

## Nebraska Sales and Use Tax Guide on Installation Labor

### Overview

Installation labor is taxable. Persons engaged in the business of providing installation labor are retailers and must obtain a Nebraska Sales Tax Permit by completing a [Nebraska Tax Application, Form 20](#). A separate permit is required for each retail location. Sales tax must be collected and remitted on all sales of installation labor, unless the customer provides a properly completed [Nebraska Resale or Exempt Sale Certificate, Form 13](#).

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### Terms

**Annexed.** Annexed means attached to real estate so that: (1) the property becomes real estate; or (2) the installation or removal of the property requires specialized skills or tools and is performed or supervised by a recognized trade professional.

**Building Material.** Building material means any property, including fixtures, that will be annexed to the land or an improvement on the land. Building materials do not include tools, supplies, or any items that will not be annexed.

**Installation Labor.** Installation labor means 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.

### Taxable Installation Labor

The gross receipts for installation labor are taxable when the item installed is taxable and is not annexed to real estate. Taxable installation labor includes, but is not limited to:

- ❖ Installing running boards, or any other accessory or equipment that is attached to a motor vehicle;

- ❖ Replacing standard wheel rims with chrome rims;
- ❖ Initial placement of moveable office partitions or modular work areas;
- ❖ Initial installation of Christmas lights or displays;
- ❖ Set-up of a stereo system or home theater components;
- ❖ Installation of software;
- ❖ Set-up of a washer, dryer, stove, or refrigerator; and
- ❖ Laying sod, planting trees, or planting shrubs.

Installation labor is taxable even if the installer did not sell the property installed.

**Home Theater Equipment.** Many home theater systems include items that become annexed to real estate and items that do not become annexed to real estate. Charges for the sale and installation of the system are taxed either as tangible personal property or annexed property.

**Example 1.** A home theater system is sold and installed in a home. The seller has elected to operate as an Option 2 contractor. The system includes a receiver, wires, speakers flush mounted in the ceiling, attached to the wall with brackets and free-standing. The wires are installed above the ceiling and outside the walls.

**Sample invoices:**

	<b>Invoice 1</b>		<b>Invoice 2</b>
6 Ceiling speakers (hardwired)	\$400 Tax exempt (E)		\$400 E
4 wall speakers (plugged in)	300 Taxable (T)		300 T
3 free-standing speakers	700 T		700 T
1 Receiver	800 T		800 T
Installation:	1,000 T (since not itemized)		
Flush mounted speakers			700 E
Wall and free standing speakers			300 T
Wires:	<u>+ 100</u> T (since not itemized)		
Above ceiling and inside walls			60 E
Outside ceiling and walls			40 T
Subtotal	\$3,300		3,300
Sales tax (7% on \$2,900)	<u>+ 203</u>	(7% on \$2,200)	<u>+ 154</u>
<b>Total</b>	<b>\$3,503</b>		<b>\$3,454</b>

The sale and installation of tangible personal property is taxable. The wall mounted and free-standing speakers and receiver are tangible personal property. Charges for these items and the related installation charge are taxable.

The taxation of annexed property is determined under the contractor provisions. An Option 2 contractor will not collect sales tax on separately stated charges for property they annex. The flush mounted speakers are annexed to real estate. The separately stated charges for these speakers and the related installation (invoice 2) are not taxable.

When a single charge includes both taxable and non-taxable property, the entire amount charged is taxable. The installation charge on invoice 1 includes taxable installation of tangible personal property and labor for the annexation of property. Since a single amount was billed, the entire charge is taxable.

## Nontaxable Installation Labor

**Exempt Entities.** Certain governmental units and nonprofit organizations may purchase installation labor exempt from sales tax. Those units and organizations are identified in the Nebraska Sales Tax Exemptions chart. Sales tax must be collected and remitted on all sales of installation labor, unless the exempt governmental unit or exempt non-profit organization provides a properly completed [Form 13](#).

**Annexed Property.** Charges for installing building materials is contractor labor not installation labor. Contractor labor is generally not taxable.

**Example 2.** A contractor sold and installed a built-in dishwasher.

Sample Invoices:	Option 1 Contractor	Option 2 or 3 Contractor
Dishwasher	\$800 Taxable (T)	\$800 E
Installation	+ 100 Tax exempt (E)	+ 100 E
Subtotal	\$900	\$900
Sales Tax (7% on \$800)	+ 56	+ 0
<b>Total due</b>	<b>\$956</b>	<b>\$900</b>

An Option 1 contractor must collect sales tax from its customer on the selling price of the dishwasher. No sales tax should be collected on the installation as long as the installation charge is separately stated from the dishwasher.

Option 2 and 3 contractors do not collect sales tax from the customer on either the dishwasher or the installation. An Option 2 and Option 3 contractor must pay sales or use tax on their purchase price of the dishwasher.

**Manufacturing Machinery and Equipment.** Charges for installing manufacturing machinery and equipment is exempt from tax. A properly completed [Form 13](#) must be provided by the manufacturer for the exemption to apply.

**Agricultural Machinery and Equipment.** Charges for installing agricultural machinery and equipment is exempt from tax. A properly completed Form 13 must be provided by the farmer or rancher for the exemption to apply.

**Purchases.** Persons providing installation labor must pay sales or use tax on all purchases of materials, equipment, chemicals, and supplies used to provide their installation labor service.

## General Information

**Obtaining a Permit.** A Nebraska Sales Tax Permit is obtained by filing a [Form 20](#). This form is available on DOR's website. Retailers are encouraged to [register their business](#) and submit the Form 20 electronically.

**Collecting the Tax.** Persons providing installation labor must collect the Nebraska and appropriate local sales tax on the gross receipts from all retail sales unless a specific exemption applies.

**Remitting the Tax.** Sales tax collected from customers is remitted using the [Nebraska and Local Sales and Use Tax Return, Form 10](#). Information on filing and paying electronically can be found on DOR's [website](#).

# Resource List

## Information Guides

- ❖ [Nebraska Agricultural Machinery and Equipment Sales Tax Exemption](#)
- ❖ [Nebraska Sales and Use Tax Guide for Landscapers](#)
- ❖ [Governmental Entities Information Guide](#)
- ❖ [Manufacturing Machinery and Equipment Exemption](#)
- ❖ [Taxation of Nonprofit Organizations Information Guide](#)

## Nebraska Sales and Use Tax Regulations

- ❖ [Reg-1-007 Gross Receipts Defined](#)
- ❖ [Reg-1-014 Exempt Sale Certificate](#)
- ❖ [Reg-1-017 Contractors](#)
- ❖ [Reg-1-082 Labor Charges](#)
- ❖ [Reg-1-090 Nonprofit Organizations](#)
- ❖ [Reg-1-091 Religious Organizations](#)
- ❖ [Reg-1-092 Educational Institutions](#)
- ❖ [Reg-1-093 Governmental Units](#)

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