

NCDOR

**NORTH
CAROLINA
DEPARTMENT
OF REVENUE**

Sales and Use Tax Workshop





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.

- Sales and Use Tax
- Business Registration
- Other Sales & Use Tax Types
- Sales Tax Examples
- Online Filing/Payment
- Common Issues
- Resources



Sales and Use Tax

What is it?



Sales and Use Tax

- First N.C. sales tax charged in 1933
- Privilege tax imposed on retailer and passed on to purchaser
- Retailer make sales at retail
- A “sale at retail” is “The sale, lease or rental for any purpose other than resale, sublease, or subrent.”
- Unless exempt by law, retailers engaged in business in N. C. collect tax from purchasers as trustee for State
- “Engaged in business” is defined in G.S. 105-164.3(9).
- Examples (not all-inclusive):
 - Storefronts and warehouses in N.C.
 - -Sales representatives in N.C.
 - Delivery into N.C. when vendor’s vehicles are used
 - Leases of tangible personal property or digital property in N.C.

Businesses must register by completing Form NC-BR



Sales and Use Tax

- Every person engaged in business in North Carolina is required to collect and pay sales or use tax on retail sales or leases of tangible personal property and certain digital property not specifically exempt by law.
- Some services are also taxable.

Definition of Tangible Personal Property:

- Personal property that may be seen, weighed, measured, felt or touched.
 - Includes electricity, water, gas, steam, prewritten computer software

Sourcing Principles:

- Defined in G.S. 105-164.4B.
- Used to determine where to source the sale of a product.
- Important when transactions are subject to the 4.75% general State and applicable local and transit rates of sales and use tax since all counties do not have the same local and transit rates of sales and use tax.

Generally, tangible personal property is sourced as follows:

- Over-the-counter. When a purchaser receives a product at a business location of the seller, the sale is sourced to that business location.
- Delivery to a specified address. When a purchaser or purchaser's donee receives a product at a location specified by the purchaser and the location is not a business location of the seller, the sale is sourced to the location where the purchaser or purchaser's donee receives the product.

Digital Property Sourcing:

- A purchaser receives digital property when the purchaser takes possession of the property or makes first use of the property, whichever comes first. A sale of digital property is sourced based on G.S. 105-164.4B(a).

Service Contracts:

- N.C. imposes the 4.75% general State and applicable local and transit rates of sales and use tax to the sales price of a service contract sold at retail by a retailer sourced to this State unless specifically exempt by statute.
- Examples of a service contract include:
 - Warranty agreement other than a manufacturer's warranty
 - Dealer's warranty provided at no charge to the purchaser
 - Extended warranty agreement
 - Maintenance agreement
 - Repair contract
 - Similar agreement or contract



Sales and Use Tax

Tax Rates:

- **General state rate: 4.75 %**
 - Sales and purchases of tangible personal property not subject to a preferential rate.
 - Receipts from leases/rentals of tangible personal property
 - Receipts from rentals of hotel/motel rooms, lodgings, etc.
 - Receipts from laundries, dry cleaning
 - Receipts from satellite digital audio radio service
 - Certain digital property that is delivered or accessed electronically, is not considered tangible personal property, and would be taxable under Article 5 if sold in a tangible medium.



Sales and Use Tax

Local and transit rates of sales and use tax as of April 1, 2015:

2% - 70 counties

2.25% - Alexander, Anson, Ashe, Buncombe, Cabarrus, Catawba, Cumberland, Davidson, Duplin, Edgecombe, Greene, Halifax, Harnett, Haywood, Hertford, Lee, Martin, Montgomery, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry, and Wilkes

2.5% - **Mecklenburg County** (2% local rate and 0.5% transit rate of sales and use tax)

2.75% - **Durham & Orange Counties** (2.25% local rate and 0.5% transit rate of sales and use tax)

Additional State Rates*:

- 3 % – Sales of Boats and Aircraft
 - \$1,500 per article maximum on boats and aircraft
- 4.75% - Sales of Modular and Manufactured Homes
 - Fifty percent (50%) of the sales price of a modular home or a manufactured home, including all accessories attached when delivered to the purchaser.

*No county tax is due.

Exemptions:

- **There are a limited number of exemptions to sales and use taxes**
 - All gross receipts of wholesale merchants and retailers are subject to the
 - retail sales tax until the contrary is established by proper records
 - Documentation required to support exemptions
 - Burden of proof is on the person or business claiming the exemption
- **E-595E, Streamlined Sales & Use Tax Agreement Certificate of Exemption**
 - Documentation for most exemptions



Sales and Use Tax

Wholesale sales:

- Wholesale sales – sales for the purpose of resale.
 - Sales made to other businesses for resale are exempt from tax when a properly completed Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption, is secured by the wholesaler within 90 days of the sale.
 - Businesses making wholesale sales must keep a valid Form E-595E on file for each wholesale customer

- Use tax first charged in 1939
- Excise tax on purchaser
- Complements the sales tax
- Same rates and exemptions that apply to sales tax unless exempt by law
- Applies to purchases of taxable items unless appropriate NC tax is paid to a vendor
 - For example, purchases by mail order, television shopping networks, or the internet may require use tax to be remitted.
- Applies to purchases of taxable tangible personal property, certain digital property, certain services, and certain electronically downloaded software from out-of-state vendors who do not charge and collect the appropriate North Carolina taxes.



