



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 2023 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, ncdor.gov. The Department recommends that you subscribe to the Department's Tax Updates Email List ("E-Alerts") at 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, 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, 2023, 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, ncdor.gov.

PART I: NEW AND MODIFIED SALES AND USE TAX EXEMPTIONS AND REFUNDS

Effective April 3, 2023

Certain Annual Sales by a Nonprofit Civic, Charitable, Educational, Scientific, Literary, or Fraternal Organization

– N.C. Gen. Stat. § 105.13(35) was amended and provides an exemption from sales and use tax for “[s]ales by a nonprofit civic, charitable, educational, scientific, literary, or fraternal organization when all of the conditions listed in this subdivision are met. This exemption does not apply to gross receipts derived from an admission charge to an entertainment activity. The conditions are:

- a. The sales are conducted only upon an annual basis for the purpose of raising funds for the organization's activities.
- b. The proceeds of the sale are actually used for the organization's activities.
- c. The products sold are delivered to the purchaser within 60 days after the first solicitation of any sale made during the organization's annual sales period.
- d. Each annual sales period occurs at least 60 days after the beginning of the prior annual sales period.
- e. Each annual sales period funds a distinct and different program from the other annual sales periods occurring during the year.
- f. Each annual sales period sells products that are distinct and different from the products sold during the other annual sales periods occurring during the year.”

Effective October 1, 2023

Exemption for Compost Purchased By Farmers – N.C. Gen. Stat. § 105-164.13E(a)(2) was expanded to provide an exemption from sales and use tax for the purchase of compost by a qualified farmer or conditional farmer if used primarily in farming operations.

Effective October 3, 2023

Aviation Gasoline and Jet Fuel Sold to an Interstate Air Business for Use in a Commercial Aircraft – N.C. Gen. Stat. § 105-164.13(11b) was amended to extend the expiration date on this exemption until January 1, 2029.

Certain Sales to a Professional Motorsports Racing Team – N.C. Gen. Stat § 105.164.13(65) was amended to extend the expiration date on this exemption until January 1, 2028.

Engines Provided to a Professional Motorsports Racing Team – N.C. Gen. Stat. § 105-164.13(65a) was amended to extend the expiration date on this exemption until January 1, 2028.

Refund for Certain Purchases by a Motorsports Team and Sanctioning Body – N.C. Gen. Stat. § 105-164.14A(a)(4) was amended to extend the expiration date on this refund until January 1, 2029.

Refund for Certain Purchases by a Professional Motorsports Racing Team – N.C. Gen. Stat. § 105-164.14A(a)(5) was amended to extend the expiration date on this refund until January 1, 2028.

Effective November 1, 2023, and applies to sales occurring on or after that date

Fuel and Consumables Used by Boats Transporting Freight on Inland and Intracoastal Waterways

– N.C. Gen. Stat. § 105-164.13(24) was amended to expand the exemption for boats transporting freight. The statute now provides an exemption from sales and use tax for “[s]ales of fuel and other tangible personal property for use or consumption by or on a watergoing vessel when delivered to an officer or agent of the vessel for the use of the vessel engaged in either of the activities listed in this subdivision. Sales of fuel and other tangible personal property made to officers, agents, members of the crew, or passengers of these vessels for their personal use are not exempt from payment of the sales tax. The activities are:

- a. The transport of freight in intrastate, interstate, or foreign commerce, whether on the high seas, intracoastal waterways, sounds, or rivers.
- b. The transport of passengers for hire exclusively on the high seas.”

Continuing Care Retirement Communities – Session Law 2023-134, Section 42.10 creates an exemption from sales and use tax on “[s]ales of items by a provider of continuing care to its residents, other than sales of alcoholic beverages. A provider of continuing care must pay sales and use tax on the purchase price of an item that is exempt from tax under this subdivision as if the provider is the user of the item. As a result, the provider of continuing care is not required to pay sales or use tax if the purchase would be exempt if purchased for use, not resale, by the provider. The terms ‘provider,’ ‘continuing care,’ and ‘resident’ have the same meanings as defined in [N.C. Gen. Stat. §] 58-64-1. The term ‘alcoholic beverage’ has the same meaning as defined in [N.C. Gen. Stat. §] 18B-101.”

Sales of Breast Pumps and Certain Related Items – Session Law 2023-134, Section 42.16 creates an exemption from sales and use tax on “[s]ales of breast pumps, including repair and replacement parts, breast pump kits, and breast pump collection and storage supplies.” These items are defined in N.C. Gen. Stat § 105-164.3 as follows:

Breast Pumps – N.C. Gen. Stat. § 105-164.3 defines “breast pump” as “[a]n electrically or manually controlled pump device designed or marketed to be used to express milk from a human breast during lactation. The term includes the electrically or manually controlled pump device and any battery, AC adapter, or other power supply unit packaged and sold with the pump device at the time of sale to power the pump device.”

