



## NCDOR Communication

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### **Qualifying For Sales Tax Refunds Under New Definition Of Charitable Organization**

Non-profit organizations in North Carolina pay sales tax on purchases just like individuals and businesses. Qualifying non-profits may apply for a refund of the sales taxes they pay. A recent law change means that non-profit organizations in our state must meet new criteria as a charitable organization to qualify for refunds of the sales taxes they pay in North Carolina.

To qualify for refunds of sales taxes, an organization must be:

1. Classified as a 501(c)3 non-profit.
2. Classified under one of the approved codes from the National Taxonomy of Exempt Entities. [The NTEE assigns the codes](#) based on the type of work a non-profit organization performs and the populations it serves. The codes divide non-profit organizations into 26 categories, with only three of those categories that do not qualify for refunds of their sales taxes:
  - Community Improvement and Capacity Building
  - Public and Societal Benefit
  - Mutual and Membership Benefit

#### **For Organizations That Have Claimed Sales Tax Refunds Before**

Non-profits that have claimed a refund of their sales taxes must verify to the N.C. Department of Revenue that they meet the new criteria. The department has requested this information from the approximately 6,000 non-profits that have claimed sales tax refunds before. To date, all but about 1,000 of the organizations have responded to the department.

Please note: the department will not process claims for refunds filed by non-profits that have not responded to the request for information. Once the organization provides the information and confirms its eligibility, the department will refund the approved amount.

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## **For New Non-Profit Organizations**

The IRS assigns an NTEE code to new non-profit organizations that apply for 501(c)3 status. There are no additional steps that new non-profits need to take to receive a code.

Non-profit organizations that file for sales tax refunds for the first time must submit evidence of the organization's exempt status with the IRS and furnish their assigned NTEE code with their initial refund claim.

## **For Non-Profit Organizations That Have Never Claimed A Refund Of Sales Taxes**

Certain 501(c)3 organizations that were not eligible for refunds may be eligible under the new criteria. If the IRS has assigned an eligible NTEE code to your organization, you can claim a refund of the sales taxes you have paid. You will need to submit documentation of your organization's exempt status with the IRS along with its assigned NTEE code with your initial refund claim.

If your organization does not have an eligible NTEE code, please go to the NTEE website and review the descriptions of the codes. If your organization fits into one of the qualifying categories, you should file a claim for a refund of the sales taxes along with documentation of exempt status from the IRS, your organizing documents and a list of your activities. Representatives from the department will review your request and assign the code as appropriate.

## **Questions, Or To Get More Information**

Please call the Taxpayer Assistance and Collections Center at 1-877-252-3052 if you have any questions about this issue.