

North Carolina Department of Revenue
Post Office Box 25000
Raleigh, North Carolina 27640-0001

IMPORTANT NOTICE: State Sales and Use Tax Rates on Electricity

Effective July 1, 2007, the rate of sales and use tax on sales of electricity that is measured by a separate meter or another separate device and sold to manufacturing industries and manufacturing plants for use in connection with the operation of the industries and plants decreased from 2.83% to 2.6%. The rate on electricity sold to farmers to be used by them for any farm purposes other than preparing food, heating dwellings, and other household purposes and to commercial laundries or to pressing and dry-cleaning establishments for use in machinery used in the direct performance of the laundering or the pressing and cleaning service remained at 2.83%.

The 2007 General Assembly enacted Session Law 2007-397 that provides for further reductions in the rate of tax over a three-year period. Effective October 1, 2007, the rate of tax on sales of electricity to manufacturers for qualifying purposes is reduced from 2.6% to 1.8%; the rate of tax on sales of electricity to farmers for qualifying purposes is reduced from 2.83% to 1.8%. Sales of electricity to commercial laundries and similar establishments for qualifying purposes continue to be subject to the 2.83% rate of tax. Effective July 1, 2008, the rate of tax on sales of electricity measured by a separate meter to manufacturers and farmers for qualifying purposes decreases from 1.8% to 1.4%. The rate decreases from 1.4% to 0.8% effective July 1, 2009, and, effective July 1, 2010, sales of electricity to manufacturers and farmers for qualifying purposes are exempt from sales and use tax. Electricity sold to commercial laundries or to pressing and dry-cleaning establishments for use in machinery used in the direct performance of the laundering or the pressing and cleaning service continues to be subject to the 2.83% rate of sales and use tax.

Sales of electricity to purchasers other than manufacturers, farmers, and commercial laundries that qualify for a preferential rate or an exemption are subject to the 3% rate of sales tax and will remain at this rate unless further legislation is enacted.

A purchaser that is eligible for a preferential rate of tax on electricity should complete and furnish the seller/electricity supplier Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption. A manufacturer purchasing electricity for a qualifying purpose is required to enter its sales and use tax registration number on the exemption certificate. A farmer purchasing electricity for a qualifying purpose is required to enter the appropriate exemption number as assigned by the Department of Revenue. A purchaser who has submitted an exemption certificate to sellers is not required to resubmit any documentation, including documentation in effect prior to the inception of Form E-595E on January 1, 2005, as a result of further decreases in the tax rate.

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