



## North Carolina Department of Revenue

Beverly Eaves Perdue  
Governor

David W. Hoyle  
Secretary

November 9, 2012

[REDACTED]  
[REDACTED]  
[REDACTED]

Re: [REDACTED]  
Account ID: [REDACTED]  
FEIN: [REDACTED]

Dear Ms. [REDACTED]

We have a copy of a letter sent to us by your client, referenced above, dated April 8, 2010, in which your client inquired as to its North Carolina sales and use tax liability on its purchase of a [REDACTED] grinder. Our records do not reflect that we received the original letter from your client; however, we received a copy of the letter, via facsimile from your office, on August 6, 2012. We apologize for the delay in our response.

Your client advises that it "commercially recycles wood products for resale to the public as yard mulch. . . . Ninety percent (90%) of the company sales are from the taxable sales of mulch to the retail public." The other ten percent (10%) of sales are taxable sales of rock or are related to tractor repair work. Your client has asked whether it is considered a manufacturer and whether its purchase of a [REDACTED] grinder in March of 2010 is subject to the 1% privilege tax due on manufacturing equipment, parts, and accessories.

N.C. Gen. Stat. 105-187.51 imposes a 1% privilege tax, subject to an \$80.00 maximum tax per article, on a manufacturing industry or plant that purchases mill machinery or mill machinery parts or accessories for storage, use, or consumption in this State. Based on the information, your client's predominant business is the transformation of raw material into a new product, yard mulch. Purchases of tangible personal property for use by your client to manufacture the mulch it sells are subject to the 1% privilege tax.

The documentation presented reflects that your client accrued and remitted [REDACTED] in use tax on the purchase of the [REDACTED] grinder on its Form E-500, Sales and Use Tax Return, for the period of March 1, 2010 through March 31, 2010. Based on the information you have provided, we are enclosing a check in the amount of \$ [REDACTED] which includes the tax plus applicable interest, pursuant to N.C. Gen. Stat. § 105-241.21.

This ruling is based solely on the facts submitted to the Department of Revenue for consideration of the transactions described. If the facts and circumstances given are not accurate, or if they change, then the taxpayer requesting this ruling may not rely on it. If a taxpayer relies on this ruling and the Department discovers, upon examination, that the fact situation of the taxpayer is different in any material aspect from the facts and circumstances given in this ruling, then the ruling will not afford the taxpayer any protection. It should be noted that this document is not to be cited as precedent and that a change in statute, a regulation, or case law could void this ruling.

If you have any questions, you may reach me at the number listed below.

Very truly yours,

Administration Officer  
Sales and Use Tax Division

Enclosure

cc: , Director of Sales and Use Tax Division