

# E-588SC Instructions

## Claim for Refund State, County, and Transit Sales and Use Taxes for Certain Cancelled Service Contracts

### General Instructions

- Use blue or black ink to complete this form.
- This form is for use only by a purchaser who receives a refund on any portion of the sales price of a taxable service contract from a person other than the retailer required to remit the sales and use tax on the retail sale of the service contract provided sales and use tax was originally charged on the sales price of the service contract and the service contract was sold on or after October 1, 2014. If the amount refunded to the purchaser by the person does not include the sales and use tax originally paid on the taxable pro rata share of the sales price of the service contract that was sold on or after October 1, 2014, then the purchaser may apply to the Department for a refund of the pro rata amount of the sales and use tax originally paid based on the taxable amount of the service contract refunded to the purchaser.
- **Sales and use taxes for which a refund is allowed directly to the purchaser for sales and use tax paid on a taxable service contract that was sold on or after October 1, 2014 are not an overpayment of tax and do not accrue interest as provided in N.C. Gen. Stat. § 105-241.21.**
- In general, the statute of limitations for obtaining a refund of an overpayment is the later of three years after the due date of the return or two years after payment of the tax. For a claim for refund filed within the statute of limitations, the Department must take one of the following actions within six months after the date the claim for refund is filed: (1) send the taxpayer a refund of the amount shown due on the claim for refund; (2) adjust the amount of the refund shown due and send the taxpayer a refund of the adjusted amount; (3) deny the refund and send the taxpayer a notice of proposed denial; or (4) request additional information from the taxpayer. If the Department does not take one of the actions within six months, the inaction is considered a proposed denial of the requested refund. A taxpayer who objects to a proposed denial of a refund may request a Departmental review of the proposed action by filing a Form NC-242, Objection and Request for Departmental Review within the time provided in N.C. Gen. Stat. § 105-241.11. If the Department selects a claim for refund for examination, the taxpayer has the same rights that the taxpayer would have during an examination of a return by the Department. If the Department determines that a claim for refund was not filed within the statute of limitations, the refund request will be denied and the Department will issue a notice of proposed denial of refund.

For a full explanation of the Departmental review process, refer to the North Carolina Taxpayers' Bill of Rights found at [www.ncdor.gov](http://www.ncdor.gov) or the provisions of N.C. Gen. Stat. § 105-241.11.

**-If you have questions about how to complete this form, you may call the Taxpayer Assistance and Collection Center toll-free at 1-877-252-3052.**

### Line by Line Instructions

- Line 1 - If county and transit taxes included on this form were paid in only one county, enter the name of that county. If county and transit taxes were paid for more than one county, do not enter a county name on Line 1.
- Line 2 - Enter the service contract amount refunded (*Amount will not include any sales and use tax previously paid*) that was received from a person other than the retailer required to remit the sales and use tax on the retail sale of the service contract that was sold on or after October 1, 2014.
- Line 3 - Compute the general State tax amount by multiplying the amount on Line 2 by 0.0475 (4.75%).
- Line 4 - Compute the county tax amount by multiplying the amount on Line 2 by the corresponding rate for the correct county from the table on page 2 based on the original purchase date of the sales contract invoice or sales documentation.
- Line 5 - Compute the transit tax amount by multiplying the amount on Line 2 by 0.005 (0.50%) for the eligible counties from the table on page 2.
- Line 6 - Enter the total amount of State, county, and transit tax refund requested by adding Lines 3, 4, and 5.
- Line 7 - Allocate the amount of county tax included on Line 4 to the applicable rate and enter on Line 7 under County 2.00% Tax or County 2.25% Tax. Enter the transit tax amount included on Line 5 under Transit 0.50% Tax, if applicable. If county tax or transit tax was paid in more than one county, complete Form E-536R, Schedule of County Sales and Use Taxes for Claims for Refund, to identify the applicable rates and individual counties to which sales and use tax was paid for the period. The total of all entries on Form E-536R should equal the total of the county and transit tax shown on Line 7.