

Application of Additional 1% State Tax To Construction Materials

Businesses selling “construction materials” to purchasers who have lump-sum or unit-price contracts entered into or awarded prior to September 1, 2009 or entered into or awarded pursuant to bids made prior to September 1, 2009 will continue to charge the 4.5% State tax to such purchasers and are not liable for collecting and remitting the additional 1% State tax. Form E-589E, Affidavit to Exempt Contractors from the Additional 1% State Tax, must be executed to obtain the 4.5% State rate. A properly completed affidavit should be executed in connection with each purchase and copies thereof should be maintained in the records of the seller and purchaser.

For purposes of the exclusion from the additional 1% State sales and use tax, the term “construction materials” means materials that permanently become a part of a building or structure.

Construction materials include the following:

- lumber, doors, siding, fasteners (nails and screws), plaster, gypsum board, and windows.
- steel beams, concrete, asphalt, rebar, stone, brick, and mortar.
- pipes, plumbing fixtures such as sinks, faucets, tubs, wash basins, and tile.
- conduit, light fixtures and switches, electrical outlets, coaxial cable, central heating and air conditioning systems, and central intercom systems.
- architectural millwork, cabinets, and countertop materials.
- parts to fire sprinkler systems, fireplace units, and other items that become a part of a structure such as commercial range hoods, freezer lockers that are built into a building, built-in ovens, cook tops, and stoves.

Construction materials do not include the following:

- movable refrigerators and ranges, free-standing freezers, portable heaters or air conditioning units, portable dishwashers, clothes washers and dryers, toaster ovens, dehumidifiers, and similar small household or commercial appliances.
- supply items such as:
 - mechanical and hand tools, parts and accessories to mechanical and hand tools.
 - gloves, boots, harnesses, and safety equipment.
 - scaffolding, ladders, lifts, electrical power cords, and generators.
 - air compressors and tanks, paint sprayers, welders, power washers, and fuels.

Questions about this notice can be directed to the Taxpayer Assistance and Collection Center at telephone number 1-877-252-3052 (toll-free) or in writing to the Taxpayer Assistance Division, North Carolina Department of Revenue, Post Office Box 25000, Raleigh, North Carolina 27640-0001.