



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

IMPORTANT NOTICE:

ADDITIONAL 0.25% LOCAL SALES AND USE TAX

Effective April 1, 2012, the following counties adopted a resolution to levy an additional 0.25% local sales and use tax:

Buncombe, Durham, Montgomery and Orange

Effective April 1, 2012, the local rate of sales and use tax in the above counties is 2.25%. The 2007 North Carolina General Assembly enacted legislation that provides all counties the authority to levy an additional 0.25% local sales and use tax upon the favorable vote by the residents of a county. The additional 0.25% local sales and use tax applies to sales and purchases of tangible personal property, certain digital property and other transactions subject to the general State rate of sales and use tax pursuant to the provisions of N.C. Gen. Stat. §105-164.4. Sales of food subject to the 2.00% rate of tax are not subject to the additional 0.25% local sales and use tax. **The provisions of the Local Government Sales and Use Tax Law, with respect to a retailer with a place of business in a taxing county, a retailer required to collect use tax in a taxing county, and the liability for local sales and use tax, are applicable to the new levy.**

Combined State and Local Rates as of April 1, 2012 for All 100 Counties

Effective April 1, 2012, the general State and local tax rate is 6.75% in seventy-six counties, 7.00% in Alexander, Buncombe, Cabarrus, Catawba, Cumberland, Duplin, Durham, Halifax, Haywood, Hertford, Lee, Martin, Montgomery, New Hanover, Onslow, Orange, Pitt, Randolph, Robeson, Rowan, Sampson, Surry and Wilkes Counties, and 7.25% in Mecklenburg County.

Leases or Rentals

The gross receipts derived from the lease or rental of tangible personal property and certain digital property sourced to Buncombe, Durham, Montgomery, and Orange Counties pursuant to a lease or rental agreement entered into on or after April 1, 2012 are subject to the 7.00% general State and local tax rate. The gross receipts derived from the lease or rental of tangible personal property or certain digital property sourced to Buncombe, Durham, Montgomery, and Orange Counties for a lease or rental period that begins on or after April 1, 2012 pursuant to a lease or rental agreement entered into prior to April 1, 2012 for a definite, stipulated period of time are subject to the 6.75% general State and local tax rate.

Construction Contracts

Construction materials (examples are provided in Sales and Use Tax Technical Bulletin Section 31-10 B. 1.) purchased by a contractor or subcontractor in conjunction with a lump-sum or unit-price contract in Buncombe, Durham, Montgomery, or Orange County entered into or awarded to a general contractor on or after April 1, 2012 are subject to the 2.25% local tax rate plus the 4.75% State tax rate.

Construction materials purchased by a contractor on or after April 1, 2012 to fulfill a lump-sum or unit-price contract in Buncombe, Durham, Montgomery, or Orange County entered into before April 1, 2012, or entered into or awarded pursuant to a bid made before April 1, 2012, are subject to the 2.00% local tax rate plus the 4.75% State tax rate. Construction materials purchased by a subcontractor on or after April 1, 2012 to fulfill a lump-sum or unit-price contract in Buncombe, Durham, Montgomery, or Orange County entered into or awarded to a general contractor before April 1, 2012, or entered into or awarded to a general contractor pursuant to a bid made before April 1, 2012, are subject to the 2.00% local tax rate. Form E-589D, Affidavit to Exempt Contractors from the ¼% County Sales and Use Tax, should be issued to a retailer by a contractor or subcontractor to purchase construction materials on or after April 1, 2012 for use in

performing qualifying contracts. For purchases of construction materials by a subcontractor for use in a contract entered into or awarded before April 1, 2012 to a general contractor, or entered into or awarded pursuant to a bid made by a general contractor before April 1, 2012, the subcontractor should obtain written documentation from the general contractor and attach a copy to Form E-589D issued to a retailer. A contractor, a subcontractor, or a retailer should retain a copy of each Form E-589D and other documentation to substantiate that construction materials purchased or sold on or after April 1, 2012 are subject to the 2.00% local tax rate in effect prior to April 1, 2012.

