



**Sales and Use Tax Division  
North Carolina Department of Revenue  
Post Office Box 25000  
Raleigh, North Carolina 27640-0001**

**To Taxpayers:**

This form includes major changes enacted by the 2011 Session of the General Assembly to the taxes administered by the Sales and Use Tax Division. The 2011 Tax Law Changes will be available on the Department's website, [www.dornrc.com](http://www.dornrc.com), and will contain explanations of legislative changes. This form also includes law changes enacted during previous General Assembly sessions that are effective in 2011. Legislative changes supersede any information previously set forth in Sales and Use Tax Administrative Rules, Technical Bulletins, Notices, and Private Letter Rulings relating to any subject matter of the legislation. Part I reflects sales and use tax rate changes; Part II reflects other legislative changes; and Part III reflects administrative reminders.

**PART I: RATE CHANGES**

***Effective July 1, 2011***

**Decrease of State General Rate**

Effective July 1, 2011, the general State tax rate applicable to sales and purchases of tangible personal property, certain digital property, and certain services is 4.75%. Effective July 1, 2011, the general State and local tax rate is 6.75% in eighty-two counties, 7% in Alexander, Catawba, Cumberland, Duplin, Haywood, Hertford, Lee, Martin, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry, and Wilkes Counties, and 7.25% in Mecklenburg County. This decrease in sales tax rate is the result of the expiration, on June 30, 2011, of the temporary 1% State increase enacted by the 2009 General Assembly. For purposes of determining the applicable rate of tax, a sale is considered to be consummated when the item is delivered to the purchaser. For additional details, refer to the Important Notice: Additional State Sales and Use Tax Rate Decrease Issues, dated June 30, 2011, on the Department's website.

The "combined general rate" of tax, which applies to telecommunications service, ancillary service, video programming and sales of spirituous liquor other than mixed beverages, decreased from 8% to 7% in all counties, effective July 1, 2011.

***Effective October 1, 2011***

**State and Local Rates**

Effective October 1, 2011, the State and local sales tax rate will be 6.75% in eighty-one counties, 7% in Alexander, Catawba, Cabarrus, Cumberland, Duplin, Haywood, Hertford, Lee, Martin, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry and Wilkes Counties and 7.25% in Mecklenburg County. The "combined general rate" of tax, which applies to telecommunications service, ancillary service, video programming, and sales of spirituous liquor other than mixed beverages, remains at 7% in all counties.

**PART II: OTHER LEGISLATIVE CHANGES**

***Effective July 1, 2005***

**Motorsports Aviation Fuel Refunds**

G.S. 105-164.14A(a)(4) is amended to include a related member of a professional motorsports racing team or a motorsports sanctioning body, may qualify for a refund of sales and use tax on aviation fuel. For purposes of this section, "related member" is defined in G.S. 105-130.7A. This statutory amendment was enacted with a retroactive date for sales made on or after July 1, 2005.

## ***Effective July 1, 2007***

### **Professional Motorsports Refunds**

G.S. 105-164.14A(a)(5) is amended to include a related member of a professional motorsports racing team or a motorsports sanctioning body, may qualify for a partial refund of sales and use tax on certain tangible personal property. For purposes of this section, "related member" is defined in G.S. 105-130.7A. This statutory amendment was enacted with a retroactive date for sales made on or after July 1, 2007.

## ***Effective January 1, 2011***

### **Tax on Rental of Accommodations**

G.S. 105-164.4(a)(3) is amended to impose a sales tax at the general rate, applicable to the gross receipts derived from the rental of an accommodation. As clarified by Section 16 of S.L. 2011-330, the tax does not apply to: (i) a private residence or cottage that is rented for fewer than 15 days in a calendar year; (ii) an accommodation rented to the same person for a period of 90 or more continuous days; (iii) an accommodation arranged or provided to a person by a school, camp, or similar entity where a tuition or fee is charged to the person for enrollment in the school, camp, or similar entity.

If the rental of an accommodation is marketed by a facilitator, the sales price of the rental includes charges designated as facilitation fees and any other charges necessary to complete the rental. For the period beginning January 1, 2011, and ending April 1, 2011, a facilitator is not liable for an overcollection or undercollection of sales tax if the facilitator has made a good faith effort to comply with the law and collect the proper amount of tax as a result of the change under Section 31.6 of S.L. 2010-31. For additional details, refer to Important Notice: Tax on Accommodations, dated December 2010, on the Department's website.

### **Production Company**

G.S. 105-187.51(a)(1) is amended to exclude a production company from qualifying for the 1% privilege tax levied on the purchase of mill machinery or mill machinery parts or accessories. Purchases made by motion picture and film production companies are subject to the general State and local tax rates.

## ***Effective June 27, 2011***

### **Various Statutory amendments**

**Prosthetic Devices:** G.S. 105-164.13(12) is amended to clarify that the exemption from tax for sales of prosthetic devices only applies to prosthetic devices for human use.

