

SECTION 20 - RADIO, TELEVISION AND CABLE TELEVISION STATIONS, MOTION PICTURE THEATRES, VIDEO PROGRAMMING PROVIDERS, AND SATELLITE DIGITAL AUDIO RADIO SERVICE PROVIDERS**20-1 RECEIPTS FROM VIDEO PROGRAMMING PROVIDERS, SATELLITE DIGITAL AUDIO RADIO SERVICE PROVIDERS, RADIO AND TELEVISION STATIONS, AND MOTION PICTURE THEATRES****A. Direct-to-Home Satellite Service**

Prior to October 1, 2005, the gross receipts derived from providing direct-to-home satellite service to subscribers in this State were subject to the 5% State rate of sales tax. The term “**direct-to-home satellite service**,” as used in this Bulletin, means programming transmitted or broadcast by satellite directly to the subscribers’ premises without the use of ground or distribution equipment, except equipment at the subscribers’ premises or the uplink process to the satellite. Persons engaged in the business of providing direct-to-home satellite service are considered retailers and must register with the Department and must collect and remit the tax on their sales.

Effective October 1, 2005, the gross receipts derived from providing direct-to-home satellite service to subscribers in this State are subject to the combined general rate of 7%. The “**combined general rate**” is the general State rate of tax plus the sum of the rates of the local sales and use taxes authorized for every county in this State.

Effective December 1, 2006, the gross receipts derived from providing direct-to-home satellite service to subscribers in this State are subject to the combined general rate of 6.75%. As a result of the decrease in the State general rate from 4.5% to 4.25%, the combined general rate decreased from 7% to 6.75%.

Effective January 1, 2007, direct-to-home satellite service is incorporated in the term “video programming.” The application of tax is unchanged.

B. Cable Service

Effective January 1, 2006, the gross receipts derived from providing cable service to subscribers in this State are subject to the combined general rate of 7%. The “**combined general rate**” is the general State rate of tax plus the sum of the rates of the local sales and use taxes authorized for every county in this State. The term “**cable service**,” as used in this Bulletin, means the one-way transmission to subscribers of video programming or other programming service and any subscriber interaction required to select or use the service. Persons engaged in the business of providing cable service are considered retailers and must register with the Department and must collect and remit the tax on their sales.

Effective December 1, 2006, the gross receipts derived from providing cable service to subscribers in this State are subject to the combined general rate of 6.75%. As a result of the decrease in the State general rate from 4.5% to 4.25%, the combined general rate decreased from 7% to 6.75%. A cable service provider is allowed a credit against the sales tax imposed for the amount of local franchise tax payable on cable service.

Effective January 1, 2007, cable service is incorporated in the term “video programming.” The application of tax is unchanged. However, as a result of the repeal of the local franchise taxes **effective January 1, 2007**, there is no credit applicable for local franchise tax paid against the sales tax due.

C. Video Programming Service**1. Video Programming Defined**

The term “**video programming**,” as used in this Bulletin, means programming provided by, or generally considered comparable to programming provided by, a television broadcast station, regardless of the method of delivery. The term includes, but is not limited to, direct-to-home satellite service, cable service, on-demand hotel movie rentals, and private, self-contained video programming in housing complexes.

2. Tax Imposed

Persons engaged in the business of providing video programming are considered retailers and must register with the Department and must collect and remit the tax on their sales. **Effective January 1, 2007**, the gross receipts derived from providing video programming service to subscribers in this State are subject to the “combined general rate” as defined in G.S. 105-164.3(4a). **Effective April 1, 2008**, the “combined general rate” increased from 6.75% to 7% as a result of the levy of an additional 0.25% local tax in six counties in the State.

3. Application of Tax

- a. Examples of services considered to be “video programming” and therefore subject to the “combined general rate” under G.S. 105-164.4(a)(6) include basic cable/satellite service, deluxe cable/satellite service, premium cable/satellite service, and pay-per-view cable/satellite service.
- b. Examples of charges subject to sales or use tax as sales or rentals of tangible personal property (not as “video programming”) include converter rentals, VOIP equipment sales and rentals, and Internet equipment sales and rentals.
- c. Examples of charges that are considered neither “video programming” nor sales or rentals of tangible personal property include cable/satellite installation, cable/satellite service calls, cable/satellite repair and maintenance, service contracts, franchise fees, advertising, commission income, late fees, returned check charges, tower/satellite rental income, and program launch support. These charges are not subject to the “combined general rate” under G.S. 105-164.4(a)(6) or to the sales or use tax under G.S. 105-164.4(a)(1) or G.S. 105-164.4(a)(2) when separately stated on the invoice.