Change Order for a Construction Contract

Construction materials purchased by a contractor or a subcontractor for a change order in conjunction with a lump-sum or unit-price contract in Buncombe, Durham, Montgomery, or Orange County entered into or awarded to a general contractor on or after April 1, 2012, are subject to the 2.25% local tax rate. Construction materials purchased on or after April 1, 2012, by a contractor or a subcontractor for a change order in conjunction with a lump-sum or unit-price contract in Buncombe, Durham, Montgomery, or Orange County entered into or awarded to a general contractor before April 1, 2012 or entered into or awarded to a general contractor pursuant to a bid made before April 1, 2012, are subject to the 2.00% local tax rate plus the 4.75% State tax rate.

Layaway Sales

An item placed in a layaway or similar deferred plan before April 1, 2012 and delivered to the purchaser in Buncombe, Durham, Montgomery, or Orange County on or after April 1, 2012, is subject to the 7.00% general State and local tax rate.

Gross Receipts Derived from the Rental of an Accommodation

The gross receipts derived from a transaction where a person reserves an accommodation with an owner, facilitator, provider of an accommodation or rental agent prior to April 1, 2012 for the rental of an accommodation in Buncombe, Durham, Montgomery, or Orange County on or after April 1, 2012, and the agreement is secured with an advance deposit, guarantee by credit card, or payment in full, are subject to the 7.00% general State and local tax rate. If the rental of an accommodation in Buncombe, Durham, Montgomery, or Orange County begins before April 1, 2012 and extends beyond April 1, 2012, the gross receipts derived from the rental of the accommodation occupied prior to April 1, 2012 are subject to the 6.75% general State and local tax rate and the gross receipts derived from the rental of the accommodation occupied on or after April 1, 2012 are subject to the 7.00% general State and local tax rate. The retailer should separately document and account for the gross receipts applicable to accommodations occupied before and after April 1, 2012 in the books and records and on the invoice or other documentation provided to the customer.

Cash Basis

A retailer who reports and pays sales and use tax on the cash basis of accounting is liable for remitting the 2.00% local tax rate on collections received on or after April 1, 2012 for sales sourced to Buncombe, Durham, Montgomery, or Orange County prior to April 1, 2012. A retailer must separately account for collections received on or after April 1, 2012 and applicable to sales transactions prior to April 1, 2012, in order to remit the proper tax to the Department. If a retailer is unable to separately account for collections received on or after April 1, 2012 for sales transactions sourced to Buncombe, Durham, Montgomery, or Orange County before April 1, 2012, a retailer is liable for remitting the 2.25% local tax rate on all collections received on or after April 1, 2012.

County Tax Reporting Requirements

A retailer who has locations in more than one county or ships, delivers, or leases taxable products or makes digital property available for first use in more than one county is required to complete Form E-536, Schedule of County Sales and Use Taxes, and submit it along with the sales and use tax return or enter the information at the time of filing an electronic return. Form E-536 or the electronic information should reflect the amount of tax collected for each county by a retailer. Form E-536 and the Department's electronic services will be revised to accommodate the 2.25% Buncombe, Durham, Montgomery, and Orange County local tax rate. Purchases of taxable products in a county which imposes the 2.00% local tax rate, for storage, use, consumption or distribution in Buncombe, Durham, Montgomery, and Orange County on or after April 1, 2012, are subject to the additional 0.25% local tax. The purchaser should report and remit the additional local tax to the Department.

Assistance

The revised Form E-536, Schedule of County Sales and Use Taxes, will be available after April 1, 2012 and can be obtained on the Department's website or by calling the Department's Forms Line at 1-877-252-3052 (toll-free) after the date indicated above. Form E-589D, Affidavit to Exempt Contractors from the ¼% County Sales and Use Tax, is currently available on the Department's website.

Questions about this notice can be directed to the Taxpayer Assistance and Collection Center at telephone number 1-877-252-3052 (toll-free).