



**Sales and Use Tax Division
North Carolina Department of Revenue
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IMPORTANT NOTICE: INTERNET TAX FREEDOM ACT

The Internet Tax Freedom Act ("ITFA") is set to expire December 11, 2014 unless Congress should extend the sunset. North Carolina does not currently impose a sales and use tax on receipts derived from providing Internet access service. Should the ITFA expire, Internet access service charges will continue to be exempt from sales and use tax.

Should the ITFA expire, the gross receipts derived from providing telecommunications service to Internet service providers for use in providing Internet access are subject to the 7% combined general rate of sales and use tax for any billing period that begins on or after January 12, 2015. The Revenue Laws Study Committee of the North Carolina General Assembly during its December 9, 2014 meeting indicated its intent to consider delaying the effects of the ITFA expiration including a possible 90 day abeyance of sales and use tax on the gross receipts derived from providing telecommunications service to Internet service providers for use in providing Internet access. The Department will continue to monitor the status of the ITFA and will provide additional information in the event there are changes that will affect the guidance in this notice.

An Internet service provider that issues a certificate of exemption to purchase telecommunications service to provide Internet access without payment of sales and use tax is liable for payment of the 7% combined general rate of use tax on the gross receipts for such telecommunications service for billing periods that begin on or after January 12, 2015, unless such purchaser rescinds the certificate of exemption and advises the provider of the telecommunications service to charge the applicable sales and use tax.

This Important Notice is based on legislation that is in effect as of December 10, 2014. To the extent that there is any change in statute or regulation or a case law subsequent to December 10, 2014, the provisions in this Important Notice may be superseded or voided.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 sales and use tax issued prior to the date of this notice conflicts with this Important Notice, the provisions contained in this Important Notice supersede.