



**Sales and Use Tax Division  
North Carolina Department of Revenue  
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**IMPORTANT NOTICE: PRINCIPLES OF SOURCING THE RENEWAL OF A SERVICE CONTRACT FOR PREWRITTEN COMPUTER SOFTWARE**

**Effective June 12, 2018**, N.C. Gen. Stat. § 105-164.4B is amended to add section (i), that provides “sourcing the renewal [of a service contract for prewritten computer software] to an address where the purchaser received the underlying prewritten software does not constitute bad faith provided the seller has not received information from the purchaser that indicates a change in the location of the underlying software.”

*Example: A retailer of service contracts for prewritten computer software makes the retail sale of a service contract through its website to a purchaser. The purchaser provides the retailer with its detailed address information, including the location of the prewritten computer software covered by the service contract. The address information shows the purchaser is located in Franklin County, North Carolina. Therefore, the retailer properly sources the sale to Franklin County, North Carolina. Subsequent to the original acquisition of the service contract and unknown to the retailer, the purchaser relocates to New Hanover County, North Carolina. After relocating, the purchaser renews the service contract using the same payment method and related address information as was used in the original purchase of the service contract. The retailer may source the sale of the renewal to Franklin County, North Carolina, the location of the prewritten computer software as originally indicated by the purchaser, since the retailer is unaware that the underlying software is now located in New Hanover County, North Carolina.*

**Assistance**

Questions about this notice can be directed to the Department 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or regulation, or new case law subsequent to the date of this notice, the provisions in this important notice may be superseded or voided.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.*