**Installation Charges:** G.S. 105-164.13(49) is amended to clarify that installation charges are not subject to tax, provided the charges are separately stated **on the invoice at the time of the sale**. The clarification brings the exemption into conformity with 17 NCAC 07B.0802, adopted effective February 1, 1976.

**Effective Date of Tax Changes on Services:** G.S. 105-164.15A(a)(1)a. is rewritten to conform to the Streamlined Sales and Use Tax Agreement requirements. For a service that is provided and billed on a monthly or other periodic basis, a new tax or tax rate increase applies to the first billing period that is at least 30 days after enactment and that starts on or after the effective date.

**Sourcing of Digital Property:** G.S. 105-164.4B is amended by adding subsection (f) which provides that "a purchaser receives digital property when the purchaser takes possession of the property or makes first use of the property, whichever comes first."

**No Interest on Certain Authorized Refunds:** G.S. 105-164.14, 105-164.14A, and 105-164.14B are amended by adding new subsections to clarify that taxes for which refunds are allowed under such sections are not overpayments of tax and do not accrue interest as provided in G.S. 105-241.21.

## ***Effective October 1, 2011***

### **Filing Frequency Threshold Change**

G.S. 105-164.16(b1) and (b2) are amended to change the threshold requirements for the monthly and monthly with prepayment filing frequencies. Monthly filers are filers who are consistently liable for at least \$100 but less than \$20,000 a month in State and local sales and use taxes. Monthly with prepayment filers are filers who are consistently liable for at least \$20,000 a month in State and local sales and use taxes. The Department has mailed notices to taxpayers affected by the change.

## **Effective July 1, 2013**

### **Service Charge for Prepaid Wireless Telecommunications Service**

Effective July 1, 2013, a 911 service charge is imposed on each retail purchase of prepaid wireless telecommunications service occurring in this State. Sellers of prepaid wireless telecommunications service shall collect the 911 service charge for prepaid wireless telecommunications service from the consumer on each retail transaction occurring in this State. The 911 service charge for prepaid wireless telecommunications service is in addition to the sales tax imposed on the sale or recharge of prepaid telephone calling service under G.S. 105-164.4(4d). Sellers will be granted an administrative allowance, and may deduct and retain from the 911 service charges it collects from consumers and remits to the Department of Revenue an administrative allowance of five percent (5%).

## **PART III: OTHER ADMINISTRATIVE REMINDERS**

### **Form E-500, Sales and Use Tax Return, Electronic File and Pay**

All taxpayers are encouraged to electronically file Form E-500, Sales and Use Tax Return. To electronically file, visit the Department's website, [www.dornrc.com](http://www.dornrc.com), and select "Electronic Services," "Businesses" section.

### **Form E-536, Schedule of County Sales and Use Tax**

A retailer engaged in business in this State is required to collect the county tax for all counties to which product is sourced. For an over-the-counter sale, the retailer's business location is where the sale is made, and county tax must be collected for the county in which the business is located. If the property is shipped to the purchaser at an address other than the retailer's business location, county tax must be collected for the county to which the property is shipped (destination county). A retailer must report county tax for all counties to which property is delivered or shipped.

A florist wire sale is sourced to the business location of the florist that takes an order for the sale. Periodic rental payments are sourced in accordance with G.S. 105-164.4B(b). Taxable digital property is sourced to the county when the purchaser takes possession of the property or makes first use of the property, whichever comes first. A retailer required to collect county tax for more than one county must complete Form E-536, Schedule of County Sales and Use Taxes, to properly report the county tax for each local jurisdiction. Form E-536 is available on the Department's website, [www.dornrc.com](http://www.dornrc.com), and through the online filing options.

### **Paying Assessments**

To pay an assessment a Taxpayer may use the following payment methods: (a) Credit/debit card or bank draft on the Department's website, [www.dornrc.com](http://www.dornrc.com), by selecting "Electronic Services;" (b) Credit/debit card or bank draft by calling toll-free 1-877-252-3252 or (c) Check or money order with the lower portion of the notice mailed to P.O. Box 25000, Raleigh, N.C. 27640-0002.

### **Use Tax on Purchases**

Businesses are reminded to report use tax on purchases of taxable tangible personal property, services, or digital property for storage, use or consumption in North Carolina from vendors that do not charge North Carolina sales or use tax. Effective January 1, 2010, the following digital property became subject to tax: (1) An audio work; (2) An audiovisual work; (3) A book, a magazine, a newspaper, a newsletter, a report, or another publication, and (4) A photograph or greeting card. The tax applies regardless of whether the purchaser of the item has the right to use the digital good permanently or to use it without making continued payments. The use tax rate is the same as the sales tax rate noted in Part I: Rate Changes.

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Frequently asked questions with responses and additional information can be found on the Department's website at [www.dornrc.com](http://www.dornrc.com). If you have questions about the information in this document or about sales and use tax, you may contact the Taxpayer Assistance and Collection Center at 1-877-252-3052 (toll-free) or write to the Taxpayer Assistance Division, North Carolina Department of Revenue, Post Office Box 25000, Raleigh, North Carolina 27640-0001.