

NHSCA Tax Tips

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This TAX TIP sheet is based upon member input with limited review. It is a guide only. Legal and tax counsel should always be consulted.

Note: On sales taxes, All states appear in agreement tax is either assessed upfront on contract sale OR at time services performed, but not both.

States that collect sales tax upfront on the sale of service contracts are: AR, HI, NE, NM, NY, NJ, SD, WV and 2016 NC...and on some personal property options in FL, PA, TN, TX, UT and OH

If not taxed up front, assumption is sales tax assessed by local contractor only on property or service as law requires when services performed.

Some states have special opinions on Sales Tax or position is heavily nuanced. Review carefully.

Most sales tax letters or opinions are on file with NHSCA.

A - 8 100% Tax upfront
 B - 7 Pes Prop portion Only
 X - 5 NHSCA clarified no tax upfront
 29 X ? Rest of States + DC

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State	State Income Tax	%	Cite	Franchise Tax	%	Cite	Prem. Tax	%	Cite	Excise Tax	%	Cite		Sales tax UPFRONT on sale	%	Citation	Other Taxes Paid	Notes/Comments
Alabama	YES	6.50	AL S 40-18-31	YES	0.1500	AL 40-14A-22(a)								NO but not challenged				
Alaska														NO but not challenged				
Arizona	YES	6.97	AZ 43-1111											NO but not challenged				Filed as part of a Unitary Tax Return.
Arkansas	YES	1.00 - 6.50	AR S 26-51-205	*YES	Flat Fee \$300-400	26-54-104							A1	YES upfront on contract sale & trade call fee	9.26% but Varies	Ark Code Ann 26-52-301(7); See also GR-95D(2)	State plus local %	*Franchise tax applies to all companies. <\$100M in assets is \$300 > \$100M I assets is \$ 400. * In 2013 Resolved AR DFA that TRADE SERVICE FEE ALSO subject to sales tax. Remind local contractors to collect and remit.
California	YES	8.84	CA 23151		MIN \$ 800	CA 23001	YES	2.35						NO but not challenged				Filed as part of a Unitary Tax Return. *CA charges a minimum franchise tax amount of \$800. If pay Franchise tax and Prem. Tax, it is unclear whether you are exempt from Income Tax but members report practice and state forms indicate this. NHSCA is researching.
Colorado	YES	4.63	CO S 39-22-301(1)(d)(1)											NO but not challenged				
Connecticut	YES	7.50	CT S 12-214(a)(1)										B1	HYBRID Only Personal portion @ 8%	6.35%	CT 12-407	FIXED DOLLAR MINIMUM TAX	Fixed Dollar Minimum tax is \$250. * SEE SALES TAX LETTER Jan 10, 2014 : separate personal from REAL and charge sales tax upfront 92-8%
Delaware	YES	8.70	DE S 30 1902(a)											NO but not challenged			Flat fee minimum if no income tax owed: Cite pending	* Called a Franchise tax but actually an "income tax". Min \$ 250
District of Columbia	YES *	9.9750	DC S 47-1807.02	YES*										UNVERIFIED: TPP probable	5.75%	Ruling 9-464		* Called a Franchise tax but actually a calculation based upon "Income tax". Minimum is \$ 100
Florida	YES	5.50	FL S 220.11(2)				YES	2.00	FL St. 634.313				X1	NO NHSCA ruling			Premium tax offset only applies to "Insurance Companies" MAY REQUIRE LEGISLATIVE CHANGE TO FIX. See 624.509. Corp	2% Prem. Tax on 634.3 Home Warranty license (real estate related) 6% Sales tax for direct/retail sales under a 634.4 Service Warranty license. As of Jan 1 2011 only need 634.3 license for Home warranty
Georgia	YES	6.00	GA S 48-7-21	YES	TABLE	GA 48-6-95								NO but not challenged				
Hawaii	YES	4.40 - 6.40	HI 235-71				NO		HRS 481X-9				A2	YES	4.35%	KPMG 2012 18-237-1 Gross Receipts State		Filed as part of a Unitary Tax Return. Rate varies in and outside Honolulu 4.5%
Idaho	YES	7.60	ID 63-3025											NO but not challenged				Filed as part of a Unitary Tax Return.
Illinois	YES	4.80	IL 35 5/201(b)(8)											NO but not challenged				Filed as part of a Unitary Tax Return.
Indiana	YES	8.50	IN S 6-3-2-1										X2	NO NHSCA ruling				Info Bulletin No. 2, Jan 1, 2013, pay only sales tax when work is performed.
Iowa	YES	6.00 - 12.00	IA S 422.33(1)				YES *	3.00						NO but not challenged				IA has a graduated Income tax rate of 6% to 12%. Filing fee based upon written premium. * Authority for Premium tax is yet unclear? No citation to law.
Kansas	YES	4.00	KS 79-32,110 (c)(1)	YES	2008 - 0.09375; 2009 - 0.0625%; 2010 -	KSA 79-5401							X3	NO NHSCA ruling				Filed as part of a Unitary Tax Return. Income tax is 4% plus 3.1 % surtax over 50,000.
Kentucky	YES	4.00-6.00	KY 141.040(5)											NO but not challenged			LIMITED LIABILITY ENTITY TAX	Filed as part of a Unitary Tax Return. Graduated rate of 4% to 6%.
Louisiana	YES	4.00 - 8.00	LA S 47:287.12	YES	See Note	LA 47:601								NO but not challenged				LA has a graduated rate of 4% to 8%. Franchise Tax is 1.50 for every \$1000 of taxable capital
Maine	YES	3.50 - 8.93	ME 36 5200											NO but not challenged				Filed as part of a Unitary Tax Return. Graduated rate of 3.5% to 8.93%
Maryland	YES	8.25	MD S 10-105(b)											NO but not challenged				
Massachusetts										YES	0.0026	MA 63 32(a)		NO but not challenged				Minimum excise tax amount is \$456.
Michigan	YES	4.95	MI 208.1201(1)											NO but not challenged			GROSS RECEIPTS; ANNUAL SURCHARGE	Filed as part of a Unitary Tax Return. 4.95% On Business income and 0.80% on Gross Receipts. Annual Surcharge of 21.99%