Sales and Use Tax

- Use taxes are due by businesses on tangible personal property and certain digital property purchased or leased inside or outside this State that is stored, used, or consumed in North Carolina. Use tax is due on taxable services sourced to North Carolina.
 - For example: A restaurant in N.C. buys an oven from a Virginia vendor. The Virginia vendor ships the oven to the restaurant in N.C. and does not charge tax. The restaurant in N.C. owes use tax.
- Tax rates are the same as sales tax
- Taxpayer can claim a credit for sales or use tax due and paid to another state if other state allows a similar credit to NC.
- Businesses report use tax on Form E-500, Sales and Use Tax Return
- Businesses not registered to remit sales and use tax must register by completing Form NC-BR, Business Registration Application for Income Tax Withholding, Sales and Use Tax, and Machinery and Equipment Tax.

Business Registration for a Sales & Use Tax Number





Business Registration

- Complete Form NC-BR, Business Registration Application for Income Tax Withholding, Sales and Use Tax, and Machinery and Equipment Tax
- Register using one of the following methods:
 - Register Online
 - Go to <http://www.dornc.com/electronic/registration/index.html>
 - Use Web Fill-In Form
 - Go to <http://www.dornc.com/downloads/sales.html> > NC-BR>web fill-in to enter information online and print a completed form to mail to the Department
 - Fill out Paper Form
 - Order online at <http://www.dornc.com/forms/order.html> ; or”
 - Pick up Form NC-BR from one of our service centers

Online

The screenshot shows the North Carolina Department of Revenue website. The header features the department's name and a navigation menu with links for Home, About Us, News, E-Services, and Tax Forms. The main content area is titled "Online Business Registration" and includes a sub-heading: "Income Tax Withholding, Sales and Use Tax, and Machinery and Equipment Tax". Below this, there is a section titled "What is Business Registration and why should you use it?" which explains that the online system allows for electronic registration for an account ID number, replacing the need for Form NC-BR. A yellow callout box with a lightning bolt icon says "Electronic Services" and "Ready to Register Online? Click Here!". Another section titled "What are the benefits?" lists three points: convenience (24/7 availability), ease (guided online process), and cost (free registration). A sidebar on the right contains sections for "E-SERVICES" (Individuals, Businesses), "TAX INFORMATION" (Individuals, Businesses, Tax Professionals, Local Government), and "QUICK LINKS" (FAQs, Taxpayer Self-Service, Tax Information, Understanding...).

Benefits:

- Free
- Easy step-by-step instructions
- Receive account number in minutes

<http://www.dornc.com/electronic/registration/index.html>



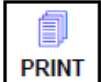



Business Registration

- Business Registration Application for Income Tax Withholding, Sales and Use Tax, and Machinery and Equipment Tax

NC-BR
Web-Fill
1-15

**Business Registration Application for
Income Tax Withholding, Sales and Use Tax,
and Machinery and Equipment Tax**
North Carolina Department of Revenue

Office Use

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Identifying Information

1. Federal Employer ID No.: - or Proprietor's Social Security No.: - -

2. Type of Ownership: Proprietorship Corporation LLC Partnership LLP Fiduciary Other (Identify)
If a corporation, state of incorporation: If Corporation or LLC, enter N.C. Secretary of State ID No., if applicable:

3. Legal Business or Owner's Name:

4. Trade Name (DBA Name):

5. Daytime Business Phone: 6. Fax Phone:

7. Business Location in N.C.: Street
(Not P.O. Box Number) City State Zip Code County

8. Is the business located within city or town limits? Yes No 9. Number of locations in N.C. Enclose list if more than one.

10. Mailing Address: Street or P.O. Box



Business Registration

Form NC-BR Sales and Use Tax Section, and Machinery and Equipment Tax Section

NC-BR
Web-Fill
1-15

**Business Registration Application for
Income Tax Withholding, Sales and Use Tax,
and Machinery and Equipment Tax**
North Carolina Department of Revenue

PRINT

CLEAR

Office Use

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Federal Employer ID No.:

Retor Social S

-When will you start selling or purchasing items subject to N.C. sales or use tax? (Add the month or quarter you indicate.)

-Will your sales or gross receipts be? Retail (to users or consumers) Wholesale (to registered merchants for resale) Both Retail and Wholesale

-What kind of business are you engaged in? (Be specific)

III. Sales and Use Tax Section

-What accounting method will you use?* Cash Accrual

-Will you provide and sell piped natural gas? Yes No

-Will you provide and sell electricity? Yes No

-Will you lease motor vehicles to others? Yes No

-Will you sell new tires? Yes No

-Will you sell new appliances? Yes No

-Amount of sales tax expected each month: Less than \$100 (Quarterly) \$100 - \$20,000 (Monthly) More than \$20,000 (Monthly with Prepayment)

-If business is seasonal (six or fewer months), fill in circles for months of sales: Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

*Sales tax on telecommunications services and electricity must be reported on the accrual basis.

IV. Machinery and Equipment Tax Section - Complete to apply for a number to remit tax on purchases of machinery and equipment.

-Are you registering to remit tax on purchases of machinery and equipment to operate a manufacturing industry or plant, certain recycling purchases by a major recycling facility, or other items subject to tax pursuant to Article 5F? Yes No

Filing Frequency:

- **Quarterly:** taxpayers who consistently owes less than \$100 per month
 - Reports and payment are due by the last day of the first month after the quarter ends (April, July, October, January)

- **Monthly:** taxpayers who consistently owes \$100 but less than \$20,000 per month
 - Reports and payment are due by the 20th of the following month

- **Monthly (with Prepayment):** taxpayers who consistently owes at least \$20,000 per month or more
 - Reports and balance of tax owed are due by the 20th of the following month
 - Prepayment due on the 20th of each month
 - Taxpayer may choose to pay:
 - 65 percent of the amount of tax owed the previous month
 - 65 percent of the amount of tax owed for the same month in the preceding year
 - 65 percent of the average monthly amount of tax owed in preceding calendar year

- Form E – 500 Sales and Use Tax Return

Sales and Use Tax Return
North Carolina Department of Revenue

Period Beginning (MM-00-YY) Period Ending (MM-00-YY)
 - - - -

Account ID

Legal Name (Print 22 Characters) (USE CAPITAL LETTERS FOR YOUR NAME AND ADDRESS)

Street Address

City State Zip Code (5 Digits)

Signature: _____ Date: _____
Copy this to the State of NY knowledge, this return is accurate and complete.

