retailer as discussed herein, the person is liable for payment of sales or use tax at the general 4.75% State, applicable local, and applicable transit rates of sales and use tax on purchases of polish, rags, brushes, and other items for use by the person. 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.

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.