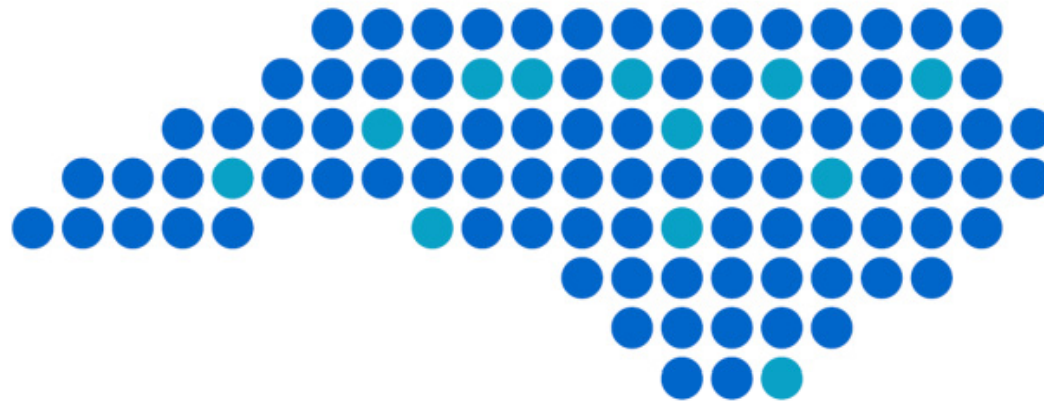


NCDOR

NORTH
CAROLINA
DEPARTMENT
OF REVENUE

Nonprofit Education





CAUTION

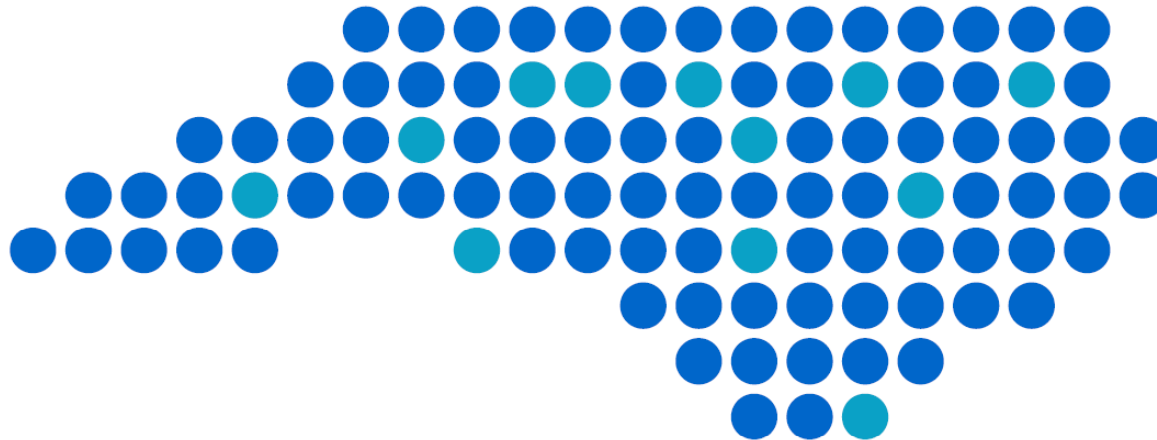
The NC Department of Revenue provides this information as a courtesy to help keep you informed. As tax laws change, the application of the information provided may change as well. This information is general and summary in nature, and should not be construed as advice for your specific situation. If you would like to obtain specific tax advice which is binding on the Department, you may follow the procedure for requesting a letter ruling, which is located at www.dornc.com.

- **Nonprofit Organizations & Refunds of North Carolina Sale & Use Taxes**
 - Purchases for Use
 - Who's Eligible for a Refund
 - Obtaining a Nonprofit Sales & Use Tax Refund Account Number
 - What form is used to request a refund?
 - Sample Problem
- **Admission Charges**
 - Tax Rates
 - What is an Admission Charge
 - Taxable Admission Charges
 - Tax Exempt Admission Charges
 - Frequently Asked Questions





Nonprofit Organizations



Refunds of North Carolina Sale & Use Taxes

<http://www.dornc.com/publications/nonprofit2008.pdf>



Generally, nonprofit organizations making purchases for use are subject to the 4.75% general State and applicable local and transit rates of sales and use tax unless specifically exempt by law.

