

North Carolina Department of Revenue  
Post Office Box 25000  
Raleigh, North Carolina 27640-00

**Important Notice: Additional 1% State Sales and Use Tax Rate Increase Issues**

The 2009 North Carolina General Assembly has enacted Session Law 2009-451 that provides for a temporary increase in the State sales and use tax rate from 4.5% to 5.5% effective September 1, 2009. As a result of the State rate increase, the combined State and applicable local tax rate will increase to 8.25% in Mecklenburg County, 8% in Alexander, Catawba, Cumberland, Haywood, Martin, Pitt, Sampson, and Surry Counties, and 7.75% in the remaining ninety-one counties.

For purposes of determining the applicable rate of tax, a sale is considered to be consummated when the item is delivered to the purchaser. Therefore, in most instances, the rate of tax due is the rate in effect when delivery of property occurs. The examples that follow are to assist in determining the proper rate of tax to be charged.

**The following scenarios apply to transactions occurring prior to October 1, 2009. Information on additional rate changes effective October 1, 2009 will be available in the near future.**

**Sales and Lay-Away Contracts**

- A purchaser places an item on "lay-away" prior to September 1, 2009 and pays the vendor a nonrefundable deposit to hold the item. The sale is completed on or after September 1, 2009, but before October 1, 2009 when the customer takes delivery of the item and the vendor issues a receipt or invoice for the item. The 5.5% State and applicable local taxes are due on the sale.
- A purchaser enters into a sales contract to purchase an item prior to September 1, 2009 and pays the vendor a nonrefundable deposit to order or hold the item. If the sale is completed on or after September 1, 2009 but before October 1, 2009, the customer takes delivery and the vendor issues an invoice or receipt, the 5.5% State and applicable local taxes are due on the sale.
- A purchaser purchases an item, pays for the item in full and the vendor issues a sales invoice prior to September 1, 2009. If the purchaser requests that the vendor deliver the item but delivery cannot be scheduled until after September 1, 2009, the 4.5% State and applicable local taxes are due on the sale.
- A purchaser purchases an item on or after September 1, 2009 with a rain check received prior to the date of the increase, the 5.5% State and applicable local taxes are due on the sale.

**Leases**

A lessee leases tangible personal property from a lessor pursuant to a lease agreement entered into prior September 1, 2009 for a definite stipulated period of time, and the lease terminates during the period September 1, 2009 through September 30, 2009.

- If the terms of the agreement provide for automatic extension of the lease which requires no action by the lessee or lessor, the receipts for the extended lease period remain subject to the 4.5% State and applicable local taxes.
- If the lease agreement requires that the lessee and lessor renegotiate the lease after the original lease term expires, then the receipts from the renewed lease agreement (extended lease period) are subject to the 5.5% State and applicable local tax rates if the new lease is executed during the period September 1, 2009 through September 30, 2009.

### **Hotel and Motel Room Rentals (and Similar Accommodations)**

- A transient reserves a room or accommodation prior to September 1, 2009 and enters into an agreement to rent a room or accommodation on or after September 1, 2009. The room or accommodation is secured with an advance deposit or guarantee by credit card or is paid in full. The gross receipts from such rental are subject to the 5.5% State and applicable local taxes.
- A transient reserves a room or accommodation and enters into an agreement to rent a room prior to September 1, 2009. The room or accommodation is secured with an advance deposit or guarantee by credit card and the period of occupancy begins before September 1, 2009 and runs beyond September 1, 2009. The rental of the room or accommodation is subject to the 4.5% State and applicable local taxes provided the agreement is for a stipulated period of time.
- A transient occupies a room or accommodation prior to September 1, 2009, on a day-to-day rental basis and continues to occupy the room or accommodation on or after September 1, 2009. The rental to the transient on or after September 1, 2009 but before October 1, 2009 is subject to the 5.5% State and applicable local taxes since each day's rental is separately negotiated.
- A transient rents a room or accommodation for a definite stipulated period of time, which ends prior to September 1, 2009, but the transient extends his stay several days beyond September 1, 2009. The transient pays a deposit to reserve the room or accommodation for the extended rental period. The rental of the room or accommodation on or after September 1, 2009 will continue to be subject to the 4.5% State and applicable local taxes. This will be the case notwithstanding that the transient might be required to move to a different room or accommodation during the additional rental period.
- A transient rents a room or accommodation for a definite stipulated period of time, which ends prior to September 1, 2009, and extends the stay beyond September 1, 2009 on a day-to-day rental basis. The days extended beginning September 1, 2009 but ending before October 1, 2009 will be subject to the 5.5% State and applicable local tax.

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Questions about this notice can be directed to the Taxpayer Assistance and Collection Center at telephone number 1-877-252-3052 (toll-free) or in writing to the Taxpayer Assistance Division, North Carolina Department of Revenue, Post Office Box 25000, Raleigh, North Carolina 27640-0001.