

STATE NAME: North Carolina

**Streamlined Sales Tax Governing Board
Section 328 Best Practices Matrix**

Effective Date: June 30, 2014

Completed by: Eric K. Wayne
E-mail address: eric.wayne@dornco.com
Phone number: 919-814-1082
Date Submitted: June 27, 2014

The “best practices” have been approved by the Streamlined Sales Tax Governing Board (SSTGB) for each of the products, procedures, services, or transactions identified in the chart below pursuant to Section 335 of the Streamlined Sales and Use Tax Agreement (SSUTA), as amended through May 15, 2014.

Use of the term “State” in each practice refers to the state completing the Matrix.

Place an “X” in the appropriate column to indicate whether the practice does or does not apply in your state.

For each practice identified in this matrix and further described in Appendix E of the SSUTA which your state follows, place an “X” in the “Yes” column and enter the statute or rule that applies to your state’s treatment of this “best practice” in the References column.

For each practice identified in this matrix and further described in Appendix E of the SSUTA that your state does not follow, place an “X” in the “No” column and, if necessary, describe in the Comments column your state’s practice in this area.

Sellers and certified service providers are relieved from tax liability to the member state and its local jurisdictions for having charged and collected the incorrect amount of sales or use tax resulting from the seller or certified service provider relying on erroneous data provided by the member state in the best practices matrix.

Conformance to a “best practice” by a state is voluntary and no state shall be found not in compliance with the Agreement if it does not follow a best practice adopted by the Governing Board.

STATE NAME: North Carolina

Streamlined Sales Tax Governing Board
Section 328 Best Practices Matrix

Effective Date: June 30, 2014

Best Practice from Appendix E	Brief Description of Best Practice	For each section, place an "X" in the YES column for the Practice your State follows. Place an "X" in the NO column if the practice does not apply in your State.		For sections with only NO responses, describe your State's tax treatment. Additional comments may be added for any response.	
		Yes	No	References: Statute, Rule, Cite	Comments
Best Practice 2 – Credits					
Definition	"Tax Paid" means the tax that was (1) paid and (2) previously due from either the seller or the purchaser when the sale of that product is taxable in that state and it was properly sourced based on that state's sourcing rules. "Tax paid" includes tax that was (1) paid and (2) previously due from the purchaser (or seller, if applicable) because the purchaser moved the product to a different jurisdiction. "Tax paid" does not include the portion of tax paid that is currently eligible for a credit or refund or tax paid that is eligible for refund under a tax-incentive program or agreement.				

STATE NAME: North Carolina

**Streamlined Sales Tax Governing Board
Section 328 Best Practices Matrix**

Effective Date: June 30, 2014

Credits 2.1	2.1 Credit Against Use Tax The State imposing tax on the purchaser provides credit for “sales or use taxes paid” on a product against the State’s use tax.	X		N.C. Gen. Stat. § 105-164.6(c)(1)	
Credits 2.2	2.2 Credit Against Sales Tax The State imposing tax provides credit for the “sales or use taxes paid” on a product against the State’s sales tax.		X		Credit is allowed against sales tax due in situations where a taxpayer treats a transaction as subject to use tax in error and accrues and pays tax to the State. Additionally, credit is allowed in audit situations as noted per 2.12.
Credits 2.3.a.	2.3 Reciprocity 2.3.a. The credit the State provides in 2.1 and 2.2 applies regardless of whether another state provides a reciprocal credit.		X	N.C. Gen. Stat. § 105-164.6(c)(2)	No credit allowed for tax paid to a state that does not grant a similar credit. Credit only allowed against use tax due for sales tax properly paid to another state.
Credits 2.3.b.	2.3.b. The credit the State provides in 2.1 and 2.2 only applies when the other state where the tax was paid provides a reciprocal credit.		X	N.C. Gen. Stat. § 105-164.6(c)(2)	Credit is only allowed for sales tax paid to another state against use tax due to the State.
Credits 2.4.a.	2.4 State and Local Sales Use “Tax Paid” 2.4.a. The credit provided for in 2.1 and 2.2 is for the combined amount of state and local “tax paid” to another state or local jurisdiction against both the state and local taxes due to the State.		X		
Credits 2.4.b.	2.4.b. The credit provided for in 2.1 and 2.2 is for only the state “tax paid” to another state against the taxes due to the State (<i>i.e.</i> , no credit for local tax	X		N.C. Gen. Stat. §§ 105-164.4, 105-164.6, 105-467, 105-468, 105-483, 105-498,	

