

DIRECTIVE

Subject: New Transportation Commerce Tax
Tax: Transportation Commerce Tax
Law: [Article 5J of Chapter 105 of the North Carolina General Statutes](#)
Issued By: Sales and Use Tax Division
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This directive provides the interpretation of the Secretary of Revenue regarding the transportation commerce tax.

The following important information is addressed in this directive:

- Overview
- Definitions
- Tax Rates
- General Administration
- Registration
- Filing and Paying
- Exemptions

Overview

Effective July 1, 2025, [N.C. Gen. Stat. § 105-187.91](#) imposes the new transportation commerce tax. This excise tax is due on the gross receipts derived from for-hire ground transport service (“Service”). The tax applies to a Service if the passenger boards the vehicle in this State and regardless of whether the Service is completed.

Importantly, tax is only due on ground transportation service provided by one of the following:

- Taxi regulated under N.C. Gen. Stat. § 160A-304 or
- Transportation Network Company as defined in N.C. Gen. Stat. § 20-280.1.

Definitions

The following definitions apply to the transportation commerce tax:

Exclusive-Ride Service is a for-hire ground transport service requested by a passenger who requests exclusive use of the vehicle.

Note: This definition includes a group of people who arrange among themselves to share the use of the vehicle.

Shared-Ride Service is a for-hire ground transport service for which an individual has been matched with another individual by a for-hire ground transport service provider.

Note: This definition requires the for-hire ground transport service provider to match the individual passengers. It does not apply to individual riders that coordinate with each other to occupy the same vehicle.

For-Hire Ground Transport Service is ground transportation in a passenger vehicle provided by a for-hire ground transport service provider for which a passenger is charged a fee.

For-Hire Ground Transport Service Provider (“Provider”) is a transportation network company as defined in N.C. Gen. Stat. § 20-280.1 (“TNC”) or a taxi service regulated under N.C. Gen. Stat. § 160A-304 (“Taxi Service”).

TNC is any person that uses an online-enabled application or platform to connect passengers with TNC drivers who provide prearranged transportation services. State law requires a transportation network company to hold a permit issued by the North Carolina Department of Motor Vehicles.

Tax Rate Information

Tax Rates

The tax rate for the transportation commerce tax depends on the type of Service. The tax rates are as follows:

- Exclusive-ride service - one and one-half percent (1.5%).
- Shared-ride service - one percent (1%).

Gross Receipts

The tax rate applies to the gross receipts derived from the Service. Gross receipts subject to the transportation commerce tax include the following:

- Trip fare
- Booking fees
- Surcharges
- Fuel charges
- Fees for using a credit card
- Cleaning fees
- Wait time fees
- Fees for toll expenses of the Provider
- Charges associated with rides to and from the airport
- Any other fees or charges for the service

Note: If a tip meets the following requirements, it is not part of the gross receipts subject to the tax:

- The tip is voluntary;
- The entire amount of the tip is provided to the driver; and
- The Provider keeps records that separately account for tips and the distribution of tips to drivers.

Examples

Example 1. John Doe requests a ride to a restaurant from a TNC. The TNC matches John with a TNC driver. John requests the driver stop at Jane Doe's house on the way to the restaurant. After picking Jane up, the TNC driver drives them directly to the restaurant. The TNC charges John a fare of \$40 and a booking fee of \$10. John leaves the TNC driver a voluntary tip of \$9. The tip is kept by the TNC driver.

The TNC charges John \$0.75 in tax. The TNC charges the 1.5% rate of tax for an exclusive-ride service. The ride is an exclusive-ride service because the TNC did not match John with any other riders to ride together.

The gross receipts are \$50. The gross receipts include the fare and booking fee. The tip is not part of the gross receipts because it is voluntary, and the entire amount was provided to the TNC driver.

Example 2. Jane Doe requests a ride to the airport from a taxi. The taxi company offers to match Jane with another rider for a reduced fare. Jane accepts the offer. On the way to the airport, they pick up John Doe. Jane is charged a fare of \$90 and a charge for rides to the airport of \$5. When Jane pays by credit card, the taxi company charges a credit card surcharge of \$5.

The taxi company charges Jane \$1 in tax. The Taxi Company charges the 1% rate of tax for a shared-ride service. The ride is shared ride service because taxi company matched Jane with John and drove them together.

The gross receipts from Jane are \$100. The gross receipts include the fare, the charge for rides to the airport and the credit card surcharge.

General Administration

Collecting Tax

A Provider must collect the tax from customers. The tax must be stated and charged separately on any documentation provided to the purchaser by the Provider at the time of the transaction. A Provider is considered to act as a trustee on behalf of the State when it collects tax from the purchaser on a taxable transaction.

The tax is a debt from the purchaser to the Provider until paid and is recoverable by the Provider in the same manner as other debts.

