NCDOR | NORTH CAROLINA DEPARTMENT OF REVENUE

Josh Stein
Governor

McKinley Wooten, Jr.
Secretary

May 28, 2026

[redacted]

[redacted]

Re: [redacted]
Private Letter Ruling
FEIN: [redacted]

Dear [redacted]:

The Department has completed its review of your request for a private letter ruling on behalf of your client, [redacted] ("Taxpayer"). In making this written determination, the Department has considered the facts presented in your initial request as well as any supplemental information provided to the Department.

This private letter ruling is a written determination issued under N.C. Gen. Stat. § 105-264.2 and applies the tax law to a specific set of existing facts furnished by you on behalf of Taxpayer. This written determination is applicable only to Taxpayer and as such has no precedential value except to Taxpayer.

Overview and Relevant Facts

You advise "[Taxpayer] is an online education and training provider that delivers professional learning solutions to individuals and businesses across multiple industries. The company's core services include:

- [redacted] **Exam Preparation** – Courses and materials designed to prepare students for state and board-approved [redacted] exams.
- **Continuing Education** – Online and correspondence courses that meet state and regulatory requirements for [redacted] various professions.
- **Career Development Resources** – Structured education programs, interactive practice exams, and specialized certifications to support ongoing professional growth.

All educational content is developed by subject matter experts and delivered primarily through digital platforms, including on-demand online courses, downloadable materials, live webinars, and interactive tools. Certain programs may also include in-person components.

[Taxpayer's] offerings cover a broad range of regulated professions, including but not limited to [redacted]. Each course or program is designed to comply with applicable state licensing requirements and professional standards. [Taxpayer] provides continuing education credits and certificates of completion which are issued electronically upon successful completion of coursework and exams, and where required, the company reports course completion directly to the relevant state licensing authority. This process ensures that professionals meet mandatory continuing education requirements established by their licensing authorities. All credits are tied to educational services and are delivered electronically.

[Taxpayer] does not sell tangible personal property as part of its standard offerings. All services are educational in nature and provided through digital or correspondence formats. Any optional printed materials are ancillary and not separately charged."

In your email dated December 12, 2025, you advised that "[Taxpayer] meets the definition of an institution of higher education as either a proprietary institution of higher education or a postsecondary vocational institution based on the provisions of U.S. Code, 20 U.S.C. § 1001(a), which in turn defines the Company as a qualifying educational entity who provides nontaxable educational services."

The Department requested additional information to confirm accreditation by a nationally recognized agency or association recognized by the U.S. Secretary of Education. The taxpayer was unable to point to a specific accreditation by a nationally recognized agency or association recognized by the U.S. Secretary of Education.

Issue

Does Taxpayer's sales of digital property meet the definition of an educational service?

Applicable Statutes and References

North Carolina imposes State, local, and transit rates of sales and use tax on a retailer engaged in business in the State based on the retailer's net taxable sales of, or gross receipts derived from, tangible personal property, certain digital property, and taxable services. N.C. Gen. Stat. §§ 105-164.4, 105-164.6, 105-467, 105-468, 105-483, 105-498, 105-507.2, 105-509.1, 105-537 and Chapter 1096 of the 1967 Session Laws.

N.G. Gen. Stat. § 105-164.26(1) provides ". . .to prevent evasion of the retail sales tax . . . all gross receipts of wholesale merchants and retailers are subject to the retail sales tax until the contrary is established by proper records as required in this Article."

N.C. Gen. Stat. § 105-164.3(33) defines the term "certain digital property" as "[s]pecified digital products and additional digital goods. The term does not include an information service or an educational service."

N.C. Gen. Stat. § 105-164.3(75) defines the term "educational service" as [t]he delivery of instruction or training, whether provided in real time, on demand, or at another set time, by or on behalf of a qualifying educational entity where at least one of the following conditions applies:

a. The instruction or training is part of the curriculum for an enrolled student.
b. The instruction or training is encompassed within the institution's accreditation or prepares an enrolled student for gainful employment in a recognized occupation.

c. The participant is evaluated by an instructor. 'Evaluated by an instructor' does not include being graded by, scored by, or evaluated by a computer program or an interactive, automated method.
d. The participant is connected to the presenter or instructor via the Internet or other networks, allowing the participant to provide, receive, or discuss information through live interaction, contemporaneous with the presentation."

