



**Sales and Use Tax Division  
North Carolina Department of Revenue  
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[www.dornc.com](http://www.dornc.com)**

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**IMPORTANT NOTICE: SOURCING FOR CERTAIN DIGITAL PROPERTY  
SUBJECT TO SALES AND USE TAX**

**General Information**

N.C. Gen. Stat. § 105-164.4(a)(6b) imposes a privilege tax at the general State and applicable local rates of sales and use tax on the net taxable sales or gross receipts derived from certain digital property. The following digital property is subject to tax: (1) an audio work; (2) an audiovisual work; (3) a book, a magazine, a newspaper, a newsletter, a report, or another publication; (4) a photograph or a greeting card. The general sales and use tax rate applies to digital property that is delivered or accessed electronically, is not considered tangible personal property, and would be taxable under Article 5, Sales and Use Tax, if sold in a tangible medium. The tax applies regardless of whether the purchaser of the item has the right to use it permanently or to use it without making continued payments.

**Sourcing**

Effective June 27, 2011, N. C. Gen. Stat. § 105-164.4B(f) provides that a purchaser receives digital property when the purchaser takes possession of the property or makes first use of the property, whichever comes first. Effective June 26, 2012, N. C. Gen. Stat. § 105-164.4B(a) as amended provides a sale of digital property is sourced as follows:

- (1) When a purchaser receives digital property at a business location of the seller, the sale is sourced to that business location.
- (2) When a purchaser or purchaser's donee receives digital property at a location specified by the purchaser and the location is not a business location of the seller, the sale is sourced to the location where the purchaser or purchaser's donee receives the product.
- (3) When (1) and (2) do not apply, the sale of digital property is sourced to the location indicated by an address for the purchaser that is available from the business records of the seller that are maintained in the ordinary course of the seller's business when use of this address does not constitute bad faith.
- (4) When (1), (2), and (3) do not apply, the sale of digital property is sourced to the location indicated by an address for the purchaser obtained during the consummation of the sale, including the address of a purchaser's payment instrument, if no other address is available, which use of this address does not constitute bad faith.
- (5) When (1), (2), (3), and (4) of this subsection do not apply, including the circumstance in which the seller is without sufficient information to apply the rules, the location will be determined based on the address from which the digital good was first available for transmission by the seller.

**Assistance**

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