Title: _____ Phone: () _____
 MAIL TO: P.O. Box 25000 Raleigh, NC 27640-0700

1-12. On Reverse		Tax
13. Total State and County Tax (Add Tax From Lines 4 through 12)		
14. Excess Collections		
15. Total Tax (Add Lines 13 and 14)		
16. Penalty - State and County		
17. Interest - State and County		
18. Less Prepayment for This Period		
19. Prepayment for Next Period		
20. Less any Credit (Attach Explanation)		
21. Total Due (Add Lines 15 - 17 & 19, Minus Lines 18 & 20)		\$

Barcode: 8000108015

1. NC Gross Receipts (Do not include tax collected)		2. Sales for Resale (Do not include on Line 3)		3. Receipts Exempt From State Tax	

	Purchases for Use	Receipts	Rate	Tax
4. Gen. State Rate			4.75%	
5. 3% State Rate			3%	
6. Modular Homes			4.75%	
7. Mfg. Homes			4.75%	
8. 2% Food Rate			2%	
9. 2% County Rate (See instructions)			2%	
10. 2.25% County Rate			2.25%	
11. 0.5% Transit County Rate			0.5%	
12. 0.25% Transit County Rate			0.25%	

- A timely return must be filed when due (quarterly or monthly) even if no tax is due.



Business Registration

- Breakdown of county tax required if sales in more than one county or if filing online.
 - Form E – 536 (Schedule of County Sales and Use Taxes)

E-536
Web-Fill
10-14

Schedule of County Sales and Use Taxes
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 0.50% 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	
14			

Other Sales & Use Tax Types



- Form E-500E, Utility and Liquor Sales and Use Tax Return

– Required for businesses that sell:

- piped natural gas
- electricity
- telecommunications service and ancillary service
- direct-to-home satellite service
- video programming (including cable)
- spirituous liquor (only ABC stores in NC)

E-500E Utility and Liquor Sales and Use Tax Return
North Carolina Department of Revenue

1. Gross Receipts or Sales: 0.00
 2. Gross Receipts or Sales for Resale (Excludes 100% of Line 1): 0.00
 3. Exempt Gross Receipts or Sales: 0.00

	Receipts and Fundless	Rate	Tax
4. Piped Natural Gas	0.00	7%	0.00
5. Electricity	0.00	7%	0.00
6. Telecommunications Service and Ancillary Service	0.00	7%	0.00
7. Direct-To-Home Satellite Service	0.00	7%	0.00
8. Video Programming Other Than Direct-To-Home Satellite Service	0.00	7%	0.00
9. Spirituous Liquor	0.00	7%	0.00
10. Tax From Lines 4-9			0.00
11. Excess Collections			0.00
12. Tax Due (net Lines 10 & 11)			0.00
13. Penalty			0.00
14. Interest			0.00
15. Less: Prepayment for This Period			0.00
16. Prepayment for Next Period			0.00
17. Total Due (net Lines 12-14 and 15, minus Line 16)			\$ 0.00

Signature: _____ Date: _____
 Title: _____
 MAIL TO: P.O. Box 26000, Raleigh, NC 27615-0000

– Register by completing Form NC-BR, Business Registration Application for Income Tax Withholding, Sales and Use Tax, and Machinery and Equipment Tax

- **Form E-500F - Motor Vehicle Lease Rental**

- Required for businesses that lease motor vehicles and choose not to pay the highway use tax when applying for a title to a motor vehicle

- 8% for short-term leases (less than 365 continuous days to same person)
- 3% for long-term leases (365 continuous days or more to same person)
- Register by completing Form NC-BR, Business Registration Application for Income Tax Withholding, Sales and Use Tax, and Machinery and Equipment Tax

- **Form E-500G - Scrap Tire Disposal Tax**

- An additional tax on the sale or purchase of new tires
- Rate is 2% on tires with bead diameter of less than 20 inches and 1% on tires with bead diameter of 20 inches or more

E-500G
Version 1/15
10-99

Scrap Tire Disposal Tax Return
North Carolina Department of Revenue

Legal Name (Not SSN/DOB) _____
 Street Address _____
 City _____ State _____ Zip Code (5 Digits) _____
 Period Beginning (MM/DD/YYYY) _____
 Period Ending (MM/DD/YYYY) _____
 Account ID _____

1. Gross Receipts
 2. Sales for Resale

Exempt Sales

3. Sales in Interstate Commerce
 4. Sales Directly to the Federal Government
 5. Sales of Released Tires and Used Tires
 6. Sales of Tires for Placement on Newly Manufactured Vehicles
 7. Recaps, Tires and Other Tires for Vehicles Propelled by Human Power

8. Total Exempt Sales (Add Lines 3-7)

Total Taxable Sales
(Subtract Lines 2 and 8 from Line 1)

