

Form E-500J Machinery and Equipment Tax Return
General Instructions

1. Use Form E-500J to file and report your machinery and equipment privilege tax. For more information on machinery and equipment privilege tax, click [here](#).
2. A tax return must be filed for each return period by the due date or a delinquent notice for failure to file is issued by the Department. The tax shown due must be paid with the return or penalty and interest will be assessed by the Department. If you do not owe any tax for a filing period, you must file a return and enter zero (0.00) on Line 8. Do not write "No Tax Due" or any similar text on the return.
3. Complete the machinery and equipment tax return in its entirety on your computer and print the return.
4. If you discontinue business operations or sell your business, complete [Form NC-BN, Out-of-Business Notification](#), and mail it separate from any returns to the Department at the address shown on the form.
5. Purchases by the following are subject to the 1% privilege tax with a maximum tax of eighty dollars (\$80.00) per article:
 - Mill machinery or mill machinery parts or accessories (electricity is not an accessory) by a manufacturing industry or plant.
 - Mill machinery or mill machinery parts or accessories (electricity is not an accessory) by a contractor or subcontractor for use in the performance of a contract with a manufacturing industry or plant.
 - Mill machinery or mill machinery parts or accessories (electricity is not an accessory) by a subcontractor for use in the performance of a contract with a general contractor that has a contract with a manufacturing industry or plant.
 - Certain tangible personal property by a major recycling facility.
 - Certain equipment or an attachment or repair part for certain equipment by a qualifying company primarily engaged in research and development activities, software publishing activities, or industrial machinery refurbishing activities. The equipment or repair part for equipment must be used at the qualifying company's establishment.
 - Qualifying purchases of mill machinery, distribution machinery, or parts or accessories for mill machinery or distribution machinery (electricity is not an accessory) for storage, use, or consumption in North Carolina by a qualifying large manufacturing and distribution facility.

The privilege tax rate of 1% with a maximum tax of \$80.00 per article is also applicable under the following conditions:

Effective retroactively to July 1, 2013, a company located at a ports facility for waterborne commerce that purchases any of the following:

- a. Machinery and equipment that is used at the facility to unload or to facilitate the unloading or processing of bulk cargo to make it suitable for delivery to and use by manufacturing facilities.
- b. Parts, accessories, or attachments used to maintain, repair, replace, upgrade, improve, or otherwise modify such machinery and equipment.

Effective July 1, 2016, a person, other than a major recycling facility taxed under N.C. Gen. Stat. § 105-187.51B(a)(1), that gathers and obtains ferrous metals, nonferrous metals, and items that have served their original economic purpose and that converts them by processes, including sorting, cutting, classifying, cleaning, baling, wrapping, shredding, or shearing into a new or different product for sale consisting of prepared grades for the purchase of equipment, or an attachment or repair part for the equipment, that meets all of the following requirements:

- a. Is capitalized by the person for tax purposes under the Internal Revenue Code.
- b. Is used by the person in a conversion process described above.
- c. Is not a motor vehicle or an attachment or repair part for a motor vehicle.

Effective July 1, 2016, a company primarily engaged at the establishment in processing tangible personal property for the purpose of extracting precious metals, as defined in N.C. Gen. Stat. § 66-406, to determine the value for potential purchase for the purchase of equipment, or an attachment or repair part for the equipment, that meets all of the following requirements:

- a. Is capitalized by the company for tax purposes under the Internal Revenue Code.
- b. Is used by the company in the process described above.

Effective July 1, 2016, a company that is engaged in the fabrication of metal work, that has annual gross receipts, including the gross receipts of all related persons as defined in N.C. Gen. Stat. § 105-163.010, from the fabrication of metal work of at least eight million dollars (\$8,000,000), and that purchases equipment, or an attachment or repair part for equipment, that meets all of the following requirements:

- a. Is capitalized by the company for tax purposes under the Internal Revenue Code.
- b. Is used by the company at the establishment in the fabrication or manufacture of metal products or used by the company to create equipment for the fabrication or manufacture of metal products.

6. Payment must be made in U.S. dollars by check or money order drawn on a U.S. (domestic) bank payable to the North Carolina Department of Revenue unless you have been previously instructed by the Department to make payments electronically. Do not mail cash, stamps, or post dated checks with your return.
7. Sign the return and payment and mail to the address on the return.

How to Prepare Return: Specific Line Instructions

Line 1 - Portion of Machinery Purchases Exceeding \$8000 Maximum Per Article: Enter the portion of qualifying purchases that exceed the \$8000 maximum per article.

Line 2 - Mill Machinery and Equipment: Under the column "Purchases," enter the total taxable purchases subject to the 1% rate of tax. If the purchase price of an article exceeds \$8,000.00 for purposes of this line, you should only include \$8,000.00 for the particular article for purpose of calculating the total taxable purchases subject to tax at 1%. Compute the tax due on the total column of "Purchases" at the 1% rate and enter that amount under the column "Tax."

Line 3 - Total Tax: Enter the tax amount from Line 2.

Line 4 - Penalty: If the return is filed after the due date, add the failure to file return penalty of 5% per month of the tax shown on Line 3 for each month, or fraction thereof, that the return is filed late. The maximum failure to file return penalty is 25% of the tax due.

If the tax was not paid when due, add the failure to pay tax when due penalty of 10% of the tax shown on Line 3.

Line 5 - Interest: If the return is filed after the due date, compute interest on the Total Tax on Line 3 from the time the taxes were due until paid. The Secretary of Revenue establishes the interest rate on a semiannual basis. The interest rate is 5% per year or .417% per month through December 31, 2016. Check the Department's website or contact the Department for the interest rate in effect on or after January 1, 2017.

Line 6 - Less Prepayment for This Period: *(This line is for use by taxpayers remitting \$20,000 or more in tax per month who have made a prior prepayment for this period.)* Enter the total amount of any electronic payment made for this period prior to filing this return.

Line 7 - Prepayment for Next Period: Taxpayers who are consistently liable for at least \$20,000 a month in privilege taxes must make a monthly prepayment of the next month's tax liability for purposes of the machinery and equipment tax returns. The prepayment is due when the monthly return is due. The prepayment must equal at least 65% of any of the following:

- (1) the amount of tax due for the current month,
- (2) the amount of tax due for the same month in the preceding year, or
- (3) the average monthly amount of tax due in the preceding calendar year.

Penalties or interest will not be due on an underpayment of a prepayment if one of these three calculation methods is used.

Line 8 - Total Due: Enter the total amount due by adding Lines 3, 4, 5, and 7, and subtracting any prepayment on Line 6 and pay this amount. **Do not fold your payment.**

Additional information about machinery and equipment tax may be obtained from the Department's website at www.dorn.com.