G. S. 105-164.14(b) provides certain nonprofit entities semiannual refunds of sales and use tax paid directly by them on purchases of tangible personal property and services that are used to carry on the work of the nonprofit.

Effective July 1, 2014, the State sales and use tax aggregate annual refund amount for a fiscal year for a nonprofit entity must not exceed \$31,700,000 (total for both six month periods).

Effective July 1, 2014, the Food, County, and Transit sales and use tax aggregate annual refund amount for a fiscal year for a nonprofit entity must not exceed \$13,300,000 (total for both six month periods). Each cap applies separately.

Nonprofit organizations that meet the requirements of G. S. 105-164.14(b) and that have been issued a nonprofit sales and use tax refund account number by the N.C. Department of Revenue.

Currently, nonprofit sales and use tax refund account numbers begin with the numbers 72.



Obtaining a refund account number (continued)

- IRS/NTEE Code Information:
 - Organizations needing a copy of an IRS determination letter should contact the IRS Tax Exempt and Government Entities Customer Account Services section at 1-877-829-5500.
 - Additional information about the NTEE Core Codes Classification System can be found at <http://nccs.urban.org/classification/NTEE.cfm>

Furnish the N.C. Department of Revenue with the following:

- Federal Employer Identification number (EIN).
- Copy of organization's IRS determination letter (if applicable)
- Organization's National Taxonomy of Exempt Entities Code (if applicable).
- Copy of documents used to create the organization (i.e. Articles of Incorporation, Bylaws, Constitution, etc.)



Obtaining a refund account number (continued)

Mail to:

North Carolina Department of Revenue

Taxpayer Assistance Division

Nonprofit Sales and Use Tax

PO Box 25000

Raleigh, NC 27640-0640



- Qualified nonprofit hospitals
- Qualified nonprofit educational institutions
- Qualified churches, orphanages, and other charitable or religious organizations not operated for profit
- Qualified retirement facilities whose property is excluded from property tax
- Qualified volunteer fire departments or volunteer emergency medical squads

- **Form E-585, Nonprofit and Governmental Entity Claim for Refund**
- State, County, and Transit Sales and Use Taxes
- **Due Dates**
 - Claims for refund of taxes paid during the first six months of a calendar year (January 1 through June 30) should be filed by October 15 of that year.
 - Claims for refund of taxes paid during the last six months of a calendar year (July 1 through December 31) should be filed by April 15 of the following year.
 - Refund claims applied for more than three years after the due date are barred.

E-585
Web-Fill
12-14

Nonprofit and Governmental Entity Claim for Refund State, County, and Transit Sales and Use Taxes

North Carolina Department of Revenue



Complete all of the information in this section.

Legal Name (First 32 Characters) (USE CAPITAL LETTERS FOR YOUR NAME AND ADDRESS) _____ Account ID _____

Mailing Address _____ Federal Employer ID Number _____

City _____ State _____ Zip Code _____ County _____ Period Beginning (MM-DD-YY) _____

Name of Person We Should Contact if We Have Questions About This Claim _____ Contact Telephone _____ Period Ending (MM-DD-YY) _____

Fill in the circle that describes your organization. Nonprofit entity as defined in G.S. 105-164.14(b) (Semiannually) Governmental entity as defined in G.S. 105-164.14(c) (Annually)

National Taxonomy of Exempt Entities Number (Nonprofit Entity Only) _____

1. Name of Taxing County _____
(If more than one county, see instructions on Page 2 and attach Form E-536R.)

2. Total Purchases of Tangible Personal Property and Services for Use on Which North Carolina State or Food, County & Transit Sales or Use Tax Has Been Paid Directly to Retailers (Do not include tax paid, purchases for resale, or items described in box below.)

State _____ Food, County & Transit _____



Tax paid on any of the following items are nonrefundable:
Electricity, piped natural gas, telecommunications and ancillary services, video programming, prepaid meal plans; the purchase, lease, or rental of motor vehicles; local occupancy or local prepared food and beverage taxes; scrap tire disposal or white goods disposal taxes; reimbursements for travel expenses; alcoholic beverages; digital property

3. Amount of Sales and Use Tax Paid Directly to Retailers on Purchases for Use _____

4. Amount of Sales and Use Tax Paid Indirectly on Building Materials and Supplies as Shown on Contractors' Statements _____

5. Amount of Use Tax Paid Directly to the Department of Revenue by the entity (Do not include tax collected and remitted on sales made by the entity.) _____

6. Total Tax (Add Lines 3, 4, and 5. Food, County & Transit tax must be identified by rate on Line 8.) (For nonprofit entity only; annual cap applies, see General Instructions.) _____

7. Total Refund Requested \$ _____

8. Allocation of Food, County & Transit Tax on Line 8 (Enter the food, county & transit tax paid at each applicable rate. If you paid more than one county's tax, see the instructions on Page 2 and attach Form E-536R.)

