

Supplemental Taxability Matrix

Effective: January 1, 2010

The Supplemental Taxability Matrix constitutes a listing of taxable services and exemptions from sales and use tax that are not defined in the Streamlined Sales and Use Tax Agreement or are not product-based exemptions or included in Streamlined Sales and Use Tax Agreement. This matrix is published for informational purposes and the relief from liability provisions of Section 328 of the Streamlined Sales and Use Tax Agreement are not applicable to the information set out in the Supplemental Taxability Matrix.

Part One. Taxable services.

Services that do not constitute part of the sales price of tangible personal property are not subject to sales or use tax unless tax is specifically imposed by statute. The following are services that are subject to sales or use tax.

Service	Description	Statute/Rule Cite
Accommodations	Rentals of accommodations to transients for less than ninety days.	G.S. 105-164.4(a)(3)
Dry-cleaning/ Laundry	Gross receipts derived from dry cleaning, pressing, hat-blocking, clean linen, laundry, or similar services.	G.S. 105-164.4(a)(4)
Telecommunications and Ancillary Service	Gross receipts derived from providing telecommunications and ancillary services.	G.S. 105-164.4(a)(4c) & G.S. 105-164.4C
Video Programming Service	Gross receipts from providing video programming service.	G.S. 105-164.4(a)(6)
Satellite Digital Audio Radio Service	Gross receipts from providing satellite digital audio radio service.	G.S. 105-164.4(a)(6a)
Prepaid Telephone Calling Service	Sale or recharge of prepaid telephone calling service.	G.S. 105-164.4(a)(4d)
Certain Digital Products	Gross receipts from (1) an audio work; (2) an audiovisual work; (3) a book, a magazine, a newspaper, a newsletter, a report, or another publication; (4) a photograph or a greeting card that is delivered or accessed electronically, is not considered tangible personal property, and would be taxable if sold in a tangible medium. The tax applies regardless of whether the purchaser has the right to use it permanently or to use it without making continued payments.	G.S. 105-164.4(a)(6b)

Part Two. Product-based exemptions not defined in the Streamlined Sales and Use Tax Agreement.

The following are product-based exemptions from sales and use tax that are not defined in the Streamlined Sales and Use Tax Agreement and are not included in the Streamlined Sales and Use Tax Agreement Taxability Matrix.

Product	Description	Statute/Rule Cite
Public School Books	Public school books on the adopted list, the selling price of which is fixed by State contract.	G.S. 105-164.13(14)
Motor Vehicles	Sales of motor vehicles, the sale of a motor vehicle body to be mounted on a motor vehicle chassis when a certificate of title has not been issued, and the sale of a motor vehicle body mounted on a motor vehicle chassis that temporarily enters the State so the manufacturer of the body can mount the body on the chassis.	G.S. 105-164.13(32)
Piped Natural Gas	Subject to an excise tax.	G.S. 105-164.13(44)
Piped Water	Water delivered by or through main lines or pipes for either commercial or domestic use or consumption.	G.S. 105-164.13(51)
Motor Fuel	Motor fuel as defined in G.S. 105-449.60, except motor fuel for which a refund of the per gallon excise tax is allowed under G.S. 105-449.105A or G.S. 105-449.107.	G.S. 105-164.13(11)a.
Alternate Fuel	Alternate fuel taxed under Article 36D of the Revenue Laws, unless a refund of that tax is allowed under G.S. 105-449.107.	G.S. 105-164.13(11)b.
Article 5F Products	Products that are taxable under Article 5F including mill machinery, manufacturing fuel, major recycling equipment, eligible datacenter equipment, eligible research and development equipment, eligible software publishing research and development equipment, and eligible industrial machinery refurbishing equipment.	G.S. 105-164.13(5a)

Part Three. Other Exemptions.

The following are other exemptions from sales or use tax that are not solely product-based or included in the Streamlined Sales and Use Tax Agreement Taxability Matrix.

