

SECTION 36 - LUBRICANTS, OILS AND GREASES**36-1 LUBRICATING SERVICE - FOR MOTOR VEHICLES**

Chassis lubricants or greases, equipment and other tangible personal property used in lubricating motor vehicles are subject to the general rate of State tax and any applicable local sales or use tax when sold to service stations, garage operators and other persons engaged in the business of lubricating motor vehicles. Charges by the above businesses for services rendered in lubricating motor vehicles are not subject to tax provided such businesses maintain records which separately reflect the charges for lubricating motor vehicles and the charges for any sales of tangible personal property.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: June 1, 2002; October 15, 1998.

36-2 SALES OF LUBRICANTS**A. General**

1. **Prior to January 1, 2006**, sales of motor oils, transmission or differential oils or greases, or other such oils and greases by lubricating stations, service stations, garage operators and similar businesses to users or consumers were subject to the general rate of State tax and any applicable local sales or use tax unless exempt by statute or subject to the preferential 1% State rate of tax. Such businesses were required to collect and remit the tax thereon to the Department.
2. **Effective January 1, 2006**, sales of motor oils, transmission or differential oils or greases, or other such oils and greases by lubricating stations, service stations, garage operators and similar businesses to users or consumers were subject to the general rate of State tax and any applicable local sales or use tax unless exempt by statute. Such businesses were required to collect and remit the tax thereon to the Department.

B. Sales to Manufacturers, Farmers, and Commercial Loggers

1. **Manufacturers**
Prior to January 1, 2006, sales of oils and lubricants to manufacturers for use in lubricating production machinery were taxable at the State rate of 1%. **Effective January 1, 2006**, sales of oils and lubricants to manufacturers for use in lubricating production machinery are exempt from sales and use tax. However, a 1% privilege tax is due on the purchase of oils and lubricants for use in lubricating production machinery. For additional information on the 1% privilege tax, see Section 56 of the Sales and Use Tax Technical Bulletins.
2. **Farmers**
Prior to January 1, 2006, sales of oils and lubricants which were applied to farm machinery were subject to a 1% State rate of tax. **Effective January 1, 2006**, sales to farmers of lubricants applied to farm machinery are exempt from sales and use tax.
3. **Commercial Loggers**
Prior to January 1, 2006, sales of oils and lubricants to commercial loggers for use in lubricating qualifying logger machinery were subject to a 1% State rate of sales or use tax. **From January 1, 2006 through June 30, 2006**, sales of oils and lubricants to commercial loggers for use in lubricating qualifying logger machinery were exempt from

sales or use tax. However, a 1% privilege tax was due on such purchases. **Effective July 1, 2006**, purchases by commercial loggers of lubricants applied to logging machinery (machinery used to harvest raw forest products for transport to first market) are exempt from sales and use tax and the privilege tax.

C. Sales to Major Recyclers

G.S. 105-164.13(10a) provides an exemption from sales and use tax for sales to a major recycling facility of lubricants and other additives for motor vehicles or machinery and equipment used at the facility.

D. Sales to Interstate Passenger Air Carriers

G.S. 105-164.13(45) exempts sales of aircraft lubricants to an interstate passenger air carrier for use at its hub.

E. Sales to Interstate Air Couriers

G.S. 105-164.13(45b) exempts sales of aircraft lubricants to an interstate air courier for use at the hub.

F. Sales to Interstate Air Businesses

G.S. 105-164.13(45a) exempts sales to an interstate air business [defined in G.S. 105-164.3(14c)] of tangible personal property that is dispensed as a lubricant into commercial aircraft during its maintenance, repair, or overhaul. For the purpose of this exemption, "**commercial aircraft**" includes only aircraft that has a certified maximum take-off weight of more than 12,500 pounds and is regularly used to carry for compensation passengers, commercial freight, or individually addressed letters and packages.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50;
105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264;
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