



MAINE REVENUE SERVICES

SALES, FUEL & SPECIAL TAX DIVISION

INSTRUCTIONAL BULLETIN NO. 46

FABRICATION SERVICES

This bulletin is intended solely as advice to assist persons in determining and complying with their obligations under Maine tax law. It is written in a relatively informal style and is intended to address issues commonly faced by persons engaged in fabrication services.

Taxpayers are responsible for complying with all applicable tax statutes and rules. Although bulletins issued by Maine Revenue Services (“MRS”) do not have the same legal force and effect as rules, justifiable reliance upon this bulletin will be considered in mitigation of any penalties for any underpayment of tax due. This bulletin is current as of the last revision date shown at the end of the document.

Note: Before January 1, 2026, the taxable services described in this bulletin were subject to the Service Provider Tax at the rate of 6%. Effective January 1, 2026, the Service Provider Tax is repealed, and services formerly taxable under the Service Provider Tax are instead subject to sales and use tax at the general rate.

The Sales and Use Tax Law is found in Part 3 of Title 36 of the Maine Revised Statutes (“M.R.S.”). Title 36, MRS rules, instructional bulletins and certificates referenced in this bulletin can be viewed on the MRS website, maine.gov/revenue.

This bulletin only addresses Maine sales and use tax as it applies to persons providing fabrication services. Services described in this bulletin that are not fabrication services may also be subject to sales tax. A retailer engaged in providing services associated with the sale of tangible personal property should also view Instructional Bulletin No. 39 (“Sale Price Upon Which Tax is Based”) and Instructional Bulletin No. 53 (“Repairs and Warranties”).

1. FABRICATION SERVICES IN GENERAL

“Fabrication services” are taxable under the Maine Sales and Use Tax Law. “Fabrication services” means “the production of tangible personal property for consideration for a person who furnishes, either directly or indirectly, the materials used in that production.” 36 M.R.S. § 1752(2-H).

“Production” means “an operation or integrated series of operations engaged in as a business or segment of a business that transforms or converts personal property by physical, chemical or other means into a different form, composition or character from that in which it originally existed.” 36 M.R.S. § 1752(9-B).

“Fabrication services” includes services that result in the production of tangible personal property or that constitute a step in a process or series of operations that result in the production of tangible personal property that did not originally exist. Charges for fabrication services are taxable when the purchaser, or a third party at the purchaser’s direction, furnishes the materials.

“Fabrication services” includes, but is not limited to, when a customer supplies the following:

- Lumber to a carpenter to make cabinets;
- A quilt top, batting, and backing to a crafter to make a quilt;
- Fabric to a seamstress to make drapes;
- Logs to a mill to make boards;
- Green pottery to a studio to be fired and cured;
- The head of a moose to a taxidermist to be stuffed and mounted;
- A ring to a jeweler to be engraved with the customer’s initials;
- Wool to a crafter to be spun into yarn;
- Steel to a machinist to be cut, shaped, drilled, or formed;
- Paper to a printer to make pamphlets;
- Logs to a chipper to make biomass fuel;
- A ring to a jeweler to make into a broach;
- A shirt to a tailor to be monogrammed with the customer’s business logo; and
- A trophy, headstone, or monument to a carver to be etched or engraved.

The following are examples of services that do not transform or convert the form, composition, or character of the materials provided by the customer, and therefore are not “fabrication services”:

- Painting a business name on the side of a customer’s vehicle;
- Tinting a customer’s car window; and
- Application, installation, or repair services (see Section 2 below).

Retailers are encouraged to contact MRS when uncertain whether a particular service constitutes taxable fabrication service.

Note: Prior to January 1, 2026, fabrication services were subject to the Service Provider Tax only if the services were performed in Maine. However, on or after January 1, 2026, fabrication services are generally sourced to Maine if the fabricated product is received by the customer in Maine, regardless of whether the services were performed in Maine. See 36 M.R.S. § 1819(2).

2. NONTAXABLE SERVICES

“Fabrication services” does not include application, installation, or repair services. Charges for such services are not subject to tax if separately stated. See Instructional Bulletin No. 39 (“Sale Price Upon Which Tax is Based”) for additional information.