	Beach and Purchase	Rate	Tax
10. Tires Less Than 20 inches	<input type="text" value="0.00"/>	2%	<input type="text" value="0.00"/>
11. Tires At Least 20 inches	<input type="text" value="0.00"/>	1%	<input type="text" value="0.00"/>
12. Total Tax (Add Lines 10 & 11)			<input type="text" value="0.00"/>
13. Penalty			<input type="text" value="0.00"/>
14. Interest			<input type="text" value="0.00"/>
16. Total Due (Add Lines 12, 13 & 14)			\$ <input type="text" value="0.00"/>

Signature: _____ Date: _____
 Title: _____ Phone: _____

MAIL TO: P.O. Box 25000, Raleigh, NC 27640-0710

- Register by completing Form NC-BR, Business Registration Application for Income Tax Withholding, Sales and Use Tax, and Machinery and Equipment Tax

- **Form E-500H - White Goods Disposal Tax**
 - Additional tax on purchase of each “white good” and is collected for the disposal of white goods.
 - Includes refrigerators, washers, freezers, dishwashers, clothes dryers, washing machines, etc...
 - Applies to in-state and out-of-state purchases for use in North Carolina
 - Rate is \$3 per item
 - Register by completing Form NC-BR, Business Registration Application for Income Tax Withholding, Sales and Use Tax, and Machinery and Equipment Tax

The image shows a sample of Form E-500H, titled "White Goods Disposal Tax Return" from the North Carolina Department of Revenue. The form includes fields for "Period Beginning" and "Period Ending" (MM/YY), "Account ID", and "Legal Name". It features a table with columns for "Quantity", "Rate", and "Tax". The table contains two rows: "1. Exempt White Goods Sold" and "2. Taxable White Goods Sold Plus Those Purchased for Own Use". Below the table are fields for "3. Penalty", "4. Interest", and "5. Total Due (Add Lines 2, 3, and 4)". At the bottom, there are sections for "Signature" and "Date", and a note: "I certify that, to the best of my knowledge, this return is accurate and complete." The form number "E-500H" and "1008" are printed in the bottom right corner.

Other Sales Tax Forms

- **Form E-500 J - Machinery and Equipment Tax Return**

- 1% privilege tax, \$80.00 maximum per article, on qualifying purchases of mill machinery or mill machinery parts or accessories used in a manufacturing industry or plant.
- Register by completing Form NC-BR, Business Registration Application for Income Tax Withholding, Sales and Use Tax, and Machinery and Equipment Tax

Machinery and Equipment Tax Return
North Carolina Department of Revenue

1. Portion of Machinery Purchases Exceeding \$8000 Maximum Per Article

Purchases	Rate	Tax
2. Mill Machinery and Equipment <input type="text"/>	1%	<input type="text"/>
3. Total Tax (From Line 2)		<input type="text"/>
4. Penalty		<input type="text"/>
5. Interest		<input type="text"/>
6. Less Prepayment for This Period		<input type="text"/>
7. Prepayment for Next Period		<input type="text"/>
8. Total Due (Add Lines 3-5 & 7, Minus Line 6)		\$ <input type="text"/>

Period Beginning (MM-DD-YY) - - Period Ending (MM-DD-YY) - -

Account ID

Legal Name (First 20 Characters) (USE CAPITAL LETTERS)

Street Address

City State Zip Code (5 Dgt)

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

Title: _____ Phone: () _____

MAIL TO: P.O. Box 25000 Raleigh, NC 27640-0700

8196108005

E-500J
10-10

Filing And Paying Sales & Use Tax



Sales Tax Return Exercise

Lets fill out a return!

E-500
Web-File
10-14

Sales and Use Tax Return
North Carolina Department of Revenue

PRINT CLEAR

Legal Name (Not 24 Characters) _____ Period Beginning (MM/CC-YY) _____
 Street Address _____ Period Ending (MM/CC-YY) _____
 City _____ State _____ Zip Code (5 Digits) _____ Account ID _____

1. North Carolina Gross Receipts _____
 (Do not include tax collected)

2. Sales for Recale (Do not include on Line 3 below) _____

3. Receipts Exempt From State Tax _____

Tax Type	Purchases for Use	Receipts	Rate	Tax
4. Gen. State Rate	-	-	4.75%	-
6. 3% State Rate	-	-	3%	-
6. Modular Homes	-	-	4.75%	-
7. Mtg. Homes	-	-	4.75%	-
8. 2% Food Rate	-	-	2%	-
9. 2% County Rate See Instructions	-	-	2%	-
10. 2.25% County Rate	-	-	2.25%	-
11. 0.6% Transit County Rate	-	-	0.6%	-
12. 0.25% Transit County Rate	-	-	0.25%	-
13. Total State and County Tax. (Add Tax From Lines 4 through 12)				
14. Excess Collections				
16. Total Tax. (Add Lines 13 and 14)				
18. Penalty - State and County				
17. Interest - State and County				
18. Less Prepayment for This Period				
19. Prepayment for Next Period				
20. Less any Credit (Attach Explanation)				
21. Total Due (Add Lines 15 - 17 and 19. Minus Lines 18 and 20)				\$ _____

Signature: _____ Date: _____
 I certify that, to the best of my knowledge, this return is accurate and complete.
 Title: _____ Phone: _____
 MAIL TO: P.O. Box 25000, Raleigh, NC 27640-0700





Sample Problem

- XYZ Enterprise will be filling out their E-500 form for the quarter ending September 2014. They sold \$200.00 of widgets which does not include the tax collected; \$75.00 of sales were to other businesses for resale. The sales were made in Wake County (6.75%). Please complete the E-500 form.

