



Sales and Use Tax Division
North Carolina Department of Revenue
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IMPORTANT NOTICE:

ADDITIONAL 0.25% LOCAL SALES AND USE TAX

Effective April 1, 2014, the following county adopted a resolution to levy an additional 0.25% local sales and use tax:

Harnett

Effective April 1, 2014, the local rate of sales and use tax in the above county 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 taxable sales and purchases of tangible personal property, taxable service contracts to maintain or repair tangible personal property, taxable admission charges to an entertainment activity identified in N.C. Gen. Stat. §105-164.4(a)(10), 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 rate of 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, 2014 for All 100 Counties

Effective April 1, 2014, the general State and local rate of sales and use tax is 6.75% in seventy-three counties, 7.00% in Alexander, Buncombe, Cabarrus, Catawba, Cumberland, Duplin, Edgecombe, Greene, Halifax, Harnett, Haywood, Hertford, Lee, Martin, Montgomery, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry and Wilkes Counties, 7.25% in Mecklenburg County, and 7.50% in Durham and Orange Counties.

Leases or Rentals

The gross receipts derived from the lease or rental of tangible personal property and certain digital property sourced to Harnett County pursuant to a lease or rental agreement entered into on or after April 1, 2014 are subject to the 2.25% local rate of tax plus the 4.75% State rate of tax for a total general State and local rate of tax of 7.00%. The gross receipts derived from the lease or rental of tangible personal property or certain digital property sourced to Harnett County for a lease or rental period that begins on or after April 1, 2014 pursuant to a lease or rental agreement entered into prior to April 1, 2014 for a definite, stipulated period of time are subject

to the 2.00% local rate of tax plus the 4.75% State rate of tax for a total general State and local rate of tax of 6.75%.

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 Harnett County entered into or awarded to a general contractor on or after April 1, 2014 are subject to the 2.25% local rate of tax plus the 4.75% State rate of tax for a total general State and local rate of tax of 7.00%.

Construction materials purchased by a contractor on or after April 1, 2014 to fulfill a lump-sum or unit-price contract in Harnett County entered into before April 1, 2014, or entered into or awarded pursuant to a bid made before April 1, 2014, are subject to the 2.00% local rate of tax plus the 4.75% State rate of tax for a total general State and local rate of tax of 6.75%. Construction materials purchased by a subcontractor on or after April 1, 2014 to fulfill a lump-sum or unit-price contract in Harnett County entered into or awarded to a general contractor before April 1, 2014, or entered into or awarded to a general contractor pursuant to a bid made before April 1, 2014, are subject to the 2.00% local rate of tax plus the 4.75% State rate of tax for a total general State and local rate of tax of 6.75%. 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, 2014 for use in performing contracts entered into, awarded, or awarded pursuant to a bid made before April 1, 2014. For purchases of construction materials by a subcontractor for use in a contract entered into or awarded before April 1, 2014 to a general contractor, or entered into or awarded pursuant to a bid made by a general contractor before April 1, 2014, the subcontractor should obtain written documentation from the general contractor and attach a copy to each 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, 2014 are subject to the 2.00% local rate of tax plus the 4.75% State rate of tax for a total general State and local rate of tax of 6.75%, in effect prior to April 1, 2014.

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 Harnett County entered into or awarded to a general contractor on or after April 1, 2014, are subject to the 2.25% local rate of tax plus the 4.75% State rate of tax for a total general State and local rate of tax of 7.00%. Construction materials purchased on or after April 1, 2014, by a contractor or a subcontractor for a change order in conjunction with a lump-sum or unit-price contract in Harnett County entered into or awarded to a general contractor before April 1, 2014 or entered into or awarded to a general contractor pursuant to a bid made before April 1, 2014, are subject to the 2.00% local rate of tax plus the 4.75% State rate of tax for a total general State and local rate of tax of 6.75%.