4. Bundled Transactions

A video programming service provider that bundles a taxable service with a non-taxable service (such as Internet access service) or a service with tangible personal property for a single charge must collect tax on the gross receipts applicable to the taxable service or tangible personal property. Tax is due on the allocated price of the taxable component of the bundled transaction based on a reasonable allocation of revenue to that component.

Note: For additional information on bundled transactions, refer to Sales and Use Tax Technical Bulletin 34-25.

D. Satellite Digital Audio Radio Service

Effective January 1, 2006, the gross receipts derived from providing satellite digital audio radio service are subject to the general State rate and applicable local rates of tax. Persons engaged in the business of providing satellite digital audio radio service are considered retailers and must register with the Department and must collect and remit the tax on their sales. Service received by a mobile or portable station is sourced to the subscriber’s business or home address.

E. Radio and Television Companies

Receipts of **radio and television companies** for the broadcasting or telecasting of programs, except as provided above, are not subject to sales or use tax.

F. Motion Picture Theatres

Receipts of **motion picture theatres** derived from admission charges are not subject to sales or use tax. Motion picture theatres making taxable sales of tangible personal property through concession stands or otherwise must register with the Department and must collect and remit the general rate of State tax and any applicable local sales or use tax on such sales.

History Note: Authority G.S. 105-164.3; 105-164.4; 105-164.4D; 105-164.6; 105-264;
Issued: June 1, 1996;
Revised: August 1, 2008; March 1, 2007; June 1, 2002.

20-2 SALES TO CABLE SERVICE PROVIDERS

- A. Prior to January 1, 2006**, sales of broadcasting equipment and parts and accessories thereto (including antenna cable, transmission cable and trunk, feeder and drop cable) and towers to cable service providers that operate under the regulation and supervision of the Federal Communications Commission were subject to the 1% State rate of tax with a maximum tax of \$80.00 per article. **Effective January 1, 2006**, sales of broadcasting equipment and parts and accessories attached to the equipment to a cable service provider are exempt from sales and use tax. For purposes of the exemption, the term "broadcasting equipment" does not include cable. Therefore, with the exception of cable, sales of items that were subject to the 1% State rate of tax with a maximum tax of \$80.00 per article prior to January 1, 2006 are now exempt from sales and use tax.
- B. Prior to January 1, 2006**, sales of developed movie film to commercial cable television stations which operate under the regulation and supervision of the Federal Communications Commission for use by them in broadcasting and telecasting programs were subject to the 1% State rate of tax. **Effective January 1, 2006**, the sale of developed movie film to cable service providers is exempt from sales and use tax.
- C.** Taxable tangible personal property purchased by cable service providers, other than towers, antennas and other broadcasting equipment and parts and accessories attached to the equipment, is subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.4D; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: March 1, 2007; June 1, 2002.

20-3 SALES TO COMMERCIAL RADIO AND TELEVISION COMPANIES

- A. Prior to January 1, 2006**, sales of broadcasting equipment and parts and accessories thereto and towers to commercial radio and television companies which operate under the regulation and supervision of the Federal Communications Commission were subject to the 1% State rate of tax with a maximum tax of \$80.00 per article. For the purpose of applying the maximum tax, a radio or television tower was a single article when the complete tower was sold by the same vendor. The tower antenna was considered to be a separate single article. The antenna cable or transmission cable was not a single article and the sale of such cable was subject to the 1%

State rate of tax without a maximum tax. **Effective January 1, 2006**, sales of towers, broadcasting equipment, and parts and accessories attached to the equipment to a radio or television company licensed by the Federal Communications Commission are exempt from sales and use tax.

