



**Sales and Use Tax Division
North Carolina Department of Revenue
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Raleigh, North Carolina 27640-0001
www.ncdor.gov**

IMPORTANT NOTICE: PRECIOUS METAL EXTRACTION COMPANIES

On July 14, 2016, the Governor signed Session Laws 2016-94. The Session Laws enact N.C. Gen. Stat. § 105-187.51B(a)(7) that provides **effective July 1, 2016**, a privilege tax is imposed on certain purchases by “[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.” The privilege tax applies to 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 Code.
- b. Is used by the company in processing tangible personal property for the purpose of extracting precious metals to determine the value for potential purchase.

N.C. Gen. Stat. § 66-406(3) defines “precious metal” as “[g]old, silver, platinum, or palladium, as defined below, but excluding coins, medals, medallions, tokens, numismatic items, art ingots, or art bars.

- a. Gold. - Any item or article containing 10 karats of gold or more which may be in combination or alloy with any other metal.
- b. Silver. - Any item or article containing 925 parts per thousand of silver which may be in combination or alloy with any nonprecious metal or which is marked ‘sterling.’
- c. Platinum. - Any item or article containing 900 parts per thousand or more of platinum which may be in combination or alloy with any other metal.
- d. Palladium. - Any item or article containing 950 parts per thousand or more of palladium which may be in combination or alloy with any other metal.”

Rates of Tax, Registration, Reporting, and Remittance

The privilege tax is imposed at a rate of one percent (1.00%) on the purchase price of each qualifying piece of equipment or an attachment or repair part for the equipment with a maximum tax of eighty dollars (\$80.00) per article. N.C. Gen. Stat. § 105-164.13(5a) provides an exemption from sales and use tax for the purchase of each qualifying piece of equipment or an attachment or repair part for the equipment subject to the privilege tax. The privilege tax is imposed on the purchaser. In order to remit the privilege tax due, the purchaser must [register](#) to file certain machinery and equipment tax returns. The purchaser must report the privilege tax due by filing [Form E-500J, Machinery and Equipment Tax Return](#), and pay the tax due to the Department.

The purchase of any tangible personal property, digital property, or taxable service by a precious metal extraction company that does not meet the requirements of N.C. Gen. Stat. § 105-187.51B(a)(7) is subject to the general 4.75% State, applicable local (2.00% or 2.25%), and applicable transit (0.50%) rates of sales and use tax.

Purchase Qualifying Tangible Personal Property Exempt from Sales and Use Tax

The purchaser of qualifying equipment or an attachment or repair part for the equipment should provide the seller with a properly completed [Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption](#), or other exemption information required per N.C. Gen. Stat. § 105-164.28 as the vendor’s authority to exempt the transaction from the sales or use tax.

Potential Overpayment of Tax

A company primarily engaged at the establishment in processing tangible personal property for the purpose of extracting precious metals that on or after July 1, 2016 purchases qualifying equipment or an attachment or repair part for the equipment that meets all of the requirements of N.C. Gen. Stat. § 105-187.51B(a)(7) and pays

the general 4.75% State, applicable county, and applicable transit rates of sales and use tax to the seller in error or prior to the date the bill was signed into law, may request a refund of the sales and use tax from the seller. The company should submit a properly executed Form E-595E to the seller along with any request for overpayment of tax. Additionally, the purchaser is liable for reporting and payment of the one percent (1.00%) rate of tax due on such purchases to the Department.

Assistance

General questions regarding this notice should be directed to the Taxpayer Assistance and Collection Center at telephone number 1-877-252-3052 (toll-free).

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, technical bulletin, or published guidance issued prior to the date of this notice conflicts with this important notice, the provisions contained in this important notice supersede.