



Sales and Use Tax Division

This form includes an overview of many changes to the taxes administered by the Sales and Use Tax Division that were enacted by the 2022 Session of the General Assembly. The Department has published, or plans to publish, notices on many of the topics addressed within this document on the Department's website, www.ncdor.gov. The Department recommends that you subscribe to the Department's Tax Updates Email List ("E-Alerts") at www.ncdor.gov/file-pay/eservices/e-alerts to receive emails regarding information published by the Department.

The Department plans to publish its annual *Tax Law Changes* publication by the end of the calendar year on the Department's website, www.ncdor.gov, which will contain detailed explanations of the legislative changes. Legislative changes may supersede any information previously set forth in the Sales and Use Tax Administrative Rules, Bulletins, Notices, Directives, Private Letter Rulings, or other information published by the Department relating to any subject matter of the legislation.

As of October 1, 2022, sales and use tax imposed on the sales price of or the gross receipts derived from the retail sale of most tangible personal property, certain digital property, and certain services is 6.75% in fifty-one (51) counties; 7.00% in forty-five (45) counties; 7.25% in two (2) counties; and 7.50% in two (2) counties.

General State Rate	Local Rate	Transit Rate	Combined General State, Local and Transit Rate	County
4.75%	2.00%	-	6.75%	All counties not listed in this chart.
4.75%	2.25%	-	7.00%	Alexander, Alleghany, Anson, Ashe, Bertie, Buncombe, Cabarrus, Catawba, Chatham, Cherokee, Clay, Cumberland, Davidson, Duplin, Edgecombe, Forsyth, Gaston, Graham, Greene, Halifax, Harnett, Haywood, Hertford, Jackson, Jones, Lee, Lincoln, Madison, Martin, Montgomery, Moore, New Hanover, Onslow, Pasquotank, Pitt, Randolph, Robeson, Rockingham, Rowan, Rutherford, Sampson, Stanly, Surry, Swain, and Wilkes
4.75%	2.00%	.50%	7.25%	Mecklenburg and Wake
4.75%	2.25%	.50%	7.50%	Durham and Orange

The combined general rate of sales and use tax imposed on the sales price of or the gross receipts derived from telecommunications service and ancillary service, video programming, piped natural gas, electricity, antique spirituous liquor and spirituous liquor other than mixed beverages, and aviation gasoline and jet fuel continues to be 7.00% in all one hundred (100) counties. You can find detailed sales and use tax rate information on the Department's website, www.ncdor.gov.

PART I: DEFINITION CHANGES

Effective July 1, 2022, and applies to purchases made on or after such date

Interstate Air and Ground Courier – N.C. Gen. Stat. § 105-164.3(108) is added and defines "interstate air and ground courier" as "[a] person whose primary business is the furnishing of air and ground delivery of individually addressed letters and packages for compensation, in interstate commerce, except by the United States Postal Service."

Package Sorting Facility – N.C. Gen. Stat. § 105-164.3(166) is added and defines “package sorting facility” as “[a] facility that satisfies both of the following conditions:

- a. The facility is used primarily for sorting and distributing letters and packages for an interstate air and ground courier.
- b. The Secretary of Commerce has certified that an investment of private funds of at least one hundred million dollars (\$100,000,000) has been or will be made in real and tangible personal property for the facility within five years after the date on which the first property investment is made and that the facility will achieve an employment level of at least 400 within five years after the date the facility is placed into service and maintain that minimum level of employment throughout its operation.”

PART II: EXEMPTION CHANGES

Effective July 1, 2022, and applies to purchases made on or after such date

Interstate Air and Ground Couriers – N.C. Gen. Stat. § 105-164.13(45e) is added and provides an exemption from sales and use tax for “[s]ales to an interstate air and ground courier of materials handling equipment, automated conveyor systems, racking systems, and related parts and accessories for the storage or handling and movement of tangible personal property at its package sorting facility. A qualifying item listed in this subdivision purchased to fulfill a contract with an interstate air and ground courier is exempt to the same extent as if purchased directly by the interstate air and ground courier.