Food 2.00% Tax	County 2.00% Tax	County 2.25% Tax	Transit 0.60% Tax <small>Durham, Mecklenburg, Orange</small>
_____	_____	_____	_____

Signature: _____ Date: _____
I certify that, to the best of my knowledge, this claim is accurate and complete.

Title: _____ Telephone: _____

For Departmental Use Only

Food Tax	County 2.00% Tax	County 2.25% Tax	Transit Tax	State Tax	Total Tax
_____	_____	_____	_____	_____	_____

Refund Approved: As Filed As Corrected

By: _____ Date: _____

MAIL TO: NC Department of Revenue, P.O. Box 25000, Raleigh, NC 27640-0001

- Header Information must be fully completed.
 - Must have account ID and Federal ID to be processed.
 - Currently account ID starts with a 72***** and is 9 digits long.

Complete all of the information in this section.

Legal Name (First 32 Characters) (USE CAPITAL LETTERS FOR YOUR NAME AND ADDRESS)				Account ID	
<input style="width: 100%; height: 20px;" type="text"/>				<input style="width: 100%; height: 20px;" type="text"/>	
Mailing Address				Federal Employer ID Number	
<input style="width: 100%; height: 20px;" type="text"/>				<input style="width: 100%; height: 20px;" type="text"/>	
City	State	Zip Code	County	Period Beginning (MM-DD-YY)	
<input style="width: 100%; height: 20px;" type="text"/>	<input style="width: 50%; height: 20px;" type="text"/>	<input style="width: 50%; height: 20px;" type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>	
Name of Person We Should Contact if We Have Questions About This Claim			Contact Telephone		Period Ending (MM-DD-YY)
<input style="width: 100%; height: 20px;" type="text"/>			<input style="width: 100%; height: 20px;" type="text"/>		<input style="width: 100%; height: 20px;" type="text"/>
Fill in the circle that describes your organization.				National Taxonomy of Exempt Entities Number	
<input type="radio"/> Nonprofit entity as defined in G.S. 105-164.14(b) (Semiannually)				<input style="width: 100%; height: 20px;" type="text"/> (Nonprofit Entity Only)	
<input type="radio"/> Governmental entity as defined in G.S. 105-164.14(c) (Annually)					

Line 1 - If all tax was paid to one county, enter county where tax was paid. If tax was paid to multiple counties, skip line 1 and complete Form E-536R, Schedule of County Sales and Use Taxes for Claims for Refund

Line 2 Enter total amount of taxable purchases, **not including the tax paid to retailers**, in the State and/or Food, County & Transit columns that qualifies for refund.

<p>1. Name of Taxing County <i>(If more than one county, see instructions on reverse and attach Form E-536R)</i></p>	<input type="text"/>					
<p>2. Total Purchases of Tangible Personal Property for Use on Which North Carolina State or County Sales or Use Tax Has Been Paid Directly to Retailers <i>(Do not include tax paid, purchases for resale, or items described in Line 3)</i></p>	<table border="1"> <thead> <tr> <th>State</th> </tr> </thead> <tbody> <tr> <td><input type="text"/></td> </tr> </tbody> </table>	State	<input type="text"/>	<table border="1"> <thead> <tr> <th>County</th> </tr> </thead> <tbody> <tr> <td><input type="text"/></td> </tr> </tbody> </table>	County	<input type="text"/>
State						
<input type="text"/>						
County						
<input type="text"/>						
<p>3. Amount of Sales and Use Tax Paid Directly to Retailers on Purchases for Use <i>(Do not include tax paid on any of the following:</i> <ul style="list-style-type: none"> - electricity, piped natural gas, or telecommunications and ancillary services - the purchase, lease, or rental of motor vehicles - local occupancy or local prepared food and beverage taxes - scrap tire disposal or white goods disposal taxes - reimbursements for travel expenses - alcoholic beverages)</p>	<input type="text"/>	<input type="text"/>				

Line 3 - Enter total amount of tax paid to retailers in the State and/or Food, County & Transit columns that qualifies for refund.



