

October 2005

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

IMPORTANT NOTICE: Telecommunications Services Sold to Internet Access Providers

Effective November 1, 2005

The definition of "Internet access" provided in the Internet Tax Freedom Act was amended effective November 1, 2003 to provide that the term does not include telecommunications services, except to the extent that such services are purchased, used, or sold by a provider of Internet access. States that were taxing such telecommunications services prior to November 1, 2003 were authorized to continue taxing these services until November 1, 2005.

Charges for Internet access are not subject to sales or use tax. However, sales and use tax was imposed on charges for telecommunications services made to Internet service providers for use in providing Internet access prior to November 1, 2003, and, as authorized by federal law, these services continue to be subject to tax through October 31, 2005. Based on federal law, sales or use tax is not due on charges for such services that are billed by a seller on or after November 1, 2005.

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