If the level of investment or employment required by [N.C. Gen. Stat. §] 105-164.3(166)b. is not timely made, achieved, or maintained, then the exemption provided under this subdivision is forfeited. If the exemption is forfeited due to a failure to timely make the required investment or to timely achieve the minimum required employment level, then the exemption provided under this subdivision is forfeited on all purchases. If the exemption is forfeited due to a failure to maintain the minimum required employment level once that level has been achieved, then the exemption provided under this subdivision is forfeited for those purchases occurring on or after the date the taxpayer fails to maintain the minimum required employment level. A taxpayer that forfeits an exemption under this subdivision is liable for all past sales and use taxes avoided as a result of the forfeiture, computed at the applicable State and local rates from the date the taxes would otherwise have been due, plus interest at the rate established under [N.C. Gen. Stat. §] 105-241.21. Interest is computed from the date the sales or use tax would otherwise have been due. The past taxes and interest are due 30 days after the date of forfeiture. A taxpayer that fails to pay the past taxes and interest by the due date is subject to the provisions of [N.C. Gen. Stat. §] 105-236.”

Effective October 1, 2022, and applies to sales made on or after such date

Wildlife Managers – N.C. Gen. Stat. § 105-164.13F is added and provides an exemption from sales and use tax for:

- (a) Definitions. – The following definitions apply in this section:
 - (1) Wildlife management activities. – One or more of the activities for which wildlife conservation land must be used to qualify for the wildlife conservation land classification under [N.C. Gen. Stat. §] 105-277.15.
 - (2) Wildlife manager. – A person who owns land classified and taxed as wildlife conservation land under [N.C. Gen. Stat. §] 105-277.15.
- (b) Exemption. – Certain items purchased by a wildlife manager and used primarily for wildlife management activities may be exempt from sales and use tax under this section. The items that may be exempt under this section are:
 - (1) Feed and feeders.
 - (2) Rodenticides, insecticides, herbicides, fungicides, and pesticides when their application is prescribed in and compatible with the objectives of the Wildlife Habitat Conservation Agreement.
 - (3) Commercial fertilizer, lime, land plaster, mulch, plant plugs, seedlings, saplings, seeds, and seed inoculants.
 - (4) Machinery used for one or more of the purposes listed in this subdivision. The term ‘machinery’ includes implements that have moving parts or are operated by an animal.

The term does not include implements operated solely by hand or motor vehicles required to be registered under Chapter 20 of the General Statutes. The purposes for which the machinery must be used are:

