

SECTION 37 - THE UNITED STATES GOVERNMENT OR AGENCIES THEREOF**37-1 SALES BY AND SALES TO THE UNITED STATES GOVERNMENT OR ANY AGENCIES OR INSTRUMENTALITIES THEREOF****A. Exemptions**

Sales by and sales directly to the United States Government, or any agency or instrumentality thereof, are not subject to sales or use tax. In order for the sale to be exempt, the government, agency or instrumentality involved must make the purchase of the property, obtain title to the property before or at the time it is delivered and pay directly to the vendor the purchase price of such property or use a United States Government credit card to pay the vendor the purchase price of such property.

B. Federal Agencies and Instrumentalities

Federal agencies and instrumentalities include the Departments of Defense, Army, Navy, Air Force, United States hospitals, American Red Cross, federal reserve banks, federal land banks, federal housing projects, federal housing authorities, and any other department of the Federal Government whose activities are directly under federal control and whose purchases are paid for from the federal treasury. The United States Postal Service is also exempt. Sales made to Army, Navy, and Air Force Activities Funds, post exchanges, officers' mess funds, noncommissioned officers funds and other voluntary unincorporated organizations of Army, Navy, Marine Corps, Air Force, or Coast Guard personnel authorized by regulations issued by the Departments of Defense, Army, Navy, or Air Force are likewise exempt from sales and use tax.

C. Purchase Requisitions

A vendor making sales directly to the United States Government, or any agency or instrumentality thereof that issues purchase requisitions or affidavits, must obtain and keep copies of such purchase requisitions or affidavits signed by the purchasing officer stating that such sales are being made directly to the United States Government or an agency or instrumentality thereof. Copies of such purchase requisitions or affidavits must be retained by the vendor in his files for three years following the date of sale and must be available for inspection by the Secretary of Revenue or her agents upon request.

D. United States Government Credit Card Program

1. The United States Government implemented a credit card program called "**GSA SmartPay.**" All cards issued under the program have unique prefixes and account numbers, government-designed artwork, and wording that denote the card is for use by the United States of America. Card designs may be viewed on the following Internet web site: www.gsa.gov. In the search option, enter "**Recognizing the GSA SmartPay Card.**"
2. **Credit Cards Issued Under the GSA SmartPay Program**
 - a. **Fleet Cards**

All Federal Government fleet cards are centrally billed. This means that all charges are billed directly to and paid directly by the Federal Government and are exempt from the general rate of State tax and any applicable local sales and use tax. The account numbering structure for all fleet cards is as follows:

Prefix 1 st Four Digits	Credit Card	Cards Issued By	Billing Type
8699	Voyager	Citibank, Bank of America, and U.S. Bank	Centrally Billed
5568	MasterCard	Citibank, J. P. Morgan Chase, Bank of America, and U.S. Bank	Centrally Billed

b. Purchase Cards

All Federal Government purchase cards are centrally billed. This means that all charges are billed directly to and paid directly by the Federal Government and are exempt from the general rate of State tax and any applicable local sales and use tax. The account numbering structure for all purchase cards is as follows:

Prefix 1 st Four Digits	Credit Card	Cards Issued By	Billing Type
4486 & 4716	Visa	Citibank, Bank of America, and U.S. Bank	Centrally Billed
5568	MasterCard	Citibank, J. P. Morgan Chase, Bank of America, Mellon Bank, and U.S. Bank	Centrally Billed

c. Travel Cards

Federal Government travel cards may be centrally billed or individually billed. The 6th digit of the account numbering structure will denote how it is billed. Individually billed charges are billed to and paid by the federal employee who is then reimbursed by the Federal Government. These charges are subject to the general rate of State tax and any applicable local sales and use tax. Centrally billed charges are billed directly to and paid directly by the Federal Government and are exempt from the general rate of State tax and any applicable local sales and use tax. The account numbering structure for the travel cards is as follows:

