



**Sales and Use Tax Division
North Carolina Department of Revenue
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Raleigh, North Carolina 27640-0001
www.dornnc.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 October 1, 2011**:

Cabarrus

Effective October 1, 2011, 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 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.

State Tax Rate Reduction Reminder

Effective July 1, 2011, the general State tax rate applicable to sales and purchases of tangible personal property, certain digital property, and certain services decreased from 5.75% to 4.75%. The rate reduction was communicated to registered taxpayers in the fall of 2010 through Form E-505, a copy of which can be located on the Department's website at the following link: http://www.dornnc.com/downloads/e505_9-10.pdf. Additional information regarding the State sales tax reduction is available on the Department's website.

Combined State and Local Rates as of October 1, 2011 for All 100 Counties

Effective October 1, 2011, the general State and local tax rate is 6.75% in eighty-one counties, 7.00% in Alexander, Cabarrus, Catawba, Cumberland, Duplin, 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 Cabarrus County pursuant to a lease or rental agreement entered into on or after October 1, 2011 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 Cabarrus County for a lease or rental period that begins on or after October 1, 2011 pursuant to a lease or rental agreement entered into prior to October 1, 2011 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 Cabarrus County entered into or awarded to a general contractor on or after October 1, 2011 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 October 1, 2011 to fulfill a lump-sum or unit-price contract in Cabarrus County entered into before October 1, 2011, or entered into or awarded pursuant to a bid made before October 1, 2011, 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 October 1, 2011 to fulfill a lump-sum or unit-price contract in Cabarrus County entered into or awarded to a general contractor before October 1, 2011, or entered into or awarded to a general contractor pursuant to a bid made before October 1, 2011, 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 October 1, 2011 for use in performing qualifying contracts. For purchases of construction materials by a subcontractor for use in a contract entered into or awarded before October 1, 2011 to a general contractor, or entered into or awarded pursuant to a bid

made by a general contractor before October 1, 2011, 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 supplier should retain a copy of each Form E-589D and other documentation to substantiate that construction materials purchased or sold on or after October 1, 2011 are subject to the 2.00% local tax rate in effect prior to October 1, 2011.

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 Cabarrus County entered into or awarded to a general contractor on or after October 1, 2011, are subject to the 2.25% local tax rate. Construction materials purchased on or after October 1, 2011, by a contractor or a subcontractor for a change order in conjunction with a lump-sum or unit-price contract in Cabarrus County entered into or awarded to a general contractor before October 1, 2011 or entered into or awarded to a general contractor pursuant to a bid made before October 1, 2011, 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 October 1, 2011 and delivered to the purchaser in Cabarrus County on or after October 1, 2011, 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 October 1, 2011 for the rental of an accommodation in Cabarrus County on or after October 1, 2011, 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 Cabarrus County begins before October 1, 2011 and extends beyond October 1, 2011, the gross receipts derived from the rental of the accommodation occupied prior to October 1, 2011 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 October 1, 2011 are subject to the 7.00% general State and local tax rate provided the daily charges, before and after October 1, 2011, 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 October 1, 2011 for sales made in Cabarrus County prior to October 1, 2011. A retailer must separately account for collections received on or after October 1, 2011 and applicable to sales transactions prior to October 1, 2011, in order to remit the proper tax to the Department. If a retailer is unable to separately account for collections received on or after October 1, 2011 for sales transactions sourced to Cabarrus County before October 1, 2011, a retailer is liable for remitting the 2.25% local tax rate on all collections received on or after October 1, 2011.

County 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.

A retailer who has locations in more than one county or ships, delivers, or leases taxable products in more than one county is required to complete Form E-536, Schedule of County Sales and Use Taxes, and submit 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% Cabarrus 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 Cabarrus County on or after October 1, 2011, 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 October 1, 2011. Revised tax charts will be available after September 1, 2011. Revised Form E-536 and the revised tax charts 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 dates 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).