

GIL 1-15-1 Sales and Use Tax: Security Services

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January 2, 2015

Dear XXXX:

In your December 3, 2014 email inquiry to XXXX, you requested sales tax information on monitoring systems. Based on the information contained in your letter we are providing this General Information Letter (GIL).

GILs address general questions; provide analysis of issues; and direct taxpayers to the Nebraska statutes, Nebraska Department of Revenue (Department) regulations, revenue rulings, or other sources of information to help answer a question. A GIL is a statement of current Department policy, and taxpayers may rely on the Department to follow the principles or procedures described in a GIL until it is rescinded or superseded. You may also find current regulations, revenue rulings, information guides, taxpayer rulings, and other GILs at revenue.nebraska.gov that may be helpful to you.

The description of the product provided in your note is that of a service where residential or business customers are able to control cameras, locks, outlets, and other devices via a cloud-based software application. The services are sold with a non-recurring setup or installation service fee with a monthly, recurring service fee.

As provided in [Nebraska Sales and Use Tax Regulation 1-101](#), taxable security services include services to protect property from theft, vandalism, or destruction or to protect individuals from harm. Included in this category are services of monitoring or controlling surveillance video and camera shots, motion sensors, door or window sensors, door locks, sirens, and flashing lights. Based on the limited description of the services provided in your note, it appears that all charges for the XXXXX Service are subject to tax as security services because video surveillance and alerts are provided to your customers.

The taxation of the setup or installation fee will depend on whether the property or devices become annexed to real estate. The installation of any tangible personal property used in providing security services is taxable. The taxability of installations of any property or devices which become annexed to real estate is governed by the rules for contractors. If the contractor is operating as a retailer under Option 1, a single charge for both the installation and the device are taxable. If there are separate charges for the installation and the device, tax is due only on the charge for the device. If the contractor is operating under either Option 2 or Option 3, the contractor is liable for paying the sales or consumer's use tax on its purchase of the property and will not collect tax on the installation charge to the customer. Additional information on the taxation of building materials and contractor labor charges is available on our website.

Security services are subject to tax at the address of the purchaser. Therefore, even though the software application used to provide these services is located at a remote location or in another state, the service charge is taxable if the covered property is located in Nebraska.

For the Tax Commissioner

Sincerely,

Ellen Thompson
Tax Specialist
Policy Section