



**Sales and Use Tax Division  
North Carolina Department of Revenue  
Post Office Box 25000  
Raleigh, North Carolina 27640-0001  
[www.dornc.com](http://www.dornc.com)**

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**IMPORTANT NOTICE:**

**Rate Change for Gross Receipts Derived from Sales of Electricity**

**Effective July 1, 2014**, N.C. Gen. Stat. § 105-164.4(a)(9) imposes the 7.00% combined general rate of sales and use tax on the gross receipts derived from sales of electricity **billed** on or after July 1, 2014. N.C. Gen. Stat. § 105-164.4(a)(4a), which imposes the 3.00% rate of sales and use tax on the gross receipts derived from sales of electricity other than electricity subject to tax under another subdivision of N.C. Gen. Stat. § 105-164.4(a), is repealed except for gross receipts derived from sales of electricity **billed** prior to July 1, 2014.

**Commercial Laundry, Pressing or Dry-Cleaning Establishment**

All sales of electricity billed on or after July 1, 2014 to a commercial laundry or to a pressing and dry-cleaning establishment are subject to the 7.00% combined general rate of sales and use tax. N.C. Gen. Stat. § 105-164.4(a)(1f), which imposes the 2.83% rate of sales and use tax on the sales price of electricity that is measured by a separate meter or another separate device and sold to a commercial laundry or to a pressing and dry-cleaning establishment for use in machinery used in the direct performance of the laundering or the pressing and cleaning service, is repealed except for gross receipts derived from sales of electricity billed prior to July 1, 2014. As a result of the statutory change, Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption, or other exemption information issued by a commercial laundry or a pressing and dry-cleaning establishment to a retailer as authorization to charge the 2.83% rate of sales and use tax is not applicable to the gross receipts derived from sales of electricity billed on or after July 1, 2014. A retailer should disregard any such exemption certificate or other exemption information received from such persons for sales of electricity billed on or after July 1, 2014.

**Municipalities**

N.C. Gen. Stat. § 105-164.21A, which allows a deduction for municipalities that sell electric power is repealed for gross receipts billed on or after July 1, 2014.

**Exemption for Farmers**

Effective July 1, 2014, N.C. Gen. Stat. § 105-164.13E(1) provides an exemption from sales and use tax for electricity sold to a qualifying farmer that is measured by a separate meter or another separate device and is used by the qualifying farmer in the planting, cultivating, harvesting, or curing of farm crops or in the production of dairy products, eggs, or animals, other than preparing food, heating dwellings, and other household purposes. Effective July 1, 2014, a qualifying farmer is a farmer who has an annual gross income for the preceding taxable year of ten thousand dollars (\$10,000) or more from farming operations or who has an average annual gross income for the three preceding taxable years of ten thousand dollars (\$10,000) or more from farming operations and includes a dairy operator, a poultry farmer, an egg producer, a livestock farmer, a farmer of crops, and a farmer of an aquatic species, as defined in N.C. Gen. Stat. § 106-758. A conditional farmer is not a qualifying farmer, but is allowed to purchase electricity exempt from sales and use tax to the same extent as a qualifying farmer. **Further information regarding conditional farmers will be published on the Department's website at [www.dornc.com](http://www.dornc.com) in the near future.**

In order for a qualifying or conditional farmer to claim the exemption from sales and use tax on sales of electricity billed on or after July 1, 2014, the qualifying or conditional farmer must issue Form E-595E or other exemption information required per N.C. Gen. Stat. § 105-164.28 to the retailer. Where a qualifying or conditional farmer issues or has issued such form or other exemption information consistent with the requirements of N.C. Gen. Stat. § 105-164.28 to a retailer, the retailer may continue to rely on such to exempt from sales and use tax sales of electricity billed to a qualifying or conditional farmer, provided the gross receipts derived from sales of electricity to the qualifying or conditional farmer are measured through a **separate meter** and used for a qualifying farm

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purpose. The gross receipts derived from sales of electricity to a farmer where such electricity is measured through a separate meter and used for a qualifying farm purpose continue to be exempt from sales and use tax for sales billed prior to July 1, 2014.

