

**North Carolina Department of Revenue
Post Office Box 25000
Raleigh, North Carolina 27640-0001**

To Registered Taxpayers:

This document lists the changes made by the 2002 General Assembly to the taxes administered by the Sales and Use Tax Division. Legislative changes supersede any information previously set forth in Sales and Use Tax Administrative Rules or Technical Bulletins relating to any subject matter of the legislation. The changes are cited in order of effective date. The document also contains reminders of changes made by prior sessions of the General Assembly and filing changes instituted by the Department.

NOTE: *The General Assembly was still in session when this document was printed, and additional notification will be provided if further law changes are enacted.*

Effective June 27, 2002

Scrap Tire Disposal Tax

The sunset of the 2% scrap tire disposal tax rate, which was originally set to expire on July 1, 2002, is repealed. The rates remain at 2% for new tires with a bead diameter of less than 20 inches and 1% for new tires with a bead diameter of at least 20 inches.

Effective August 1, 2002

Telecommunications Sourcing

G.S. 105-164.4C was amended to conform the taxation of mobile telecommunications to the Federal Mobile Telecommunications Sourcing Act. Mobile telecommunications services are subject to the 6% sales tax when the place of primary use is in North Carolina. The place of primary use is the street address representative of where the use of a customer's telecommunications service primarily occurs. The street address must be the customer's residential street address or primary business street address. Technical changes were also made to clarify where a service is sourced for telecommunications services. Changes affecting private line telecommunications become effective January 1, 2004.

IMPORTANT REMINDERS

State Tax Rate Change

Effective July 1, 2003, the general State rate of sales and use tax is scheduled to decrease from 4.5% to 4%. At the time this Form was prepared, legislation had been introduced in the 2002 session of the General Assembly to accelerate the decrease in rate. Additional information will be provided if the effective date is changed.

Local Tax Rate Changes

Effective July 1, 2003, counties have the authority to impose an additional .5% sales and use tax. At the time this Form was prepared, legislation had been introduced in the 2002 session of the General Assembly to accelerate the date on which a county may impose the additional tax. Notification of the effective dates on which counties impose the additional tax will be mailed to taxpayers and will be available on the Department's website at www.dor.state.nc.us.

Out-of-County Deliveries and Reporting Requirements

A retailer who ships or delivers merchandise sold to a purchaser in a county other than the county in which the retailer's business is located is required to collect and remit tax due for the county to which the property is shipped or delivered. A retailer who has locations in multiple counties or ships or delivers merchandise sold to purchasers in multiple counties is required to complete and submit Form E-536, Schedule of County Sales and Use Taxes. This schedule shows the amount of tax collected for each county, and this information is used to derive the proper amount of tax that is distributed to local jurisdictions. Failure to fulfill this filing requirement can result in compliance action against a retailer, including proceedings to revoke the retailer's certificate of registration.

Reporting Mecklenburg County Public Transportation Sales and Use Tax

Effective for returns for periods beginning on or after October 1, 2002, Mecklenburg County Public Transportation Sales and Use Tax is to be reported on Line 12 of Form E-500, Sales and Use Tax Return. Form E-500M, Mecklenburg County Public Transportation Sales and Use Tax Return, will not be in use for periods beginning on or after October 1, 2002. A single payment is to be made for all the tax due on Form E-500, including the amount of Mecklenburg County Public Transportation Tax due.

Electronic Filing for Sales and Use Taxes

Beginning this fall, taxpayers can file returns and pay taxes on-line through the new e-File and e-Pay system. Payments can be made by bank draft, MasterCard, or Visa. For more information, click on the Electronic Services button at the top of the Department's home page or call the Electronic Filing Help Desk at (919) 733-1674. The EDI (Electronic Data Interchange) and EFT (Electronic Funds Transfer) systems remain in place.

Misuse of Exemption Certificates

A purchaser who misuses an exemption certificate will be assessed a penalty of \$250 for each misuse. An example of misuse of a certificate occurs when a taxpayer who purchases property for his own use issues a certificate of resale to avoid paying the tax. The taxpayer owes tax on property purchased for use and not resale. The use of other certificates, such as the Agricultural Certificate and the Logger's Certificate, by purchasers other than those identified on the certificates also constitutes misuse of exemption certificates.

Frequently asked questions with responses can be found on the Department's website at www.dor.state.nc.us. If you have questions about the information in this document or about sales and use taxes, you may call (919) 733-3661 or write to: Taxpayer Assistance Division, North Carolina Department of Revenue, Post Office Box 25000, Raleigh, North Carolina 27640-0001. In addition, N.C. Tax Talk provides information on many frequently asked questions about sales and use taxes. It is available 24 hours a day, seven days a week by calling (919) 733-4829 using a touch-tone telephone.