Other Administration

Except as otherwise provided, the transportation commerce tax shall be collected and administered in the same manner as the State sales and use taxes imposed by Article 5 of Chapter 105 of the North Carolina General Statutes. The provisions of Article 9 of Chapter 105 of the North Carolina General Statutes that are not inconsistent apply to the tax, including administration, auditing, making returns, promulgation of rules and regulations by the Secretary, additional taxes, assessments and assessment procedure, imposition and collection of taxes and the lien thereof, and penalties.

Registration

Who Must Register

Only the following types of businesses should register with the Department:

- TNC
- Taxi Service

Note: Individual drivers should not register with the Department unless the driver owns and operates a Taxi Service.

When to Register

A Provider must register before July 1, 2025, or before engaging in business in North Carolina as a Provider, whichever is later.

How to Register

A Provider must complete Form NC-TCR, Registration Application for Transportation Commerce Tax ("Form NC-TCR"), to register with the Department. A Provider may register online using the electronic Form NC-TCR on the [Department's website](#). A paper version of Form NC-TCR will also be available. Form NC-TCR will be available in early April 2025.

Examples

Example 1. John Doe drives a taxi for XYZ Taxi Co in North Carolina. XYZ Taxi Co is a Taxi Service.

XYZ Taxi Co must register with the Department on or before July 1, 2025. XYZ Taxi Co must complete Form NC-TCR and file the form with the Department.

John Doe should not register with the Department.

Example 2. Jane Doe operates a taxi as a sole proprietor doing business as Doe's Taxi in North Carolina. Doe's Taxi is a Taxi Service.

Since Jane Doe operates a Taxi Service, Jane Doe must register with the Department on or before July 1, 2025. Jane Doe must complete Form NC-TCR and file the form with the Department.

Example 3. John Doe is a driver for ABC Ride App in North Carolina. ABC Ride App is a TNC.

ABC Ride App must register with the Department on or before July 1, 2025. ABC Ride App must complete Form NC-TCR and file the form with the Department.

John Doe should not register with the Department.

Example 4: XYZ App plans to start operating as a TNC in North Carolina on August 1, 2025.

XYZ App must register with the Department on or before August 1, 2025. XYZ App must complete Form NC-TCR and file the form with the Department.

Filing and Paying

Tax Return

A Provider must file Form E-500T, Transportation Commerce Tax Return (“Form E-500T”). The Department will make an electronic version of Form E-500T available on the [Department’s website](#) before the first return is due. Paper forms will also be available. A Provider must pay any tax due with Form E-500T.

Due Date

The due date of returns and payments depends on the filing frequency of the Provider. The Secretary of Revenue will assign filing frequencies to Providers based on the tax liability of the Provider. Initial filing frequencies will be assigned based on a Provider’s estimated tax liability. The filing frequencies and applicable due dates are as follows:

- Quarterly
 - A Provider whose total monthly tax liability is consistently less than \$100 per month.
 - Returns and payments due on or before the last day of the month following the end of the calendar quarter (e.g., April 30th, for the preceding calendar quarter of January, February, and March).
- Monthly
 - A Provider whose total monthly tax liability is consistently \$100 or more, but less than \$20,000 per month.
 - Returns and payments due on or before the 20th day of each month for all taxes due for the preceding calendar month (e.g., August 20th, for the month of July).

- Monthly with Prepayment
 - A Provider whose total monthly tax liability is consistently \$20,000 or more per month.
 - Returns and payment due on or before the 20th day of the following month.
 - Returns and payment must be made electronically.
 - Provider must make prepayments for the next period that equal at least 65% of any of the following:
 - The amount of tax due for the current month.
 - The amount of tax due for the same month in the preceding year.
 - The average monthly amount of tax due in the preceding calendar year.

For more information on filing frequency and due dates, refer to the [filing frequency and due dates](#) webpage.

Exemptions

Statutory Exemptions

[N.C. Gen. Stat. § 105-187.94](#) provides two exemptions from the transportation commerce tax. The exemptions are as follows:

1. Certain Public Transportation Rides - For-hire ground transport service provided by a Provider as public transportation on behalf of one of the following:
 - a. State agency,
 - b. a local board of education, or
 - c. a governmental entity¹ listed in [N.C. Gen. Stat. § 105-164.14\(c\)](#).
2. Sales the State cannot constitutionally tax.

Any other exemption authorized in N.C. Gen. Stat. § 105-164.13 or other statute does not apply to the transportation commerce tax. In addition, refunds authorized in N.C. Gen. Stat. § 105-164.14 do not apply to the transportation commerce tax. Finally, a direct pay permit does not apply to the transportation commerce tax.