Description of exemption	Statute/Rule Cite	Exemption Certificate Waived
a. The following items sold to a farmer for use by the farmer in planting, cultivating, harvesting ,or curing farm crops or in the production of dairy products, eggs, or animals: <ol style="list-style-type: none"> 1. Commercial fertilizer, lime, land plaster, plastic mulch, plant bed covers, potting soil, baler twine, and seeds. 2. Farm machinery, attachment and repair parts for farm machinery, and lubricants applied to farm machinery. 3. A horse or a mule. 4. Fuel other than electricity. 	G.S. 105-164.13(1)	
b. The following substances when purchased for use on animals or plants held or produced for commercial purposes: (1) Remedies, vaccines, medications, litter materials, and feeds for animals, (2) Rodenticides, insecticides, herbicides, fungicides, and pesticides, (3) Defoliant for use on cotton or other crops, (4) Plant growth inhibitors, regulators, or stimulators, including systemic and contact or other sucker control agents for tobacco and other crops, and (5) Semen. The exemption does not apply to any equipment or devices used to administer, release, apply, or otherwise dispense these substances.	G.S. 105-164.13(2a)	
c. Products of forests and mines in their original or unmanufactured state when such sales are made by the producer in the capacity of producer.	G.S. 105-164.13(3)	X
d. Cotton, tobacco, peanuts or other farm products sold to manufacturers for further manufacturing or processing.	G.S. 105-164.13(4)	X
e. Baby chicks and poults sold for commercial poultry or egg production.	G.S. 105-164.13(4a)	X
f. Products of a farm sold in their original state by the producer of the products if the producer is not primarily a retail merchant.	G.S. 105-164.13(4b)	X
g. Ice used to preserve agriculture, aquaculture, and commercial fishery products until the products are sold at retail.	G.S. 105-164.13(4b)	
h. Commercially manufactured facilities to be used for commercial purposes for housing, raising, or feeding animals or for housing equipment necessary for these commercial activities.	G.S. 105-164.13(4c)a.	
i. Building materials, supplies, fixtures, and equipment that become a part of and are	G.S. 105-164.13(4c)b.	

used in the construction, repair, or improvement of an enclosure or a structure specifically designed, constructed, and used for housing, raising, or feeding animals or for housing equipment necessary for one of these commercial activities.		
j. Commercially manufactured equipment, and parts and accessories for the equipment, used in a facility that is exempt from tax under G.S. 105-164.13(4c)a. or in an enclosure or a structure whose building materials are exempt from tax under G.S. 105-164.13(4c)b.	G.S. 105-164.13(4c)c.	
k. The lease or rental of tobacco sheets used in handling tobacco in the warehouse and transporting tobacco to and from the warehouse.	G.S. 105-164.13(4d)	
l. Manufactured products produced and sold by manufacturers or producers to other manufacturers, producers, or registered retailers or wholesale merchants, for the purpose of resale except as modified by G.S. 105-164.3(51).	G.S. 105-164.13(5)	
m. Sales of products of the waters in their original or unmanufactured state when such sales are made by the producer in the capacity of producer. Fish and seafood are likewise exempt when sold by the fisherman in that capacity.	G.S. 105-164.13(7)	X
n. Sales to a manufacturer of tangible personal property that enters into or becomes an ingredient or component part of tangible personal property that is manufactured. This exemption does not apply to sales of electricity.	G.S. 105-164.13(8)	
o. Sales to a small power production facility, as defined in 16 U.S.C. 796(17)(A), of fuel used by the facility to generate electricity.	G.S. 105-164.13(8a)	
p. Boats, fuel oil, lubricating oils, machinery equipment, nets, rigging, paints, parts, accessories, and supplies sold to any of the following: (a) The holder of a standard commercial fishing license under G.S. 113.168.2 for principal use in commercial fishing operations, (b) The holder of a shellfish license issued under G.S. 113.169.2 for principal use in commercial shellfishing operations, or (3) The operator of a for-hire boat, as defined in G.S. 113-174, for principal use in the commercial use of the boat.	G.S. 105-164.13(9)	
q. Sales to commercial laundries or to pressing and dry cleaning establishments of (1) articles or materials used for the identification of garments being laundered or dry cleaned, wrapping paper, bags, hangers, starch, soaps, detergents, cleaning fluids, and other compounds or chemicals applied directly to the garments in the direct performance of the laundering or the pressing and cleaning service, (2) Laundry and dry-cleaning machinery, parts and accessories attached to the machinery, and lubricants applied to the machinery, and (3) Fuel, other than electricity, used in the direct performance of the laundering or the pressing and cleaning service.	G.S. 105-164.13(10)	
r. Sales to a major recycling facility of (1) lubricants and other additives for motor vehicles or machinery and equipment used at the facility and (2) materials, supplies, parts, and accessories, other than machinery and equipment, that are not capitalized by the taxpayer and are used or consumed in the manufacturing and material handling processes at the facility, and (3) electricity used in the facility.	G.S. 105-164.13(10a)	

