



**NCDOR**

**NORTH  
CAROLINA  
DEPARTMENT  
OF REVENUE**

## **IMPORTANT NOTICE: EXEMPTION FOR CERTAIN DIAPERS AND INCONTINENCE UNDERPADS SOLD ON PRESCRIPTION**

The following important information is addressed in this notice:

- **Effective for sales made on or after October 1, 2019**, certain sales of diapers and incontinence underpads are exempt from sales and use tax.
- The terms “diaper” and “incontinence underpad” are defined.
- Documentation required to substantiate the sale is exempt from sales and use tax.

### **Definitions**

N.C. Gen. Stat. § 105-164.3 defines the following:

Diaper – An absorbent garment worn by humans who are incapable of, or have difficulty, controlling their bladder or bowel movements.

Incontinence underpad – An absorbent product, not worn on the body, designed to protect furniture or other tangible personal property from soiling or damage due to human incontinence.

### **Exemption**

N.C. Gen. Stat. § 105-164.13(13b) exempts the following sales made on and after October 1, 2019 from sales and use tax:

Sales of diapers or incontinence underpads when sold on prescription by an enrolled State Medicaid/Health Choice provider for use by beneficiaries of the State Medicaid program when the provider is reimbursed by the State Medicaid program or a Medicaid managed care organization, as defined in 42 U.S.C. § 1396b(m).

An enrolled State Medicaid/Health Choice provider must maintain records to substantiate the diapers or incontinence underpads sold on prescription are for use by beneficiaries of the State Medicaid program and that such sales were reimbursed by the State Medicaid program or a Medicaid managed care organization as defined in 42 U.S.C. § 1396b(m).

Sales of diapers or incontinence underpads that do not meet the criteria of the exemption and sales of diapers or incontinence underpads not substantiated by proper records continue to be subject to the general State, applicable local, and applicable transit rates of sales and use tax. Sales of diapers or incontinence underpads prior to October 1, 2019 were subject to the general State, applicable local, and applicable transit rates of sales and use tax, even if the diapers or incontinence underpads were sold on prescription.

## **Assistance**

If you have questions about this notice, you may call the Department at 1-877-252-3052 (8:00 am until 5:00 pm EST, Monday through Friday).

*To the extent there is any change in the rate or amount of tax, change to a statute or regulation, or new case law subsequent to the date of this notice, the provisions in this important notice may be superseded or voided. To the extent that any provisions in any other notice, directive, bulletin, or published guidance regarding the subject of this notice and issued prior to the date of this notice conflict with this important notice, the provisions contained in this important notice supersede the previous guidance.*