

North Carolina Department of Revenue  
Post Office Box 25000  
Raleigh, North Carolina 27640-00

### **Important Notice: State and Local Sales and Use Tax Rate Change Issues**

**Effective October 1, 2009**, the general State rate of tax increases from 5.5% to 5.75%. The local rate decreases from 2.25% to 2% in all counties except Alexander, Catawba, Cumberland, Haywood, Martin, Pitt, Sampson, and Surry where the county rate decreases from 2.5% to 2.25%. Mecklenburg County continues to impose an additional 0.5% Transit rate. The third one-half cent local tax, previously reduced to 0.25% under Article 44, will decrease to zero. The combined State and local rate will continue to be 7.75% in ninety-one counties, 8% in Alexander, Catawba, Cumberland, Haywood, Martin, Pitt, Sampson, and Surry Counties and 8.25% in Mecklenburg County. These changes occur as the State continues assuming Medicaid responsibilities for the counties.

For purposes of determining the applicable rate of tax, a sale is considered to be consummated when the item is delivered to the purchaser. Therefore, the rate of tax due is generally the rate in effect when delivery of property occurs. The examples that follow are to assist in determining the proper rate of tax to be charged.

**The following scenarios apply to transactions occurring effective October 1, 2009.**

#### **Leases**

All lease or rental payments billed on or after October 1, 2009, for tangible personal property leased or rented pursuant to a lease or rental agreement are subject to the 5.75% State and applicable local rates. The billing date is the determining factor as to the rate of tax that applies to the gross receipts. If a lease or rental agreement was entered into prior to October 1, 2009 for a definite stipulated period of time, payments billed on or after October 1, 2009 are subject to the new rate of tax. The combined State and local rate will be 7.75% in ninety-one counties, 8% in Alexander, Catawba, Cumberland, Haywood, Martin, Pitt, Sampson, and Surry Counties and 8.25% in Mecklenburg County.

#### **Sales and Lay-Away Contracts**

- A purchaser places an item on "lay-away" prior to October 1, 2009 and pays the vendor a nonrefundable deposit to hold the item. The sale is completed on or after October 1, 2009, when the customer takes delivery of the item and the vendor issues a receipt or invoice for the item. The 5.75% State and applicable local taxes are due on the sale.
- A purchaser enters into a sales contract to purchase an item prior to October 1, 2009 and pays the vendor a nonrefundable deposit to order or hold the item. The sale is completed on or after October 1, 2009, when the customer takes delivery of the item and the vendor issues a receipt for the item. The 5.75% State and applicable local taxes are due on the sale.
- A purchaser purchases an item, pays for the item in full and the vendor issues a sales invoice on or after September 1, 2009 and prior to October 1, 2009. If the purchaser requests that the vendor deliver the item but delivery cannot be scheduled until after October 1, 2009, the 5.50% State and applicable local taxes are due on the sale.

- A purchaser purchases an item on or after October 1, 2009 with a rain check received prior to October 1, 2009, the 5.75% State and applicable local taxes are due on the sale.

### **Hotel and Motel Room Rentals (and Similar Accommodations)**

- A transient reserves a room or accommodation prior to October 1, 2009 and enters into an agreement to rent a room or accommodation on or after October 1, 2009. The room or accommodation is secured with an advance deposit or guarantee by credit card or is paid in full before October 1, 2009. The gross receipts from such rental are subject to the 5.75% State and applicable local taxes.
- A transient reserves a room or accommodation and enters into an agreement to rent a room prior to October 1, 2009. The room or accommodation is secured with an advance deposit or guarantee by credit card and the period of occupancy begins before October 1, 2009 and extends beyond October 1, 2009. The gross receipts from the rental of a room or accommodation occupied and billed during September 2009 but prior to October 1, 2009 are subject to the 5.5% State and applicable local taxes. The gross receipts from the rental of a room or accommodation billed on or after October 1, 2009 are subject to the 5.75% State and applicable local taxes notwithstanding the occupancy may begin prior to October 1, 2009.
- A transient occupies a room or accommodation prior to October 1, 2009 on a day-to-day rental basis and continues to occupy the room or accommodation on or after October 1, 2009. The gross receipts from the rental billed on or after October 1, 2009 are subject to the 5.75% State and applicable local taxes.
- A transient rents a room or accommodation for a definite stipulated period of time, which ends prior to October 1, 2009, but the transient extends the stay several days beyond October 1, 2009. The transient pays a deposit to reserve the room or accommodation for the extended rental period. The gross receipts from the rental of the room or accommodation billed on or after October 1, 2009 are subject to the 5.75% State and applicable local taxes. This will be the case notwithstanding that the transient might be required to move to a different room or accommodation during the additional rental period.
- A transient rents a room or accommodation for a definite stipulated period of time, which ends prior to October 1, 2009, and extends the stay beyond October 1, 2009 on a day-to-day rental basis. The gross receipts from the rental of a room or accommodation for the days billed on or after October 1, 2009 are subject to the 5.75% State and applicable local tax.

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Questions about this notice can be directed to the Taxpayer Assistance and Collection Center at telephone number 1-877-252-3052 (toll-free) or in writing to the Taxpayer Assistance Division, North Carolina Department of Revenue, Post Office Box 25000, Raleigh, North Carolina 27640-0001.