

Form E-500E Utility and Liquor Sales and Use Tax Return
General Instructions

1. Use Form E-500E to file and report your North Carolina electricity, telecommunications, direct-to-home satellite service, video programming, and spirituous liquor sales and use taxes.
2. A return must be filed each period by the due date indicated, including the period in which the application for registration was filed, or a delinquent notice for failure to file will be mailed to you. The tax shown to be due must be paid with the return or penalty and interest will be charged. If you do not owe any tax for a month, you must file a return showing zero (0.00) on Line 21. Please do not write "No Tax Due" or any similar text on the form.
3. Complete the utility and liquor sales and use tax return in its entirety on your computer and print the return.
4. If you discontinue business operations or sell your business, please complete [Form NC-BN, Out-of-Business Notification](#), and mail it separately to the Department at the address shown on the form.
5. The gross receipts derived from providing electricity to farmers, manufacturing industries and manufacturing plants, and commercial laundries are subject to the 2.83% State sales and use tax. Other sales of electricity are subject to the 3% State sales and use tax. The rate of tax for electricity sold to a manufacturer will decrease from 2.83% to 2.6% effective July 1, 2007. Use Line 8b for reporting the 2.6% rate of tax.
6. The 2006 General Assembly enacted legislation that results in a decrease in the combined general rate of sales and use tax from 7% to 6.75% effective December 1, 2006. The combined general rate of sales and use tax will decrease to 6.5% on July 1, 2007.
7. The gross receipts derived from providing telecommunications service, direct-to-home satellite service, and video programming are subject to the combined general rate of sales and use tax.
8. Sales of spirituous liquor other than mixed beverages are subject to the combined general rate of sales and use tax.
9. Cable service providers are allowed a credit for the amount of local franchise tax payable on its gross receipts for cable service. The credit should be entered on Line 16 to be deducted from the sales tax due to be remitted.
10. A retailer who sells electricity or telecommunications service is required to report sales on the accrual basis. A sale of electricity and telecommunications service is considered to accrue when the utility bills its customer for the sale.
11. Municipal corporations that sell electricity and purchase electricity for resale without payment of sales tax thereon are required to pay the 3% rate of tax on the cost price of electricity that they use and do not resell. The cost of such electricity should be included on Line 1 but it is not to be included on Line 5 of the return when computing the amount of the credit to be deducted from the sales tax due to be remitted.

12. Payment of tax 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 payment by electronic funds transfer (EFT). Do not mail cash, stamps, or post-dated checks with your return.

How To Prepare Return

Electricity providers (other than municipal corporations) should complete Lines 1, 2, 3, 8a, 8b, 9, 14, 15, and 17 through 21.

Telecommunications providers should complete Lines 1, 2, 3, 10, 14, 15, and 17 through 21.

Municipal corporations should complete Lines 1 through 9, and 14 through 21.

Direct-to-home satellite service providers should complete Lines 1, 2, 3, 11, 14, 15, and 17 through 21.

Video programming providers other than direct-to home satellite service providers should complete Lines 1, 2, 3, 12, and 14 through 21.

Spirituos Liquor retailers should complete Lines 1, 2, 3, 13, 14, 15, and 17 through 21.

Line 1 - Receipts from Retail Sales and Purchases for Own Use: Enter the gross receipts derived from retail sales of electricity, telecommunications, direct-to-home satellite service, video programming, and spirituos liquor. Municipal corporations should also include the cost of power purchased for own use and not resold.

Line 2 - Sales for Resale: Enter the total sales of electricity, telecommunications, direct-to-home satellite service, video programming, and spirituos liquor for the purpose of resale for informational purposes only. Do not include sales for resale in exempt sales on Line 3 or elsewhere on the return.

Line 3 - Exempt Sales: Enter the amount of exempt retail sales. Do not include sales for resale reported on Line 2.

Lines 4 - 7 Sales Tax Municipal Electricity Deduction

Line 4 - Enter the gross receipts derived from retail sales of electricity only. Do not include electricity purchased for own use and not resold.

Line 5 - Enter the cost of electricity and other related services purchased for resale and resold at retail. Do not include the cost of electricity purchased for own use and not resold or the cost of electricity purchased for resale and sold to other firms for resale.

Line 6 - Enter the net amount in excess of cost by subtracting Line 5 from Line 4.

Line 7 - Multiply the net amount on Line 6 by 3% and enter the result. Carry this deduction amount forward to Line 16 on the front of the return.

