

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

810-6-1-.30 Carpeting and Other Floor Coverings.

(1) The term "floor coverings" as used in this rule shall include carpet, carpet tile, rugs, mats, carpet padding, linoleum and vinyl roll floor covering, linoleum tile, vinyl tile, and similar materials. Floor coverings may be installed as the initial finished floor covering in new construction or as an addition to, or a replacement for, an existing floor covering. Floor coverings may be installed in a manner so as to become a permanent attachment to realty or may be laid on finished floors in a manner that it remains tangible personal property.

(2) Persons who contract to furnish and install floor coverings, which are shaped to fit a particular room or area and which are attached to the supporting floor with cement, tacks, or by some other method making a permanent attachment to real property, are contractors and the floor coverings they use in performing the contract are considered to be building materials. Sales of floor coverings to persons who use them in performing contracts to make additions or improvements to realty are retail sales subject to sales or use tax. See Rule 810-6-1-.46 entitled Contractor's Liability (Sections 40-23-1(a)(10) and 40-23-60(5), Code of Alabama 1975)

(3) Persons who are both selling floor coverings which they do not attach to realty as well as contracting with customers to furnish and install floor coverings that become a part of realty shall purchase all floor coverings at wholesale and thereafter collect and remit sales or use tax to the Department of Revenue on their retail sales of floor coverings which they do not attach to realty for the customer and compute and pay sales tax to the Department of Revenue on the floor coverings which they withdraw from inventory for use in performing "furnish and install" contracts. State and local sales taxes are due on withdrawals at the time and place of the withdrawal of the materials from inventory and shall be computed on the cost of the materials to the person making the withdrawal. Sales tax is due on withdrawals from in-state inventory regardless of whether the floor covering materials are withdrawn for use in performing contracts inside or outside Alabama. The sales taxes applicable to withdrawals are those taxes applicable in the jurisdiction where the withdrawal occurs not where the materials are attached to realty. See Rule 810-6-1-.56 entitled Dual Business and Rule 810-6-1-.196 entitled Withdrawals from Inventory. (Sections 40-23-1(a)(10) and 40-23-60(5), Code of Alabama 1975)

(4) Sales of floor coverings to the federal government, the State of Alabama, counties and municipalities of the State of Alabama, their instrumentalities, or other exempt entities are not taxable when the floor covering sold to the exempt entity is installed by the exempt entity or by someone other than the seller who is hired by the exempt entity. See Rule 810-6-1-.46 entitled Contractor's Liability regarding the application of sales or use tax to floor coverings both sold and installed by the seller. (Sections 40-23-4(a)(11), 40-23-4(a)(15), 40-23-4(a)(17), 40-23-62(2), 40-23-62(13), and 40-23-62(16), Code of Alabama 1975)

(5) Sales of floor coverings which are not attached to realty but which are simply laid on finished floors are retail sales to the building owner or occupant. The seller shall collect sales or use tax on retail sales to nonexempt entities measured by the total gross proceeds of the sale without any deduction for services incidental to the sale such as trimming, joining, binding, or delivering. (Sections 40-23-1(a)(6), 40-23-1(a)(8), 40-23-26, 40-23-60(10), and 40-23-67, Code of Alabama 1975)

(Continued)

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810-6-1-.30. (Continued)

(6) Floor covering samples sold to dealers to be used by the dealer for demonstration or display purposes, and not for resale in the regular course of business, are retail sales subject to sales or use tax. All samples bound in sample books and all samples having holes with metal fasteners inserted shall be considered "not purchased for resale" by the dealer unless the dealer is in the business of reselling floor covering samples. Dealers who do purchase floor covering samples for resale in the regular course of business may purchase the samples tax-free and use them for demonstration or display purposes prior to selling them. (Sections 40-23-1(a)(10) and 40-23-60(5), Code of Alabama 1975) (Adopted May 26, 1961, amended June 12, 1978, readopted through APA effective October 1, 1982, amended December 28, 1998, amended March 27, 2001)