- If sales and use tax was paid in multiple counties you must include Form E-536R along with Form E-585.

E-536R
Web-Fill
1D-14

Schedule of County Sales and Use Taxes for Claims for Refund
North Carolina Department of Revenue

Account ID: Period Ending (MM-DD-YY): Legal Name:

County and Code	County 2.00% Tax	County 2.25% Tax	Transit 0.60% Tax
Alamance 1	0.00		
Alexander 2	0.00	0.00	
Alleghany 3	0.00		
Anson 4	0.00		
Ashe 5	0.00		
Avery 6	0.00		
Beaufort 7	0.00		
Bertie 8	0.00		
Bladen 9	0.00		
Brunswick 10	0.00		
Buncombe 11	0.00	0.00	
Burke 12	0.00		
Cabarrus 13	0.00	0.00	
Caldwell 14	0.00		
Camden 15	0.00		
Carteret 16	0.00		
Caswell 17	0.00		
Catawba 18	0.00	0.00	
Chatham 19	0.00		
Cherokee 20	0.00		
Chowan 21	0.00		
Clay 22	0.00		
Cleveland 23	0.00		
Columbus 24	0.00		
Craven 25	0.00		
Cumberland 26	0.00	0.00	
Currituck 27	0.00		
Dare 28	0.00		
Davidson 29	0.00	0.00	
Davie 30	0.00		

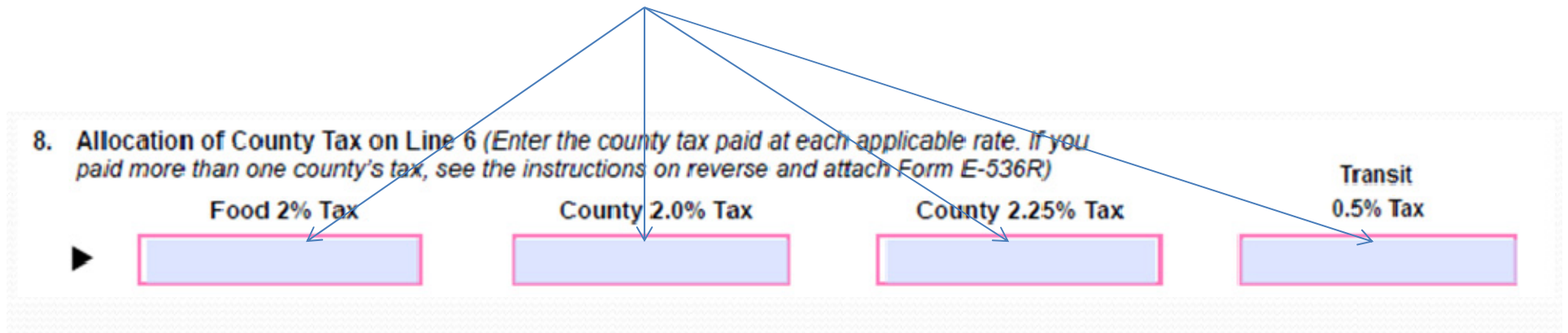
Note: Total amount of 2% local food tax is listed on page 4

Line 4 - Enter total amount of tax paid indirectly by contractors in the State and Food, County & Transit columns that qualifies for refund

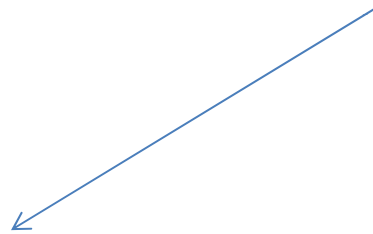
	State	County
4. Amount of Sales and Use Tax Paid Indirectly on Building Materials and Supplies as Shown on Contractors' Statements	<input type="text"/>	<input type="text"/>
5. Amount of Use Tax Paid Directly to the Department of Revenue by Your Organization (Do not include tax collected and remitted on sales made by your organization)	<input type="text"/>	<input type="text"/>
6. Total Tax (Add Lines 3, 4, and 5. County tax must be identified by rate on Line 8)	<input type="text"/>	<input type="text"/>
7. Total Refund Requested (Add State and county tax on Line 6)		\$ <input type="text"/>

Line 5 - Enter total amount of use tax paid by the organization directly to the Department in the State and/or Food, County & Transit columns that qualifies for refund. Would be zero unless your organization has a sales and use tax account and paid use tax directly to the Department of Revenue.