- Line 8a - Electricity for Farmers, Laundries, and Manufacturers:** Enter under the column "Receipts and Purchases" the net taxable receipts and purchases of electricity sold to farmers, manufacturing industries and manufacturing plants, and commercial laundries which are subject to the 2.83% State tax. Compute the tax due at the 2.83% rate and enter that amount under the column "Tax." *The 2.83% rate applies to manufacturers through June 30, 2007.*
- Line 8b - Electricity for Manufacturers (The 2.6% rate is effective July 1, 2007):** Enter under the column "Receipts and Purchases" the net taxable receipts and purchases of electricity sold to manufacturing industries and manufacturing plants which are subject to the 2.6% State tax. Compute the tax due at the 2.6% rate and enter that amount under the column "Tax."
- Line 9 - Other Electricity Service:** Enter under the column "Receipts and Purchases" the net taxable receipts and purchases of electricity and the cost of electricity purchased for own use and not resold which are subject to the 3% State tax. Compute the tax due at the 3% rate and enter that amount under the column "Tax."

Tax Rate for Lines 10 - 13

The combined general rate of sales and use tax is 7% through November 30, 2006, 6.75% from December 1, 2006 through June 30, 2007, and 6.5% effective July 1, 2007. This rate change applies to telecommunications, direct-to-home satellite service, video programming, and spirituous liquor. Consequently, we have left the rate blank for Lines 10 - 13. **You should enter the rate in effect for the period of the return in the circle and calculate the tax due.** A worksheet will be available on the Department's website in early December 2006 to aid quarterly filers in computing and entering the information on their returns.

- Line 10 - Telecommunications Service:** Enter under the column "Receipts and Purchases" the net taxable receipts derived from telecommunications service. Compute the tax due at the combined general rate of sales and use tax and enter that amount under the column "Tax."
- Line 11 - Direct-To-Home Satellite Service:** Enter under the column "Receipts and Purchases" the net taxable receipts derived from direct-to-home satellite service. Compute the tax due at the combined general rate of sales and use tax and enter that amount under the column "Tax."
- Line 12 - Video Programming Other Than Direct-To-Home Satellite Service:** Enter under the column "Receipts and Purchases" the net taxable receipts derived from video programming services other than direct-to-home satellite service. Compute the tax due at the combined general rate of sales and use tax and enter that amount under the column "Tax."
- Line 13 - Spirituous Liquor:** Enter under the column "Receipts and Purchases" the net taxable receipts derived from sales of spirituous liquor. Compute the tax due at the combined general rate of sales and use tax and enter that amount under the column "Tax."
- Line 14 - Total Tax From Lines 8a - 13:** Add the amounts in the column "Tax" on Lines 8a through 13, and enter the sum.
- Line 15 - Excess Collections:** Enter any tax collected in excess of the total amount of tax calculated to be due on taxable receipts.

Line 16 - Municipal Electricity Deduction/Local Cable TV Franchise Tax Credit:

Municipal corporations only - Enter the deduction derived in the computations of Lines 4 - 7.

Local cable TV service providers only - Enter the amount of local franchise tax payable on gross receipts for cable service.

Line 17 - Tax Due: Add the tax on Lines 14 and 15 minus Line 16, and enter the sum.

Line 18 - 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 17 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. The minimum failure to file return penalty is \$5.00 if tax is reported. **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 17. The minimum failure to pay penalty is \$5.00 if tax is due. Therefore, if tax is reported on a late filed return and the tax was not paid when due, there is a total minimum penalty of \$10.00.

Penalties and Interest for Semimonthly Taxpayers Only: Semimonthly filers are required to make payments of tax due twice a month on the 25th of the month, for the first 15 days of the month, and the 10th of the following month, for the last half of the preceding month. A return for the entire month is required to be filed by the 20th of the following month along with payment of any underpayment of tax for the monthly period.

Penalties and interest are due on the underpayment for a semimonthly period unless the taxpayer has timely paid at least 95% of the lesser of the amount due for each semimonthly payment period or the average semimonthly payment for the prior calendar year, and includes the underpayment with the monthly return for those payment periods.

Line 19 - Interest: If the return is filed after the due date, compute interest on the total tax shown to be due on Line 17 from the time the taxes were due until paid. See Line 18 for additional information regarding interest for not paying 95% of the tax due on the prepayments due on the 25th and 10th. The Secretary of Revenue establishes the [interest rate](#) on a semiannual basis. The interest rate is 7% per year or .583% per month through December 31, 2006.

Line 20 - Less Prepayments: This line is for use by semimonthly taxpayers (filers remitting \$10,000 or more in tax per month) only. See Line 18 for additional information regarding penalties for not paying 95% of the tax due on the payments due on the 25th and 10th. Enter the total amount of any electronic funds transfer (EFT) payments made for this period prior to this return.

Line 21 - Total Due: Enter the total amount due by adding Lines 17, 18, and 19, and subtracting any prepayment on Line 20, and pay this amount. **Do not fold your return or payment.**

Additional information may be obtained from the Department's website at www.dorn.com. Questions should be directed to the Taxpayer Assistance Division, North Carolina Department of Revenue, Post Office Box 25000, Raleigh, North Carolina 27640-0001, telephone number 1-877-252-3052 (toll-free) or to one of the [Department's service centers](#).