



## A Sales Tax Overview for HVAC Work in Maryland, Washington, D.C., and Virginia

Sales tax laws in Maryland (MD), Washington, D.C. (DC), and Virginia (VA) often treat *real property* differently from *tangible personal property*. If unsure about in which category a particular item belongs, it is often helpful to ask: Does the item service the building or the people in it? **Real property services the building** (e.g. central air conditioning and boilers) and cannot be easily removed from the land, **while tangible personal property services the people** (e.g. window air conditioning units) and can be removed from the land relatively easily. Therefore, HVAC contractors deal mostly in real property.

Leadership further clarified that the industry norm is for HVAC contractors to pay sales tax on the parts they order from wholesalers or other vendors, as the law requires. The question then becomes: Are HVAC contractors also required to collect sales tax from their customers (and to then pay the sales tax to the government) when performing installation, maintenance, or repairs?

When it comes to **real property**, the following chart summarizes the general answers to the following question: **If I am called to a job for a residential customer located in (state), is it taxable when I perform (service), i.e. am I required to collect sales tax from the customer?** The bottom of each cell cites pertinent legal authorities supporting each answer.

	<b>Lump-sum repairs</b>	<b>Maintenance/service contracts</b>	<b>Duct cleaning</b>
<b>MD</b>	<b>No</b>  (MD Comptroller, <a href="#">Tax Tips for Real Property Contractors</a> , Business Tax Tip # 18, at 3 (“Labor charges (whether separately stated or lump-sum billed) to install, erect, assemble, or repair <i>real property</i> are not taxable.”).	<b>No</b>  (MD Comptroller, <a href="#">Tax Tips for Real Property Contractors</a> , Business Tax Tip # 18, at 3 (“Labor charges (whether separately stated or lump-sum billed) to install, erect, assemble, or repair <i>real property</i> are not taxable.”).	<b>No</b>  (MD Comptroller, <a href="#">Janitorial and Cleaning Services</a> (“Heating, ventilation and air conditioning cleaning charges are <b>not</b> taxable.”); Md. Code, Tax-General § 11-101(m)(3) (cleaning only taxable for commercial and industrial buildings); MD Comptroller, Sales and Use Tax Bulletin 92-1 (same)).
<b>DC</b>	<b>No</b>  (DCMR §§ 9-438.5, 9-438.6).	<b>Due to confusion on this legal issue, AACCP will be reaching out anonymously to seek further clarification.</b>  (Compare DCMR § 9-472 (real property maintenance generally taxable), with DC Code § 47-2001(n)(1)(M) (“major repairs” to real property not taxable) and DCMR § 9-472.3 (same), 472.7 (“major repairs to hot water heaters” not taxable).	<b>Yes</b>  (D.C. Code § 47-2001(n)(1)(M)).
<b>VA</b>	<b>No</b>  (23 VAC §§ 10-210-410(A), 10-210-410(D)).	<b>No</b>  (23 VAC § 10-210-910 (maintenance contracts subject to sales and use tax only involve tangible personal property; <i>see</i> VA Tax Bulletins 95-8, <a href="#">17-8</a> ).	<b>No</b>  (23 VAC §§ 10-210-4040(C)).

*Disclaimer: This summary is not intended to capture, and cannot capture, every individual contractor’s factual circumstances. Different rules may also apply in situations involving tangible personal property, repairs billed on a time and materials (T&M) basis, and commercial or industrial buildings. HVAC professionals may also wish to consult their own accountants or attorneys for further clarification.*