

# E-589CI Affidavit of Capital Improvement

Form E-589CI, Affidavit of Capital Improvement, is generally required to substantiate that a contract, or a portion of work to be performed to fulfill a contract, is to be taxed for sales and use tax purposes as a real property contract with respect to a capital improvement to real property.

- This affidavit may not be used to purchase building materials, other tangible personal property, or digital property to fulfill a real property contract exempt from sales and use tax.
- A person who willfully attempts, or a person who aids or abets a person to attempt in any manner, to evade or defeat a tax imposed by the Sales and Use Tax Laws, or the payment thereof, shall be guilty of a Class H felony. If there is a deficiency or delinquency in payment of any tax due to fraud with intent to evade the tax, there shall be assessed a penalty equal to 50% of the total deficiency.

**Section I. Single Use** (Complete this section to issue the affidavit for a single capital improvement.)

<p><b>A</b> <b>Owner, Tenant, or Real Property Contractor</b></p> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <p><b>Address</b></p> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <p><b>City</b> <span style="margin-left: 100px;"><b>State</b></span> <span style="margin-left: 50px;"><b>Zip Code</b></span></p> <div style="display: flex; justify-content: space-between; width: 100%;"> <div style="border: 1px solid black; width: 30%; height: 20px;"></div> <div style="border: 1px solid black; width: 10%; height: 20px;"></div> <div style="border: 1px solid black; width: 30%; height: 20px;"></div> </div>	<p><b>B</b> <b>Real Property Contractor</b> (General Contractor or Subcontractor) <span style="float: right; font-size: small;">Hired to perform capital improvement</span></p> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <p><b>Address</b></p> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <p><b>City</b> <span style="margin-left: 100px;"><b>State</b></span> <span style="margin-left: 50px;"><b>Zip Code</b></span></p> <div style="display: flex; justify-content: space-between; width: 100%;"> <div style="border: 1px solid black; width: 30%; height: 20px;"></div> <div style="border: 1px solid black; width: 10%; height: 20px;"></div> <div style="border: 1px solid black; width: 30%; height: 20px;"></div> </div>
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**Describe capital improvement to be performed:**

**Project Name**

**Project Address** (where the work is to be performed) **City** **State** **Zip Code**

I certify that, to the best of my knowledge, this affidavit is accurate and complete and that the transaction described to be performed by the Real Property Contractor (General Contractor or Subcontractor identified in box "B") shall be treated as a real property contract with respect to a capital improvement to real property for sales and use tax purposes.

Signature of Authorized Person: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

**Section II. Blanket Use** (Complete this section execute a blanket affidavit.)

<p><b>C</b> <b>Real Property Contractor</b></p> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <p><b>Address</b></p> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <p><b>City</b> <span style="margin-left: 100px;"><b>State</b></span> <span style="margin-left: 50px;"><b>Zip Code</b></span></p> <div style="display: flex; justify-content: space-between; width: 100%;"> <div style="border: 1px solid black; width: 30%; height: 20px;"></div> <div style="border: 1px solid black; width: 10%; height: 20px;"></div> <div style="border: 1px solid black; width: 30%; height: 20px;"></div> </div>	<p><b>D</b> <b>Real Property Contractor or Subcontractor</b> <span style="float: right; font-size: small;">Hired to perform capital improvement</span></p> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <p><b>Address</b></p> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <p><b>City</b> <span style="margin-left: 100px;"><b>State</b></span> <span style="margin-left: 50px;"><b>Zip Code</b></span></p> <div style="display: flex; justify-content: space-between; width: 100%;"> <div style="border: 1px solid black; width: 30%; height: 20px;"></div> <div style="border: 1px solid black; width: 10%; height: 20px;"></div> <div style="border: 1px solid black; width: 30%; height: 20px;"></div> </div>
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**To be completed by the Real Property Contractor identified in Box C.**

I certify that I am a Real Property Contractor who performs capital improvements to real property and all transactions with the real property contractor (subcontractor) identified in box "D" shall be treated as real property contracts with respect to capital improvements for real property for sales and use tax purposes.

Signature of Authorized Person: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

## Affidavit of Capital Improvement Instructions

Form E-589CI, Affidavit of Capital Improvement, is generally required to be issued (see exceptions below) to substantiate that a contract, or a portion of work performed to fulfill a contract, is to be taxed for sales and use tax purposes as a real property contract with respect to a capital improvement to real property.

- Form E-589CI is not an affidavit of tax paid on building materials, other tangible personal property, or digital property purchased or used to fulfill a real property contract.
- Form E-589CI is not to be used to purchase building materials, other tangible personal property, or digital property purchased or used to fulfill a real property contract exempt from sales and use tax.
- A person that issues Form E-589CI in error is liable for use tax on the sales price of or the gross receipts derived from the transaction if it is determined that the contract is not a capital improvement to real property.

