

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

**IMPORTANT NOTICE: Decrease in State Sales and Use Tax Rate**

The North Carolina General Assembly enacted legislation that reduces the general State rate of sales and use tax from 4.5% to 4.25% effective December 1, 2006 and from 4.25% to 4% effective July 1, 2007. **Therefore, effective December 1, 2006, the general State rate of sales and use tax will be 4.25%. Effective July 1, 2007, the general State rate will be 4%.** Items subject to the general State rate of sales and use tax are also subject to any applicable local rates of sales and use tax. All counties levy a 2.5% local sales and use tax; Mecklenburg County also levies an additional .5% local tax for public transportation.

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 provided to assist in determining the proper rate of tax to be charged.

*The **lower rate** of State tax and the applicable local tax will be due on the following transactions:*

- Items purchased on or after the date of the decrease by a contractor to be used in fulfilling a lump-sum contract that was entered into or bid prior to the date of the decrease
- Items selected for purchase where payment is made prior to the date of the decrease but the items are delivered on or after the date of the decrease because the item is out of stock or on backorder
- Items purchased on or after the date of the decrease with a rain check received prior to the date of the decrease
- Items placed on lay-away prior to the date of the decrease and picked up by the consumers on or after the date of the decrease
- A lease of taxable tangible personal property that is renegotiated on or after the date of the decrease; the original lease was entered into prior to the date of the decrease for a definite stipulated period of time and the property was in the lessee's possession prior to the date of the decrease

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- A rental of a hotel room, vacation home, or similar accommodation for a period beginning on or after the date of the decrease where the agreement was entered into and a deposit or the entire amount paid prior to the date of the decrease

*The **higher** rate of State tax and the applicable local tax will be due on the following transactions:*

- Items selected for purchase where payment is made prior to the date of the decrease for items that are in stock and available for sale but the items are delivered on or after the date of the decrease due to the store's delivery truck schedule
- A lease of taxable tangible personal property for a definite stipulated period of time (ending after the date of the decrease) that is in effect and the property is in the lessee's possession prior to the date of the decrease
- Same as above except the lease agreement contains a provision requiring no action to automatically extend the lease for a definite stipulated period of time beyond the original lease term
- A rental of a hotel room, vacation home, or similar accommodation for a period of time ending prior to the date of the decrease; transient extends his stay beyond the date of the decrease by extending the original reservation accepted by the hotel, property owner, or rental agent prior to the date of the decrease
- A rental of a hotel room/vacation home for a period spanning the date of the decrease regardless of when payment is made

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.