

September 30, 2002

Sales and Use Tax - Option 1 Contractors. EFFECTIVE OCTOBER 1, 2002, CONTRACTORS OPERATING UNDER OPTION 1 ARE REQUIRED TO COLLECT SALES TAX ON CHARGES FOR ANY LABOR ASSOCIATED WITH THE SALE OF PROPERTY THAT IS ANNEXED TO REAL ESTATE.

Laws 2002, LB 1085, imposed sales and use tax on any labor associated with the sale of property annexed to real estate by a person electing to be taxed as a retailer under Neb. Rev. Stat. §77-2702.05, i.e., Option 1 Contractor, except when such annexation is incidental to the transfer of a building.

Taxable labor charges include charges for fabricating, installing, applying, assembling and repairing building materials and fixtures annexed to real estate. The labor charges are taxable whether separately itemized or separately invoiced.

Option 1 contractors who are hired to annex building materials or fixtures owned by another person (labor-only contract) are not required to collect sales tax on their labor charges as they are not selling the materials or fixtures being annexed.

Contractors who have elected to operate under Option 1 and contractors who have not filed a Nebraska Sales and Use Tax Election for Contractors, Form 16, are Option 1 contractors. Option 1 Contractors may change their option by filing a Form 16.

Sales and Use Tax Regulation 1-017.05(B) is superseded by the provisions of Laws 2002, LB 1085.

APPROVED:



Mary Jane Egr  
State Tax Commissioner

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