STATE NAME: North Carolina

**Streamlined Sales Tax Governing Board
Section 328 Best Practices Matrix**

Effective Date: June 30, 2014

	against state tax). If the State has local sales or use taxes, it only provides credit for state tax against state tax and local tax against local tax.			105-537	
Credits 2.5	<p>2.5 Credit for “Similar Tax” Paid to Another Jurisdiction</p> <p>The credit provided for in 2.1 and 2.2 includes “similar taxes” that were (1) paid and (2) previously due to another state or local jurisdiction against the sales or use taxes due.</p> <p>List all known similar or like taxes the state provides credit for even if such tax does not meet the definition of a “similar tax.”</p> <ul style="list-style-type: none"> a. Highway use tax b. Alternate tax on rental of motor vehicles c. Scrap tire disposal tax d. Mill machinery privilege tax – general e. Mill machinery privilege tax – certain industries f. Datacenter privilege tax g. Large manufacturing and distribution facility machinery privilege tax. h. White goods disposal tax 	X		<p>N.C. Gen. Stat. §§ 105-187.3, 105-187.5, 105-187.7, 105-187.16, 105-187.17, 105-187.21, 105-187.22, 105-187.51, 105-187.51B, 105-187.51C, 105-187.51D, 105-187.52</p>	<p>Taxes due and payable under NCGS 105-187.3 are payable to the NC Division of Motor Vehicles at the time of titling and such are not administered by the Department of Revenue.</p>
Credits 2.6	<p>2.6. Credit Against “Similar Tax” Imposed by the State</p> <p>The credit provided for in 2.1 and 2.2 includes “sales or use taxes paid” to another state or local jurisdiction against “similar taxes” due.</p> <p>List “similar taxes” imposed that the state provides credits against.</p> <ul style="list-style-type: none"> a. Highway use tax 		X	<p>N.C. Gen. Stat. §§ 105-187.3, 105-187.5, 105-187.7, 105-187.16, 105-187.17, 105-187.21, 105-187.22, 105-187.51, 105-187.51B, 105-187.51C, 105-187.51D, 105-187.52</p>	<p>Credit is only allowed for sales tax paid to another state against use tax due to the State.</p>

STATE NAME: North Carolina

**Streamlined Sales Tax Governing Board
Section 328 Best Practices Matrix**

Effective Date: June 30, 2014

	b. Alternate tax on rental of motor vehicles c. Scrap tire disposal tax d. Mill machinery privilege tax – general e. Mill machinery privilege tax – certain industries f. Datacenter privilege tax g. Large manufacturing and distribution facility machinery privilege tax h. White goods disposal tax				
Credits 2.7	2.7 Sourcing when Receipt Location is Known The credit provided for in 2.1 and 2.2 applies when the other state's "sales or use taxes" were (1) paid and (2) previously due based on: i) that other state's sourcing rules, or ii) the purchaser's location of use of a product subsequent to the initial sale.		X	N.C. Gen. Stat. § 105-164.6(c)	Credit is only allowed for sales tax paid to another state against use tax due to the State.
Credits 2.8	2.8 Sourcing when Receipt Location is Unknown Except as provided in Best Practice 2.13, the credit provided for in 2.1 and 2.2 applies when the seller sources the initial sale pursuant to the SSUTA Sections 310.A.3, 310.A.4, or 310.A.5, because the location where the product was received by the purchaser was unknown to the seller.		X	N.C. Gen. Stat. § 105-164.6(c)	Credit is only allowed for sales tax paid to another state against use tax due to the State.
Credits 2.9	2.9 Characterization of Sale The credit provided for in 2.1 and 2.2 applies regardless of the other state's characterization of the product as tangible personal property, a service, digital good, or product delivered electronically.		X	N.C. Gen. Stat. § 105-164.6(c)	Credit is only allowed for sales tax paid to another state against use tax due to the State.