A. APPLICATION OR INSTALLATION SERVICES. “Application or installation services” means attaching, affixing, installing, or applying a completed item of tangible personal property to other tangible personal property. For example, the following types of services constitute application or installation services rather than fabrication services and are not subject to sales tax:

- Framing a customer’s piece of art;
- Installing a customer’s kitchen cabinets; and
- Painting a building.

B. REPAIR SERVICES. “Repair services” means the repair, refurbishing, or reconditioning of tangible personal property to restore the property to its original design. For example, the following types of services constitute repair services rather than fabrication services and are not subject to sales tax:

- Reupholstering or refinishing furniture;
- Rust removal;
- Sharpening saw blades; and
- Sanding or repainting.

3. EXEMPT SALES OF FABRICATION SERVICES

Maine sales and use tax does not apply to sales of fabrication services in the following situations:

A. FABRICATION OF EXEMPT COMMODITIES. The tax does not apply to charges for fabrication of tangible personal property where a sale to the purchaser of the tangible personal property being fabricated would be exempt or otherwise not subject to sales tax. 36 M.R.S. § 1760(118). Examples of fabrication of exempt commodities include:

- Machinery or equipment for use directly and primarily in production of tangible personal property for later sale or lease;
- Ingredients or component parts of tangible personal property for later sale or lease; and
- Food products for home consumption, such as when a butcher prepares meat from a customer's moose, deer, or cow.

B. FABRICATION FOR EXEMPT ORGANIZATIONS. The tax does not apply to charges for fabrication services to the federal government, the State of Maine or its political subdivisions (such as counties, cities, or towns) or any agency of any of the above governments, or to any other eligible entity – such as a school, church, hospital, or a nonprofit organization determined by the IRS to be a 501(c)(3) organization – that has been issued an exemption certificate by MRS. See MRS Rule 302 (“Sales to Governmental Agencies and Exempt Organizations”) and Instructional Bulletin No. 36 (“Exempt Organizations and Government Agencies”) for information on records required to document sales to exempt organizations.

C. SALE OF FABRICATION SERVICES FOR RESALE. The tax does not apply to the sale of fabrication services to another fabricator for resale, if the purchaser has provided the seller with a resale certificate. For more information on sales for resale, see MRS Rule 301 (“Sales for Resale and Sales of Packaging Materials”) and Instructional Bulletin No. 54 (“Resale Certificates”). A fabricator should generally pay sales tax to its vendor when purchasing items that it will use in its business and not resell to customers. However, certain items used or consumed in production are exempt; see Section 4 below. If otherwise taxable items are purchased from a vendor located outside the state and Maine tax is not paid, the fabricator should report and pay use tax on its sales and use tax return. Purchasers who avoid payment of tax through deliberate misuse of resale certificates may be subject to criminal prosecution.

D. CERTAIN ADDITIONS TO REAL PROPERTY. Taxable fabrication services occur only when tangible personal property is produced and transferred to the customer as tangible personal property. If the tangible personal property produced is incorporated into realty by the fabricator, the tangible personal property is being transferred to the customer as real property, and the fabricator's labor is not taxable fabrication services. If the fabricator has purchased additional material to be used in its fabrication, the fabricator must pay sales or use tax on those materials.

For example, a customer provides barn boards to a carpenter and requests that a pantry be built and permanently installed in the customer's kitchen. The carpenter is transferring real property to the customer and the carpenter's labor to build the pantry is not taxable fabrication services. The carpenter would pay sales tax when purchasing nails, screws, glue, and other materials used in building and installing the pantry.

If the carpenter built the pantry as a free-standing pantry that was not permanently installed, the carpenter would be transferring the pantry to the customer as tangible personal property,

and the carpenter's labor would be taxable fabrication services. The carpenter would not pay sales tax when purchasing nails, screws, glue, and other materials used in building the pantry, as these items would be ingredients or component parts of the finished product. See Section 4, subsection B below.