s. Sales of diesel fuel to railroad companies for use in rolling stock other than motor vehicles. The definitions in G.S. 105-333 apply in this subdivision.	G.S. 105-164.13(11a)	X
t. Nutritional supplements sold by a chiropractic physician at a chiropractic office to a patient as part of the patient's plan of treatment, as authorized by G.S. 90-151.1.	G.S. 105-164.13(13c)	X
u. Accounts of purchasers, representing taxable sales, on which sales or use tax has been paid, that are found to be worthless and actually charged off for income tax purposes may at corresponding periods be deducted from gross sales. In the case of a municipality that sells electricity, the account may be deducted if it meets all the conditions for charge-off that would apply if the municipality were subject to income tax. Any accounts deducted pursuant to this subdivision must be added to gross sales if afterwards collected.	G.S. 105-164.13(15)	X
v. Sales of an article repossessed by the vendor if tax was paid on the sales price of the article.	G.S. 105-164.13(16)	X
w. Sales which a state would be without the power to tax under the limitations of the Constitution or laws of the United States or under the Constitution of this State.	G.S. 105-164.13(17)	X
x. Sales by blind merchants operating under the supervision of the Department of Health and Human Services.	G.S. 105-164.13(20)	X
y. The lease or rental of motion picture films used for exhibition purposes where the lease or rental of such property is an established business or part of an established business or the same is incidental or germane to said business of the lessee,	G.S. 105-164.13(21)	X
z. The lease or rental of films, motion picture films, transcriptions and recordings to radio stations and television stations operating under a certificate from the Federal Communications Commission	G.S. 105-164.13(22)	X
aa. Sales of audiovisual masters made or used by a production company in making visual and audio images for first generation reproduction. 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.	G.S. 105-164.13(22a)	
bb. Sales of the following packaging items: Wrapping paper, labels, wrapping twine, paper, cloth, plastic bags, cartons, packages and containers, cores, cones or spools, wooden boxes, baskets, coops and barrels, including paper cups, napkins and drinking straws and like articles sold to manufacturers, producers and retailers, when such materials are used for packaging, shipment or delivery of tangible personal property which is sold either at wholesale or retail and when such articles constitute a part of the sale of such tangible personal property and are delivered with it to the customer.	G.S. 105-164.13(23)a.	
cc. A container that is used as packaging by the owner of a container or another person to enclose tangible personal property for delivery to a purchaser of the property and is required to be returned to the owner for reuse.	G.S. 105-164.13(23)b.	
dd. Sales of fuel and other items of tangible personal property for use or consumption by	G.S. 105-164.13(24)	

or on ocean-going vessels which ply the high seas in interstate or foreign commerce in the transport of freight and/or passengers for hire exclusively, when delivered to an officer or agent of such vessel for the use on such vessel; provided, however, that sales of fuel and other items of tangible personal property made to officers, agents, members of the crew or passengers of such vessels for their personal use shall not be exempted.		
ee. Sales by merchants on the Cherokee Indian Reservation when such merchants are authorized to do business on the Reservation and are paying the tribal gross receipts levy to the Tribal Council.	G.S. 105-164.13(25)	X
ff. Food sold not for profit by public or private school cafeterias within school buildings during the regular school day.	G.S. 105-164.13(26)	X
gg. Food sold not for profit by a public school cafeteria to a child care center that participates in the Child and Adult Care Food Program of the Department of Public Instruction.	G.S. 105-164.13(26a)	X
hh. Meals and food products served to students in dining rooms regularly operated by State or private educational institutions or student organizations thereof.	G.S. 105-164.13(27)	X
ii. Sales of newspapers by newspaper street vendors, by newspaper carriers making door-to-door deliveries, and by means of vending machines	G.S. 105-164.13(28)	X
jj. Sales from vending machines when sold by the owner or lessee of said machines at a price of one cent per sale.	G.S. 105-164.13(30)	X
kk. Sales of meals not for profit to elderly and incapacitated persons by charitable or religious organizations not operated for profit which are entitled to the refunds provided by G.S. 105-164.14(b), when such meals are delivered to the purchasers at their places of abode.	G.S. 105-164.13(31)	X
ll. Food sold by a church or religious organization not operated for profit when the proceeds of the sales are actually used for religious activities.	G.S. 105-164.13(31a)	X
mm. Tangible person property purchased solely for the purpose of export to a foreign country for exclusive use or consumption in that or some other foreign country, either in the direct performance or rendition of professional or commercial services, or in the direct conduct or operation of a trade or business, all of which purposes are actually consummated, or purchased by the government of a foreign country for export which purpose is actually consummated.	G.S. 105-164.13(33)	
nn. Tangible personal property sold by a retailer to a purchaser within or without the State, when the property is delivered in the State to a common carrier or to the United States Postal Service for delivery to the purchaser or the purchaser's designees outside the State and the purchaser does not subsequently use the property in the State.	G.S. 105-164.13(33a)	X
oo. Sales of items by a nonprofit civic, charitable, educational, scientific, or literary organization when the net proceeds of the sales will be given or contributed to the State of North Carolina or to one or more of its agencies or instrumentalities, or to one or more	G.S. 105-164.13(34)	X