Prefix 1 st Four Digits	Sixth Digit	Credit Card	Cards Issued By	Billing Type
4486, 4716 & 5568	0, 6, 7, 8, or 9	Visa and MasterCard	Citibank, J. P. Morgan Chase, Bank of America, and U.S. Bank	Centrally Billed
4486, 4716 & 5568	1, 2, 3, or 4	Visa and MasterCard	Citibank, J. P. Morgan Chase, Bank of America, and U.S. Bank	Individually Billed

d. Integrated Cards

Federal Government integrated cards include fleet, travel, and purchase transactions or any combination thereof and offer the Federal Government a single card for all of its purchases. This card is in use only at the Department of the Interior. All fleet and purchase type transactions on an integrated card are

centrally billed, and the 6th digit of the account number does not impact their type of billing. Travel type transactions may be centrally billed or individually billed, and the 6th digit of the account number will determine how the travel card is billed. Centrally billed charges are billed directly to and paid directly by the Federal Government and are exempt from the general rate of State tax and any applicable local sales and use tax. Individually billed charges are billed to and paid by the federal employee and then reimbursed by the Federal Government. These charges are subject to the general rate of State tax and any applicable local sales and use tax.

Prefix 1 st Four Digits	Sixth Digit	Credit Card	Cards Issued By	Billing Type
4486, 4716 & 5568	0, 6, 7, 8, or 9	Visa and MasterCard	Citibank, J. P. Morgan Chase, Bank of America, and U.S. Bank	Centrally Billed
4486, 4716 & 5568	1, 2, 3, or 4	Visa and MasterCard	Citibank, J. P. Morgan Chase, Bank of America, and U.S. Bank	Individually Billed

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
 Issued: June 1, 1996;
 Revised: April 1, 2008; February 1, 2007; February 1, 2004;
 June 1, 2002; March 1, 1999; October 15, 1998;
 January 6, 1997.

37-2 BUSINESSES IN FEDERAL AREAS

The fact that a business is located in a federal area does not in itself exempt the business from collecting and remitting sales tax. Title 4 of the U.S. Code, Section 105, provides that a state which levies sales taxes shall have full jurisdiction and the power to levy and collect sales taxes in any federal area within such state to the same extent and with the same effect as though such area was not a federal area with certain exemptions provided in Title 4, U.S. Code, Section 107, for sales by the United States Government or its instrumentalities.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-264;
 Issued: June 1, 1996;
 Revised: March 1, 1999.

37-3 CONTRACTORS FOR THE FEDERAL GOVERNMENT

Sales of tangible personal property to contractors for use in performing contracts with the United States Government or its agencies and instrumentalities are subject to the general rate of State tax and any applicable local sales or use tax. The Federal Government is entitled to an annual refund of North Carolina and local sales and/or use taxes paid by its contractors on purchases of building materials, supplies, fixtures and equipment that become a part of or are annexed to any building or structure that is owned or leased by the governmental entity and is being erected, altered or repaired for use by the governmental entity.

Note: For additional information on refunds to the Federal Government, see Sales and Use Tax Technical Bulletin 18-2 A.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-264;
Issued: June 1, 1996;
Revised: February 1, 2004; June 1, 2002; May 10, 1999.

37-4 FEDERAL CREDIT UNIONS AND THE FARM CREDIT SYSTEM

A. Federal Credit Unions

Sales of tangible personal property to federal credit unions organized under the Federal Credit Union Act, 12 U.S.C. §§ 1751 et seq., are exempt from North Carolina sales and use tax. See 12 U.S.C. § 1768.

B. The Farm Credit System

The Farm Credit System, 12 U.S.C. §§ 2001 et seq., includes the Farm Credit Banks, the Federal land bank associations, the production credit associations, the banks for cooperatives, and such other institutions as may be made part of the System, all of which are chartered by and subject to the regulation of the Farm Credit Administration.

1. Sales of tangible personal property to Farm Credit Banks and Federal land banks are exempt from North Carolina sales and use tax. See 12 U.S.C. §§ 2023 and 2098.
2. Sales of tangible personal property to production credit associations and banks for cooperatives for use or consumption are subject to the general rate of State tax and any applicable local sales or use tax. See 12 U.S.C. §§ 2077 and 2134.