Charges for fabrication of tangible personal property that will be incorporated into real property by someone other than the fabricator are subject to tax. See Instructional Bulletin No. 4 ("Contractors and Subcontractors") for more information.

E. CASUAL OR ISOLATED SALES OF FABRICATION SERVICES. The sale of fabrication services by a person who is not engaged in providing fabrication services in the ordinary course of repeated and successive transactions of a like character is not taxable.

4. PURCHASES BY FABRICATORS

Persons engaged in providing fabrication services may also be eligible to purchase certain property used in production exempt of tax. See Instructional Bulletin No. 22 ("Manufacturers") for additional information.

A. MACHINERY AND EQUIPMENT. Purchases of machinery and equipment and associated repair parts used directly and primarily in the production of tangible personal property for sale or lease are exempt from sales and use tax. This exemption also applies when the tangible personal property is being fabricated for ultimate sale or lease by another.

In order to qualify for exemption, machinery or equipment must meet all of the following qualifications:

(1) The property produced must be intended ultimately for sale or lease, not for use by the owner. For example, the use of printing equipment to produce catalogs for a department store that supplies the materials is not a qualifying use, because the catalogs are not intended for sale or lease by the store.

(2) The property produced must be intended for sale or lease as tangible personal property, not as real estate. For example, the use of machinery to fabricate structural steel for a contractor who will erect it is not a qualifying use because the steel is not intended for sale or lease in the form of tangible personal property.

(3) The machinery or equipment must be used directly in production. The use of machinery or equipment in procurement or storage or any other activities that are simply incidental, convenient, or remote to production is not use "directly in production."

(4) The machinery or equipment must be used primarily (more than 50% of the time) in production. Machinery or equipment used 50% or more of the time in fabricating tangible personal property that will not be sold or leased is subject to tax.

B. INGREDIENT OR COMPONENT PART. Items that will be physically incorporated in tangible personal property and actually pass to the fabricator's customer may be purchased exempt by the fabricator. Some examples of purchases that would be exempt are staples used by a printer to assemble catalogs; nails and glue used by a cabinetmaker to assemble cabinetry; and sheet metal screws used by a sheet metal shop to fabricate ductwork.

Purchases of items that will become ingredient or component parts of fabricated property **to be incorporated into real estate by the fabricator** are subject to sales and use tax.

C. CONSUMED OR DESTROYED. Tangible personal property, except fuel and electricity, that is consumed or destroyed or loses its identity directly and primarily in the production of tangible personal property for later sale or lease is exempt from sales and use tax. In order to qualify for this exemption, an item that is "consumed or destroyed" must have an actual physical life expectancy of less than one year in the use to which it is applied without regard to obsolescence.

In order to be exempt under this provision, items must be consumed or destroyed directly and primarily in production meeting the qualifications set forth in paragraph A above.

D. EXEMPT PURCHASE DOCUMENTATION. A fabricator claiming that the purchase of tangible personal property qualifies for exemption under paragraphs A through C must provide its vendor a "Industrial Users Blanket Certificate of Exemption" (Form ST-A-117). The fabricator should indicate on this certificate the grounds for exemption by checking off the appropriate category. The vendor should retain this certificate in its file to document the exempt sale. If multiple purchases are made from one vendor, the certificate may act as a "blanket" certificate, covering all subsequent purchases of like items. It is the *responsibility of the purchaser* to understand all requirements of the law before claiming any exemption. The purchaser must also be able to prove that a purchase meets the qualification of the exemption. For more information, see MRS Rule 303 ("Sales to Industrial Users") and Instructional Bulletin No. 22 ("Manufacturers").

5. ADDITIONAL INFORMATION

The information in this bulletin addresses some of the more common questions regarding the Sales and Use Tax Law faced by fabricators. It is not intended to be all-inclusive. Requests for information on specific situations must be in writing, must contain full information as to the transaction in question, and must be directed to:

**MAINE REVENUE SERVICES
SALES, FUEL & SPECIAL TAX DIVISION
P.O. BOX 1060
AUGUSTA, ME 04332-1060
maine.gov/revenue
sales.tax@maine.gov**

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