



Roy Cooper
Governor

Ronald G. Penny
Secretary

Important Notice: Impact of Market Based Sourcing on Private Letter Rulings Issued Prior to January 1, 2020.

Taxpayers that have taxable business activities in states outside of North Carolina are required to apportion their income between this State and the other states in which they do business.¹ Each state utilizes a formula to determine the amount of taxable income that is subject to tax within that state. For tax years beginning on or after January 1, 2018, the North Carolina apportionment formula consists of a sales factor only, unless an exception applies.²

On November 8, 2019, North Carolina Governor Roy Cooper signed Senate Bill 557 into law. The new law implements market-based sourcing and requires a multistate corporation to compute its sales factor based on the taxpayer's market for its receipts.³ For example, prior to the passage of the new law, taxpayers with receipts derived from providing a service were required to source those receipts based on the location of the "income-producing" activities that gave rise to the receipts pursuant to N.C. Gen. Stat. § 105-130.4(l)(3)(c). As a result, private letter rulings that addressed the sourcing of receipts that are modified or changed by the new law that were issued by the Corporate Tax, Personal Tax, or Income Tax Division are void and no longer applicable for taxable years beginning on or after January 1, 2020.

Assistance

If you have any questions about this notice, you may call the Corporate Tax Division at 919-814-1163 (8:00 am until 5:00 pm EST, Monday through Friday), or write to Corporate Tax Division, PO Box 871, Raleigh, NC 27602.

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or regulation, or new case law subsequent to the date of this notice, the provisions in this important notice may be superseded or voided.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

¹ N.C. Gen. Stat. § 105-130.4(b)

² N.C. Gen. Stat. § 105-130.4(i)

³ Session Law 2019-246, § 3.(a).