

SECTION 22 - FUNERALS, MONUMENT MANUFACTURERS, AND MEMORIAL STONE AND MONUMENT DEALERS

NOTE: TECHNICAL BULLETIN 22-1 IS SET OUT TWICE TO REFLECT MAJOR CHANGES IN THE TAXATION OF FUNERAL SERVICES THAT WERE EFFECTIVE JANUARY 1, 2006

22-1 FUNERALS (PRIOR TO JANUARY 1, 2006)**A. Funeral Expenses and Funeral Homes****1. Taxable Funeral Expenses**

All funeral expenses, including gross receipts from tangible personal property furnished or services rendered by funeral directors, morticians or undertakers are subject to the general rate of State tax and any applicable local sales or use tax except as otherwise provided in Paragraph A. 2. of this Bulletin.

Note: For additional information regarding the sale and installation of memorial stones, monuments and bronze grave markers, refer to Sales and Use Tax Technical Bulletin 22-3.

2. Exemptions and Exclusions From Funeral Expenses

The first \$1,500 of the charge for such tangible personal property furnished or services rendered, or both, shall not be subject to the tax pursuant to G.S. 105-164.13(18). The exemption applies to taxable goods and services provided by each retailer. For example, if a funeral home renders services and also provides the coffin, vault, monument, or similar property, the \$1,500 exemption applies to the total charge for all goods and services. If, for a single customer, a funeral home renders services and another retailer provides the monument, grave marker, or similar property, both the funeral home and the other retailer are entitled to the \$1,500 exemption. In addition to the statutory exemption, the following charges may also be excluded from taxable receipts provided such charges are separately and accurately identified in the funeral directors' records:

- a. those services which have been taxed pursuant to G.S. 105-164.4(a)(4);
- b. those services performed by any beautician, cosmetologist, hairdresser or barber employed by or at the specific direction of the family or personal representative of the deceased;
- c. burial permit fees for interment in church cemeteries;
- d. stone deposits advanced to city and church cemeteries to guarantee the erection of a grave stone within a given time;
- e. transportation charges by common carriers for transporting the deceased from the place of death to the place of interment;
- f. honorariums;
- g. ambulance service in cases of final illness where the bill was not paid prior to death and is subsequently added to the funeral bill;
- h. cemetery lots;
- i. cash advances;

- j. grave opening fees;
- k. charges for telephone calls to friends and relatives of the deceased for the convenience of and at the request of the family of the deceased when billed separately to the family;
- l. charges for death certificates procured by or at the specific direction of the family or personal representative of a deceased person; and
- m. amounts paid directly to the funeral director by agencies of the federal government except death benefit payments by the Social Security Administration which require the authorization of the surviving spouse.

3. Cremation Charges

When a body is cremated by an out-of-state concern and the ashes are returned to this State for interment, the charges for such services must be included in total funeral expenses before the statutory deduction of \$1,500.

B. Taxable Purchases by Funeral Homes

Purchases by funeral directors, morticians and undertakers of graveside equipment, embalming fluid, cosmetics, disinfectants, chairs, flower racks, casket trucks and other supplies or equipment for use in conducting their businesses are subject to the general rate of State tax and any applicable local sales or use tax.

C. Death Benefit Payments

Payments made directly to funeral directors by agencies of the federal government are deductible for the purpose of computing sales tax on funeral expenses except lump-sum death benefit payments by the Social Security Administration which require the authorization of the surviving spouse. Such benefits are actually payable to the surviving spouse whether or not the funeral expenses have been paid. The Social Security Administration is, in effect, making payments in behalf of and for the convenience of the surviving spouse; therefore, the payments must be included in the computation of the sales tax due. However, if there is no surviving spouse, and the funeral expenses have not been paid, the funeral director is entitled to receive the lump-sum death benefit from the Social Security Administration and such receipts are exempt from sales tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: February 1, 2007; February 1, 2004; June 1, 2002.

22-1 FUNERALS (EFFECTIVE JANUARY 1, 2006)

A. Funeral Expenses and Funeral Homes

1. Exempt Funeral Services

The gross receipts from services rendered by funeral directors, morticians, or undertakers are exempt from sales and use tax. Other charges for services rendered in connection with funerals that are exempt from sales and use tax include charges for burial permit fees, stone deposits to guarantee the erection of a stone, ambulance service, cemetery lots, grave opening fees, death certificates, and those services performed by beauticians and barbers.