Breast Pump Collection and Storage Supplies – N.C. Gen. Stat. § 105-164.3 defines “breast pump collection and storage supplies as “[i]tems of tangible personal property designed or marketed to be used in conjunction with a breast pump to collect milk expressed from a human breast and to store collected milk until it is ready for consumption. The term includes breast shields and breast shield connectors, breast pump tubes and tubing adapters, breast pump valves and membranes, backflow protectors and backflow protector adaptors, bottles and bottle caps specific to the operation of the breast pump, breast milk storage bags, and other items that may be useful to initiate, support, or sustain breast-feeding using a breast pump during lactation that may be sold separately, but are generally sold as part of a breast pump kit. The term does not include (i) bottles and bottle caps not specific to the operation of the breast pump, (ii) breast pump travel bags and other similar carrying accessories, including ice packs, labels, and other similar products, (iii) breast pump cleaning supplies, (iv) nursing bras, bra pads, breast shells, and other similar products, and (v) creams, ointments, and other similar products that relieve breastfeeding-related symptoms or conditions of the breasts or nipples, unless sold as part of a breast pump kit pre-packaged by the breast pump manufacturer or distributor.”

Breast Pump Kit – N.C. Gen. Stat. § 105-164.3 defines “breast pump kit” as “[a] kit that contains a breast pump and one or more of the following items: breast pump collection and storage supplies and other taxable items of tangible personal property that may be useful to initiate, support, or sustain breast-feeding using a breast pump during lactation, so long as the other taxable items of tangible personal property sold with the breast pump kit at the time of sale are less than ten percent (10%) of the total sales price of the breast pump kit.”

Exemptions for Qualified Aircraft – N.C. Gen. Stat. § 105-164.3(197) was amended to broaden the definition of “qualified aircraft.” The law now defines “qualified aircraft” as “[a]n aircraft with a maximum take-off weight of 2,000 pounds and above.” This change impacts the following two sales and use tax exemptions:

- N.C. Gen. Stat. § 105-164.13(45d) for “[p]arts and accessories for use in the repair or maintenance of a qualified aircraft or a qualified jet engine.”
- N.C. Gen. Stat. § 105-164.13(61a)m. for “repair, maintenance, and installation services and service contracts” for a qualified aircraft. As part of this change, the exemption in N.C. Gen. Stat. 105-164.13(61a)m. no longer separately includes “[a]n aircraft with a gross take-off weight of more than 2,000 pounds.”

PART II: MARKETPLACE FACILITATOR CHANGES

Effective April 3, 2023

Recover Sales Tax Paid: N.C. Gen. Stat. § 105-164.11B(b) was added to allow a marketplace facilitator to recover sales and use tax it pays on certain sales it facilitates. The statute provides the following:

“(b) Marketplace Facilitators. – A marketplace facilitator may recover the sales or use tax originally paid to a marketplace seller as provided in this subsection when the marketplace facilitator pays sales and use tax to a marketplace seller on a marketplace-facilitated sale for which the marketplace facilitator is considered the retailer pursuant to [N.C. Gen. Stat. §] 105-164.4J(b), and the tax is separately stated on an invoice or similar billing document given to the marketplace facilitator at the time of sale. A marketplace facilitator entitled to recover tax under this subsection may reduce taxable receipts by the taxable amount of the marketplace-facilitated sale that is taxed by the marketplace seller for the period in which the retail sale occurs. A recovery of tax allowed under this subsection is not an overpayment of tax and, where the recovery is taken, a refund of the tax originally paid may not be requested from the seller pursuant to the authority under [N.C. Gen. Stat. §]. 105-164.11. Any amount for tax recovered under this subsection in excess of tax due for a reporting period under this Article is not subject to refund. Any tax recovered under this subsection may be carried forward to a subsequent reporting period and taken as an adjustment to taxable receipts. The records of the retailer must clearly reflect and support the adjustment to taxable receipts for the period in which the adjustment is made.”

PART III: OTHER CHANGES

Effective April 3, 2023

Statute of Limitations on Collections – N.C. Gen. Stat. § 105-241.24 is added and provides “[t]he Department may collect a tax for a period of 10 years from the date it becomes collectible under [N.C. Gen. Stat. §] 105-241.22. The 10-year period may be tolled for the same reasons the enforcement period for a certificate of tax liability may be tolled under [N.C. Gen. Stat. §] 105-242(c). If the tax is not collected within the time frame authorized under this section, the remaining liability is abated.”