



Contractors - Repair, Maintenance, and Installation Services to Real Property

Introduction

A contractor or subcontractor must charge sales tax to its customers if the work performed is repair, maintenance, or installation work. This bulletin explains:

- how sales tax applies to repair, maintenance, and installation services to real property;
- how contractors' purchases are taxed;
- how to bill customers; and
- the appropriate use of exemption certificates.

Contractors and subcontractors must be registered for New York State sales tax purposes and have a valid *Certificate of Authority* to perform any of the services described in this bulletin. See Tax Bulletin [How to Register for New York State Sales Tax \(TB-ST-360\)](#).

Definitions

Repair and *maintenance* are both words used to describe a job where the purpose is to keep real property in good working order, readiness, or safety, or restoring it to that condition. Examples of repair and maintenance services to real property include:

- fixing a broken railing
- re-pointing a chimney
- replacing a faucet
- replacing damaged roof shingles

The service of *installing* items that do **not** become part of the real property is taxable. This includes the installation of items such as:

- freestanding appliances
- above-ground swimming pools
- canvas awnings
- weather stripping

Unlike repair, maintenance, and installation services, capital improvement work is not taxable. [Publication 862](#), *Sales and Use Tax Classifications of Capital Improvements and Repairs to Real Property*, lists many different types of projects and explains whether the work performed is exempt as capital improvement work or is taxable as repair, maintenance, or installation services. Since the method of installation may affect how the work is taxed, certain work must be looked at on a case-by-case basis.

Purchases and billing

Generally, as a contractor or subcontractor you will pay sales tax on all building materials and other tangible personal property you purchase (see *Tax-exempt customers*, below). If the materials are later transferred to your customer when performing taxable repair,

maintenance, or installation services, you may be able to take a credit for the sales tax you previously paid.

All charges for materials and labor that you bill to your customer for any repair, maintenance, or installation project, including any expenses or other markups, are taxable.

Example: A homeowner hires you to do repairs at her house. You buy \$100 worth of materials for the job and pay 8% sales tax at the time of purchase. Your bill to the homeowner for the repairs may look something like this:

Materials:	\$130.00
Labor:	250.00
Subtotal:	\$380.00
Sales tax at 8%:	30.40
Total:	\$410.40

When you file your next sales tax return and send in the \$30.40 in sales tax collected from your customer, you are eligible to take a credit for the \$8 in sales tax you paid when you purchased the materials that were transferred to the customer as part of the project.

See Tax Bulletins [Contractors - Sales Tax Credits \(TB-ST-130\)](#) and [Taxable Receipt - How Discounts, Trade-ins, and Additional Charges Affect Sales Tax \(TB-ST-860\)](#).

Tax-exempt customers

If your customer is eligible for an exemption from sales tax, you do not need to charge them sales tax as long as you receive a properly completed exemption certificate or other appropriate documentation. Examples of exempt organizations include:

- churches
- private schools
- charitable organizations
- governmental entities

In certain cases, you may be able to purchase building materials or other tangible personal property that will be transferred to your tax-exempt customer as part of the project without payment of sales tax using [Form ST-120.1, Contractor Exempt Purchase Certificate](#). See Tax Bulletins [Exemption Certificates for Sales Tax \(TB-ST-240\)](#), and [Purchases and Sales by Governmental Entities \(TB-ST-700\)](#).

Subcontractors

If a general contractor hires a subcontractor to perform taxable work as part of a project, the general contractor can use [Form ST-120.1](#) to purchase the subcontractor's services for resale. The general contractor will collect sales tax on its total charge to the customer. Purchases of services for resale can occur between general contractors and subcontractors, or between two subcontractors.

Note: A Tax Bulletin is an informational document designed to provide general guidance in simplified language on a topic of interest to taxpayers. It is accurate as of the date issued. However, taxpayers should be aware that subsequent changes in the Tax Law or its interpretation may affect the accuracy of a Tax Bulletin. The information provided in this document does not cover every situation and is not intended to replace the law or change its meaning.

References and other useful information

Tax Law: Sections 1105(c)(3) and 1105(c)(5)

Regulations: Sections 527.5 and 527.7; Part 541

Publications: [Publication 862](#), *Sales and Use Tax Classifications of Capital Improvements and Repairs to Real Property*

Bulletins:

[Capital Improvements \(TB-ST-104\)](#)

[Contractors - Sales Tax Credits \(TB-ST-130\)](#)

[Exemption Certificates for Sales Tax \(TB-ST-240\)](#)

[How to Register for New York State Sales Tax \(TB-ST-360\)](#)

[Purchases and Sales by Governmental Entities \(TB-ST-700\)](#)

[Taxable Receipt - How Discounts, Trade-ins, and Additional Charges Affect Sales Tax \(TB-ST-860\)](#)