



Josh Stein
Governor

McKinley Wooten, Jr.
Secretary

September 22, 2026

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Re: [REDACTED]
Private Letter Ruling

Dear [REDACTED]

The Department has completed its review of your request for a private letter ruling for your client, [REDACTED] ("Taxpayer"). In making this written determination, the Department has considered the facts presented in your initial request as well as any supplemental information provided to the Department.

This private letter ruling is a written determination issued under G.S. § 105-264.2 and applies the tax law to a specific set of existing facts furnished by you on behalf of Taxpayer. This written determination is applicable only to Taxpayer and as such has no precedential value except to Taxpayer.

Overview and Relevant Facts

You advised that Taxpayer [REDACTED] pre-fabricated modular cleanroom systems. . . ." The cleanrooms [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Due to the specific design of the cleanrooms, they are "intended to be removable, non-permanent, and freestanding. Their removal does not cause 'material damage' to either the clean room components or the host facility. [REDACTED]

[REDACTED]
• [REDACTED]
[REDACTED]

501 N. Wilmington St., Raleigh, NC 27604
PO Box 871, Raleigh, NC 27602-0871
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- [REDACTED]
- [REDACTED]
- Can be disassembled using standard hand tools without requiring demolition, structural alteration, or any material harm to the facility.
- Require only minor cosmetic touch ups after removal, such as patching screw holes or repainting- none of which rise to the level of 'material damage'."

Taxpayer's cleanroom systems are "constructed off-site, delivered in component form, and installed using mechanical fasteners, floor tracks, and ceiling supports that do not damage the underlying realty and do not require permanent welding, riveting, or masonry work. . . . Utility tie-ins such as HVAC, fire protection, and electrical systems are made through quick-connect or mechanical interfaces, and installation does not require wet trades such as poured concrete or adhesives or permanent welding, riveting, or masonry work."

Although Taxpayer provides "full-service installation", some clients have projects where the installation needs to be completed by the client's "designated contractors." For those projects, Taxpayer "delivers the prefabricated systems in kit form, with all modular parts pre-engineered for reassembly without structural integration into the building."

In addition to selling and installing cleanroom systems, [Taxpayer] "sells individual modular components-such as wall panels, ceilings, doors, and windows-separately. These components can be purchased for initial builds or for later modifications to existing cleanrooms. [Taxpayer] also performs post-installation reconfiguration services, allowing customers to relocate or resize walls, move doors or windows, and adjust layouts. These changes can be completed without causing material damage to the building or the cleanroom system, and without impairing the functionality of the components.

Installation timelines vary by project. [REDACTED] have been installed [REDACTED]

Regardless of scale, [Taxpayer] cleanrooms are not permanently affixed and are engineered to be disassembled, relocated, or re purposed, underscoring their classification as modular systems. . . ."

Taxpayer provided an agreement between Taxpayer and client. The agreement states Taxpayer is to provide [REDACTED]

Issue

Are Taxpayer's modular cleanroom systems transactions subject to North Carolina sales and use tax as tangible personal property?

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Applicable Statutes and References

North Carolina imposes State, local, and transit rates of sales and use tax on a retailer engaged in business in the State based on the retailer's net taxable sales of, or gross receipts derived from, tangible personal property, certain digital property, and taxable services. G.S. §§ 105-164.4, 105-164.6, 105-467, 105-468, 105-483, 105-498, 105-507.2, 105-509.1, 105-537 and Chapter 1096 of the 1967 Session Laws.

Under G.S. § 105-164.4(a)(1)a, the general rate of tax applies to "the sales price of each article of tangible personal property that is not subject to tax under another subdivision in this section."

G.S. § 105-164.3(261) defines the term "tangible personal property" as "[p]ersonal property that may be seen, weighed, measured, felt, or touched or is in any other manner perceptible to the senses. The term includes electricity, water, gas, steam, and prewritten computer software."

G.S. § 105-164.3(229) defines, in part, the term "retailer" as "[a]ny of the following persons:

- a. A person engaged in business of making sales at retail, offering to make sales at retail, or soliciting sales at retail of items sourced to this State. . . .
- b. A person, other than a real property contractor, engaged in business of delivering, erecting, installing, or applying tangible personal property or certain digital property for use in this State. . . ."

G.S. § 105-164.3(237) defines, in part, the term "sales price" as "[t]he total amount or consideration for which an item is sold, leased, or rented. The consideration may be in the form of cash, credit, property, or services. The sales price must be valued in money, regardless of whether it is received in money. The term includes. . . installation charges."

Ruling

Based on the information furnished, Taxpayer [REDACTED] [REDACTED] cleanroom systems. The cleanroom systems are freestanding, removable and not permanently attached to the client's building structure. Removal of the cleanroom system does not cause material damage and is done when the client's intended use of the cleanroom system is completed. The cleanroom systems transactions are sales of tangible personal property, and the installation charges are part of the sales price as provided in G.S. § 105-164.3(237). The sales of Taxpayer's cleanroom systems and installation charges, if included in the sale, are subject to North Carolina sales and use tax.

If the Department determined that the cleanroom systems should be treated as tangible personal property and be subject to North Carolina sales and use tax, a second issue was included in your letter to request a ruling on whether the sales of cleanrooms qualify for the exemption under G.S. §§ 105-164.13(5e) or (5g) when sold to eligible

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purchasers. The Department declines to issue a ruling addressing whether Taxpayer's cleanroom systems qualify for the sales of mill machinery or mill machinery parts or accessories exemption from sales and use tax as provided in G.S. § 105-164.13(5e) or the research and development activities exemption from sales and use tax as provided in G.S. § 105-164.13(5g) because for such transactions, the purchaser would be the party responsible for obtaining that determination from the Department. If the purchaser provides Taxpayer with a completed form E-595E, Streamlined Sales and Use Tax Certificate of Exemption, or similar document that includes all the required data elements as provided in G.S. § 105-164.28, Taxpayer may accept the documentation unless Taxpayer engages in fraud as described in G.S. § 105-164.28.

This ruling is based solely on the facts submitted to the Department of Revenue for consideration of the transactions described. If the facts and circumstances given are not accurate, or if they change, then Taxpayer may not rely on it. If Taxpayer relies on this ruling and the Department discovers, upon examination, that the fact situation of the Taxpayer is different in any material aspect from the facts and circumstances given in this ruling, then the ruling will not afford Taxpayer any protection. It should be noted that this document is not to be cited as precedent and that a change in statute, a regulation, or case law could void this ruling.

Issued on behalf of the Secretary of Revenue
By the Sales and Use Tax Division