

November 2005

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

**IMPORTANT NOTICE: Funeral Expenses**

**Effective January 1, 2006**

The 2005 General Assembly enacted legislation that changes the application of the North Carolina sales and use tax to charges for funeral expenses. Currently, the law provides that funeral expenses, including gross receipts from tangible personal property furnished or services rendered by funeral directors, morticians, or undertakers, are taxable at the general State rate and applicable local rate of tax; however, the first \$1,500.00 of funeral expenses are exempt from the tax.

Effective January 1, 2006, charges for services rendered in connection with funerals will be exempt from the sales and use tax, and sales of tangible personal property in connection with funerals will be subject to the general State rate and applicable local rate of tax. There will no longer be an exclusion or exemption for any portion of the expenses related to sales of tangible personal property. Examples of non-taxable services include charges for burial permit fees, stone deposits to guarantee the erection of a stone, ambulance service, cemetery lots, grave opening fees, death certificates, and those services performed by funeral directors, morticians, undertakers, beauticians, and barbers. Examples of taxable tangible personal property are coffins, caskets, vaults, memorial stones, monuments, grave markers, and similar property. The charge for installation of taxable tangible personal property, such as the installation of a memorial stone or monument, is exempt from the sales and use tax if the charge is separately stated on the purchaser's invoice and in the seller's records. The charges for taxable tangible personal property must be separately stated from the charges for services rendered.

Sales of taxable tangible personal property are subject to the 4½% general State rate of sales or use tax and the applicable local rate of tax. The local rate of tax in all counties except Mecklenburg County is 2½%; the local rate in Mecklenburg County is 3%. Effective January 1, 2006, the local rate in Dare County will increase from 2½% to 3½%. The sales tax accrues at the time the property is delivered to the purchaser.

Sales of taxable tangible personal property and the tax due thereon are reported on Form E-500, Sales and Use Tax Return. Taxpayers who are liable for remitting tax for more than one county are required to file Form E-536, Schedule of County Sales and Use Taxes.

For purposes of the local sales and use tax, a sale is sourced according to certain principles. When a purchaser receives a product at a business location of the seller, the sale is sourced to that business location. When a purchaser receives a product at a location specified by the purchaser and the location is not a business location of the seller, the sale is sourced to the county where the purchaser receives the product. For example, if a monument dealer sells a stone or monument from his place of business in County A and delivers the stone or monument to a cemetery in County A, the local tax is due for County A. If the stone or monument is delivered to a cemetery in County B, the local tax is due for County B.

There was no change in the application of tax to purchases by funeral directors, morticians, and undertakers of supplies and equipment used in conducting their businesses. Those items continue to be subject to the general State rate and applicable local rate of tax.

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

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### **On-Line Filing Available**

Taxpayers can file sales and use tax returns and make payment on-line. Information on electronic filing and payment can be accessed at the Department's website, [www.dornc.com](http://www.dornc.com). Questions about electronic filing should be directed to the E-Services Help Line at telephone number (919) 733-4645 or 1-877-308-9103 (toll free) Monday through Friday between the hours of 8:00 a.m. and 5:00 p.m. Eastern Time.