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To: NCMHA Members

From: Tonnie Prevatte, President
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~ MAJOR LEGISLATIVE VICTORY ~

MANUFACTURED AND MODULAR HOME EXEMPT FROM SALES TAX ON INSTALLATION

You may recall that, effective March 1 of this year, North Carolina's sales tax was expanded to apply to repair, maintenance and installation services. The new law caused confusion and misunderstanding across many industries. For manufactured and modular homes, the question was whether a separate sales tax had to be collected on set-up and installation and, if so, who should collect the tax.

NCMHA worked hard on this issue during the 2016 Legislative Session, and we are very pleased to report that the law has been clarified in the industry's favor. The Finance provisions in the State Budget, signed into law by Gov. McCrory on July 14, provide these key law changes:

1. There is no sales tax for installation services on real property. Real property is defined to include "a manufactured home or a modular home that is placed on a permanent foundation."
2. There is no sales tax on a contract to perform construction with respect to a capital improvement on real property. "Capital improvement" includes installation of well and septic, installation of heating & air systems, and installation of driveways.
3. Capital improvement also includes any work that requires the issuance of a permit. Warranty service performed within 12 months on new construction is exempt, as are home inspection services, pest control services and fees for inspections required by law.
4. This new law goes into effect on January 1, 2017. For the period March 1 to December 31 of this year, a retailer is not liable for under collection of sales tax if he makes a good faith effort to comply with the existing law.

This important clarification in the law will result in significant savings for customers in our industry and relieve retailers and contractors from a major compliance burden.

The new law directs the NC Department of Revenue to issue a bulletin later this year to further explain and clarify the law for retailers and contractors in all industries. NCMHA will share that bulletin and other information as it becomes available. In the meantime, please contact the NCMHA office if you have any questions.