



**Sales and Use Tax Division
North Carolina Department of Revenue
Post Office Box 25000
Raleigh, North Carolina 27640-0001
www.dornrc.com**

IMPORTANT NOTICE:

ADDITIONAL 0.25% LOCAL SALES AND USE TAX

The following county adopted a resolution to levy an additional 0.25% local sales and use tax **effective January 1, 2012:**

Halifax

Effective January 1, 2012, 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 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 January 1, 2012 for All 100 Counties

Effective January 1, 2012, the general State and local tax rate is 6.75% in eighty counties, 7.00% in Alexander, Cabarrus, Catawba, Cumberland, Duplin, Halifax, Haywood, Hertford, Lee, Martin, New Hanover, Onslow, 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 Halifax County pursuant to a lease or rental agreement entered into on or after January 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 Halifax County for a lease or rental period that begins on or after January 1, 2012 pursuant to a lease or rental agreement entered into prior to January 1, 2012 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 Halifax County entered into or awarded to a general contractor on or after January 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 January 1, 2012 to fulfill a lump-sum or unit-price contract in Halifax County entered into before January 1, 2012, or entered into or awarded pursuant to a bid made before January 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 January 1, 2012 to fulfill a lump-sum or unit-price contract in Halifax County entered into or awarded to a general contractor before January 1, 2012, or entered into or awarded to a general contractor pursuant to a bid made before January 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 January 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 January 1, 2012 to a general contractor, or entered into or awarded pursuant to a bid made by a general contractor before January 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 January 1, 2012 are subject to the 2.00% local tax rate in effect prior to January 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 Halifax County entered into or awarded to a general contractor on or after January 1, 2012, are subject to the 2.25% local tax rate. Construction materials purchased on or after January 1, 2012, by a contractor or a subcontractor for a change order in conjunction with a lump-sum or unit-price contract in Halifax County entered into or awarded to a general contractor before January 1, 2012 or entered into or awarded to a general contractor pursuant to a bid made before January 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 January 1, 2012 and delivered to the purchaser in Halifax County on or after January 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 January 1, 2012 for the rental of an accommodation in Halifax County on or after January 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 Halifax County begins before January 1, 2012 and extends beyond January 1, 2012, the gross receipts derived from the rental of the accommodation occupied prior to January 1, 2012 are subject to the 6.75% general State and local tax rate. The gross receipts derived from the rental of the accommodation occupied on or after January 1, 2012 are subject to the 7.00% general State and local tax rate provided the daily charges, before and after January 1, 2012, are documented and accounted for in the books and records of the retailer 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 January 1, 2012 for sales sourced to Halifax County prior to January 1, 2012. A retailer must separately account for collections received on or after January 1, 2012 and applicable to sales transactions prior to January 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 January 1, 2012 for sales transactions sourced to Halifax County before January 1, 2012, a retailer is liable for remitting the 2.25% local tax rate on all collections received on or after January 1, 2012.

County Tax Sourcing Requirements for All Retailers

A retailer who ships or delivers taxable products 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 where the property is shipped or delivered to the recipient. Digital property is sourced to the county where the purchaser takes possession of the property or makes first use of the property, whichever comes first. When a lease or rental agreement for tangible personal property (other than transportation equipment) requires recurring periodic payments, the first payment is sourced to the business location of the seller when a lessee receives a product at the lessor's business location, to the location where the lessee receives the product, or when the lessor does not know where a product is received, the payment is sourced to the first known address or location of the following: (1) the business or home address of the lessee, (2) the billing address of the lessee, (3) the address from which tangible personal property was shipped. Each subsequent lease or rental payment received after the first payment is sourced to the primary location of the leased or rented property, for the period covered by the payment.

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% Halifax 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 Halifax County on or after January 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 January 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).