Answer

E-500
Web-Fill
10-14

Sales and Use Tax Return
North Carolina Department of Revenue

Legal Name <i>(First 24 Characters)</i>			Period Beginning <i>(MM-DD-YY)</i>
XYZ ENTERPRISE			07-01-14
Street Address			Period Ending <i>(MM-DD-YY)</i>
123 FIRST STREET			09-30-14
City	State	Zip Code <i>(5 Digit)</i>	Account ID
RALEIGH	NC	27640	000000001

1. North Carolina Gross Receipts <i>(Do not include tax collected)</i>	200.00	← Need E-595E from customer
2. Sales for Resale <i>(Do not include on Line 3 below)</i>	75.00	
3. Receipts Exempt From State Tax	0.00	

Answer Cont'd

Tax Type	Purchases for Use	Receipts	Rate	Tax
4. Gen. State Rate	0.00 +	125.00	x 4.75% =	5.94
5. 3% State Rate	0.00 +	0.00	x 3% =	0.00
6. Modular Homes	0.00 +	0.00	x 4.75% =	0.00
7. Mfg. Homes	0.00 +	0.00	x 4.75% =	0.00
8. 2% Food Rate	0.00 +	0.00	x 2% =	0.00
9. 2% County Rate <i>See Instructions</i>	0.00 +	125.00	x 2% =	2.50
10. 2.25% County Rate	0.00 +	0.00	x 2.25% =	0.00
11. 0.5% Transit County Rate	0.00 +	0.00	x 0.5% =	0.00
12. 0.25% Transit County Rate	0.00 +	0.00	x 0.25% =	0.00
13. Total State <u>and</u> County Tax <i>(Add Tax From Lines 4 through 12)</i>				8.44
14. Excess Collections				0.00
15. Total Tax <i>(Add Lines 13 and 14)</i>				8.44
16. Penalty - State and County				0.00
17. Interest - State and County				0.00
18. Less Prepayment for This Period				0.00
19. Prepayment for Next Period				0.00
20. Less any Credit <i>(Attach Explanation)</i>				0.00
21. Total Due <i>(Add Lines 15 - 17 and 19, Minus Lines 18 and 20)</i>			\$	8.44

← State

← County

← Total



Sample Problem



- Alpha Inc. is a screen printing business. The company sells creative t-shirts in Raleigh, but ships orders to customers in North Carolina and other states.
- Total sales for the quarter ending December 2014 not including sales tax collected is \$2,897.00 and consist of sales in the following locations:
 - \$995.00 from the shop in Raleigh, NC (Wake County)
 - \$787.00 shipped to Charlotte, NC (Mecklenburg County)
 - \$971.00 shipped to Fairfax, Virginia
 - \$144.00 shipped to Asheboro, NC (Randolph County)

Please complete Form E-500 and Form E-536 for Alpha Inc.

Answer

E-500
Web-Fill
10-14

Sales and Use Tax Return
North Carolina Department of Revenue

Legal Name <small>(First 24 Characters)</small>			Period Beginning <small>(MM-DD-YY)</small>
ALPHA INC.			10-01-14
Street Address			Period Ending <small>(MM-DD-YY)</small>
456 Second Street			12-31-14
City	State	Zip Code <small>(5 Digit)</small>	Account ID
RALEIGH	NC	27640	000000002

1. North Carolina Gross Receipts <small>(Do not include tax collected)</small>	2897.00
2. Sales for Resale <small>(Do not include on Line 3 below)</small>	0.00
3. Receipts Exempt From State Tax	971.00

← Sales shipped outside of NC

Answer Cont'd

Tax Type	Purchases for Use		Receipts	Rate	Tax
4. Gen. State Rate	0.00	+	1926.00	x 4.75% =	91.49
5. 3% State Rate	0.00	+	0.00	x 3% =	0.00
6. Modular Homes	0.00	+	0.00	x 4.75% =	0.00
7. Mfg. Homes	0.00	+	0.00	x 4.75% =	0.00
8. 2% Food Rate	0.00	+	0.00	x 2% =	0.00
9. 2% County Rate <i>See Instructions</i>	0.00	+	1782.00	x 2% =	35.64
10. 2.25% County Rate	0.00	+	144.00	x 2.25% =	3.24
11. 0.5% Transit County Rate	0.00	+	787.00	x 0.5% =	3.94
12. 0.25% Transit County Rate	0.00	+	0.00	x 0.25% =	0.00
13. Total State <u>and</u> County Tax <i>(Add Tax From Lines 4 through 12)</i>					134.31

Line 4 $(\$995 + \$787 + \$144) \$1,926 * 4.75\% = 91.49$

Line 9 $(\$995 + \$787) \$1,782 * 2\% = 35.64$

Line 10 $\$144 * 2.25\% = 3.24$

Line 11 $\$787 * 0.5\% = 3.94$

Answer Cont'd

14. Excess Collections	0.00
15. Total Tax <i>(Add Lines 13 and 14)</i>	134.31
16. Penalty - State and County	0.00
17. Interest - State and County	0.00
18. Less Prepayment for This Period	0.00
19. Prepayment for Next Period	0.00
20. Less any Credit <i>(Attach Explanation)</i>	0.00
21. Total Due <i>(Add Lines 15 - 17 and 19, Minus Lines 18 and 20)</i>	\$ 134.31

Signature: _____ **Date:** _____

I certify that, to the best of my knowledge, this return is accurate and complete.

Title: _____ **Phone:** _____

MAIL TO: P.O. Box 25000, Raleigh, NC 27640-0700

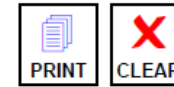
- Sign and date your return before submitting by mail or in person.
- Include a valid contact number in case there are questions regarding your return.

