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This document lists additional changes made by the 2001 General Assembly to taxes administered by the Sales and Use Tax Division following the issuance of Form E-505. These changes supersede any information previously set forth. The changes are cited by topic.

Food

The definition of food under G.S. 105-164.3(5a) that took effect January 1, 2002 was amended to delete the provision that the term did not include alcoholic beverages.

G.S. 105-164.13B was amended to add alcoholic beverages as items that are not exempt from State sales tax. This section was also amended to provide that candy, soft drinks, and prepared food are subject to State tax unless sold for home consumption and eligible for purchase under the Federal Food Stamp Program.

Newspapers

Effective January 1, 2002, G.S. 105-164.13(28) was amended to exempt newspapers sold through vending machines from sales or use tax.

Fertilizer and Seeds

Effective February 1, 2002, G.S. 105-164.13(1) was amended to exempt fertilizer, lime, land plaster, and seeds sold to farmers for agricultural purposes. Previously, the exemption for fertilizer on which the inspection tax was paid and the exemption for seeds applied to whomever the products were sold.

Electricity

Effective January 1, 2002, sales of electricity to a manufacturing industry or plant for use in operating the industry or plant are subject to 0.17% rate of tax if the manufacturer uses over 900,000 megawatt hours of electricity in a fiscal year beginning July 1. Sales of electricity to manufacturers that consume less than this threshold amount remain subject to the 2.83% rate of tax.

Effective July 1, 2005, two additional rates are imposed based on the amount of annual electricity usage: 2.25% for usage over 5000 but up to 250,000 megawatt hours and 2% for usage over 250,000 but up to 900,000 megawatt hours. Usage of 5,000 or less megawatt hours is subject to the 2.83% rate and usage over 900,000 megawatt hours remains subject to the 0.17% rate.

G.S. 105-164.4(a)(1d) was amended to provide that the term “accessories” does not include electricity. This clarifies that sales of electricity are not subject to the 1% rate of tax as a mill machinery accessory.

G.S. 105-164.13(8) was amended to clarify that the exemption for sales to a manufacturer of tangible personal property that enters into or becomes an ingredient or component part of tangible personal property that is manufactured does not include electricity.

Telecommunications

Subdivision G.S. 105-164.4C(c)(16) was added to include charges to a State agency or to a unit of local government for the North Carolina Information Highway and other data networks owned or leased by the State or unit of local government as not being subject to the 6% sales tax imposed on telecommunications services that was effective January 1, 2002.

Highway Use Tax

Effective October 1, 2001, G.S. 105-187.3(a) was amended to provide that recreational vehicles are subject to a \$1,500 maximum tax if they are not subject to the \$1,000 maximum tax. A definition of recreational vehicle was added to G.S. 105-187.1.

The repeal of the \$1,500 maximum tax for applicable vehicles was modified to provide that the repeal does not apply to a certificate of title issued as a result of a purchase of a vehicle made prior to October 1, 2001 or a purchase made pursuant to a contract entered into or awarded prior to October 1, 2001.