STATE NAME: North Carolina

**Streamlined Sales Tax Governing Board
Section 328 Best Practices Matrix**

Effective Date: June 30, 2014

Credits 2.10.a.	2.10 Sales Price Components 2.10.a. Full Credit Allowed. The credit provided for in 2.1 and 2.2 applies to all components of the SSUTA "sales price" definition, whether taxable or nontaxable in the State.		X	N.C. Gen. Stat. § 105-164.4(c)	Credit is only allowed for sales tax paid to another state against use tax due to the State.
Credits 2.10.b.	2.10.b. Partial Credit Allowed When taxable and non-taxable charges are itemized on the invoice, the credit provided for in 2.1 and 2.2 is only for the "tax paid" on the taxable components of the sales price in the State.		X	N.C. Gen. Stat. § 105-164.4(c)	Credit is only allowed for sales tax paid to another state against use tax due to the State.
Credits 2.11.a.	2.11 Transactions with Taxable and Exempt Products 2.11.a. Full Credit Allowed The credit provided for in 2.1 and 2.2 applies to the full amount of "tax paid" on a transaction consisting of taxable and exempt products.		X	N. C. Gen. Stat. § 105-164.6(c)	Credit is only allowed for sales tax paid to another state against use tax due to the State.
Credits 2.11.b.	2.11.b. Partial Credit Allowed. When taxable and non-taxable products are itemized on the invoice the credit provided for in 2.1 and 2.2 is only for the "tax paid" on the taxable products of a transaction in the State.		X	N. C. Gen. Stat. § 105-164.6(c)	Credit is only allowed for sales tax paid to another state against use tax due to the State.
Credits 2.12	2.12 Audit Sampling The credit provided for in 2.1 and 2.2 applies when the sale or purchase of the product was part of the population sampled pursuant to an audit sampling		X	N. C. Gen. Stat. § 105-164.6(c)	Credit is only allowed for sales tax paid to another state against use tax due to the State. An exception is allowed through an examination where a taxpayer is

STATE NAME: North Carolina

**Streamlined Sales Tax Governing Board
Section 328 Best Practices Matrix**

Effective Date: June 30, 2014

	method.				liable for sales tax and paid tax at the time of purchase in error on a transactions through failure to issue a proper exemption certificate.
Credits 2.13	2.13 Direct Mail The credit provided for in 2.1 and 2.2 applies when the seller sources the sale of Advertising and Promotional Direct Mail pursuant to Section 313.A.4.	X			Credit is only allowed for sales tax paid to another state against use tax due to the State.
Credits 2.14	2.14 Accelerated Payments on Lease/Rentals The credit provided for in 2.1 and 2.2 includes the "tax paid" to another state or local jurisdiction on a lease/rental transaction based on the sum of the lease payments ("accelerated basis"), against the "sales or use taxes" due on the balance of the lease/rental payments.		X	N.C. Gen. Stat. § 105-164.6(c)	Sales tax is due on the gross receipts for lease payments after the property is located in the State. Credit is allowed in the State for any sales or use tax paid on the accelerated basis in an amount equal to the amount of tax that would have been due on the lease/rental payment had the tax not been paid on an accelerated basis.
Credits 2.15	2.15 Inception-Deferred Collection on Lease/Rentals The credit provided for in 2.1 and 2.2 includes the "tax paid" to another state or local jurisdiction on a lease/rental transaction based on a deferred collection/remittance method against the "sales or use taxes" due on the balance of the lease/rental payments.		X	N.C. Gen. Stat. § 105-164.6(c)	No credit allowed for tax paid to another state after the property is moved to the State. Sales tax is due on the lease/rental billings after the property is moved to the State. It is unclear that the tax was imposed and due to the other state based on the question.

STATE NAME: North Carolina

**Streamlined Sales Tax Governing Board
Section 328 Best Practices Matrix**

Effective Date: June 30, 2014

Credits 2.16	2.16 Lessor Acquisition. The credit provided for in 2.1 and 2.2 includes the “tax paid” by the lessor to another state or local jurisdiction on the acquisition of the product against the “sales or use taxes” due on the balance of the lease/rental payments provided the tax reimbursement is documented and disclosed to the lessee.		X		Sales tax is imposed on the lessor of the property located in the State. As such, credit would not be allowed for tax paid to another State.
--------------	---	--	---	--	--