



**Sales and Use Tax Division
North Carolina Department of Revenue
Post Office Box 25000
Raleigh, North Carolina 27640-0001
www.dornc.com**

IMPORTANT NOTICE: STATE SALES AND USE TAX - ELECTRICITY

General

N.C. Gen. Stat. § 105-164.4(a)(4a) provides the tax rate of three percent (3%) applies to 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). A person who sells electricity is considered a retailer for sales and use tax purposes.

Commercial Laundry or a Pressing and Dry Cleaning Establishment

N.C. Gen. Stat. § 105-164.4(a)(1f) provides the State sales tax rate of two and eighty-three-hundredths percent (2.83%) applies to 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. A commercial laundry or a pressing and dry cleaning establishment that has a single meter that measures the electricity to provide power to both the general lighting and the machinery used in the direct performance of the laundering or the pressing and cleaning service does not qualify for the 2.83% State rate of sales tax on the sales price of the electricity. The gross receipts derived from such sales of electricity are subject to sales tax at the three percent (3%) State rate pursuant to N.C. Gen. Stat. § 105-164.4(a)(4a).

Farmers

Effective July 1, 2010, N.C. Gen. Stat. § 105-164.13(1b) provides the sale at retail and the use, storage, or consumption in this State of electricity sold to a farmer to be used for any farming purpose other than preparing food, heating dwellings, and other household purposes are exempt from sales and use taxes. The gross receipts derived from electricity measured through a single meter and used for farming purposes and also for preparing food, heating dwellings, and other household purposes, does not qualify for the exemption. The gross receipts derived from such sales of electricity are subject to sales tax at the three percent (3%) State rate pursuant to N.C. Gen. Stat. § 105-164.4(a)(4a).

For the period July 1, 2009 through June 30, 2010, the tax rate of eight tenths percent (0.8%) applied to the sales price of electricity to farmers measured by a separate meter or another

separate device provided the electricity was used for any farming purpose other than preparing food, heating dwellings, and other household purposes.

Manufacturing Facility

Effective July 1, 2010, N.C. Gen. Stat. § 105-164.13(57) provides the sales 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 taxes. 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.

For the period July 1, 2009 through June 30, 2010, the tax rate of eight tenths (0.8%) applied to the sales price of electricity sold to manufacturing industries and manufacturing plants for use in connection with the operation of the industries and plants and measured by a separate meter or another separate device. A manufacturing industry or manufacturing plant in North Carolina that had a single meter or another separate device did not qualify for the partial exemption of sales tax on sales of electricity during the period July 1, 2009 through June 30, 2010.

Certificate of Exemption

A person eligible for a full or partial exemption of sales tax on the sales of qualifying electricity should complete and furnish Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption, or provide other sufficient documentation to the retailer.

This notice is issued as a result of a number of questions received by the Department regarding sales of electricity to persons. 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, PO Box 25000, Raleigh, N.C. 27640-0001.