A person that does not meet the criteria of a qualifying or conditional farmer as of July 1, 2014, must give notice to a retailer that Form E-595E or other exemption information issued prior to July 1, 2014, is no longer applicable to the purchase of electricity. Therefore, the gross receipts derived from such sales of electricity to such persons are subject to sales tax at the 7.00% combined general rate pursuant to N.C. Gen. Stat. § 105-164.4(a)(9).

Gross receipts derived from sales of electricity to a qualifying or conditional farmer where the electricity is measured through a **single** meter and used for **both** qualifying farming purposes and for preparing food, heating dwellings, or other household purposes, are subject to sales and use tax. The gross receipts derived from sales of electricity to such person are subject to the 7.00% combined general rate of sales and use taxes for sales of electricity billed on or after July 1, 2014 and are subject to the 3.00% rate of sales and use tax for electricity billed prior to July 1, 2014.

#### **Exemption for Manufacturing Facility**

N.C. Gen. Stat. § 105-164.13(57) provides the sale at retail and the use, storage, or consumption in this State of electricity sold to a manufacturer for use in connection with the operation of a manufacturing facility is exempt from sales and use tax. **The exemption does not apply to electricity used at a facility at which the primary activity is not manufacturing.** For purposes of the exemption, a “facility” is a single building or structure, or a group of buildings or structures that are located on a single parcel of land or on contiguous parcels of land under common ownership and any other related real property contained on the parcel or parcels. The exemption applies to electricity used both inside and outside of the facility, including electricity used for parking lot lighting at the facility.

In order for a manufacturer to claim the exemption from sales and use tax for qualified purchases of electricity, the manufacturer must issue Form E-595E or other exemption information required per N.C. Gen. Stat. § 105-164.28 to the retailer. A person, who has issued Form E-595E or other exemption information to purchase electricity exempt from sales and use tax where the primary activity at the facility is not manufacturing, must give notice to the retailer that Form E-595E or other exemption information issued to the retailer is not applicable to sales of electricity by the retailer to the person. The gross receipts derived from sales of electricity to such person are subject to the 7.00% combined general rate of sales and use taxes for sales of electricity billed on or after July 1, 2014 and are subject to the 3.00% rate of sales and use tax for electricity billed prior to July 1, 2014.

#### **Form E-500E, Utility and Liquor Sales and Use Tax Return**

Form E-500E, Line 8, Electricity for Laundry, Pressing and Dry Cleaning Machinery, is revised to accommodate the change in the sales and use tax rate due on the gross receipts derived from sales of electricity for qualifying purposes by including a blank space in the rate column of the return. The 2.83% State rate of tax applies to the gross receipts derived from sales of electricity billed to such qualifying persons prior to July 1, 2014. The 7.00% combined general rate of sales and use tax applies to the gross receipts derived from sales of electricity billed to such persons on or after July 1, 2014 and is to be reported on Line 9 of the return.

Form E-500E, Line 9, Other Electricity Service, is revised to accommodate the change in the sales and use tax rate due on the gross receipts derived from sales of electricity by including a blank space in the rate column of the return. The 7.00% combined general rate of sales and use tax applies to the gross receipts derived from sales of electricity billed on or after July 1, 2014, unless a statutory exemption applies to such sales. The 3.00% State rate of tax applies for returns due for periods October 1, 2013 through June 30, 2014 and applies to the gross receipts derived from the sale of electricity billed prior to July 1, 2014.

For municipal corporations, Line 16, Municipal Electricity Deduction, should be left blank for report periods beginning July 1, 2014. If an amount is entered on Line 16, then an assessment may be issued programmatically by the Department. In addition, Lines 4 through 7 should be left blank for report periods beginning July 1, 2014.

A taxpayer should not mark through lines on a return or make any stray marks in an attempt to report the tax due on sales of electricity at more than one rate for a reporting period.

#### **Assistance**

Questions regarding this notice should be directed to the Taxpayer Assistance and Collection Center at telephone number 1-877-252-3052 (toll-free).