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

37-5 FEDERAL SAVINGS AND LOAN ASSOCIATIONS, NATIONAL BANKS, STATE BANKS AND STATE CHARTERED CREDIT UNIONS

- A. Sales of tangible personal property to federal savings and loan associations and national banks for use or consumption are subject to the general rate of State tax and any applicable local sales or use tax. See 12 U.S.C. §§ 1464(h) and 548.
- B. Sales of tangible personal property to state banks and state chartered credit unions for use or consumption 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; 105-264;
Issued: June 1, 1996;
Revised: February 1, 2007; June 1, 2002.

37-6 GOVERNMENT AGRICULTURAL OFFICES

County agricultural stabilization and conservation offices are agencies or instrumentalities of the Federal Government and are exempt from payment of sales and use taxes on their purchases of tangible personal property for use in carrying on their work.

History Note: Authority G.S. 105-164.13; 105-264;
Issued: June 1, 1996.

37-7 RESERVE OFFICERS' UNIFORMS

Sales of uniforms, other than sales directly to the United States Government, for use in reserve officers training programs 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; 105-264;
Issued: June 1, 1996;
Revised: June 1, 2002.

37-8 POSTAL EMPLOYEES' ASSOCIATIONS

A post office employees' association is not construed to be an instrumentality of the United States Government, and sales to and sales by such organizations are subject to tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-264;
Issued: June 1, 1996;
Revised: March 1, 1999.

37-9 CHEROKEE INDIAN RESERVATION**A. Sales of Tangible Personal Property by Merchants on the Reservation**

Sales of tangible personal property by merchants on the Cherokee Indian Reservation are exempt from sales and use taxes when such merchants are authorized to do business on the Reservation and are paying the tribal gross receipts levy to the Tribal Council. The above exemption from the tax is applicable to all sales by merchants on the Reservation without regard to the status of the purchaser.

B. Sales of Tangible Personal Property by In-State and Out-of-State Vendors

1. Sales of tangible personal property by in-state vendors or out-of-state vendors to the Eastern Band of Cherokee Indians or to individual Indians of the band are exempt from sales and use taxes when delivery of the property occurs on the Reservation.
2. Sales of tangible personal property by in-state or out-of-state vendors to the Eastern Band of Cherokee Indians, to individual Indians of the band, to contractors or anyone else representing Indians are subject to sales or use taxes when delivery thereof occurs outside the Reservation even though such property may be incorporated into improvements on the Reservation.

C. Contractors - Contracts With Cherokee Indian Reservation

1. Contractors are users or consumers of all tangible personal property which they purchase within or without this State for use in the performance of contracts. Contractors are liable for remitting the applicable sales or use tax on all tangible personal property purchased within or without this State when delivery occurs off the Reservation even though the contractors may use it or incorporate it in improvements on the Reservation.
2. Property purchased by and delivered to a contractor on the Reservation to be incorporated in an improvement to real property is not subject to sales or use tax.
3. Property purchased by and delivered to contractors on the Reservation for use in performing a contract (but where the property is not incorporated in an improvement) is

subject to sales or use tax unless sold by merchants on the Cherokee Indian Reservation who are authorized to do business there and who pay the tribal levy on the transaction which property is, therefore, exempt under G.S. 105-164.13(25).

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: March 1, 1999.

37-10 DONATIONS OF TANGIBLE PERSONAL PROPERTY TO THE FEDERAL GOVERNMENT

Tangible personal property that is purchased by a retailer for resale or is manufactured or purchased by a wholesale merchant for resale and then withdrawn from inventory and donated by the retailer or wholesale merchant to either a governmental entity or to a nonprofit organization, contributions to which are deductible as charitable contributions for federal income tax purposes, is exempt from tax.

History Note: Authority G.S. 105-164.13; 105-264;
Issued: October 1, 1999.