

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

IMPORTANT NOTICE

This document includes important information regarding law changes affecting the sales and use tax and the privilege tax that take effect on or before October 1, 2007. Additional explanation of these changes and notification of additional legislation enacted by the 2007 General Assembly will be provided in Form E-505. Form E-505 will be included with the mailing of the annual supply of sales and use tax returns to all registered taxpayers and will be available on the Department's website at www.dornc.com. Legislative changes supersede any information previously set forth in Sales and Use Tax Administrative Rules or Technical Bulletins relating to any subject matter of the legislation.

State Sales and Use Tax Rate Maintained

The additional 0.25% State sales and use tax, resulting in a total general State rate of 4.25%, is permanently extended. Therefore, the combined State and local rate remains at 6.75% in all counties except Mecklenburg County, which has a combined State and local rate of 7.25%. As a result of the extension of the 0.25% State tax, the "combined general rate" of tax as defined in G.S. 105-164.3(4a) remains at 6.75%. The "combined general rate" of tax applies only to telecommunications service, ancillary service, video programming, and spirituous liquor other than mixed beverages.

Rate Changes – Electricity and Manufacturing Fuel

Effective October 1, 2007, the rate of tax on sales of electricity to manufacturers for qualifying purposes is reduced from 2.6% to 1.8%; the rate of tax on sales of electricity to farmers for qualifying purposes is reduced from 2.83% to 1.8%. Effective October 1, 2007, the rate of privilege tax on qualifying purchases of fuel by manufacturers is reduced from 1% to 0.7%.

Refunds – G.S. 105-164.14

Effective January 1, 2007, a refund provision is added for sales and use tax paid on building materials by the owner of a railroad intermodal facility that meets specific investment requirements. Effective July 1, 2007, a refund provision is added for a portion of the tax paid on medical reagents and property that is consumed or transformed in analytical service activities purchased by taxpayers engaged in analytical services, which includes testing laboratories or medical laboratories. Effective July 1, 2007, the refund provision for aircraft manufacturers is expanded to include aircraft parts manufacturers; specific investment requirements must be met.

Exemptions – G.S. 105-164.13

Effective January 1, 2007, an exemption is added for sales to the owner or lessee of a railroad intermodal facility of specific equipment that resides at and is used at the facility.

Privilege Tax on Manufacturing Fuel and Certain Machinery and Equipment – Article 5F

Effective October 1, 2007, the 1% privilege tax with a maximum tax of \$80.00 per article applies to purchases of research and development equipment for software publishing companies and to purchases of specific machinery and equipment by eligible data centers that meet specific investment requirements.

If you have questions about the information in this document, you may contact the Taxpayer Assistance Call Center at 1-877-252-3052 (toll-free) or write to the Taxpayer Assistance Division, North Carolina Department of Revenue, Post Office Box 25000, Raleigh, North Carolina 27640-0001.