



IMPORTANT NOTICE: EXEMPTION FOR ALCOHOLIC BEVERAGE MANUFACTURERS

The following important information is addressed in this notice:

- Effective October 1, 2021, North Carolina provides an exemption from sales and use tax for sales of qualifying items to an authorized alcoholic beverage manufacturer.
- Guidance issued by the Department that will apply to authorized alcoholic beverage manufacturers.
- The documentation required to substantiate that a purchase is exempt from sales and use tax.

Exemption

On September 10, 2021, Governor Cooper signed into law [Session Law 2021-150](#). The law creates an exemption for sales of qualifying items to eligible alcoholic beverage manufacturers (“Alcoholic Beverage Manufacturers Exemption”). N.C. Gen. Stat. § 105-164.13(5q). The exemption applies to sales made on or after October 1, 2021. The Alcoholic Beverage Manufacturers Exemption exempts from sales and use tax:

Sales of machinery, equipment, parts, and accessories to the following permittees for use in the manufacture of the following items and supplies and ingredients used or consumed by the permittee in the manufacturing process:

- a. The holder of an unfortified winery permit for the manufacture of unfortified wine, as authorized in G.S. 18B-1101.
- b. The holder of a fortified winery permit for the manufacture of fortified wine, as authorized in G.S. 18B-1102.
- c. The holder of a brewer permit for the manufacture of malt beverages, as authorized in G.S. 18B-1104.
- d. The holder of a distillery permit for the manufacture of spirituous liquor, as authorized in G.S. 18B-1105.

Additional Guidance

The Department publishes [Sales and Use Tax Bulletins](#) (“Bulletins”) which interpret the North Carolina Sales and Use Tax Act. Some of the interpretations found in the Bulletins will apply to a permit holder listed in N.C. Gen. Stat. § 105-164.13(5q) (“Permittee”). The applicable Bulletins¹ include:

- **Bulletin 57-1 - Classification of Activities** - This Bulletin classifies the three principal activities of a manufacturing industry or plant. The three principal activities are production, distribution, and administration.

¹ Bulletin references are to the 2020 Bulletins published on January 1, 2021.

The Alcoholic Beverage Manufacturers Exemption applies to the sale of certain supplies, ingredients, machinery, equipment, parts, and accessories (collectively “Eligible Items”). To qualify for the exemption, the Permittee must purchase the Eligible Items and use or consume the Eligible Items in the alcoholic beverage manufacturing process. As stated in Bulletin 57-1, Eligible Items must be primarily used or consumed in the production phase to be part of the manufacturing process and subject to the Alcoholic Beverage Manufacturers Exemption. Sales of taxable items primarily used in the distribution or administration phases are not exempt from tax because they are not primarily used in the manufacture of alcoholic beverages.

- **Bulletin 57-5 - Bottling Plants** - This bulletin provides guidance about purchases for bottling plants. This guidance will apply to Eligible Permittees who bottle the alcoholic beverages they produce.
- **Bulletin 58-1 - Sales by a Manufacturer** - This bulletin provides guidance about retail sales made by a manufacturer. This guidance will apply to Eligible Permittees who make retail sales of the alcoholic beverages they produce.
- **Bulletin 58-3 - Use Tax Liability of Manufacturers** - This bulletin provides guidance about use tax liability of manufacturers. This guidance will apply to Eligible Permittees who make purchases of taxable items.

Documentation Required for Exempt Purchases

If a Permittee purchases an item that qualifies for the Alcoholic Beverage Manufacturers Exemption, the Permittee must provide the seller a properly completed [Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption](#), or electronically provide the required data elements. The required data elements are: the Permittee’s name, address, certificate of registration number, reason for exemption, type of business, and, if providing a paper certificate, the Permittee’s signature. The Permittee should list N.C. Gen. Stat. § 105-164.13(5q) as the reason for the exemption and select “manufacturing” as the type of business.

In addition, if a Permittee purchases an item that qualifies for the Alcoholic Beverage Manufacturers Exemption, it must maintain records that demonstrate the purchased item qualifies for the exemption.

Assistance

If you have questions about this notice, 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 notice, the provisions in this important notice 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 notice and issued prior to the date of this notice conflict with this important notice, the provisions contained in this important notice supersede the previous guidance.