

NORTH CAROLINA SALES TAX HOLIDAY

Frequently Asked Questions

How should retailers report exempt sales of qualifying items sold during the “Sales Tax Holiday?”

Exempt sales of qualifying items sold during the “Sales Tax Holiday” should be reported on Line 3, Receipts Exempt From State Tax, of Form E-500.

If a retailer charges a customer tax on a qualifying exempt item during the “Sales Tax Holiday,” how can the customer obtain a refund of the tax paid in error?

In order to obtain a refund of tax paid in error, the customer must return to the store with his sales receipt and obtain a refund from the retailer. The retailer can claim a credit for the tax refunded to customers on his sales and use tax return provided he remitted the tax to the Department. The Department does not issue refunds to individual customers for tax remitted to retailers in error.

Can retailers elect not to participate in the “Sales Tax Holiday” and collect the tax from their customers on eligible items?

No. Retailers may only collect from their customers sales taxes that are legally due. The Department may take action to revoke a retailer’s Certificate of Registration for a retailer that collects sales taxes that are not legally due.

How are exchanges of items purchased during the “Sales Tax Holiday” handled when returned after the “Sales Tax Holiday?”

If a customer purchases a qualifying exempt item during the “Sales Tax Holiday” and later exchanges the item for the *same item* (different size, different color, etc.), no additional tax will be due even if the exchange is made after the “Sales Tax Holiday.”

If the customer returns the item after the “Sales Tax Holiday” and receives credit on the purchase of a *different item*, the sales tax will apply to the sale of the newly purchased item.

What does the exemption for “sport or recreational equipment” with a sales price of \$50.00 or less per item include?

The exemption for sport or recreational equipment applies to items designed for humans to wear during athletic or recreational activities that are not suitable for general use. The sales price of each item cannot exceed \$50.00 to be eligible. Examples of qualifying sport or recreational equipment with a sales price of \$50.00 or less include ballet shoes, cleated athletic shoes, shin guards, ski boots, shoulder pads, mouth guards, and goggles.

Are biking, skating, or baseball helmets exempt during the “Sales Tax Holiday?”

Yes. Biking, skating, or baseball helmets are exempt during the “Sales Tax Holiday” as sport or recreational equipment provided the sales price is \$50.00 or less per item.

Are fabric, thread, yarn, and other items used to make clothing exempt from tax if purchased during the “Sales Tax Holiday?”

No. Fabric, thread, yarn, and other such items purchased to make clothing are taxable.