



## North Carolina Department of Revenue

Beverly Eaves Perdue  
Governor

David W. Hoyle  
Secretary

February 24, 2012

Account ID: [REDACTED]  
FEIN: [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

Attention: [REDACTED]

Re: Private Letter Ruling Request

Dear Mr. [REDACTED]

We have your letter dated December 6, 2011, in which you inquired as to the taxation of your firm's purchase of tangible gift cards.

N.C. Gen. Stat. § 105-164.6(a)(1) imposes a use tax on tangible personal property purchased inside or outside this State for storage, use, or consumption in this State. N.C. Gen. Stat. § 105-164.3(46) defines "tangible personal property" as "[p]ersonal property that may be seen, weighed, measured, felt, or touched or is in any other manner perceptible to the senses. . . ." N.C. Gen. Stat. § 105-164.3(49) defines "use" as "[t]he exercise of any right, power, or dominion whatsoever over tangible personal property . . . . The term includes withdrawal from storage, distribution. . . . of the property . . . by the owner or purchaser." Your firm's purchases of gift cards are subject to this State's use tax when your firm stores, uses, consumes or distributes the cards within the meaning of N.C. Gen. Stat. § 105-164.3(49).

Charges by your firm for gift cards which may be exchanged for merchandise are not subject to sales or use tax. When the holder of a gift card exchanges the card for merchandise, the transaction is subject to the general rate of State tax and any applicable local sales or use tax, unless specifically exempt by tax. The basis for the tax is the sales price of the property.

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

cc: , Director of Sales and Use Tax Division