N.C. Gen. Stat. § 105-164.3(203) defines the term "qualifying educational entity" as [a]n entity listed in this subdivision. For purposes of this definition, references to the United States Code mean the United States Code as enacted as of January 1, 2020. The entities are:
a. An elementary or secondary school, as defined in 20 U.S.C. § 7801.
b. An institution of higher education, as defined in 20 U.S.C. § 1002."

N.C. Gen. Stat. § 105-164.3(253) defines the term "specified digital products" as "[d]igital audio works, digital audiovisual works, and digital books."

N.C. Gen. Stat. § 105-164.3(57) defines the term "digital audio work" as "[a] work that results from the fixation of a series of musical, spoken, or other sounds, including a ringtone, that is transferred electronically."

N.C. Gen. Stat. § 105-164.3(59) defines the term "digital audiovisual work" as "[a] series of related images, that when shown in succession, impart an impression of motion, together with accompanying sounds, if any, and that is transferred electronically."

N.C. Gen. Stat. § 105-164.3(61) defines the term "digital book" as "[a] work that is generally recognized in the ordinary and usual sense as a book that is transferred electronically."

N.C. Gen. Stat. § 105-164.3(271) defines the term "transferred electronically" as "[o]btained by the purchaser by means other than tangible storage media and includes delivered or accessed electronically."

N.C. Gen. Stat. § 105-164.4(a) imposes the general rate of tax on the sales price of certain digital property. The tax applies regardless of whether the purchaser of the property has a right to use it permanently or to use it without making continued payments.

20 U.S.C. § 1002(a) defines "institution of higher education" to include a "proprietary institution of higher education" and a "postsecondary vocational institution".

20 USC § 1002(b)(1) sets forth the "principal criteria" for a "proprietary institution of higher education" to include "a school that—
(A) (i) provides an eligible program of training to prepare students for gainful employment in a recognized occupation; or
(ii) (I) provides a program leading to a baccalaureate degree in liberal arts, and has provided such a program since January 1, 2009; and
(II) is accredited by a recognized regional accrediting agency or association, and has continuously held such accreditation since October 1, 2007, or earlier;
(B) meets the requirements of paragraphs (1) and (2) of section 1001(a) of this title;
(C) does not meet the requirement of paragraph (4) of section 1001(a) of this title;
(D) is accredited by a nationally recognized accrediting agency or association recognized by the Secretary [U.S. Secretary of Education] pursuant to part H of subchapter IV; and
(E) has been in existence for at least 2 years."

20 USC § 1002(c)(1) defines a "postsecondary vocational institution," in part, as "a school that —

(A) provides an eligible program of training to prepare students for gainful employment in a recognized occupation;
(B) meets the requirements of paragraphs (1), (2), (4), and (5) of section 1001(a) of this title; and
(C) has been in existence for at least 2 years."

20 USC § 1001(a) paragraph (5) provides that an institution of higher education means one that "is accredited by a nationally recognized accrediting agency or association, or if not so accredited, is an institution that has been granted preaccreditation status by such an agency or association that has been recognized by the Secretary for the granting of preaccreditation status, and the Secretary has determined that there is satisfactory assurance that the institution will meet the accreditation standards of such an agency or association within a reasonable time."

Ruling

Based on the information furnished, Taxpayer has not established that it has been accredited by a nationally recognized agency or association recognized by the U.S. Secretary of Education, therefore we are unable to confirm Taxpayer meets the definition of an institution of higher education as either a proprietary institution of higher education or a postsecondary vocational institution based on the provisions of U.S. Code, 20 U.S.C. § 1002. As a result, the certain digital property sold by taxpayer is subject to the general State, applicable local, and applicable transit rates of sales and use tax

This ruling is based solely on the facts submitted to the Department of Revenue for consideration of the transactions described. If the facts and circumstances given are not accurate, or if they change, then Taxpayer may not rely on it. If Taxpayer relies on this ruling and the Department discovers, upon examination, that the fact situation of the Taxpayer is different in any material aspect from the facts and circumstances given in this ruling, then the ruling will not afford Taxpayer any protection. It should be noted that this document is not to be cited as precedent and that a change in statute, a regulation, or case law could void this ruling.

Issued on behalf of the Secretary of Revenue
By the Sales and Use Tax Division