

**North Carolina Department of Revenue  
Post Office Box 25000  
Raleigh, North Carolina 27640-0001**

**To Registered Taxpayers:**

Part I of this document contains information on the redesigned sales and use tax returns to be used for filing periods beginning October 1, 1999. Part II of this document gives answers to frequently asked questions. Part III of this document gives general information. A summary of the law changes made by the 1999 General Assembly was provided in Form E-505 (Rev. 9/99), which was mailed to all registered taxpayers in September 1999.

**I. Forms**

The returns for taxes administered by the Sales and Use Tax Division have been redesigned for processing on the Department's scanning and imaging equipment. All returns filed for periods beginning October 1, 1999 and thereafter must be submitted using the new forms. Courtesy reply envelopes are provided for use in mailing returns and payments.

A description of form changes and miscellaneous instructions are included in the new payment booklets for the period October 1, 1999 through September 30, 2000. Among the most significant changes are the design of the forms and the use of "drop-out boxes" and bar codes. The lines on the new sales and use tax returns have been rearranged and renumbered. The lines for gross sales, sales for resale, exempt sales, and purchases for use are found on the reverse side of the new form; therefore the reverse side must be completed before completing the front. The Account ID as shown on the new forms no longer includes the four-digit Business Class Code; however, a taxpayer must continue to provide the Business Class Code when issuing a Certificate of Resale, Form E-590.

To help ensure that the system works efficiently, the original returns in the booklets must be used since the scanner may not be able to recognize photocopies. The returns should be completed using blue or black ink.

**II. Questions and Answers**

**1. Question: Is a return required to be filed for periods when no tax is due?**

**Answer:** Yes. A return is required to be filed for every period including those periods when no sales or use tax is due. If you do not owe tax for a period, you must file a return showing 0.00 on the "Total Due" line. Failure to file a return will result in the mailing of a delinquent notice by the Department and follow-up by Department personnel.

**2. Question: If the due date of a tax return comes on a Saturday, a Sunday, or a legal holiday, is the due date extended?**

**Answer:** Yes. When the date on which a return is required to be filed falls on either a Saturday, Sunday, or legal holiday, the return is due on the next business day.

**3. Question: If I lease or rent tangible personal property for use, what charges are subject to sales or use tax?**

**Answer:** The gross receipts derived from the lease or rental of tangible personal property are subject to tax. Gross receipts include all amounts paid to the lessor in connection with the lease or rental of the property without any deduction for any expense incident to the conduct of the business. Gross receipts include amounts paid for property tax, maintenance fees, delivery fees, and other similar items.

**4. Question: Are security deposits that a lessor requires when leasing tangible personal property subject to tax?**

**Answer:** Yes. Security deposits are subject to tax and the tax must be collected at the time received. If a security deposit is subsequently returned to the customer, the customer is entitled to receive a refund of the tax paid and the lessor may claim a credit for the tax refunded.

**5. Question: Are charges for facsimile services offered to the public subject to sales or use tax?**

**Answer:** No. Charges for sending and receiving copies of documents by facsimile equipment are not subject to sales or use tax. Firms providing these services in North Carolina are liable for paying the applicable State and county sales or use tax on their purchases of the equipment, paper, and any other supplies used in these transactions.

**6. Question: I purchased merchandise for resale before receiving my Certificate of Registration and my supplier charged sales tax. May I take a credit on my next sales tax return for the tax paid to my supplier?**

**Answer:** No. After you receive your certificate of registration, you must furnish your supplier a Certificate of Resale, Form E-590, and obtain a refund or credit from the supplier. The supplier may, in turn, request a refund from the Department.

**7. Question: I bought manufacturing equipment to use in my manufacturing operations and was charged 6% sales tax rather than 1%. Since I have tax to report to the Department each month, may I deduct the amount of tax I overpaid to the seller from the amount of tax I owe the Department?**

**Answer:** No. You must request a refund or credit from the seller after furnishing the appropriate certificate. The seller can subsequently request a refund of the overpayment from the Department.

**8. Question: What is the correct method for handling an overpayment of tax to the Department on a monthly or quarterly sales and use tax return?**

**Answer:** An amended return for the filing period should be submitted to the Department. A refund check will be issued.

**III. Information and Assistance**

The Sales and Use Tax Division issues Directives reflecting the Department's position on significant tax matters. The Directives will be incorporated in the Sales and Use Tax Technical Bulletins. The following Directives have been issued:

- SD 98-1 Store Discount Cards
- SD 98-2 Piped Natural Gas (Replaced by SD 98-3)
- SD 98-3 Piped Natural Gas
- SD 98-4 Complimentary Meals or Snacks
- SD 98-5 Chiropractors
- SD 98-6 Diplomatic Tax Exemption Program
- SD 99-1 Additional ½% Mecklenburg County Sales and Use Tax for Public Transportation

Copies of Sales and Use Tax Administrative Rules, Sales and Use Tax Technical Bulletins, State and Local Sales and Use Tax Laws, Directives, and various sales and use tax forms may be obtained by accessing the Department's website at [www.dor.state.nc.us/DOR/](http://www.dor.state.nc.us/DOR/) or by writing to: Taxpayer Assistance Section, Office Services Division, North Carolina Department of Revenue, Post Office Box 25000, Raleigh, North Carolina 27640-0001. If you have questions about the information in this document or about sales and use tax, you may call Taxpayer Assistance at (919) 733-3661. Forms may also be ordered by telephone at (919) 715-0397. The Department maintains offices in the following cities where forms and assistance can be obtained. You should consult your telephone book for the location and telephone number of the nearest office.

Asheboro	Fayetteville	Hickory	Murphy	Salisbury
Asheville	Franklin	High Point	Nags Head	Sanford
Burlington	Gastonia	Jacksonville	New Bern	Shallotte
Charlotte	Goldsboro	Kinston	North Wilkesboro	Shelby
Clinton	Greensboro	Lexington	Raleigh	Statesville
Concord	Greenville	Lumberton	Reidsville	Wilmington
Durham	Henderson	Monroe	Rockingham	Winston-Salem
Elizabeth City	Hendersonville	Morehead City	Rocky Mount	