



**Sales and Use Tax Division
North Carolina Department of Revenue
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www.dornc.com**

**IMPORTANT NOTICE: RESEARCH TRIANGLE REGIONAL PUBLIC TRANSPORTATION
AUTHORITY (TRIANGLE TRANSIT) SALES AND USE TAX**

Effective April 1, 2013, the following counties adopted resolutions to levy an additional 0.50% local sales and use tax for the benefit and purpose of the Research Triangle Regional Public Transportation Authority, to be used only for public transportation systems:

Durham and Orange

The 0.50% Transit sales and use tax applies to sales and purchases of tangible personal property, certain digital property and other transactions subject to the general State rate of sales and use tax pursuant to the provisions of N.C. Gen. Stat. §105-164.4. Sales of food subject to the 2.00% rate of tax are not subject to the 0.50% Transit sales and use tax. **The provisions of the Local Government Sales and Use Tax Law, with respect to a retailer with a place of business in a taxing county, a retailer required to collect use tax in a taxing county, and the liability for local sales and use tax, are applicable to the new Transit levy.**

Combined State and Local Rates as of April 1, 2013 for All 100 Counties

Effective April 1, 2013, the general State and local tax rate is **7.50% in Durham and Orange Counties**, 7.25% in Mecklenburg County, 7.00% in Alexander, Buncombe, Cabarrus, Catawba, Cumberland, Duplin, Edgecombe, Greene, Halifax, Haywood, Hertford, Lee, Martin, Montgomery, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry and Wilkes Counties, and 6.75% in the remaining seventy-four Counties.

Leases or Rentals

The gross receipts derived from the lease or rental of tangible personal property and certain digital property sourced to Durham and Orange Counties pursuant to a lease or rental agreement entered into on or after April 1, 2013 are subject to the 4.75% State, the 2.25% local, and the 0.50% Transit tax rates. The gross receipts derived from the lease or rental of tangible personal property or certain digital property sourced to Durham and Orange Counties for a lease or rental period that begins on or after April 1, 2013 pursuant to a lease or rental agreement entered into on or after April 1, 2012 and before April 1, 2013 for a definite, stipulated period of time, are not subject to the 0.50% Transit tax, but are subject to the 4.75% State and the 2.25% local tax rates. The gross receipts derived from the lease or rental of tangible personal property or certain digital property sourced to Durham and Orange Counties for a lease or rental period that begins on or after April 1, 2013 pursuant to a lease or rental agreement entered into prior to April 1, 2012 for a definite, stipulated period of time are not subject to the 0.50% Transit tax, but are subject to the 4.75% State and the 2.00% local tax rates.

Construction Contracts

Construction materials (examples are provided in Sales and Use Tax Technical Bulletin Section 31-10 B. 1.) purchased by a contractor or subcontractor in conjunction with a lump-sum or unit-price contract in Durham or Orange Counties entered into or awarded to a general contractor on or after April 1, 2013 are subject to the 4.75% State, the 2.25% local, and the 0.50% Transit tax rates. Construction materials purchased by a contractor on or after April 1, 2013 to fulfill a lump-sum or unit-priced contract in Durham or Orange Counties entered into on or after April 1, 2012 and before April 1, 2013, or entered into or awarded pursuant to a bid made on or after April 1, 2012 and before April 1, 2013, are not subject to the 0.50% Transit tax rate, but are subject to the 4.75% State and the 2.25% local tax rates. Construction materials purchased by a contractor on or after April 1, 2013 to fulfill a lump-sum or unit-price contract in Durham or Orange Counties entered into before April 1, 2012, or entered into or awarded pursuant to a bid made before April 1, 2012, are not subject to the 0.50% Transit tax rate, but are subject to the 4.75% State and the 2.00% local tax rates.

Construction materials purchased by a subcontractor on or after April 1, 2013 to fulfill a lump-sum or unit-price contract in Durham or Orange Counties entered into or awarded to a general contractor before April 1, 2013, or entered into or awarded to a general contractor pursuant to a bid made before April 1, 2013, are not subject to the 0.50% Transit tax rate, but are subject to the 4.75% State and either the 2.00% or 2.25% local tax rates, depending on the date the general contractor entered into the contract, was awarded the contract, or was awarded the contract pursuant to a bid made.

