

SECTION 26 - TIRES**26-1 SALE OF SECONDHAND TIRES**

Sales to users or consumers of secondhand tires that have been recapped or retreaded are subject to sales or use tax on the full sales price without any deduction whatsoever on account of any trade-in credit or allowance. Sales to users or consumers of unrecapped or unretreaded secondhand tires are also subject to sales or use tax.

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

26-2 REPAIRS TO TIRES AND MATERIALS USED

Merchants making minor repairs to tires and tubes such as applying shoes, patches or plugs are rendering a service, and receipts therefrom are not subject to sales or use tax. Merchants are liable for remitting the tax on the cost price of shoes, patches, plugs, valves, dust caps and similar items of tangible personal property used in making such repairs. The tax due shall be remitted to the merchants' suppliers at the time of purchase unless the merchants also engage in the business of selling such items separate and apart from the rendition of services and make the purchases under a **Streamlined Sales and Use Tax Agreement Certificate of Exemption, Form E-595E**. This form can be obtained from the North Carolina Department of Revenue website or the Taxpayer Assistance Division. If the property is purchased under a Certificate of Exemption and subsequently withdrawn from inventory for use by merchants in rendering such services, the tax is due on the cost price of the property when it is withdrawn from inventory for use.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.28; 105-264;
Issued: June 1, 1996;
Revised: December 1, 2008; February 1, 2007; July 1, 2005.

26-3 TIRE RECAPPERS AND RETREADERS**A. Sales By Tire Recappers**

Sales of shoes, valves, dust caps and similar items separate and apart from the rendition of services are subject to sales or use tax. When registered tire recappers purchase such tangible personal property for resale to their customers, their suppliers shall obtain a **Streamlined Sales and Use Tax Agreement Certificate of Exemption, Form E-595E**, in connection with such sales. This form can be obtained from the North Carolina Department of Revenue website or the Taxpayer Assistance Division. If the items that tire recappers generally purchase for use are purchased by them for the purpose of resale to other recappers, their suppliers shall secure a Certificate of Exemption with each such sale to support the claim for the exemption from the retail tax.

B. Charges For Materials Used in Recapping or Retreading Tires

Charges for materials used by tire recappers and retreaders in recapping or retreading tires owned by customers are subject to the sales or use tax. When the charge for the materials furnished and the charge for labor or services rendered are separately stated on the invoice issued to the purchaser and in the retailer's records, the tax does not apply to the separately stated labor or service charge. If charges for materials furnished and charges for labor and services performed in connection with recapping or retreading tires are not separately stated on

the invoice issued to the purchaser, the Secretary will permit tire recappers and tire retreaders to collect and remit the tax on 40% of the combined price or charge as representing the charge for the materials furnished.

C. Purchases By Tire Recappers

1. Purchases by tire recappers of camelback or other rubber products, cement and rubber solvent, cord fabric, wheel weights and other items of a similar nature which enter into or become an ingredient or component part of the recapped tires or are attached to and delivered with the tires to the customer are exempt from tax.
2. The gross receipts derived from the sale of electricity to a tire recapper to be used in the operation of the recapping plant are subject to the **2.83%** State rate of tax. **Effective July 1, 2007**, the sale of electricity to a tire recapper is subject to the 2.6% State rate of tax. **Effective October 1, 2007**, the rate is reduced to 1.8%. **Effective July 1, 2008**, the rate is reduced to 1.4%. **Effective July 1, 2009**, the rate is reduced to 0.8%. **Effective July 1, 2010**, sales of electricity to a tire recapper to be used in the operation of the recapping plant are exempt. Purchases of other fuel by tire recappers for use in connection with the operation of the recapping plant are subject to the 1% privilege tax. **Effective October 1, 2007**, the rate is reduced to 0.7%. **Effective July 1, 2008**, the rate is reduced to 0.5%. **Effective July 1, 2009**, the rate is reduced to 0.3%. **Effective July 1, 2010**, purchases of fuel by tire recappers are exempt.

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

3. Purchases by tire recappers of mill machinery, or parts and accessories therefor, for use exclusively in the recapping process are subject to the 1% privilege tax, with a maximum tax of \$80.00 per article. Purchases by contractors and subcontractors of mill machinery or mill machinery parts and accessories for use by them in the performance of contracts with manufacturing industries and plants and purchases by subcontractors purchasing mill machinery or mill machinery parts and accessories for use by them in the performance of contracts encompassed in such contracts with manufacturing industries and plants are subject to a 1% privilege tax, with a maximum tax of \$80.00 per article where applicable. Such mill machinery or mill machinery parts and accessories must be for use by tire recappers in the production process, as the term "**production**" is defined in Sales and Use Tax Technical Bulletin 57-1, to qualify for the 1% privilege of tax with a maximum tax of \$80.00 per article when purchased by such contractors or subcontractors. Contractors and subcontractors may obtain the **Streamlined Sales and Use Tax Agreement Certificate of Exemption, Form E-595E**, from the North Carolina Department of Revenue website or the Taxpayer Assistance Division to be executed by them and furnished to their vendors in connection with such purchases as the vendor's authority to exempt the purchase from the sales tax.

