

October 2005

North Carolina Department of Revenue
Post Office Box 25000
Raleigh, North Carolina 27640-0001

IMPORTANT NOTICE: Additional 1% Dare County Sales and Use Tax

Effective January 1, 2006

The 2004 session of the General Assembly enacted legislation that provides Dare County with authority to levy an additional 1% local sales and use tax for beach nourishment. In accordance with the provisions of the legislation, the Dare County Board of Commissioners adopted a resolution levying the additional 1% sales and use tax effective January 1, 2006.

Effective January 1, 2006, the total local rate of tax in Dare County will increase from 2½% to 3½%, resulting in a combined State and local rate of 8%. The additional 1% county tax will apply only to sales of tangible personal property and other transactions that are subject to the State 4½% rate of sales or use tax. Sales of food that are subject to the 2% county rate of tax are not subject to the additional 1% Dare County tax or to State sales or use tax. All of the provisions of the Local Government Sales and Use Tax Law with respect to a retailer with a place of business in a taxing county and a retailer required to collect use tax in a taxing county and the liability for local tax are applicable to the new levy.

The legislation provides that the additional 1% county sales and use tax does not apply to construction materials purchased to fulfill a lump-sum or unit-price contract entered into or awarded before the effective date of the levy or entered into or awarded pursuant to a bid made before the effective date of the levy. Form E-589C, Affidavit to Exempt Contractors from the Additional 1% Dare County Sales and Use Tax, or other sufficient documentation is to be used by contractors or subcontractors who are engaged in performing any such contracts or will be awarded contracts pursuant to such bids submitted before January 1, 2006. The Affidavit or other documentation is to be executed by the contractors or subcontractors and provided to the suppliers of building materials, supplies, and fixtures to affirm that the property will be used in connection with such contracts. The contractors or subcontractors and their suppliers should keep a copy of the Affidavit or other documentation in their files, and the contractors or subcontractors must retain the original or a duplicate of any lump-sum or unit-price contract in their files. Copies of the Affidavit can be obtained by accessing the Department's website at www.dorncc.com or by contacting the Forms Line at 1-877-252-3052.

The sales and use tax returns for the period October 2005 through September 2006 contain a "1% Additional County Rate" line which will be used for reporting and remitting the additional Dare County sales and use tax starting with returns for

periods beginning January 1, 2006. Supplies of these returns are distributed annually to monthly filers during the month of October and to quarterly filers during the month of December.

Taxpayers who report and pay sales and use tax on the cash basis of accounting will not be liable for remitting the additional 1% Dare County tax on collections made on or after January 1, 2006 for sales made prior to January 1, 2006. The lease receipts derived by lessors in Dare County who have entered into lease agreements with lessees prior to January 1, 2006, for a definite stipulated period of time to lease property that is subject to the general State rate of sales or use tax will continue to be subject to only the 2½% county sales and use tax for the term of the lease agreement.

Taxpayers who are liable for remitting tax for more than one county should file Form E-536, Schedule of County Sales and Use Taxes. This form includes entries for the combined 2½% tax for each county and the ½% Mecklenburg County Public Transit tax. A line has also been added for reporting the Dare County Additional 1% Tax. The form can be downloaded from the Department's website or can be ordered from the Department's Forms Line.

A tax chart has been prepared which sets out the combined 8% State and county tax. The 8% tax charts can be ordered from the Forms Line and are available on the Department's website. Questions about the additional 1% Dare County sales and use tax can be directed by telephone to the Taxpayer Assistance Division at 1-877-252-3052 or by mail to the Taxpayer Assistance Division, North Carolina Department of Revenue, Post Office Box 25000, Raleigh, North Carolina 27640-0001.

On-Line Filing Available

Taxpayers can file sales and use tax returns and make payment on-line. Information on electronic filing and payment can be accessed at the Department's website, www.dornc.com. Questions about electronic filing should be directed to the E-Services Help Line at telephone number (919) 733-4645 or 1-877-308-9103 (toll free) Monday through Friday between the hours of 8:00 a.m. and 5:00 p.m. Eastern Time.