nonprofit charitable organizations, one of whose purposes is to serve as a conduit through which such net proceeds will flow to the State or to one or more of its agencies or instrumentalities.		
pp. Sales by a nonprofit civic, charitable, educational, scientific, literary, or fraternal organization when all of the following conditions are met: (1) The sales are conducted only upon an annual basis for the purpose of raising funds for the organization's activities, (2) The proceeds of the sale are actually used for the organization's activities, and (3) The products sold are delivered to the purchaser within 60 days after the first solicitation of any sale made during the organization's annual sales period.	G.S. 105-164.13(35)	X
qq. Advertising supplements and any other printed matter ultimately to be distributed with or as part of a newspaper.	G.S. 105-164.13(36)	X
rr. Food and other items lawfully purchased under the Food Stamp Program and supplemental foods lawfully purchased with a food instrument issues under the Special Supplemental Food Program and supplemental foods purchased for direct distribution by the Special Supplemental Food Program.	G.S. 105-164.13(38)	X
ss. Sales to the Department of Transportation.	G.S. 105-164.13(40)	X
tt. Sales of mobile classrooms to local boards of education or to local boards of trustees of community colleges.	G.S. 105-164.13(41)	X
uu. 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 a retailer or wholesale merchant to either a governmental entity or a nonprofit organization, contributions to which are deductible as charitable contributions for federal income tax purposes.	G.S. 105-164.13(42)	X
vv. Sales of the following items: aircraft lubricants, aircraft repair parts, and aircraft accessories to an interstate passenger air carrier for use at its hub.	G.S. 105-164.13(45)	
ww. Sales of electricity by a municipality whose only wholesale supplier of electric power is a federal agency and who is required by a contract with that federal agency to make payments in lieu of taxes.	G.S. 105-164.13(46)	X
xx. An amount charged as a deposit on a beverage container that is returnable to the vendor for reuse when the amount is refundable or creditable to the vendee, whether or not the deposit is separately charged.	G.S. 105-164.13(47)	X
yy. An amount charged as a deposit on an aeronautic, automotive, industrial, marine, or farm replacement part that is returnable to the vendor for rebuilding or remanufacturing when the amount is refundable or creditable to the vendee, whether or not the deposit is separately stated. This exemption does not include tires or batteries.	G.S. 105-164.13(48)	X
zz. Fifty percent (50%) of the sales price of tangible personal property sold through a coin-operated vending machine, other than tobacco.	G.S. 105-164.13(50)	X
aaa. Items subject to sales and use tax under G.S. 105-164.4, other than electricity,	G.S. 105-164.13(52)	

telecommunications service, and ancillary service sold to a State agency subject to specific procurement conditions.		
bbb. Sales to an interstate air business of tangible personal property that becomes a component part of or is dispensed as a lubricant into commercial aircraft during its maintenance, repair, or overhaul. For the purpose of this subdivision, commercial aircraft includes only aircraft that has a certified maximum take-off weight of more than 12,500 pounds and is regularly used to carry for compensation passengers, commercial freight, or individually addressed letters and packages.	G.S. 105-164.13(45a)	
ccc. Delivery charges for delivery of direct mail if the charges are separately stated on an invoice or similar billing document given to the purchaser.	G.S. 105-164.13(49a)	
ddd. Sales to a professional land surveyor of tangible personal property on which custom aerial survey data is stored in digital form or is depicted in graphic form. Data is custom if it was created to the specifications of the professional land surveyor purchasing the property. A professional land surveyor is a person licensed as a surveyor under Chapter 89C of the General Statutes.	G.S. 105-164.13(53)	
eee. Sales of paper, ink, and other tangible personal property to commercial printers and commercial publishers for use as ingredients or component parts of free distribution periodicals and sales by printers of free distribution periodicals to the publishers of these periodicals. As used in this subdivision, the term "free distribution periodical" means a publication that is published on a periodic basis monthly or more frequently, is provided without charge to the recipient, and is distributed in any manner other than by mail.	G.S. 105-164.13(39)	
fff. Sales of the following to a farmer, as defined in subdivision (1) of this section: (a) A container used for a purpose set out in subdivision (1) of this section or in packaging or transporting the farmer's product for sale and (b) A grain, feed, or soybean storage facility, and parts and accessories attached to the facility.	G.S. 105-164.13(1a)	
ggg. A metal flue sold for use in curing tobacco, whether the flue is attached to a handfired furnace or used in connection with a mechanical burner.	G.S. 105-164.13(4d)b.	
hhh. A bulk tobacco barn or rack, parts and accessories attached to the tobacco barn or rack, and any similar apparatus, part, or accessory used to cure or dry tobacco or another crop,	G.S. 105-164.13(4d)c.	
iii. Sales to a telephone company regularly engaged in providing telecommunications service to subscribers on a commercial basis of central office equipment, switchboard equipment, private branch exchange equipment, terminal equipment other than public pay telephone terminal equipment, and parts and accessories attached to the equipment.	G.S. 105-164.13(5b)	
jjj. Sales of towers, broadcasting equipment, and parts and accessories attached to the equipment to a radio and television company licensed by the Federal Communications Commission.	G.S. 105-164.13(5c)	
kkk. Sales of broadcasting equipment and parts and accessories attached to the	G.S. 105-164.13(5d)	