Layaway Sales

An item placed in a layaway or similar deferred plan before April 1, 2014 and delivered by the retailer or on behalf of the retailer to the purchaser in Harnett County on or after April 1, 2014, is subject to the 2.25% local rate of tax plus the 4.75% State rate of tax for a total general State and local rate of tax of 7.00%.

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, 2014 for the rental of an accommodation in Harnett County on or after April 1, 2014, and the agreement is secured with an advance deposit, guarantee by credit card, or payment in full, are subject to the 2.25% local rate of tax plus the 4.75% State rate of tax for a total general State and local rate of tax of 7.00%. If the rental of an accommodation in Harnett County begins before April 1, 2014 and extends beyond April 1, 2014, the gross receipts derived from the rental of the accommodation occupied prior to April 1, 2014 are subject to the 2.00% local rate of tax plus the 4.75% State rate of tax for a total general State and local rate of tax of 6.75%, and the gross receipts derived from the rental of the accommodation occupied on or after April 1, 2014 are subject to the 2.25% local rate of tax plus the 4.75% State rate of tax for a total general State and local rate of tax of 7.00%. The retailer should separately document and account for the gross receipts applicable to a rental of an accommodation occupied before and after April 1, 2014 in the books and records and on the invoice or other documentation provided to the customer.

Taxable "Service Contract" to Maintain or Repair Tangible Personal Property

The gross receipts derived from a taxable service contract entered into on or after April 1, 2014 for an annual basis and sourced to Harnett County are subject to the 2.25% local rate of tax plus the 4.75% State rate of tax, for a total general State and local rate of tax of 7.00%. A billing period that begins on or after April 1, 2014 for a taxable service contract that is billed on a monthly or other periodic basis and is sourced to Harnett County is subject to the 2.25% local rate of tax plus the 4.75% State rate of tax, for a total general State and local rate of tax of 7.00%, no matter that the contract was entered into or executed prior to April 1, 2014. For example, a service contract for a motor vehicle sourced to Harnett County that provides for oil changes for a three-year period is billed on a monthly basis. The gross receipts for the service contract for billing periods that begin on or after April 1, 2014 are subject to the 2.25% local rate of tax plus the 4.75% State rate of tax, for a total general State and local rate of tax of 7.00%.

Admission Charges to a Taxable Entertainment Activity

Taxable sales of admission charges for an entertainment activity on or after April 1, 2014, where admission to such event will be gained in Harnett County are subject to the 2.25% local rate of tax plus the 4.75% State rate of tax, for a total general State and local rate of tax of 7.00%. It is irrelevant whether the tickets for the entertainment activity were on sale prior to April 1, 2014; however, the gross receipts received on or after January 1, 2014, for admission charges to a **live event** offered on or after January 1, 2014 for which the **initial sale** of a ticket to the live event occurs before January 1, 2014 (other than gross receipts received by a ticket reseller) are taxable under G.S. 105-37.1, as applicable.

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 rate of tax plus the 4.75% State rate of tax for a total general State and local rate of tax of 6.75% on collections received on or after April 1, 2014 for taxable sales sourced to Harnett County prior to April 1, 2014. If a retailer is unable to separately account for collections received on or after April 1, 2014 for sales transactions sourced to Harnett County before April 1, 2014, a retailer is liable for remitting the 2.25% local rate of tax plus the 4.75% State rate of tax for a total general State and local rate of tax of 7.00% on such collections received on or after April 1, 2014.

County Tax Reporting Requirements

A retailer who has locations in more than one county or ships, delivers, or leases taxable products, makes digital property available for first use, or offers entertainment activities 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 local and transit 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% Harnett County local tax rate for returns due to be filed for periods beginning April 1, 2014. Purchases of taxable products by a person for storage, use, consumption or distribution in Harnett County made on or after April 1, 2014 are subject to the 2.25% local rate of tax.

Assistance

The revised Form E-536, Schedule of County Sales and Use Taxes, will be available after April 1, 2014 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 regarding this notice should be directed to the Taxpayer Assistance and Collection Center at telephone number 1-877-252-3052 (toll-free).