E-536 County Breakdown

E-536
Web-Fill
10-14

Schedule of County Sales and Use Taxes
North Carolina Department of Revenue

Account ID	Period Ending (MM-DD-YY)	Legal Name
000000002	12-31-14	ALPHA INC.



County and Code	County 2.00% Tax	County 2.25% Tax	Transit 0.50% 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		

E-536 County Breakdown

McDowell	59	0.00		
Mecklenburg	60	15.74	← 2%	0.5% → 3.94
MitCHELL	61	0.00		

Randolph	76	0.00		3.24 ← 2.25%
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Wake	92	19.90	← 2%	
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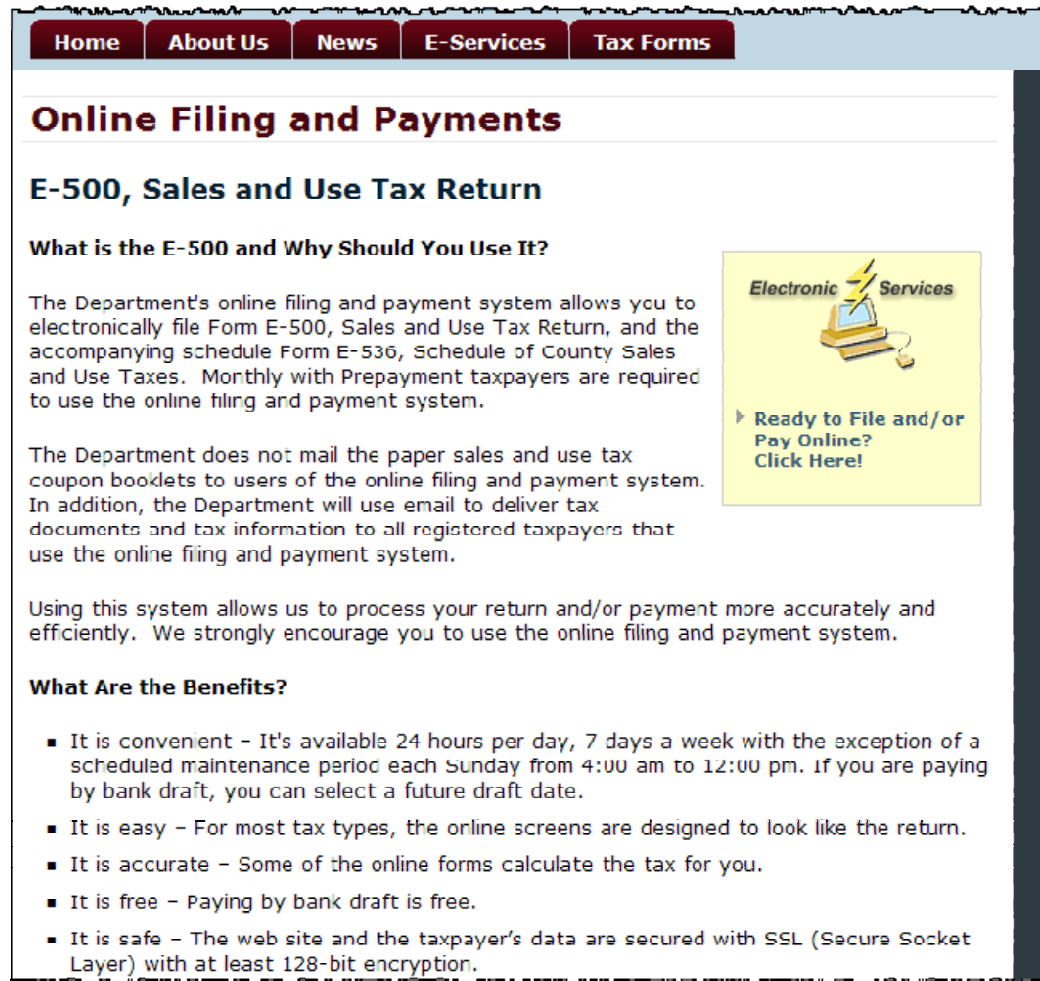
Enter Totals		35.64		3.24		3.94
2.00% Food Tax.....		0.00				
Office Use Only						

Totals on E-536 equal county breakdown on E-500

9. 2% County Rate See Instructions	0.00	+	1782.00	x 2%	=	35.64
10. 2.25% County Rate	0.00	+	144.00	x 2.25%	=	3.24
11. 0.5% Transit County Rate	0.00	+	787.00	x 0.5%	=	3.94
12. 0.25% Transit County Rate	0.00	+	0.00	x 0.25%	=	0.00

Online Filing/Payment





The screenshot shows a web page with a navigation bar at the top containing links for Home, About Us, News, E-Services, and Tax Forms. The main heading is 'Online Filing and Payments', followed by a sub-heading 'E-500, Sales and Use Tax Return'. The page contains several paragraphs of text explaining the online filing system, a call-to-action box for 'Electronic Services' with a 'Click Here!' link, and a bulleted list of benefits.

Home **About Us** **News** **E-Services** **Tax Forms**

Online Filing and Payments

E-500, Sales and Use Tax Return

What is the E-500 and Why Should You Use It?

The Department's online filing and payment system allows you to electronically file Form E-500, Sales and Use Tax Return, and the accompanying schedule Form E-536, Schedule of County Sales and Use Taxes. Monthly with Prepayment taxpayers are required to use the online filing and payment system.


The Department does not mail the paper sales and use tax coupon booklets to users of the online filing and payment system. In addition, the Department will use email to deliver tax documents and tax information to all registered taxpayers that use the online filing and payment system.