The following items when sold to tire recappers for use exclusively in the recapping process are considered to be mill machinery or mill machinery parts and accessories subject to the 1% privilege tax with a maximum tax of \$80.00 per article:

- a. air compressors used exclusively in the retreading or recapping process;
- b. bagging and debugging equipment;
- c. boilers;
- d. buffing discs;
- e. buffing equipment

- f. buffing rasps;
- g. casing balancers used exclusively in balancing casings to be recapped;
- h. crayons for marking tires;
- i. curing tubes and rims;
- j. dust collectors;
- k. inspection spreaders used exclusively to inspect casings being recapped;
- l. knives, stitchers, rollers, shears, awls, and splicing tools used to perform work on the ingredient material or the manufactured product;
- m. matrix loaders;
- n. mold cleaners;
- o. mold lube;
- p. molds and matrices;
- q. pre-condensing tanks for air lines used for applying cement, dusting buffed casings, and inflating curing tubes;
- r. rasp teeth;
- s. spinners used for applying cement used on casings being recapped;
- t. sprayers used exclusively in the recapping process;
- u. steam traps and valves used in steam lines for curing molds;
- v. thermometers, pyrometers, and durometers used in testing mold heat and cure hardness of the rubber used in the recapping process;
- w. tire handling equipment used exclusively between the beginning and ending steps for the recapping process;
- x. tire trimmers;
- y. tread builders used to apply tread rubber to casings being recapped; and
- z. wire brushes.

The above list is not intended to be exclusive but is for illustrative purposes only.

4. The following are examples of items which are subject to the general rate of State tax and any applicable local sales or use tax when sold to tire recappers for use or consumption:

- a. administrative equipment such as office supplies, file cabinets and other office equipment;
- b. advertising materials;
- c. balancing machinery used after the recapping process is completed;
- d. cleaning compounds for janitorial and sanitary purposes;
- e. equipment used to remove tires from the rim before the recapping process begins;
- f. gloves;
- g. inspection bags;
- h. lubricants, repair parts and accessories for motor vehicles;
- i. motor vehicle jacks;
- j. tire tools not used between the beginning and ending recapping processes; and
- k. uniforms for employees.

The above list is not intended to be exclusive but is for illustrative purposes only.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-164.28; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264;
Issued: June 1, 1996;
Revised: December 1, 2008; February 1, 2007; July 1, 2005;
February 1, 2004; June 1, 2002; October 15, 1998; March 1, 1997.

26-4 SCRAP TIRE DISPOSAL TAX

For information on the scrap tire disposal tax, refer to Sales and Use Tax Technical Bulletin 29-2.

History Note: Authority G.S. 105-187.15 - 105-187.19; 105-264;
Issued: June 1, 1996;
Revised: April 1, 2008; February 1, 2004; December 1, 2002;
June 1, 2002; October 1, 1999; October 15, 1998; January 6, 1997.

26-5 MOUNTING AND BALANCING

The charge by a retailer for mounting and/or balancing tires which are owned by a customer is not subject to tax provided such charge is separately stated in his books and records and on the invoice given to the customer. If a retailer sells tires and makes a charge to mount and/or balance the tires which is included in the sales price of the tires, the tax is due on the sales price of the tires including the charge for mounting and/or balancing. When a retailer sells tires and separately states the charge for mounting and/or balancing the tires in his books and records and on the invoice given to his customer at the time of the sale, such charge is not subject to tax.

History Note: Authority G.S. 105-164.3; 105-164.4; 105-164.6; 105-264;
Issued: February 1, 2004.

26-6 MISCELLANEOUS FEES AND CHARGES**A. Road Service Fees**

Some retailers, such as repair businesses and tire dealers, charge road service fees or similar fees when they make service calls. These fees may represent or include a charge for mileage to travel to and from the repair site. If the road service fee charged by the retailer to get to and from a repair site is separately stated on the invoice and if the fee is only in connection with labor and not with the sale of tangible personal property, then the fee is not taxable.

If the fee is in connection with the sale of repair parts or other tangible personal property, the fee is considered to be part of the sales price and is subject to the applicable tax even if the fee is separately stated.

If the intent of the service call is to troubleshoot, and it is not known whether there will be a sale of tangible personal property until the service call has been made, any separately stated road service fee is not subject to the tax even if a sale of tangible personal property occurs as a result of the troubleshooting.

B. Shop Supplies

Service businesses such as vehicle repair shops, tire dealers, and retreaders may charge a separate fee for shop supplies used or consumed in servicing or repairing customer's property. The charge may be a flat fee or a percentage of the parts and labor. Generally, there is no sale and delivery of shop supplies to customer. Since there is no transfer of shop supplies to the customer, the charge is not subject to sales or use tax provided the charge is separately stated.

Sales of supplies to repair shops, tire dealers, retreaders, and similar types of businesses that are used or consumed in performing the service or repair are subject to the applicable State and local rates of tax at the time of purchase by the repair shop, dealer, etc.

In the event the service business makes a retail sale of shop supplies to its customer, the applicable State and local tax will be due.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-264;
Issued: July 1, 2005.