

December 2002

North Carolina Department of Revenue
Post Office Box 25000
Raleigh, North Carolina 27640-0001

IMPORTANT NOTICE: ADDITIONAL ½% COUNTY SALES AND USE TAX

Effective January 1, 2003:

The 2002 session of the General Assembly enacted legislation that provides all counties with authority to levy an additional ½% local sales and use tax. In accordance with the provisions of the legislation, the following counties have adopted resolutions to levy an additional ½% sales and use tax effective January 1, 2003:

Cherokee	Guilford	Onslow
Craven	Lee	Rutherford
Currituck	Madison	Swain
Franklin	Mecklenburg	

Effective January 1, 2003, the local rate of tax in the above counties will be 2½% (except Mecklenburg County, which will be 3%) for a combined State and local rate of 7% (7½% in Mecklenburg County.) The additional ½% county tax will apply only to sales of tangible personal property and other transactions that are subject to the State 4½% rate of sales or use tax. Sales of food that are subject to the 2% county rate of tax are not subject to the additional ½% tax or to State sales or use tax. All of the provisions of the Local Government Sales and Use Tax Law with respect to a retailer with a place of business in a taxing county and a retailer required to collect use tax in a taxing county and the liability for local tax are applicable to the new levy.

The legislation provides that the additional ½% county sales and use tax does not apply to construction materials purchased to fulfill a lump-sum or unit-price contract entered into or awarded before the effective date of the levy or entered into or awarded pursuant to a bid made before the effective date of the levy. Form E-589B, Affidavit to Exempt Contractors from the Third ½% Local Government Sales and Use Tax, is to be used by contractors that are engaged in performing any such contracts or will be awarded contracts pursuant to such bids submitted before January 1, 2003. The Affidavit is to be executed by the contractors and provided to the suppliers of building materials, supplies and fixtures. The contractors and their suppliers should keep a copy of the Affidavit in their files, and the contractors must retain the original or a duplicate of any lump-sum or unit-price contract in their files. Copies of the Affidavit can be obtained by accessing the Department's website at www.dor.state.nc.us or by contacting the Forms Line at (919) 715-0397.

The sales and use tax returns for the period October 2002 through September 2003 contain lines to report and compute tax at the 2% and 2½% rates. The returns also contain a line for the ½% Mecklenburg Public Transit Tax. Supplies of these returns are distributed annually to monthly filers during the month of October and to quarterly filers during the month of December.

Taxpayers who report and pay sales and use tax on the cash basis of accounting will continue to be liable for remitting the 2% (2½% in Mecklenburg County) county tax on

collections made on or after January 1, 2003 for sales made prior to January 1, 2003. The lease receipts derived by lessors in the counties named above who have entered into lease agreements with lessees prior to January 1, 2003, for a definite stipulated period of time to lease property that is subject to the general State rate of sales or use tax will continue to be subject to only the 2% (2½% in Mecklenburg County) county sales and use tax for the term of the lease agreement.

Taxpayers who are liable for remitting tax for more than one county should file Form E-536, Schedule of County Sales and Use Taxes. This form has been revised to include entries for the combined 2% or 2½% tax for each county and for the ½% Mecklenburg Public Transit Tax. The form can be downloaded from the Department's website or can be ordered from the Department's Forms Line at (919) 715-0397.

A tax chart has been prepared which sets out the combined 7% State and county tax. The 7% tax charts can be ordered from the Forms Line and are available on the Department's website. Questions about the additional ½% county sales and use tax can be directed by telephone to the Taxpayer Assistance Division at (919) 733-3661 or by mail to the Taxpayer Assistance Division, North Carolina Department of Revenue, Post Office Box 25000, Raleigh, North Carolina 27640.

On-Line Filing Available

Taxpayers can now file sales and use tax returns and make payment on-line. Information on electronic filing and payment can be accessed at the Department's website, www.dor.state.nc.us. Questions about electronic filing should be directed to the E-Services Help Line at telephone number (919) 733-4645 Monday through Friday between the hours of 8:00 a.m. and 5:00 p.m. Eastern Standard Time.