Using this system allows us to process your return and/or payment more accurately and efficiently. We strongly encourage you to use the online filing and payment system.

What Are the Benefits?

- It is convenient - It's available 24 hours per day, 7 days a week with the exception of a scheduled maintenance period each Sunday from 4:00 am to 12:00 pm. If you are paying by bank draft, you can select a future draft date.
- It is easy - For most tax types, the online screens are designed to look like the return.
- It is accurate - Some of the online forms calculate the tax for you.
- It is free - Paying by bank draft is free.
- It is safe - The web site and the taxpayer's data are secured with SSL (Secure Socket Layer) with at least 128-bit encryption.

Electronic Services



▶ **Ready to File and/or Pay Online?**
Click Here!

<http://www.dornc.com/electronic/salesanduse.html>



- **Convenient** – Available 24/7
 - Warehousing is offered for some tax payments
 - You can file your return early, make tax payments online and select a future draft date
- **Easy** – For most tax types, the online screens are designed to look like the return
- **Free** – Paying by bank draft is free
- **Safe** – The web site and the taxpayer's data are secured with SSL (Secure Socket Layer) and 128-bit encryption

- **Bill Paying**

- You can submit your payment using our online filing and payment system
 - Credit/Debit Card - Convenience fee of \$2.00 for every \$100.00 increment of your tax payment
 - Bank Draft - no fee

My Name
123 Main Street
Wilson, NC 27893

DATE _____ 2172

PAY TO THE ORDER OF _____ \$ _____

My Bank Name _____

MEMO _____

123456789 000123456789 2172
Routing Number Account Number

- **Electronic Funds Transfer (EFT)**

- Transfer the funds directly to the Department from your financial institution

Common Sales and Use Tax Issues



- **Purchases for use from out-of-state vendors:**
 - Many business owners don't pay use tax because they don't know they should. If the applicable tax is not paid to a vendor then use tax should be paid unless exempt by law.
- **Tax on shipping, transportation, or delivery charges**
 - If the transaction is taxable then the freight, delivery or other transportation charges imposed by a retailer are taxable regardless of whether the charges are separately billed on an invoice.

- **Nonprofits**

- Nonprofits must pay sales or use tax on taxable purchases for use.
- Required to charge sales tax when making retail sales unless specifically exempt by law. Tax collected on retail sales by nonprofits is not eligible for refund.
- Certain nonprofits qualify for refunds of sales and use tax paid on their direct purchases for use. To learn more go to http://www.dornc.com/downloads/e585_faq.pdf

- **Labor Issues**

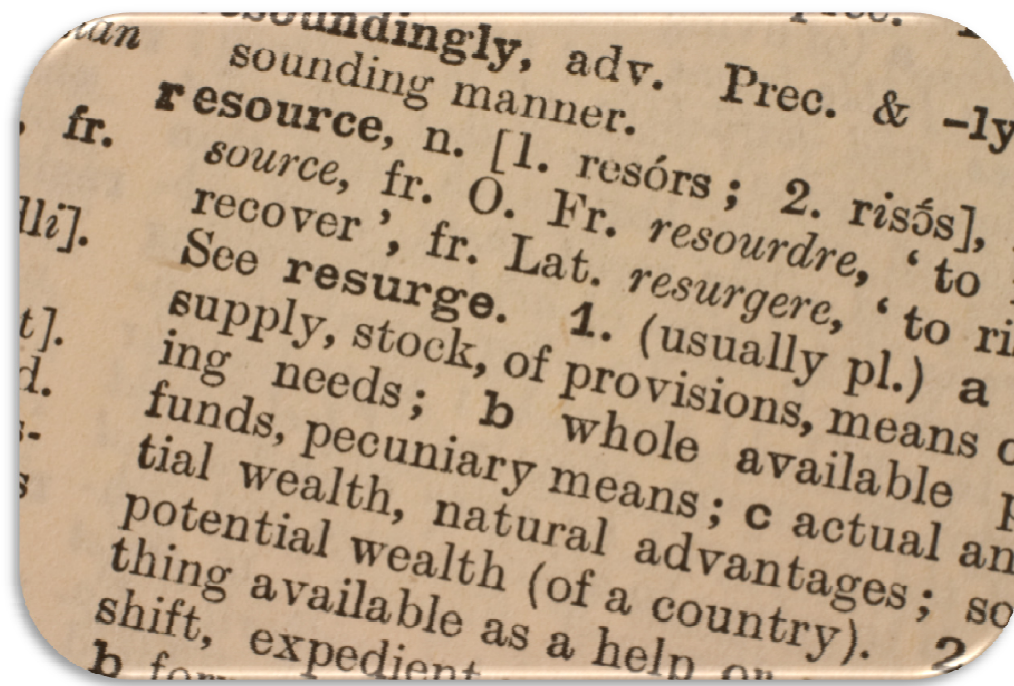
- Fabrication labor associated with a taxable sale of tangible personal property or digital property is subject to tax even if it is separately stated.
- Installation labor associated with a taxable sale of tangible personal property is exempt from tax if separately stated.

- **Sales to Federal or state government agencies**
 - Direct sales to Federal agencies under direct federal control are exempt - sales to federal employees may or may not be exempt. To learn more go to <http://www.dornc.com/practitioner/sales/bulletins/section37.pdf>
 - Direct sales to N.C. State agencies may be exempt – sales to N.C. State employees are not exempt. To learn more go to <http://www.dornc.com/practitioner/sales/bulletins/section18.pdf>
 - Sales to other state agencies or their employees are taxable since the law does not provide an exemption.

