

REG-1-082, Labor Charges

082.01 INTRODUCTION

082.01A Labor charges relating to tangible personal property will generally fall into one of four categories: production, assembly, repair, and installation. Labor on annexed property, fixtures, or real estate is contractor labor and is generally exempt. (See Reg-1-017, Contractors)

082.02 TYPES OF LABOR CHARGES

082.02A PRODUCTION LABOR. Production labor is labor used for producing, fabricating, processing, printing, or imprinting tangible personal property for consumers during which the tangible personal property is created, transformed, or reduced to a different state, quality, form, property, or thing. Transformation may occur by hand, machine, art, chemical action, or natural means. The property may be furnished by the person performing the labor; furnished directly by the consumer; or furnished indirectly through the consumer arranging for delivery of the property by a third party.

082.02B ASSEMBLY LABOR. Assembly labor is the labor involved in collecting or gathering together the various parts and placing them in their proper relationship to each other to constitute a piece of machinery, equipment, or other tangible personal property.

082.02C REPAIR LABOR. Repair labor is defined as the labor involved in restoring to essentially its original form and condition or replacing a used, worn, or damaged item of tangible personal property. Repair labor includes replacing a component or subassembly of an item with a substantially similar component or subassembly. Repair labor does not include making repair parts for another person who is making the repair.

082.02D INSTALLATION LABOR. Installation labor is defined as the labor involved in placing a piece of machinery, equipment, or other tangible personal property that is already assembled in a position where it will reasonably accomplish the purposes for which it was intended.

082.03 TAXABILITY OF LABOR CHARGES

082.03A Charges for production and assembly labor are taxable.

082.03B Charges for installation and repair labor are taxable when the item of property being installed, repaired, or replaced is taxable and is not annexed to real property.

082.03C Charges for labor to repair motor vehicles are not taxable.

082.03C(1) Charges for painting of motor vehicles, including labor, are taxable.

082.03C(2) Charges for labor to install accessories or add-ons to motor vehicles are taxable.

082.04 STATEMENT ON SALES INVOICE. Taxable charges for labor performed on tangible personal property are taxable regardless of whether they are separately stated on the same sales invoice or are separately invoiced. Charges for otherwise exempt labor performed on tangible personal property are not taxable; provided, these charges are separately stated on the same sales invoice or are separately invoiced, and such separate statement is not used as a means of avoiding the imposition of the tax upon the actual sales price of the tangible personal property.

(Sections 77-2701.33, R.R.S. 2003, and sections 77-2701.16, and 77-2701.35, R.S. Supp., 2008. February 22, 2009.)