



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

---

**IMPORTANT NOTICE: COMPUTER SOFTWARE**

**Effective January 1, 2010, pursuant to G. S. 105-164.13(43a)**, the sale at retail and the use, storage, or consumption of computer software that meets any of the following descriptions is exempt from tax:

- (1) It is designed to run on an enterprise server operating system.
- (2) It is sold to a person who operates a datacenter and is used within the datacenter.
- (3) It is sold to a person who provides cable service, telecommunications service, or video programming and is used to provide ancillary service, cable service, Internet access service, telecommunications service, or video programming.

Prior to January 1, 2010, computer software delivered electronically or delivered by load and leave was exempt from sales and use tax pursuant to G.S. 105-164.13(43a).

A sale of computer software that is designed to run on an enterprise server operating system is exempt from sales and use tax. The exemption includes a purchase or license of computer software for high-volume, simultaneous use on multiple computers, that is housed or maintained on an enterprise server or end users' computers. The exemption includes software designed to run a computer system, an operating program, or application software. The delivery method of the computer software is irrelevant.

A sale of computer software to a person who operates a datacenter and is used within the datacenter is exempt. A datacenter is defined per G.S. 105-164.3(5c) as "a facility that provides infrastructure for hosting data processing services and that has power and cooling systems that are created and maintained to be concurrently maintainable and to include redundant capacity components and multiple distribution paths serving the computer equipment at the facility. Although the facility must have multiple distribution paths serving the computer equipment, a single distribution path may serve the computer equipment at any one time." A datacenter that is part of the overall operations of a taxpayer may qualify as a datacenter in addition to an entity that exclusively operates a datacenter and provides services to others. The following definitions apply to a datacenter:

- a. Concurrently maintainable. – Capable of having any capacity component or distribution element serviced or repaired on a planned basis without interrupting or impeding the performance of the computer equipment.

- 
- b. Multiple distribution paths. – A series of distribution paths configured to ensure that failure on one distribution path does not interrupt or impede other distribution paths.
  - c. Redundant capacity components. – Components beyond those required to support the computer equipment.

A sale of computer software to a person that provides cable service, telecommunications service, or video programming and is used to provide an ancillary service, cable service, Internet access service, telecommunications service, or video programming is exempt from sales and use tax. However, accounting computer software purchased by one of the above entities is not used to provide one of the above services; therefore, the accounting computer software or license is taxable unless the software qualifies for another exemption pursuant to G.S. 105-164.13.

**Effective January 1, 2010**, pursuant to G.S. 105-164.13(43b), “computer software or digital property that becomes a component part of other computer software or digital property that is offered for sale or of a service that is offered for sale” is exempt from sales and use tax.

Custom computer software and the portion of prewritten computer software that is modified or enhanced if the modification or enhancement is designed and developed to the specifications of a specific purchaser and the charges for the modification or enhancement are separately stated continue to be exempt from sales and use tax pursuant to G.S. 105-164.13(43).

Prewritten computer software or licenses purchased by consumers for personal use are subject to sales and use tax.

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, P. O. Box 25000, Raleigh, N.C. 27640-0001.