Form E-589F, Affidavit to Exempt Contractors from the 0.50% Transit Sales and Use Tax, should be issued to a retailer by a contractor or subcontractor to purchase construction materials on or after April 1, 2013 for use in performing contracts entered into, awarded, or awarded pursuant to a bid made before April 1, 2013. For purchases of construction materials by a subcontractor for use in a contract entered into or awarded before April 1, 2013 to a general contractor, or entered into or awarded pursuant to a bid made by a general contractor before April 1, 2013, the subcontractor should obtain written documentation from the general contractor and attach a copy to Form E-589F issued to a retailer. A contractor, a subcontractor, or a retailer should retain a copy of each Form E-589F and other documentation to substantiate that construction materials purchased or sold on or after April 1, 2013 are not subject to the 0.50% Transit tax rate.

Change Order for a Construction Contract

Construction materials purchased by a contractor or a subcontractor for a change order in conjunction with a lump-sum or unit-price contract in Durham or Orange Counties entered into or awarded to a general contractor on or after April 1, 2013, are subject to the 0.50% Transit tax rate. Construction materials purchased on or after April 1, 2013, by a contractor or a subcontractor for a change order in conjunction with a lump-sum or unit-price contract in Durham or Orange Counties entered into or awarded to a general contractor before April 1, 2013, or entered into or awarded to a general contractor pursuant to a bid made before April 1, 2013, are not subject to the 0.50% Transit tax rate.

Layaway Sales

An item placed in a layaway or similar deferred plan before April 1, 2013 and delivered by the retailer or on behalf of the retailer to the purchaser in Durham or Orange Counties on or after April 1, 2013, is subject to the 4.75% State, the 2.25% local and the 0.50% Transit tax rates.

Gross Receipts Derived from the Rental of an Accommodation

The gross receipts derived from a transaction where a person reserves an accommodation with an owner, facilitator, provider of an accommodation or rental agent prior to April 1, 2013 for the rental of an accommodation in Durham or Orange Counties on or after April 1, 2013, and the agreement is secured with an advance deposit, guarantee by credit card, or payment in full, are subject to the 4.75% State, 2.25% local, and 0.50% Transit tax rates. If the rental of an accommodation in Durham or Orange Counties begins before April 1, 2013 and extends beyond April 1, 2013, the gross receipts derived from the rental of the accommodation occupied prior to April 1, 2013 are subject to the 4.75% State and the 2.25% local tax rates, and the gross receipts derived from the rental of the accommodation occupied on or after April 1, 2013 are subject to the 4.75% State, 2.25% local, and 0.50% Transit tax rates. The retailer should separately document and account for the gross receipts applicable to accommodations occupied before and after April 1, 2013 in the books and records and on the invoice or other documentation provided to the customer.

Cash Basis

A retailer who reports and pays sales and use tax on the cash basis of accounting is not liable for remitting the 0.50% Transit tax rate on collections received on or after April 1, 2013 for sales sourced to Durham or Orange Counties prior to April 1, 2013. A retailer must separately account for collections received on or after April 1, 2013 and applicable to sales transactions prior to April 1, 2013, in order to remit the proper tax to the Department. If a retailer is unable to separately account for collections received on or after April 1, 2013 for sales transactions sourced to Durham or Orange Counties before April 1, 2013, a retailer is liable for remitting the 4.75% State, 2.25% local, and 0.50% Transit tax rates on all collections received on or after April 1, 2013.

County Tax Reporting Requirements

A retailer who has locations in more than one county or ships, delivers, leases taxable products or makes digital property available for first use in more than one county, is required to complete Form E-536, Schedule of County Sales and Use Taxes, and submit it along with the sales and use tax return or enter the information at the time of filing an electronic return. Form E-536 or the electronic information should reflect the amount of tax collected for the local and Transit taxes by county by a retailer. Form E-536 and the Department's electronic services will be revised to accommodate the 0.50% Durham and Orange County Transit tax rate. Purchases by a person of taxable products for storage, use, consumption or distribution in Durham or Orange Counties on or after April 1, 2013 in a county which does not impose the 0.50% Transit tax rate are subject to the 0.50% Transit tax. The purchaser should remit the Transit tax to the Department.

Assistance

For more information about State, local and Transit sales and use tax reporting requirements, please refer to the instructions included in the front of the Form E-500, Sales and Use Tax Return, coupon booklet or to the Department's website at www.dornrc.com. The revised Form E-536, Schedule of County Sales and Use Taxes, will be available after April 1, 2013 and can be obtained on the Department's website or by calling the Department's Forms Line at 1-877-252-3052 (toll-free) after the date indicated above. Form E-589F, Affidavit to Exempt Contractors from the 0.50% Transit Sales and Use Tax, is currently available on the Department's website. Questions regarding this notice can be directed to the Taxpayer Assistance and Collection Center at telephone number 1-877-252-3052 (toll-free).