



TRANSPORTATION COMMERCE TAX BULLETIN

Issued by:

**Sales and Use Tax Division
Tax Administration
North Carolina Department of Revenue
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PREFACE

The Transportation Commerce Tax Bulletin presents the Secretary of Revenue's interpretation of the North Carolina transportation commerce tax laws. This bulletin does not cover all interpretations and applications of the transportation commerce tax laws.

The Transportation Commerce Tax Bulletin is based on the laws in effect as of January 1, 2026 and supersedes any Transportation Commerce Tax Bulletins published prior to January 1, 2026.

You must consider all facts and circumstances when applying the information contained in these bulletins to particular transactions or situations. Additional changes may result from legislative action, court decisions, and rules amended or adopted under Chapter 150B of the North Carolina General Statutes after these bulletins are published. To the extent there is any change to a statute, administrative rule, or new case law subsequent to the date of this publication, the provisions in these bulletins may be superseded or voided.

To obtain specific binding tax advice refer to the Department's [Written Determination Policy](#).

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TCTB 1 TRANSPORTATION COMMERCE TAX**1-1 DEFINITIONS**

G.S. §§ 105-187.90 and G.S. § 20-280.1 provide the following terms and definitions:

- **Exclusive-Ride Service** - A for-hire ground transport service requested by a passenger who requests exclusive use of the vehicle.

Note: This definition includes a group of people who arrange among themselves to share the use of the vehicle. *Example: A group of friends requesting a ride from a transportation network company and being matched with a driver. The group of friends ride to one or more destinations without being matched with other passengers by the transportation network company and pay a single fare.*

- **Shared For-Hire Ground Transport Service** - A for-hire ground transport service for which an individual has been matched with another individual by a for-hire ground transport service provider.

Note: This definition requires the for-hire ground transport service provider to match the individual passengers. It does not apply to individual riders that coordinate with each other to occupy the same vehicle. *Example: A transportation network company connects a passenger with another passenger along the planned route. The two separate riders are in the vehicle together for a portion of the ride and pay two separate fares.*

- **For-Hire Ground Transport Service** - Ground transportation in a passenger vehicle provided by a for-hire ground transport service provider for which a passenger is charged a fee.
- **For-Hire Ground Transport Service Provider ("Provider")** - A transportation network company as defined in G.S. § 20-280.1 ("TNC") or a taxi service regulated under G.S. § 160A-304 ("Taxi Service").
- **Transportation Network Company ("TNC")** - Any person that uses an online-enabled application or platform to connect passengers with TNC drivers who provide prearranged transportation services. State law requires a transportation network company to hold a permit issued by the North Carolina Department of Motor Vehicles.

1-2 IMPOSITION AND LIABILITY FOR COLLECTING AND REMITTING TAX**A. Tax Imposed**

An excise tax is imposed on the gross receipts derived from each for-hire ground transport service if the passenger boards the vehicle in this State and regardless of whether the service is completed. The rates are:

- For an exclusive-ride service, one and one-half percent (1.5%).
- For a shared-ride service, one percent (1%).

B. Liability for Collecting and Remitting the Tax

The tax is intended to be passed on to and borne by the purchaser of the for-hire ground transport service. The for-hire ground transport service provider, and not the vehicle driver, must collect the tax due. The tax is a debt from the purchaser to the for-hire ground transport service provider until paid and is recoverable at law by the for-hire ground transport service provider in the same manner as other debts. A for-hire ground transport service provider is considered to act as a trustee on behalf of the State when it collects tax from the purchaser on a taxable transaction. The tax must

be stated and charged separately on any documentation provided to the purchaser by the for-hire ground transport service provider at the time of the transaction.

C. Registration

The following types of businesses should register with the Department:

- TNC
- Taxi Service

A Provider that is not registered with the Department and that is required to collect and/or remit the transportation commerce tax must register using [Form NC-TCR](#), Registration Application for Transportation Commerce Tax.

Note: Individual drivers should not register with the Department unless the driver owns and operates a Taxi Service.

A certificate of registration is not assignable and is valid only for the person in whose name it is issued. A copy of the certificate of registration must be displayed at each place of business.

A certificate of registration is valid unless it is revoked for failure to comply with the provisions of Article 5J of Chapter 105 of the NC General Statutes or becomes void. A certificate issued to a person who makes taxable sales or a person liable for tax becomes void if, for a period of 18 months, the person files no returns or files returns showing no sales.

The failure of a retailer to comply with Article 5J of Chapter 105 of the NC General Statutes is grounds for revocation of the person's certificate of registration. Before the Secretary revokes a person's certificate of registration, the Secretary must notify the person that the Secretary proposes to revoke the certificate of registration and that the proposed revocation will become final unless the person objects to the proposed revocation and files a request for a Departmental review within the time set in G.S. § 105-241.11 for requesting a Departmental review of a proposed assessment. The notice must be sent in accordance with the methods authorized in G.S. § 105-241.20. The procedures in Article 9 of Chapter 105 of the NC General Statutes for review of a proposed assessment apply to the review of a proposed revocation.

