

ALABAMA DEPARTMENT OF REVENUE - SALES AND USE TAX RULES
Code of Alabama 1975, Sections 40-23-31 and 40-23-83

810-6-1-.81.01. Interior Decorators and Interior Designers.

(1) Interior decorators and interior designers making retail sales of tangible personal property in Alabama must apply for and obtain a sales tax license. Further, these interior decorators must collect sales tax from their clients on their retail sales of tangible personal property and remit the tax to the Department of Revenue. Out-of-state interior decorators and interior designers, who do not have a place of business in Alabama but for whose business sufficient nexus exists, must register to collect sellers use tax on their Alabama sales and collect and remit sellers use tax to the Department of Revenue on those sales. (Sections 40-23-6 and 40-23-66)

(2) Fees charged by interior decorators or interior designers in conjunction with sales of tangible personal property are a part of the gross proceeds of sales and must be included in the measure of sales or use tax charged to and collected from their clients. Fees charged by interior decorators or interior designers are taxable even if they are billed to clients as an amount separate from the cost of tangible personal property on a cost plus basis. (Sections 40-23-1(a)(6), 40-23-1(a)(8), and 40-23-60(10))

(3) Sales or use tax does not apply to fees charged by interior decorators or interior designers solely for consultation or designing services when no sale of tangible personal property occurs in conjunction with those services.

(4) In those instances where interior decorators or interior designers receive a fixed sum fee which is not in any way contingent upon the sale of tangible personal property and, subsequently, sell tangible personal property in a completely unrelated transaction, the fixed sum fee is not a part of the selling price of the tangible personal property and is not subject to sales or use tax.

(5) Interior decorators or interior designers who contract to furnish and install tangible personal property which becomes a part of realty are the users or consumers of such property and owe sales or use tax on the cost of the property so used or consumed. Property withdrawn from inventory by an interior decorator or interior designer for use in performing contracts for additions or improvements to realty must be reported as taxable withdrawals and the sales tax thereon remitted directly to the Department of Revenue. The measure of tax on withdrawals is the cost of the property to the interior decorator or interior designer who withdraws the property. Except as enumerated in Rule 810-6-3-.77, interior decorators or interior designers making additions or improvements to realty may not claim immunity or exemption from sales or use tax on account of property purchased and used in connection with contracts with the federal, state, county, or city governments. The fact that a governmental agency has advised the interior decorator or interior designer not to include tax on the invitation to bid or purchase order would not relieve the interior decorator or interior designer from liability for sales or use tax on the cost of materials used in fulfilling a contract with that agency for making additions or improvements to realty. (Sections 40-23-1(a)(10) and 40-23-60(5)) (Sections 40-2A-7(a)(5), 40-23-1(a)(6), 40-23-1(a)(8), 40-23-(a)(10), 40-23-6, 40-23-31, 40-23-60(5), 40-23-60(10), 40-23-66 40-23-83, and 40-9-33, Code of Alabama 1975) (Adopted through APA effective April 26, 1991, amended March 27, 2001, amended June 10, 2005)