- The county portion of tax from line 6 must be allocated on line 8.



- Be sure to sign your name and date the refund claim before mailing it in.



Signature: John Doe Date:
I certify that, to the best of my knowledge, this claim is accurate and complete.

Title: Telephone:

Do not include tax paid on the following:

- Electricity
- Piped natural gas
- Telecommunications and ancillary services
- Video programming
- Prepaid meal plans
- The purchase, lease, or rental of motor vehicles
- Local occupancy or local prepared food and beverage taxes
- Scrap tire disposal or white goods disposal taxes
- Reimbursements for travel expenses
- Alcoholic beverages
- Digital property

- A church will be sending in their refund claim for the period of 01/01/14 -06/30/14. All items were purchased and received in Wake County. They paid \$500.00 for hymnals subject to the 6.75% tax rate and \$100.00 for food items subject to the 2% local food tax rate. Complete the E-585 form for the church.

E-585
Web-Fill
6-13

Nonprofit and Governmental Entity Claim for Refund State, County, and Transit Sales and Use Taxes



North Carolina Department of Revenue

Complete all of the information in this section.

Legal Name (First 32 Characters) (USE CAPITAL LETTERS FOR YOUR NAME AND ADDRESS)				Account ID
CHURCH				720000000
Mailing Address				Federal Employer ID Number
STREET				561234567
City	State	Zip Code	County	Period Beginning (MM-DD-YY)
RALEIGH	NC	27714	WAKE	01-01-14
Name of Person We Should Contact if We Have Questions About This Claim			Contact Telephone	Period Ending (MM-DD-YY)
JOHN SMITH			(123) 456-7890	06-30-14
<i>Fill in the circle that describes your organization.</i>		<input checked="" type="radio"/> Nonprofit entity as defined in G.S. 105-164.14(b) (Semiannually) <input type="radio"/> Governmental entity as defined in G.S. 105-164.14(c) (Annually)		National Taxonomy of Exempt Entities Number
				▶ X21 (Nonprofit Entity Only)

1. Name of Taxing County <i>(If more than one county, see instructions on reverse and attach Form E-536R.)</i>	WAKE
--	------

	State	County & Transit		
2. Total Purchases of Tangible Personal Property for Use on Which North Carolina State or County & Transit Sales or Use Tax Has Been Paid Directly to Retailers (Do not include tax paid, purchases for resale, or items described in Line 3.)	500.00	600.00		
3. Amount of Sales and Use Tax Paid Directly to Retailers on Purchases for Use (Do not include tax paid on any of the following: - electricity, piped natural gas, or telecommunications and ancillary services - the purchase, lease, or rental of motor vehicles - local occupancy or local prepared food and beverage taxes - scrap tire disposal or white goods disposal taxes - reimbursements for travel expenses - alcoholic beverages)	23.75	12.00		
4. Amount of Sales and Use Tax Paid Indirectly on Building Materials and Supplies as Shown on Contractors' Statements				
5. Amount of Use Tax Paid Directly to the Department of Revenue by the entity (Do not include tax collected and remitted on sales made by the entity.)				
6. Total Tax (Add Lines 3, 4, and 5. County & Transit tax must be identified by rate on Line 8.)	23.75	12.00		
7. Total Refund Requested (Add State and County & Transit tax on Line 6.)		\$ 35.75		
8. Allocation of County & Transit Tax on Line 6 (Enter the county & transit tax paid at each applicable rate. If you paid more than one county's tax, see the instructions on Page 2 and attach Form L-536R.)				
	Food 2.00% Tax	County 2.00% Tax	County 2.25% Tax	Transit 0.50% Tax
	2.00	10.00	0.00	0.00

