

Memorandum

295.1509.700

To: Mr. Glenn A. Bystrom
Deputy Director
Sales and Use Department
MIC:43

Date: May 29, 1996

From: Gary J. Jugum
Assistant Chief Counsel

Subject: Gross Receipts: Interior Decorator and Designer Services

This is in response to your memorandum of May 20, 1996. You have inquired as to how use tax applies to fees charged by interior decorators and designers.

Many designers and decorators charge a fee which may be a negotiated amount or a percentage of the selling price of furnishings, labor, and professional services.

Fees for bona fide professional services such as consultation, layout, coordination of furniture and fabrics, selection of color schemes, and supervision of installations, etc., are nontaxable. Billings for such nontaxable fees should be separately stated from fees related to sales of tangible personal property.

Fees charged in connection with acquiring and providing furnishings or other tangible personal property are taxable. A fee charged solely for accompanying a client to showrooms, or for otherwise assisting in or recommending the selection of furnishings, is considered part of the taxable selling price of the furnishings sold by the interior decorator, not a nontaxable decorator fee. However, tax does not apply to charges for such services when no sales of merchandise are made. Normally, the selling price of the furnishings on which an interior decorator computes tax should be the "retail" price; that is, cost to the interior decorator plus a reasonable markup.

If furnishings or other kinds of tangible personal property are billed at cost and a separately stated fee charge includes overhead, profit, etc., directly related to the property sold, as well as other charges, the total fee charged will be considered subject to tax, unless it is established that a portion of the fee is for nontaxable professional services as described above.

GJJ:sr