2. Taxable Sales

Sales of taxable tangible personal property are subject to the general State rate and applicable local rate of sales and use tax. Examples of taxable tangible personal property are coffins, caskets, vaults, memorial stones, monuments, grave markers, and similar property. The charge for installation of taxable tangible personal property, such as the installation of a memorial stone or monument, is exempt from sales and use tax if the charge is separately stated on the purchaser's invoice and in the seller's records. The charges for taxable tangible personal property must be separately state from the charges for services rendered. There is no longer any exclusion or exemption for any portion of the expenses related to sales of tangible personal property.

Note: For additional information regarding the sale and installation of memorial stones, monuments and bronze grave markers, refer to Sales and Use Tax Technical Bulletin 22-3.

3. Cremation Charges

Charges for cremation are not subject to sales and use tax. Sales of urns and similar tangible personal property are subject to the general rate of State tax and any applicable local sales or use tax.

B. Taxable Purchases by Funeral Homes

Purchases by funeral directors, morticians and undertakers of graveside equipment, embalming fluid, cosmetics, disinfectants, chairs, flower racks, casket trucks and other supplies or equipment for use in conducting their businesses are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: February 1, 2007; February 1, 2004; June 1, 2002.

22-2 MONUMENT MANUFACTURERS - PURCHASES OF TOOLS AND SUPPLIES

Purchases by monument manufacturers of stencils, abrasives and cutting tools and equipment used by such manufacturers in the cutting, shaping, and polishing process and the solvents used to remove the stencils from the monuments are subject to the 1% privilege tax with a maximum tax of \$80.00 per article. **Monument dealers** who do not cut, shape, polish or otherwise process monuments are not classified as manufacturers and purchases of stencils and other supplies by monument dealers for use in lettering or polishing monuments which they sell are subject to the general rate of State tax and any applicable local sales or use tax.

Note: For additional information regarding the 1% privilege tax, refer to Section 56 of the Sales and Use Tax Technical Bulletins.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-187.50; 105-187.51;
105-187.51A; 105-187.51B; 105-187.52; 105-264;
Issued: June 1, 1996;
Revised: February 1, 2007; June 1, 2002.

22-3 MEMORIAL STONE AND MONUMENT DEALERS**A. Sales of Memorial Stones, Monuments and Bronze Grave Markers**

Sales of memorial stones, monuments and bronze grave markers to users or consumers are subject to the general rate of State tax and any applicable local sales or use tax. When the seller of a memorial stone agrees to install such property, the charge for installation is exempt from tax

if it is separately stated on the invoice and in the seller's records; otherwise, the total charge is taxable.

B. Exemption For Funeral Expenses

1. **Prior to January 1, 2006**, the first \$1,500 of all funeral expenses, including gross receipts from tangible personal property furnished and services rendered by funeral directors, morticians and undertakers, or by monument and memorial stone dealers, shall be exempt from sales or use taxes pursuant to G.S. 105-164.13(18). The term "**funeral expenses**," as used in this Bulletin, shall include charges by a monument or memorial stone dealer for the sale and installation of a memorial stone, monument or bronze grave marker purchased by the estate of a deceased person and allowed as a funeral expense. The \$1,500 exemption is applicable to the total charge for the sale and installation of a memorial stone, monument or bronze grave marker notwithstanding that the installation charge may be separately stated on the invoice at the time of the sale and in the vendor's records. Vendors making sales of memorial stones, monuments and bronze grave markers or services subject to the \$1,500 exemption must keep sales invoices, books and other records showing the name of the purchaser, the total sales price of the tangible personal property, the date of the sale, the date of the death of the deceased person and the total sales price of all tangible personal property and services furnished.
2. **Effective January 1, 2006**, sales of tangible personal property, such as a memorial stone, monument or bronze grave marker, by a monument or memorial stone dealer are subject to tax. The installation is exempt if it is separately stated on the invoice at the time of the sale and in the vendor's records. There is no exclusion or exemption for any portion of the expenses related to sales of tangible personal property.

C. Purchases of Supplies by Monument Dealers

1. **Supplies Used To Install Memorial Stones, Monuments or Bronze Grave Markers**
Purchases of sand, cement, lumber and other tangible personal property by monument dealers for use in installing memorial stones, monuments or bronze grave markers are subject to the general rate of State tax and any applicable local sales or use tax. Charges by dealers to their customers for installing such property are exempt from tax when such charges are separately stated from the charge for the memorial stone, monument or bronze grave marker.
2. **Supplies For Lettering or Polishing Monuments**
Monument dealers who do not cut, shape, polish or otherwise process monuments are not classified as manufacturers and purchases of stencils and other supplies by monument dealers for use in lettering or polishing monuments which they sell are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.3; 105-164.4; 105-164.6; 105-164.13;
105-264;
Issued: June 1, 1996;
Revised: February 1, 2007; June 1, 2002; August 1, 2000.