A person who willfully attempts, or a person who aids or abets a person to attempt in any manner, to evade or defeat a tax imposed by the Sales and Use Tax Laws, or the payment thereof, shall be guilty of a Class H felony. If there is a deficiency or delinquency in payment of any tax due to fraud with intent to evade the tax, there shall be assessed a penalty equal to 50% of the total deficiency.

### Exceptions to the Requirement to Issue Form E-589CI

The following are exceptions for transactions where Form E-589CI is not required to be issued to substantiate that the transaction is taxed, as applicable, for sales and use tax purposes as a real property contract with respect to a capital improvement to real property.

- Painting or wallpapering real property, or parts thereof.
- Landscaping service.

Form E-589CI is not required to be issued by the specific person for a transaction noted below. The exceptions do not apply to transactions between a general contractor hired to oversee the entire contract and one of its subcontractors (See "Blanket Use" of Form E-589CI (Section II) for possible exceptions.). **The following exceptions do not apply to remodeling.**

- A real property owner or other person hires a general contractor to oversee the entire contract and the contract is for "new construction" as defined in N.C. Gen. Stat. § 105-164.4H(e)(2).
- A real property owner or other person hires a general contractor to oversee the entire contract and the contract is to rebuild or construct again a prior existing permanent building, structure, or fixture on land (reconstruction as defined in N.C. Gen. Stat. § 105-164.4H(e)(3)).
- A general contractor that purchases all tangible personal property and digital property to fulfill the real property contract and provides the employee labor to fulfill the real property contract.

### Section I. Single Use Instructions

A person must complete "Section I - Single Use" of the form for a one time use to substantiate that a transaction that otherwise meets the definition of repair, maintenance, or installation services to real property is taxed for sales and use tax purposes as a real property contract with respect to a single capital improvement for real property. When a real property contractor hires a subcontractor to perform a portion of the overall contract and there is not a recurring business relationship between the two parties, "Section I – Single Use" of Form E-589CI shall be completed and the form issued to each subcontractor as notice that the transaction is subject to tax as a real property contract with respect to a capital improvement for sales and use tax purposes.

A property owner oversees the entire activity that is a real property contract with respect to a capital improvement for real property and hires various subcontractors to complete the real property contract:

- **Box A - Owner, Tenant or Real Property Contractor:** Enter property owner's name and address.
- **Box B - Real Property Contractor (General Contractor or Subcontractor):** Enter general contractor's or subcontractor's name and address.
- Property owner listed in Box A must describe real property contract with respect to capital improvement to be performed.
- Authorized Person (typically property owner) signs, enters title (owner), and enters the date.

A general contractor hires a subcontractor to perform a real property contract with respect to a capital improvement, or portion thereof:

- **Box A - Owner, Tenant or Real Property Contractor:** Enter general contractor's name and address.
- **Box B - Real Property Contractor (General Contractor or Subcontractor):** Enter subcontractor's name and address.
- General contractor listed in Box A describes real property contract with respect to capital improvement to be performed.
- Authorized Person (typically general contractor) signs, enters title (general contractor), and enters the date.

A lessee or tenant hires a general contractor (or subcontractor) to perform a real property contract with respect to a capital improvement for real property; provided the capital improvement is intended to become a permanent installation and title to it vests in the owner or lessor of the real property immediately upon installation:

- **Box A - Owner, Tenant or Real Property Contractor:** Enter lessee or tenant's name and address.
- **Box B - Real Property Contractor (General Contractor or Subcontractor):** Enter general contractor's or subcontractor's name and address.
- General contractor must describe capital improvement for real property to be performed.
- Authorized Person (typically lessee or tenant) signs, enters title, and enters the date.

### Section II. Blanket Use Instructions

A real property contractor may complete "Section II – Blanket Use" and issue the form to a real property contractor (subcontractor) who is used exclusively to perform part, or all, of real property contracts with respect to capital improvements to real property, where the person and the real property contractor have a recurring business relationship. A blanket use affidavit continues in force so long as the real property contractor named in "Box C" and the real property contractor (subcontractor) named in "Box D" maintain a recurring business relationship (when a period of no more than twelve months elapse between transactions between two parties) or until withdrawn or otherwise notified by the issuer of the form. The blanket use will generally apply for the following: (1) a builder who hires the same contractor(s) only for new construction; (2) a real property contractor who hires the same subcontractor(s) only for reconstruction; (3) a real property contractor who hires the same subcontractor(s) for remodeling and the activities performed by the subcontractor(s) are never repair, maintenance, and installation services for real property; and (4) a real property contractor who exclusively hires the same subcontractor(s) to perform part, or all, of its real property contracts with respect to capital improvements for real properties.

A general contractor or subcontractor hires a subcontractor to perform a capital improvement, or portion thereof:

- **Box C - Real Property Contractor:** Enter the hiring real property contractor's name and address.
- **Box D - Real Property Contractor (General Contractor or Subcontractor):** Enter subcontractor's name and address. Authorized person listed in Box C signs, enters title, and dates.