- B. Prior to January 1, 2006**, sales of slide or film projectors, screens, and photographic supplies and equipment, including cameras, bulbs, film, developed film, blank videotape cassettes, chemicals, paper, and other photographic developing equipment to television stations operating under the regulation and supervision of the Federal Communications Commission were subject to the 1% State rate of tax with an \$80.00 maximum tax per article when the items were used in producing pictures and similar material used in the programming of the television station. This Bulletin has no application to sales of the above items to amateur photographers. **Effective January 1, 2006**, sales to a television company licensed by the Federal Communications Commission of broadcasting equipment and parts and accessories attached to the equipment are exempt from sales and use tax. Items such as supplies, chemicals, paper, and other photographic developing equipment that are not broadcasting equipment or parts or accessories attached to broadcasting equipment are subject to the general rate of State tax and any applicable local sales or use tax.
- C.** Taxable tangible personal property purchased by such radio and television companies other than towers, antennas, and broadcasting equipment or parts and accessories attached to the equipment are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: March 1, 2007; June 1, 2002; October 15, 1998.

20-4 SALES TO MOTION PICTURE PRODUCTION FIRMS

- A.** Sales of film to movie production companies which becomes a component part of release prints that are actually produced and sold, leased, or rented to its customers are exempt from sales or use tax. Also, chemicals which are used to develop release prints that are for sale, lease, or rental are exempt from tax.
- B. Prior to January 1, 2006**, sales to motion picture production firms of cameras, film, and props or building materials used in the construction of sets which are used in the actual filming of movies for sale, lease, or rental were subject to the 1% State rate of tax with a maximum tax of \$80.00 per article. Sales of chemicals and equipment used to develop and edit film which is used to produce release prints also qualified for the 1% State rate of tax. **Effective January 1, 2006, purchases of items in this paragraph previously subject to the 1% State rate of tax are exempt from sales and use tax and subject to a 1% privilege tax with a maximum tax of \$80.00 per article where applicable.** The privilege tax is paid by the purchaser directly to the Department of Revenue.

Note: For additional information on the privilege tax, refer to Section 56 of the Sales and Use Tax Bulletins.

- C.** Sales of machinery and equipment and other property to motion picture production firms for use in receiving tangible personal property and other activities, such as raw materials storage, finished goods storage, distribution or administration, are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-187.52; 105-264;

Issued: June 1, 1996;
Revised: March 1, 2007; June 1, 2002.

20-5 SALE, LEASE, OR RENTAL OF FILMS, VIDEOTAPE CASSETTES, AND OTHER EQUIPMENT

- A. Receipts derived from the lease or rental of motion picture film or prerecorded videotape cassettes to theatres or similar businesses for exhibition to the public and receipts derived from the lease or rental of such film or prerecorded videotape cassettes to schools, churches, hospitals, prisons, and similar institutions and organizations for exhibition to students, congregations, patients, and inmates are exempt from sales or use tax. Receipts derived from the lease or rental of motion picture film or prerecorded videotape cassettes to businesses, individuals, organizations, and other lessees for any use other than for public exhibition are subject to the general rate of State tax and any applicable local sales or use tax.
- B. Projection equipment, screens, and other tangible personal property which are leased, rented or sold at retail for use in showing film or videotape cassettes, regardless of whether the film or videotape is privately or publicly exhibited, and advertising matter are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: February 1, 2004; June 1, 2002; March 1, 1997.

20-6 AUDIOVISUAL MASTER TAPES

- A. Sales of **audiovisual masters** made or used by a production company in making visual and audio images for first generation reproduction are exempt from tax pursuant to G.S. 105-164.13(22a). For the purpose of this bulletin, an “**audiovisual master**” is an audio or video film, tape, or disk or another audio or video storage device from which all other copies are made. The term “**production company**” means a person engaged in the business of making motion picture, television, or radio images for theatrical, commercial, advertising, or educational purposes.
- B. Purchases of tangible personal property that physically becomes a part of an audiovisual master made or used by a production company and any charges for services that go into the fabrication, production, or delivery of an audiovisual master are exempt from tax. Purchases of tangible personal property for use in various stages of the production of an audiovisual master but which do not physically become a part of the master are subject to the applicable sales and use tax based on the “**purchase price**” as defined in G.S. 105-164.3(33) or the “**sales price**” as defined in G.S. 105-164.3(37).

Sales of audiovisual masters by anyone other than a “**production company**” as defined continue to be subject to sales or use tax.

History Note: Authority G.S. 105-164.3; 105-164.4; 105-164.6; 105-164.13;
105-264;
Issued: October 15, 1998;
Revised: March 1, 2007; February 1, 2004; June 1, 2002;
November 15, 2000.