D. Reporting the Tax

1. Tax Return

Gross receipts derived from the retail sale of each for hire ground transport service must be reported by a Provider on [Form E-500T](#), Transportation Commerce Tax Return.

2. Due Date

The due date of returns and payments depends on the filing frequency of the Provider. The filing frequencies and applicable due dates are as follows:

- **Quarterly** - A Provider whose total monthly tax liability is consistently less than \$100 per month. Returns and payments due on or before the last day of the month following the end of the calendar quarter (e.g., April 30th, for the preceding calendar quarter of January, February, and March).
- **Monthly** - A Provider whose total monthly tax liability is consistently \$100 or more, but less than \$20,000 per month. Returns and payments due on or before the 20th day of each month for all taxes due for the preceding calendar month (e.g., August 20th, for the month of July).

- **Monthly with Prepayment** - A Provider whose total monthly tax liability is consistently \$20,000 or more per month. Returns and payment due on or before the 20th day of the following month. Returns and payment must be made electronically. The Provider must make prepayments for the next period that equal at least 65% of any of the following:
 - The amount of tax due for the current month.
 - The amount of tax due for the same month in the preceding year.
 - The average monthly amount of tax due in the preceding calendar year.

E. Administration of the Tax

The transportation commerce tax shall be collected and administered in the same manner as the State sales and use taxes imposed by Article 5 of Chapter 105 of the NC General Statutes. The provisions of Article 9 of Chapter 105 of the NC General Statutes that are not inconsistent with Article 5J, including administration, auditing, making returns, promulgation of rules and regulations by the Secretary, additional taxes, assessments and assessment procedure, imposition and collection of taxes and the lien thereof, and penalties, are made a part of Article 5J and shall be applicable thereto.

1-3 GROSS RECEIPTS SUBJECT TO TRANSPORTATION COMMERCE TAX

A. Gross Receipts Subject to the Transportation Commerce Tax

- Trip fare.
- Booking fees.
- Surcharges.
- Fuel charges.
- Fees for using a credit card.
- Cleaning fees.
- Wait time fees.
- Fees for toll expenses of the service provider.
- Charges associated with rides to and from the airport.
- Any other fees or charges for the service.

Note: If a tip meets the following requirements, it is not part of the gross receipts subject to the tax:

- the tip is voluntary;
- the entire amount of the tip is provided to the driver; and
- the Provider keeps records that separately account for tips and the distribution of tips to drivers.

B. Examples

- John Doe requests a ride to a restaurant from a TNC. The TNC matches John with a TNC driver. John requests the driver stop at Jane Doe's house on the way to the restaurant. After picking Jane up, the TNC driver drives them directly to the restaurant. The TNC charges John a fare of \$40 and a booking fee of \$10. John leaves the TNC driver a voluntary tip of \$9. The tip is kept by the TNC driver.

The TNC charges John \$0.75 in tax. The TNC charges the 1.5% rate of tax for an exclusive-ride service. The ride is an exclusive-ride service because the TNC did not match John with any other riders to ride together.

The gross receipts are \$50. The gross receipts include the fare and booking fee. The tip is not part of the gross receipts because it is voluntary, and the entire amount was provided to the TNC driver.

- Jane Doe requests a ride to the airport from a taxi. The taxi company offers to match Jane with another rider for a reduced fare. Jane accepts the offer. On the way to the airport, they pick up John Doe. Jane is charged a fare of \$90 and a charge for rides to the airport of \$5. When Jane pays by credit card, the taxi company charges a credit card surcharge of \$5.

The taxi company charges Jane \$1 in tax. The Taxi Company charges the 1% rate of tax for a shared-ride service. The ride is shared ride service because taxi company matched Jane with John and drove them together.

The gross receipts from Jane are \$100. The gross receipts include the fare, the charge for rides to the airport and the credit card surcharge.

1-4 EXEMPTIONS RELATED TO TRANSPORTATION COMMERCE TAX

A. Exemptions

G.S. § 105-187.94 provides two exemptions from the transportation commerce tax. The exemptions are as follows:

- Certain Public Transportation Rides - For-hire ground transport service provided by a Provider as public transportation on behalf of one of the following:
 - State agency,
 - a local board of education, or
 - a governmental entity listed in G.S. § 105-164.14(c). These governmental entities include: a county, a city as defined in G.S. § 105-160A-1, a consolidated city-county as defined in G.S. § 105-160B-2, a public transportation authority created pursuant to Article 25 of Chapter 160A of the General Statutes, a regional public transportation authority created pursuant to Article 26 of Chapter 160A of the General Statutes, or a regional transportation authority created pursuant to Article 27 of Chapter 160A of the General Statutes.
- Sales the State cannot constitutionally tax.