Exemption Documentation

A Provider must keep proper documentation of exempt sales. The documentation must include documentation that a sale was exempt from tax and records of the receipts from each exempt sale. The type of required documentation that a sale was exempt depends on the purchaser. Copies of the documentation must be available for inspection by the Secretary or the Secretary's agents, upon request.

¹ The government entities include: a county, a city as defined in N.C. Gen. Stat. § 105-160A-1, a consolidated city-county as defined in N.C. Gen. Stat. § 105-160B-2, a public transportation authority created pursuant to Article 25 of Chapter 160A of the General Statutes, a regional public transportation authority created pursuant to Article 26 of Chapter 160A of the General Statutes, or a regional transportation authority created pursuant to Article 27 of Chapter 160A of the General Statutes.

- Sales to Approved Governmental Entity or Local Board of Education - Only sales of for-hire ground transport service provided by a Provider as public transportation on behalf of a governmental entity listed in [N.C. Gen. Stat. § 105-164.14\(c\)](#), or a local board of education, are exempt from tax. If you provide service subject to this exemption, you must receive and maintain a completed exemption certificate or the required data elements. For the transportation commerce tax, the required data elements are as follows:
 - Purchaser's name
 - Purchaser's address
 - Sales and use tax identification number, North Carolina issued exemption number, or FEIN of the governmental entity listed in N.C. Gen. Stat. § 105-164.14(c) or local board of education
 - Type of business (must list government)
 - Reason for exemption (must state the service was purchased as public transportation)
 - Signature (if provided by paper)

- Sales to a State Agency - Only sales of for-hire ground transport service provided by a Provider as public transportation on behalf of a State agency are exempt from tax. If you provide service subject to this exemption, you must receive and maintain one of the following:
 - A valid purchase order issued by the State agency that contains the exemption number of the agency and states the service was purchased as public transportation.
 - A completed exemption certificate, or the required data elements, including a description of the reason for the exemption that states the service was purchased as public transportation.

- Sales to United States Government - If you make an exempt sale to the United States Government, or a qualifying agency or instrumentality thereof, you must receive and maintain one of the following:
 - A properly completed exemption certificate;
 - Purchase requisitions or affidavits signed by a purchasing officer stating that such sales are being made directly to the United States Government or an agency or instrumentality thereof; or
 - Applicable credit cards issued by the United States Government or qualifying agency or instrumentality thereof to make a purchase exempt from tax. For additional information, see [SUTB 36-4](#).

- Sales to Diplomats and Other Foreign Officials - For information about sales to diplomats and other foreign officials, see [SUTB 36-4](#).

Examples

Example 1. A transportation authority (“Authority”) was created pursuant to Article 25 of Chapter 160A of the General Statutes. The Authority contracts with XYZ Taxi Co to provide for-hire ground transport services. The contract requires XYZ Taxi Co to provide rides to certain individuals with disabilities. The Authority provides the rides as

part of its public transportation service. The authority pays XYZ Taxi Co for the rides. In addition, the authority charges the individuals with disabilities a small fare.

XYZ Taxi Co's receipts from this service are exempt from the transportation commerce tax. The receipts are exempt because the service is provided as public transportation on behalf of a governmental entity listed in N.C. Gen. Stat. § 105-164.14(c). XYZ Taxi Co must obtain a completed exemption certificate from the Authority. In addition, XYZ Taxi Co must maintain records of the exempt sales to the Authority.

Example 2. A local board of education ("Board") contracts with ABC Taxi Co to provide for-hire ground transport services. The contract requires ABC Taxi Co to provide rides to certain students to and from school. The Board pays for the taxi rides instead of providing a school bus. The Board pays ABC Taxi Co for the rides.

ABC Taxi Co's receipts from this service are exempt from the transportation commerce tax. The receipts are exempt because the service is provided as public transportation on behalf of a local board of education. ABC Taxi Co must obtain a completed exemption certificate from the Board. In addition, ABC Taxi Co must maintain records of the exempt sales to the Board.

Example 3. A City ("City") sends two employees to a meeting in Charlotte. The employees take the train to Charlotte. The employees use the City's credit card to pay for Doe's Taxi to drive them to their hotel.

Doe's Taxi must collect the transportation commerce tax on the gross receipts from the ride because the service was not provided as public transportation. The taxi ride is an exclusive-ride service. The gross receipts are subject to the 1.5% tax rate.

Assistance

If you have questions about this directive, you may call the Department at 1-877-252-3052 (8:00 am until 4:30 pm EST, Monday through Friday).

To the extent there is any change in the rate or amount of tax, change to a statute or regulation, or new case law subsequent to the date of this directive, the provisions in this directive may be superseded or voided. To the extent that any provisions in any other notice, directive, bulletin, or published guidance regarding the subject of this directive and issued prior to the date of this directive conflict with this directive, the provisions contained in this directive supersede the previous guidance.