



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

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**IMPORTANT NOTICE:**

**ADDITIONAL 0.25% LOCAL SALES AND USE TAX**

The following counties adopted resolutions to levy an additional 0.25% local sales and use tax **effective October 1, 2010:**

**New Hanover Onslow Wilkes**

Effective October 1, 2010, the local rate of sales and use tax in the above three 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 local rate of sales and use tax in effect for Alexander, Catawba, Cumberland, Haywood, Hertford, Lee, Martin, Pitt, Randolph, Rowan, Sampson, and Surry Counties remains at 2.25%. The local rate of tax in Mecklenburg County remains at 2.5%; the local rate of tax in the other eighty-four counties remains at 2.0%.

The additional 0.25% local sales and use tax applies to sales 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% 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.

The additional 0.25% local sales and use tax does not apply to construction materials purchased to fulfill a lump-sum or unit-price contract entered into or awarded before October 1, 2010 or entered into or awarded pursuant to a bid made before October 1, 2010. Form E-589D, Affidavit to Exempt Contractors from the ¼% County Sales and Use Tax, is to be used by contractors that are engaged in performing any such contracts or will be awarded contracts pursuant to bids submitted before October 1, 2010. The Affidavit is to be executed by the contractors and provided to their suppliers of construction materials. The contractors and their suppliers should keep a copy of the Affidavit in their files, and the contractors must retain the original or a duplicate of any lump-sum or unit-price contract in their files. Copies of the Affidavit can be obtained by accessing the Department's website or by contacting the Department's Forms Line at 1-877-252-3052 (toll-free).

Construction materials purchased by subcontractors to fulfill a lump-sum or unit-price contract entered into or awarded to general contractors before October 1, 2010 or entered into or awarded to general contractors pursuant to a bid made before October 1, 2010 are subject to the rates in effect prior to October 1, 2010. The subcontractor should obtain written documentation from the general contractor and attach a copy of such to Form E-589D, Affidavit to Exempt Contractors from the ¼% County Sales and Use Tax, for purchases in conjunction with contracts entered into or awarded before October 1, 2010 or entered into or awarded pursuant to a bid made before October 1, 2010. A properly completed affidavit should be executed by subcontractors in connection with each purchase and copies thereof should be maintained in the records of the seller and purchaser. If the vendor is not registered to collect North Carolina tax, the purchaser is responsible for reporting the applicable use tax to the Department.

Construction materials purchased by contractors and subcontractors for change orders in conjunction with lump-sum or unit-price contracts entered into or awarded to general contractors before October 1, 2010 or entered into or awarded to general contractors pursuant to a bid made before October 1, 2010 are subject to the rates in effect prior to October 1, 2010.

Taxpayers who report and pay sales and use tax on the cash basis of accounting are not liable for remitting the 2.25% local sales and use tax on collections they receive on or after October 1, 2010 for sales made prior to October 1, 2010 provided there is a separate accounting of the sales transactions and applicable collections. If the taxpayer is unable to separately account for collections on sales transactions made before and after October 1, 2010, the taxpayer should remit the 2.25% local sales and use tax rate on all receipts received on or after October 1, 2010.

Lease or rental payments billed and sourced to New Hanover, Onslow, and Wilkes Counties on or after October 1, 2010 for tangible personal property leased or rented pursuant to a lease or rental agreement entered into for a definite stipulated period of time prior to October 1, 2010 are subject to the 5.75% State and applicable local rates in effect prior to October 1, 2010. Lease or rental payments billed for tangible personal property leased or rented pursuant to a lease or rental agreement entered into on or after October 1, 2010 will be subject to the 7.75% in eighty-four counties, 8% in Alexander, Catawba, Cumberland, Haywood, Hertford, Lee, Martin, New Hanover, Onslow, Pitt, Randolph, Rowan, Sampson, Surry and Wilkes Counties, and 8.25% in Mecklenburg County.

A retailer who ships or delivers taxable 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 reflects the amount of tax collected for each county and is used to derive the proper amount of tax distributed to local jurisdictions. Form E-536 has been revised to include entries for the 2.25% rate of tax for the counties of New Hanover, Onslow and Wilkes. The revised form will be available on the Department's website or can be ordered from the Department's Forms Line at 1-877-252-3052 (toll-free) after October 1, 2010.

Tax charts setting out the combined State and local sales and use tax are available on the website or by calling the Forms Line. Questions about this notice can be directed to the Taxpayer Assistance Call Center at telephone number 1-877-252-3052 (toll-free).