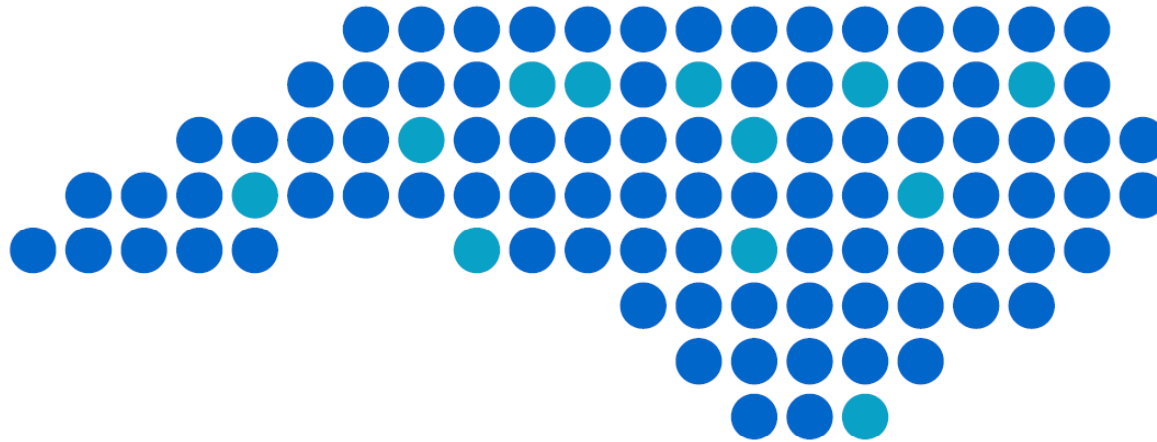




Answer Continued

Signature: <u>John Smith</u>	Date: <u>08-30-14</u>			
I certify that, to the best of my knowledge, this claim is accurate and complete.				
Title: <u>TREASURER</u>	Telephone: <u>(123) 456-7890</u>			
For Departmental Use Only				
State Tax	County Tax	Transit Tax	Total Tax	
□□□□□□□□□□	□□□□□□□□□□	□□□□□□□□□□	□□□□□□□□□□	
Refund Approved:	<input type="radio"/> As Filed	<input type="radio"/> As Corrected	By: _____	Date: _____

MAIL TO: NC Department of Revenue, P.O. Box 25000, Raleigh, NC 27640-0001



North Carolina Sales Tax and Admission Charges



- Live Performance, **Purpose of Which is for Entertainment**
- Live Event of Any Kind, **Purpose of Which is for Entertainment**
- Movie, Motion Picture, or Film
- Museum
- Cultural Site
- Garden
- Exhibit
- Show
- Similar Attraction
- Guided Tour to Any Such Attractions



Gross receipts derived for the right to attend an entertainment activity.

The term “Admission Charge” includes:

- Single Ticket
- Multi-occasion Ticket
- Seasonal Pass
- Annual Pass
- Membership Fee That Provides For Admission
- Cover Charge
- Convenience Fee
- Processing Fee
- Facility Charge
- Facilitation Fee
- Similar Charge
- Any Other Charges Included in Gross Receipts Derived From Admissions

- An amount paid for the right to participate in sporting activities.
 - Examples of these types of charges include bowling fees, golf green fees, and gym memberships.
- Tuition, registration fees, or charges to attend instructional seminars, conferences, or workshops for educational purposes.
- A political contribution.
- A charge for lifetime seat rights, lease, or rental of a suite or box for an entertainment activity, provided the charge is separately stated on an invoice or similar billing document given to the purchaser at the time of sale.
- An amount paid solely for transportation.

- An event that is sponsored by an elementary or secondary school. For purposes of this exemption, the term "school" is an entity regulated under Chapter 115C of the General Statutes.



- An event sponsored solely by a nonprofit entity that is exempt from tax under Article 4 of Chapter 105 if all of the following conditions are met:
 - The entire proceeds of the activity are used exclusively for the entity's nonprofit purposes.
 - The entity does not declare dividends, receive profits, or pay salary or other compensation to any members or individuals.
 - The entity does not compensate any person for participating in the event, performing in the event, placing in the event, or producing the event. For purposes of this subdivision, the term "compensate" means any remuneration included in a person's gross income as defined in section 61 of the Code.

- The portion of a membership charge that is deductible as a charitable contribution under section 170 of the Code.
- A donation that is deductible as a charitable contribution under section 170 of the Code.
- Charges for an amenity.
 - If charges for amenities are separately stated on a billing document given to the purchaser at the time of the sale, then the tax does not apply to the separately stated charges for amenities.
 - If charges for amenities are not separately stated on the billing document given to the purchaser at the time of the sale, then the transaction is a bundled transaction and taxed in accordance with G.S. 105-164.4D except that G.S. 105-164.4D(a)(3) does not apply.

- Defined in part as “[a] feature that increases the value or attractiveness of an entertainment activity that allows a person access to items that are not subject to sales and use tax and that are not available with the purchase of admission to the same event without the feature.”
 - Parking Privileges
 - Special Entrances
 - Access to Areas Other Than General Admission
 - Mascot Visits
 - Merchandise Discounts
- **Does not** include charges for food, prepared food, and alcoholic beverages.