equipment to a cable service provider. For the purposes of this subdivision, “broadcasting equipment” does not include cable.		
lll. Sales of the following items to an interstate air courier for use at its hub: (1) Aircraft lubricants, aircraft repair parts, and aircraft accessories and (2) Materials handling equipment, racking systems, and related parts and accessories for the storage or handling and movement of tangible personal property at an airport or in a warehouse or distribution facility.	G.S. 105-164.13(45b)	
mmm. Sales of the following to a person who is engaged in the commercial logging business: (a) logging machinery – logging machinery is machinery used to harvest raw forest products for transport to first market, (b) attachments and repair parts for logging machinery, (c) lubricants applied to logging machinery, (d) fuel used to operate logging machinery.	G.S. 105-164.13(4f)	
nnn. Sales of electricity and eligible business property to an eligible Internet data center as defined under G.S. 105-164.3(8e).	G.S. 105-164.13(55)	
ooo. Sales of the following telecommunications services and charges: 1. Telecommunications service that is a component part of or is integrated into a telecommunications service that is resold. This exemption does not apply to service purchased by a pay telephone provider who uses the service to provide pay telephone service. 2. Pay telephone service. 3. 911 charges imposed under G.S. 62A-4 or G.S. 62A-23 and remitted to the Emergency Telephone System Fund under G.S. 62A-7 or the Wireless Fund under G.S. 62A-24. 4. Charges by a telecommunications service made by a hotel, motel, or another entity whose gross receipts are taxable under G.S. 105-164.4(a)(3) when the charges are incidental to the occupancy of the entity's accommodations. Telecommunications service purchased by a State agency or a unit of local government for the North Carolina Information Highway or another data network owned or leased by the State or unit of local government.	G.S. 105-164.13(54)	
ppp. Sales to the owner or lessee of an eligible railroad intermodal facility of intermodal cranes, intermodal hostler trucks, and railroad locomotives that reside on the premises of the facility and are used at the facility.	G.S. 105-164.13(56)	
qqq. Sales of bread, rolls, and buns at a bakery thrift store; items subject to a 2% rate of tax.	G.S. 105-164.13(27a)	X
rrr. Tangible personal property purchased with a client assistance card issued for disaster assistance relief by a State agency or a federal agency or instrumentality	G.S. 105-164.13(58)	X
sss. Interior design services provided in conjunction with a sale of tangible personal property.	G.S. 105-164.13(59)	X

ttt. Sales of bakery items sold without eating utensils by an artisan bakery; items are subject to a 2% rate of tax.	G.S. 105-164.13B(a)(4)	X
uuu. Computer software that meets any of the following descriptions: (a) it is designed to run on an enterprise server operating system. (b) it is sold to a person who operates a datacenter and is used within the datacenter. (c) It is sold to a person who provides cable service, telecommunications service, or video programming and is used to provide ancillary service, cable service, Internet access service, telecommunications service, or video programming.	G.S. 105-164.13(43a)	
vvv. Computer software or digital property that becomes a component part of other computer software or digital property that is offered for sale or of a service that is offered for sale.	G.S. 105-164.13(43b)	
www. Sales of aircraft simulators sold to a company for flight crew training and maintenance training.	G.S. 105-164.13(45c)	