

REG-1-074, Warranties and Guarantees

074.01 A charge for the purchase of a warranty, guarantee, service agreement, service contract, or maintenance agreement, is taxable, whenever the item covered or the services to be provided are taxable.

074.01A Neither sales nor use tax applies with respect to property used, or any repair labor or services performed in fulfilling the obligations for repair under such a warranty or guarantee.

074.01B If the maintenance agreement does not provide full coverage, the amount charged for parts used in the repair is taxable and the amount charged for labor in the repair is taxable if repair labor for the covered item is taxable.

074.01C A deductible amount that is due, except for a deductible required under an agreement covering a motor vehicle, is taxable.

074.02 If the item covered must be annexed to real estate in order to function, the charge for the agreement is exempt.

074.02A Sales or use tax applies to parts or other property used in fulfilling the obligations under such a warranty or guarantee regardless of the contractor option elected. (See Reg-1-017, Contractors)

074.02B If the maintenance agreement does not provide full coverage, the amount charged by an Option 2 or Option 3 contractor for either parts or labor is not taxable. The amount charged for parts by an Option 1 contractor, or the total amount charged by an Option 1 contractor if charges for parts and labor are not separated, is taxable.

074.02C A deductible amount that is due is not taxable.

074.03 If an agreement covers both taxable and nontaxable items or services, the entire amount charged for the agreement is taxable. Parts, labor, additional charges, and deductibles will be taxed as described above in paragraphs 074.01 or 074.02 depending upon whether a maintenance agreement on the single item currently being serviced would be taxable or exempt.

074.04 Maintenance agreement shall mean any contract or agreement to provide or pay for the maintenance, repair, or refurbishing of an item, the sale of which is subject to tax, for a stated period of time or interval of use. Maintenance agreement shall include any such agreement whether or not the agreement requires additional payments for some or all of the parts or services provided under the agreement. Maintenance agreement shall include contracts or agreements designated as warranties, extended warranties, guarantees, service agreements, maintenance agreements, or any similar term.

074.04A Maintenance agreement includes any service contract that provides repair labor or building cleaning services.

074.04B Maintenance agreement shall not include any contract or agreement subject to the premium tax under Chapter 77, article 9 of the Nebraska Revised Statutes, from a service contract business operating with a certificate of authority from the Department of Insurance.

(Sections 77-2701.10 and 77-2701.16, R.R.S. 2003. February 22, 2009.)