- **Correct tax on food**

- “Food” is subject to a 2% local food tax rate. Many items sold at grocery stores are taxed at the 2% local food tax rate. To learn more go to <http://www.dornc.com/practitioner/sales/bulletins/section19.pdf#19-2>
- “Prepared Food” is subject to the 4.75% general State and applicable local and transit rates of sales and use tax. Restaurants and grills sell prepared food. To learn more go to <http://www.dornc.com/practitioner/sales/bulletins/section19.pdf#19-2>
- **If you are going to sell any kind of food, you may want to contact the Department to get specific advice on the tax rate you should use.**

Resources





[Home](#) [About Us](#) [News](#) [E-Services](#) [Tax Forms](#)

E-Alerts

Tax Updates Email List

The Department of Revenue publishes information that explains the various taxes imposed by North Carolina. This information is now available by email by subscribing to the Department of Revenue Tax Updates Email List.

Emails through this list will include bulletins, directives, and other important notices about law changes and related tax matters. The email list is a convenient way to receive information. It does not provide a means to send an electronic reply. Each item sent to those on the email list will include a subject line that identifies the type of tax to which the item applies and a telephone number to call for answers to questions about the item.

Make your selection to subscribe or unsubscribe, enter your email address twice, and click submit to complete your request. After submitting your email address, you should receive a confirmation email message with general information about the mailing list. If you do not receive a message within an hour of submission, check your email address for accuracy and re-subscribe.

Subscribe **Unsubscribe**

Email Address:

Re-enter Email Address:






Notices and Directives

❖ Notices and Directives are published online to assist with interpreting the sales and use tax laws.

North Carolina Department of Revenue



Sales and Use Tax Division
North Carolina Department of Revenue
Post Office Box 25000
Raleigh, North Carolina 27640-0001
www.dornc.com

**IMPORTANT NOTICE: REAL PROPERTY CONTRACT LIST
AND TANGIBLE PERSONAL PROPERTY LIST**

The following lists provide general guidance to assist in determining if an item of tangible personal property is installed or applied to real property and becomes part of real property as part of a real property contract or if the transaction is a sale and installation of such tangible personal property. Tangible personal property is generally installed or applied to real property when it is attached to the real property in a fixed or immovable manner that results in the tangible personal property becoming part of the real property.


See the [Important Notice: Real Property Contracts](#), dated November 19, 2014 available on the Department's website, www.dornc.com, for additional information.

Real Property Contract List

N.C. Gen. Stat § 105-164.4(a)(13) applies the general 4.75% State and applicable local and transit rates of sales and use tax to the sales price of tangible personal property sold to a real property contractor for use by the real property contractor in erecting structures, building on, or otherwise improving, altering, or repairing real property in the State. Such sales are taxed in accordance with N.C. Gen. Stat. § 105-164.4H. The statutory provisions for a real property contractor under N.C. Gen. Stat. §§ 105-164.4(a)(13) and 105-164.4H apply to sales made on or after January 1, 2015 and contracts entered into on or after that date. N.C. Gen. Stat § 105-164.4H(a) provides, in part, "[a] real property contractor is the consumer of the tangible personal property that the real property contractor installs or applies for others and that becomes part of real property." N.C. Gen. Stat § 105-164.3(33a) defines a "[r]eal property contractor" as "[a] person that contracts to perform construction, reconstruction, installation, repair, or any other service with respect to real property and to furnish tangible personal property to be installed or applied to real property in connection with the contract and the labor to install or apply the tangible personal property that becomes part of real property. The term includes a general contractor, a subcontractor, or a builder for purposes of [N.C. Gen. Stat. §] 105-164.4H." The following is not an all inclusive list:

- Above or below ground pool (not portable)
- Above or below ground tank (gas, septic, etc.)
- ATM banking machine and shelter built for the machine
- Awning
- Astroturf
- Bank vault
- Barn (not intended to be moved)
- Bathroom and kitchen fixtures (sinks, tubs, toilets, non suction safety equipment, etc.)
- Barbeque or outdoor kitchen (not portable)

December 10, 2014



DIRECTIVE

Charges
Use Tax
Stat. § 105-164.4(a)(10)
Use Tax Division
18, 2013

2014, N.C. Gen. Stat. § 105-164.4(a)(10) imposes a seller's net taxable sales or gross receipts to admission event activity listed below at the 4.75% general State and sit rates of sales and use tax.

ance or other live event of any kind.
re or film.
cultural site, a garden, an exhibit, a show, or a on or a guided tour at any of these attractions.

ertainment activities listed above is a service. An es a charge for a single ticket, a multioccasion ticket, a al pass, and a cover charge.

es not include a charge for amenities. If charges for ately stated on the face of an admission ticket, then the considered to be equal to the admission charge for a that does not include amenities and is for a seat located est to a seat that includes amenities.

for amenities in conjunction with an admission charge, to maintain documentation in its books and records to of charges for amenities excluded from sales and use ies that may be excluded from sales and use tax can be parately stated charges for amenities on the invoice, bill nt given to the purchaser at the time of the sale or based prudence with N.C. Gen. Stat. § 105-164.4D. Where a in adequate documentation in its books and records to

Page 1 of 10 SD-13-4

<http://www.dornc.com/taxes/sales/references.html>



Resources

- Website www.dornc.com
- Taxpayer Assistance and Collection Center:
 - 1-877-252-3052
- Service Centers across the state

- Asheville
- Charlotte
- Durham
- Elizabeth City
- Fayetteville
- Greensboro
- Greenville
- Hickory
- Raleigh
- Wilmington
- Winston-Salem

