

North Carolina Department of Revenue
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IMPORTANT NOTICE: Bundled Services

The General Assembly in the 2006 Session enacted Session Law 2006-151 that rewrote and recodified the term “bundled services,” which was formerly under G.S. 105-164.4C(d) and applied only to telecommunications services. Effective January 1, 2007, the term “bundled services” applies to all services and not just telecommunications services.

Prior to January 1, 2007, there was no provision for allocation of taxable and nontaxable services except for transactions that included telecommunications services. If a transaction, other than a transaction involving telecommunications services, included taxable and nontaxable services sold for a single non-negotiable price, the entire charge was subject to sales or use tax pursuant to G.S. 105-164.3(37), which defines the term “sales price.”

Effective January 1, 2007, G.S.105-164.4D provides that: “When a taxable service is bundled with a service that is not taxable, the tax applies to the gross receipts from the taxable service in the bundle as follows:

- (1) If the service provider offers all the services in the bundle on an unbundled basis, tax is due on the unbundled price of the taxable service, less the discount resulting from the bundling. The discount for a service as the result of bundling is the proportionate price decrease of the service, determined on the basis of the total unbundled price of all the services in the bundle compared to the bundled price of the services.
- (2) If the service provider does not offer one or more of the services in the bundle on an unbundled basis, tax is due on the taxable service based on a reasonable allocation of revenue to that service. If the service provider maintains an account for revenue from a taxable service, the service provider's allocation of revenue to that service for the purpose of determining the tax due on the service must reflect its accounting allocation of revenue to that service.”

Based on the above legislative change, the principle of allowing an allocation between charges for taxable and non-taxable services when taxable and non-taxable services are “bundled” together and offered as one unit for a non-negotiable price has been expanded to include services other than telecommunications services. This issue may arise with resorts that offer various packages to customers, such as taxable room rentals bundled with non-taxable golf course greens fees, non-taxable spa treatments, or other non-taxable services, when the charges are not separately stated on the invoice or bill issued to the customer. In those instances, effective January 1, 2007, the charge for the bundled service may be allocated as provided by the above statute, and the allocation for the non-taxable service is exempt from sales tax, notwithstanding that it is not separately stated on the invoice issued to the customer. Tax is to be collected and remitted based on the allocated amount for the taxable service.

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