NCDOR Tax Rates for Admission Charges

- State Sales Tax – 4.75%
- Local Sales Tax Levies (2%, 2.25%)
- Transit Sales Taxes (0.50% if applicable)
- Local rate based on:
 - Location where person gains entry to entertainment activity
 - If location is unknown, sourced per G.S. 105-164.4B

Sales and Use Tax Rates Effective April 1, 2015

Listed below by county are the total (4.75% State rate plus applicable local rates) sales and use tax rates in effect:

<u>County</u>	<u>Rate</u>	<u>County</u>	<u>Rate</u>	<u>County</u>	<u>Rate</u>
Alamance	6.75%	Franklin	6.75%	Pamlico	6.75%
Alexander	7%	Gaston	6.75%	Pasquotank	6.75%
Alleghany	6.75%	Gates	6.75%	Pender	6.75%
Anson	7%	Graham	6.75%	Perquimans	6.75%
Ashe	7%	Granville	6.75%	Person	6.75%
Avery	6.75%	Greene	7%	Pitt	7%
Beaufort	6.75%	Guilford	6.75%	Polk	6.75%
Bertie	6.75%	Halifax	7%	Randolph	7%
Bladen	6.75%	Harnett	7%	Richmond	6.75%
Brunswick	6.75%	Haywood	7%	Robeson	7%
Buncombe	7%	Henderson	6.75%	Rockingham	6.75%
Burke	6.75%	Hertford	7%	Rowan	7%
Cabarrus	7%	Hoke	6.75%	Rutherford	6.75%
Caldwell	6.75%	Hyde	6.75%	Sampson	7%

When is sales and use tax due on a taxable admission charge?

- At the time the admission charge is received even when the entertainment activity is for a future date.
- For season tickets sold in advance, sales and use tax is due when payment is rendered by the purchaser.

- *Who is the retailer?*
- Operator of the venue where the entertainment activity occurs.
Exception: Contract between retailer and facilitator allows for dual remittance.
- The person that provides the entertainment activity receives the admission charges directly.

Who is a facilitator?

- Person who accepts payment for admission charges to an entertainment activity and is not the operator of the venue.

Facilitator responsibilities where dual remittance option is not Elected?

- Facilitator must report gross receipts it receives from a consumer to the retailer
- Facilitator must send the sales and use tax due on the gross receipts to the retailer by 10th day following the end of each calendar month.
- Facilitator liable for the sales and use tax due that it fails to send to retailer.

Can the gross receipts derived from an admission charge include the sales tax or must the sales tax be separately charged and accounted for?

- Yes, the gross receipts derived from the admission charge may include the sales tax, provided the retailer displays a statement that the price includes tax.

Where should such a statement be located?

- Sign at any ticket box office
- On any online purchase portal
- On the actual admission ticket
- On an invoice or other documentation provided at the time of the sale

Memberships

Is a membership fee for a museum that includes admission subject to sales and use tax?

- The portion of each membership fee that is attributable to a taxable admission charge to an entertainment activity is the amount subject to sales and use tax.
- The portion of a membership charge that is deductible as a charitable contribution under IRC §170 is exempt from tax.

Memberships, cont.

- For example, an individual pays a \$40.00 annual membership fee to a museum operated by a nonprofit entity. Of the \$40.00 annual membership fee, \$8.00 is for a single admission to the museum (same amount other attendees must pay for admission to the museum) and \$10.00 is for a ticket to a concert. No portion is deductible as a charitable contribution under IRC § 170. The amount of the annual membership fee subject to sales and use tax as admissions charges is \$18.00.

Donations to Attend Concert

If a museum sponsors a concert where no stated admission fee is charged, but “donations” of a certain amount are suggested, are the “donations” subject to sales and use tax?

- If any person can attend the concert for free and no donation or other consideration is required to attend, then any amounts donated to the museum for the concert are exempt from sales and use tax.

Reminder: A donation that is deductible as a charitable contribution under IRC § 170 is exempt.

- Directive SD-13-4 dated December 18, 2013
<http://www.dornc.com/practitioner/sales/directives/SD-13-4.pdf>

- Important Notice dated June 25, 2014
<http://www.dornc.com/taxes/sales/impnotice062514.pdf>

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OF REVENUE**

Questions?