

SECTION 5 - MACHINISTS, FOUNDRYMEN AND PATTERN MAKERS**5-1 SALES BY MACHINISTS, FOUNDRYMEN AND PATTERN MAKERS**

- A.** Sales to users or consumers of molds, dies, castings, patterns, tools, machinery and any other tangible personal property made by machinists, foundrymen or pattern makers, and parts and other tangible personal property fabricated and sold for use or consumption on or with such items of tangible personal property, are subject to the general rate of State tax and any applicable local sales or use tax except as set out in paragraphs B. and C.
- B.** The following sales of any such property are exempt from tax:
1. to a holder of a standard commercial fishing license issued under G.S. 113-168.2 or a shellfish license issued under G.S. 113-169.2.
 2. to ocean-going vessels for use or consumption plying the high seas in interstate or foreign commerce in transporting freight or passengers for hire exclusively when delivered to an officer or agent of such vessel for the use of such vessel.
 3. sales to farmers if such property is classified as farm machinery or attachments or repair parts for farm machinery under the provisions of Section 8 of the Sales and Use Tax Technical Bulletins. **(Effective January 1, 2006)**
 4. sales to commercial laundries or pressing and dry cleaning establishments of machinery, or parts and accessories therefor, for use by the vendee in the direct performance of the cleaning and/or pressing service. **(Effective January 1, 2006)**
- C.** Purchases of any such tangible personal property are subject to the 1% privilege tax with a maximum tax of \$80.00 per single article:
1. purchases of molds, forms, patterns or dies from machinists, foundrymen, pattern makers or others and any other property classified as mill machinery, mill machinery parts or accessories by manufacturing industries and plants.
 2. purchases by contractors and subcontractors of mill machinery or mill machinery parts or accessories for use by them in the performance of contracts with manufacturing industries and plants and purchases by subcontractors of mill machinery or mill machinery parts or accessories for use by them in the performance of contracts encompassed in such contracts with manufacturing industries and plants. Such mill machinery or mill machinery parts or accessories must be for use by a manufacturing industry or plant in the production process, as the term “**production**” is defined in Sales and Use Tax Technical Bulletin 57-1, to qualify for the 1% privilege tax with a maximum tax of \$80.00 per article when purchased by such contractors or subcontractors. Contractors and subcontractors may obtain the **Streamlined Sales and Use Tax Agreement Certificate of Exemption, Form E-595E**, from the North Carolina Department of Revenue’s website or from the Taxpayer Assistance Division to be executed by them and furnished to their vendors in connection with such purchases as the vendors’ authority to apply the exemption from sales tax.
 3. **prior to January 1, 2006**, sales of any such machinery, or parts and accessories therefor, to freezer locker plants for use in the direct operation of such plants. **Effective January 1, 2006**, sales of these items to freezer locker plants are subject to the general rate of State tax and any applicable local sales or use tax.

- D. The tax due shall be computed at the applicable rate on the full sales price or purchase price of such property, including charges for any services that go into the fabrication, manufacture or delivery thereof.

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: December 1, 2008; January 1, 2007; July 1, 2005; June 1, 2002.

5-2 MOLDS, PATTERNS OR DIES

A. Molds, Patterns or Dies Sold For Resale

Sales of molds, patterns or dies to manufacturers for resale to their customers are exempt from tax and classified as wholesale sales when such sales are supported by a properly completed **Streamlined Sales and Use Tax Agreement Certificate of Exemption, Form E-595E**. Manufacturers are considered to be purchasing such items for resale only when title thereto and the right of possession thereof will pass to their customers and the manufacturer-vendors' books, records and invoices show that such items are actually sold to their customers.

B. Molds, Patterns or Dies Retained By Seller

Manufacturers making sales of molds, patterns or dies to users or consumers in this State shall register with the Department of Revenue for the purpose of collecting and remitting the tax due on such sales. If manufacturers make retail sales of molds, patterns or dies to manufacturer-customers within and without this State, with the right of possession and title thereto passing to such customers, the manufacturer-customers are subject to the 1% privilege tax with a maximum tax of \$80.00 per article when the manufacturers selling the molds, patterns or dies retain them in their possession within this State for use in manufacturing tangible personal property for sale to such customers. Out-of-state manufacturers making retail sales of molds, patterns or dies to customers within this State are not required to collect and remit North Carolina sales or use taxes on such sales when the out-of-state manufacturers retain the molds, patterns or dies in their possession for their use outside this State in manufacturing tangible personal property for sale to such customers.

C. Molds, Patterns or Dies Sold to Users Not Subject to the 1% Privilege Tax

Manufacturers making retail sales of molds, patterns or dies to users not subject to the 1% privilege tax imposed under Article 5F (for more information see Sales and Use Tax Technical Bulletin 56) or consumers within and without this State, with right of possession and title thereto passing to such customers, are liable for collecting and remitting the general rate of State tax and any applicable local sales or use tax on such sales when the manufacturers selling the molds, patterns or dies retain them in their possession within this State for use in manufacturing tangible personal property for sale to such customers.

D. Record Keeping

Manufacturers making retail sales of molds, patterns or dies, with the right of possession and title thereto passing to their customers, must separately state the charges therefor from any charges for other tangible personal property sold to such customers in their books and records and on the sales invoices given to the customers at the time of the sale. Otherwise, the manufacturers will be considered to be the users of the molds, patterns or dies and they will be liable for payment of the 1% privilege tax on the cost price with a maximum tax of \$80.00 per article.

History Note: Authority G.S. 105-164.4; 105-164.5; 105-164.6; 105-164.14;
105-164.22; 105-187.50; 105-187.51; 105-187.51A; 105-187.51B; 105-
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