- a. To establish, restore, enhance, or maintain wildlife habitats.
 - b. To access or develop access to wildlife habitats.
 - c. To implement other wildlife management practices, including land and forest conservation and management.
- (5) Fuel that is measured by a separate meter or another separate device and used only to operate machinery exempt under subdivision (4) of this subsection and used for one or more of the purposes listed in subdivision (4) of this subsection. Examples of a separate device include a tank, a container, and a transfer tank.
 - (6) Fuel storage tanks, containers, transfer tanks, and pumps when used only to provide fuel to operate machinery exempt under subdivision (4) of this subsection and used for one or more of the purposes listed in subdivision (4) of this subsection.
 - (7) Materials, supplies, fixtures, and equipment that become part of or are used for one or more of the following:
 - a. The construction, repair, or improvement of an impoundment, wetland, or ephemeral pool specifically designed, constructed, and used for the benefit of one or more wildlife species.
 - b. Erosion control.
 - c. The installation and maintenance of infrastructure used to access land areas for wildlife management activities. Examples of this type of infrastructure include bridges, culverts, and gravel.
 - d. The construction and maintenance of structures used by wildlife for reproduction, travel, or cover. Examples of this type of structure include nest boxes, road crossing development, and structures providing cover or other valuable functions for life processes.
 - e. The construction and maintenance of fencing, signage, and other exclusion methods to protect wildlife from access by people or other species or to manipulate livestock access as a method of habitat management.
 - (8) Repair, maintenance, and installation services for items exempt under this subsection.
- (c) Exemption Certificate. – A wildlife manager may apply to the Secretary for an exemption certificate under [N.C. Gen. Stat. §] 105-164.28A. The exemption certificate is valid for three years and may be renewed. The exemption certificate expires when the wildlife manager ceases to engage in wildlife management activities or when the land no longer qualifies for classification and taxation under [N.C. Gen. Stat. §] 105-277.15. A person who no longer qualifies for an exemption certificate under this section must notify the Secretary within 30 days to cancel the exemption number.
 - (d) Contract with a Wildlife Manager. – A qualifying item listed in subdivision (7) of subsection (b) of this section purchased to fulfill a contract with a person who holds a wildlife manager exemption certificate issued under [N.C. Gen. Stat. §] 105-164.28A is exempt from sales and use tax to the same extent as if purchased directly by the person who holds the exemption certificate. A contractor that purchases one of the items allowed an exemption under this section must provide an exemption certificate to the retailer that includes the name of the wildlife manager certificate holder and the exemption number issued to the wildlife manager by the Department pursuant to [N.C. Gen. Stat. §] 105-164.28A. A contractor that purchases an item exempt from tax under this subsection must maintain records to substantiate that it is used to fulfill a contract with a person who holds a wildlife manager exemption certificate. The records must be maintained for at least three years.
 - (e) Services for Wildlife Manager. – An item exempt under subsection (b) of this section purchased to perform a service for a person who holds a wildlife manager exemption certificate issued under [N.C. Gen. Stat. §] 105-164.28A is exempt from sales and use tax to the same extent as if purchased directly by the person who holds the exemption certificate. A person that purchases one of the items allowed an exemption under this subsection must provide an exemption certificate to the retailer that includes the name of the wildlife manager certificate holder and the exemption number issued to the wildlife manager by the Department pursuant to [N.C. Gen. Stat.

§] 105-164.28A. A person that purchases an item exempt from tax under this subsection must maintain records to substantiate that it is used to provide a service for a person who holds a wildlife manager exemption certificate. The records must be maintained for at least three years."

Effective January 1, 2023, and applies to sales made on or after such date

Qualifying and Conditional Farmers Who Operate a Zoo – N.C. Gen. Stat. § 105-164.13E(a1) is added and provides an exemption from sales and use tax for “[a] qualifying farmer or conditional farmer who operates a zoo in addition to the farmer's farming operations is allowed a sales and use tax exemption under this subsection for the items used in the farmer's zoo operations. The income derived from the farmer's zoo operations is not included for purposes of determining if the farmer meets the qualifications for a qualifying farmer under [N.C. Gen. Stat. § 105-164.13E(a)] or the qualifications for a conditional farmer under [N.C. Gen. Stat. § 105-164.13E(b)]. The items that may be exempt from sales and use tax are the items listed under [N.C. Gen. Stat. § 105-164.13E(a)] that are purchased by a qualifying farmer or conditional farmer and used by the farmer primarily in zoo operations. The provisions of [N.C. Gen. Stat. §§ 105-164.13E(c) and 105-164.13E(c1)] apply to the exemption provided in this subsection. For purposes of this subsection, an item is used in a farmer's zoo operations if it is used for the housing, raising, or feeding of animals for public display."

PART III: PENALTY CHANGES

Effective January 1, 2023 and applies to tax assessed on or after such date

Failure to Pay Tax When Due – N.C. Gen. Stat. § 105-236(a)(4) is amended and provides “[i]n the case of failure to pay any tax when due, without intent to evade the tax, the Secretary shall assess a penalty equal to five percent (5%) of the tax. This penalty does not apply in any of the following circumstances:

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