

North Carolina Department Of Revenue
Post Office Box 25000
Raleigh, North Carolina 27640-00

IMPORTANT NOTICE: SALES AND USE TAX RATE CHANGE

I. INCREASE IN STATE SALES AND USE TAX RATE BY 1%

The General Assembly enacted legislation to temporarily increase the State rate of sales and use tax by 1%. The increase is effective September 1, 2009 and scheduled to expire July 1, 2011. Effective September 1, 2009, the general State rate of sales and use tax will increase from 4.5% to 5.5%. Taxable sales, purchases or services that are subject to the general State rate of tax are also subject to the 2.25% county tax in all counties except Alexander, Catawba, Cumberland, Haywood, Martin, Pitt, Sampson, and Surry where the county rate is 2.5%. Mecklenburg County has an additional 0.5% county rate. The combined rate will be 7.75% in ninety-one counties, 8% in Alexander, Catawba, Cumberland, Haywood, Martin, Pitt, Sampson, and Surry Counties, and 8.25% in Mecklenburg County. Tax charts are available on the Department's website at www.dornc.com.

Taxable sales, gross receipts, purchases and services that were subject to the 4.5% State rate of tax prior to September 1, 2009 will be subject to the 5.5% State tax on and after September 1, 2009 with the following exceptions:

- Gross receipts from the lease of tangible personal property that is delivered to a lessee prior to September 1, 2009 and leased for a definite stipulated period of time will continue to be subject to the 4.5% State tax and applicable county tax for the remainder of the lease.
- Construction materials purchased or sold on and after September 1, 2009 to fulfill a lump-sum or unit-price contract entered into or awarded prior to September 1, 2009, or entered into or awarded pursuant to a bid made prior to September 1, 2009, will continue to be subject to the 4.5% State tax and applicable county tax. Form E-589E, Affidavit to Exempt Contractors from the Additional 1% State Tax, must be executed by the contractor or subcontractor to obtain the 4.5% State rate. Form E-589E is available from the Department and on the Department's website at www.dornc.com.

A sale is complete when delivery is made to the purchaser. Therefore, except for circumstances such as those above, the increased rate of sales and use tax will apply to all taxable sales and purchases of property or services delivered on or after the effective date of September 1, 2009, irrespective of the date the order was placed.

II. INSTRUCTIONS FOR REPORTING SALES AND USE TAX FOR SEPTEMBER 2009

Our **online** file and pay system will continue to reflect the 4.5% tax rate. In order to file the return correctly all monthly, monthly with prepayment, and quarterly filers will utilize a worksheet that will be provided during the online filing process in order to correctly report and pay the proper amount of tax.

The **paper** Form E-500, Sales and Use Tax Return, will reflect the 4.5% State rate for the month of September 2009. In order for your sales and use tax return to process correctly, follow the instructions based on your filing frequency.

- For monthly and monthly with prepayment filers:
 - Take the amount of “Purchases for Use” for the month of September 2009 and compute the tax due on the amount at the 5.5%(.055) State tax rate. Next take the amount of “Receipts” for the month of September 2009 and compute the tax due on the amount at the 5.5%(.055) State tax rate.
 - The next set of calculations is to separately adjust purchases and receipts amounts to be reflected on Form E-500. Take the **tax** for “Purchases for Use” calculated in the above instructions and divide by 4.5%(.045) creating adjusted “Purchases for Use.” Take the **tax** for “Receipts” calculated in the above instructions and divide by 4.5%(.045) creating adjusted “Receipts.”
 - Take the adjusted “Purchases for Use” and adjusted “Receipts” amounts and enter them in their respective columns on Line 4 of the Form E-500. Add the adjusted “Purchases for Use” and adjusted “Receipts” amounts and compute the tax due on the combined amount at the 4.5%(.045) State tax rate.
- For quarterly tax filers:
 - Add the amounts of “Purchases for Use” for the months of July and August 2009. Then add the amounts of “Receipts” for the months of July and August 2009. Compute the tax due on the purchases and receipts amount at the 4.5%(.045) State rate.
 - Take the amount of “Purchases for Use” for the month of September 2009 and compute the tax due on the amount at the 5.5%(.055) State tax rate. Next take the amount of “Receipts” for the month of September 2009 and compute the tax due on the amounts at the 5.5%(.055) State tax rate.
 - The next set of calculations is to separately adjust purchases and receipts amounts to be reflected on Form E-500. Add the **tax** for “Purchases for Use” for July, August and September calculated in the above instructions and divide that sum by 4.5%(.045) creating adjusted “Purchases for Use.” Add the **tax** for “Receipts” for July, August and September calculated in the above instructions and divide that sum by 4.5%(.045) creating adjusted “Receipts.”
 - Take the adjusted “Purchases for Use” and adjusted “Receipts” amounts and place them in their respective columns on Line 4 of the Form E-500. Add the adjusted “Purchases for Use” and adjusted “Receipts” amounts and compute the tax due on the combined amount at the 4.5%(.045) State tax rate.

The Department will have interactive worksheets available on our website at www.dorn.com.

III. ADDITIONAL INFORMATION

Questions about this notice can be directed to the Taxpayer Assistance and Collection Center at telephone number 1-877-252-3052 (toll-free) or in writing to the Taxpayer Assistance Division, North Carolina Department of Revenue, Post Office Box 25000, Raleigh, North Carolina 27640-0001.