Any other exemption authorized in G.S. § 105-164.13 or other statute does not apply to the transportation commerce tax.

B. Exemption Documentation

A Provider must keep proper documentation of exempt sales. The documentation must include documentation that a sale was exempt from tax and records of the receipts from each exempt sale. The type of required documentation that a sale was exempt depends on the purchaser. Copies of the documentation must be available for inspection by the Secretary or the Secretary's agents, upon request.

- Sales to Approved Governmental Entity or Local Board of Education - Only sales of for-hire ground transport service provided by a Provider as public transportation on behalf of a governmental entity listed in G.S. § 105-164.14(c), or a local board of education, are exempt from tax. If you provide service subject to this exemption, you must receive and maintain a completed [Form E-595E](#), Streamlined Sales and Use Tax Certificate of Exemption, ("Exemption Certificate") or the required data elements. For the transportation commerce tax, the required data elements are as follows:
 - Purchaser's name.
 - Purchaser's address.

- Sales and use tax identification number, North Carolina issued exemption number, or FEIN of the governmental entity listed in G.S. § 105- 164.14(c) or local board of education.
- Type of business (must list government).
- Reason for exemption (must state the service was purchased as public transportation).
- Signature (if provided by paper).
- Sales to a State Agency - Only sales of for-hire ground transport service provided by a Provider as public transportation on behalf of a State agency are exempt from tax. If you provide service subject to this exemption, you must receive and maintain one of the following:
 - A valid purchase order issued by the State agency that contains the exemption number of the agency and states the service was purchased as public transportation.
 - A completed Exemption Certificate, or the required data elements, including a description of the reason for the exemption that states the service was purchased as public transportation.
- Sales to United States Government - If you make an exempt sale to the United States Government, or a qualifying agency or instrumentality thereof, you must receive and maintain one of the following:
 - A properly completed Exemption Certificate;
 - Purchase requisitions or affidavits signed by a purchasing officer stating that such sales are being made directly to the United States Government or an agency or instrumentality thereof; or
 - Applicable credit cards issued by the United States Government or qualifying agency or instrumentality thereof to make a purchase exempt from tax. For additional information, see [Sales and Use Tax Bulletin Section 36-4](#).
- Sales to Diplomats and Other Foreign Officials - For information about sales to diplomats and other foreign officials, see [Sales and Use Tax Bulletin Section 36-4](#).

C. Examples

- A transportation authority (“Authority”) was created pursuant to Article 25 of Chapter 160A of the General Statutes. The Authority contracts with XYZ Taxi Co to provide for-hire ground transport services. The contract requires XYZ Taxi Co to provide rides to certain individuals with disabilities. The Authority provides the rides as part of its public transportation service. The authority pays XYZ Taxi Co for the rides. In addition, the authority charges the individuals with disabilities a small fare. XYZ Taxi Co’s receipts from this service are exempt from the transportation commerce tax. The receipts are exempt because the service is provided as public transportation on behalf of a governmental entity listed in G.S. § 105-164.14(c). XYZ Taxi Co must obtain a completed Exemption Certificate from the Authority. In addition, XYZ Taxi Co must maintain records of the exempt sales to the Authority.
- A local board of education (“Board”) contracts with ABC Taxi Co to provide for-hire ground transport services. The contract requires ABC Taxi Co to provide rides to certain students to and from school. The Board pays for the taxi rides instead of providing a school bus. The Board pays ABC Taxi Co for the rides. ABC Taxi Co’s receipts from this service are exempt from the transportation commerce tax. The receipts are exempt because the service is provided as public transportation on behalf of a local board of education. ABC Taxi Co must obtain a completed Exemption Certificate from the Board. In addition, ABC Taxi Co must maintain records of the exempt sales to the Board.
- A City (“City”) sends two employees to a meeting in Charlotte. The employees take the train to Charlotte. The employees use the City’s credit card to pay for Doe’s Taxi to drive them to their hotel. Doe’s Taxi must collect the transportation commerce tax on the gross receipts from the ride because the service was not provided as public transportation. The taxi ride is an exclusive-

ride service. The gross receipts are subject to the 1.5% transportation commerce tax rate.

1-5 REFUNDS OF TRANSPORTATION COMMERCE TAX

Refunds authorized in G.S. § 105-164.14 do not apply to the transportation commerce tax

1-6 DIRECT PAY PERMITS

A direct pay permit does not apply to the transportation commerce tax.

1-7 USE OF TAX PROCEEDS

Each quarter, the Secretary shall credit the net tax proceeds of the transportation commerce taxes collected to the Highway Fund. The Secretary may retain the cost of administering the transportation commerce tax as reimbursement to the Department.