

Sales Tax Highlights

1. Click here to access the following memo from the Department of Revenue:
http://www.osc.state.nc.us/sigdocs/sig_docs/prev_memos/2004/State_Agency_Memo_12-15-03-1_Revenue.pdf
2. Effective July 1, 2004, State agencies are exempt from sales and use tax on direct purchases of items, except electricity and telecommunications services, subject to specific conditions.
3. To be eligible for the exemption, a State agency must obtain a sales and use tax exemption number from the Department of Revenue by completing Form E-592A, Application for State Agency Exemption Number for Sales and Use Taxes, and submitting it to the Sales and Use Tax Division at the address shown on the form. A copy of the form is available from the Department of Revenue website at:
<http://www.dor.state.nc.us/>
4. When a State agency is issued an exemption number, they must use the exemption number for direct purchases that are within the scope of the exemption.
5. For a purchase to be exempt, *all* of the following conditions must be met:
 - a. The items are purchased by a State agency for its own use and in accordance with G.S. 105-164.29A.
 - b. The items are purchased pursuant to a valid purchase order issued by the State agency containing the exemption number of the agency and a description of the property purchased, or the items purchased are paid for by any of the following payment options:
 - State-issued check
 - electronic deposit
 - credit card
 - procurement card
 - credit account of a State agency**Sales tax must be paid on all cash purchases.**
 - c. For all purchases other than by an agency-issued purchase order, the agency must provide their exemption number to, or have on file with, the vendor.
6. A State agency that does not use the items purchased with an exemption number must pay the tax that should have been paid on the items purchased, *plus* interest calculated from the date the tax would otherwise have been paid. The exemption number cannot be used by:
 - Contractors or subcontractors of a State agency to purchase items used to fulfill a contract with the agency.
 - Employees of a State agency to purchase food, lodging, or other taxable items paid by the employee from their own funds and reimbursed by the agency.
7. The exemption from tax does not apply to the following taxes; these taxes must be paid to the vendor by the State agency:
 - The one (1) % prepared food and beverage taxes levied and administered by various local governments in the State.
 - Occupancy taxes levied and administered by various local governments in the State.
 - Highway use taxes paid on the purchase, lease, or rental of motor vehicles.
 - State sales taxes levied on electricity or telecommunications services.
 - Scrap tire disposal tax levied on new tires.
 - White goods disposal tax levied on new white goods.
 - Dry-cleaning solvent tax levied on dry-cleaning solvent purchased by a dry-cleaning facility.
 - Excise tax on piped natural gas.

8. Effective July 1, 2004, sales and use taxes paid on direct purchases (purchases done by the state) are no longer refundable. State agencies must apply for and use an exemption number for all direct purchases of tangible personal property that are within the scope of the exemption. Effective July 1, 2004, only sales and use taxes paid on indirect purchases (purchases done by state contractors) are refundable. Only those State agencies that pay sales and use tax on indirect purchases are required to file the quarterly claim for refund of county sales and use taxes (Form E-585E) for periods beginning on and after July 1, 2004.
9. Purchases made with petty cash are taxable.
10. Sales tax is or is not paid based on when the sale takes place. Generally, this is when the transfer of goods from seller to purchaser occurs. If goods are received before July 1, 2004, sales tax should be charged by the vendor. If goods are received after July 1, 2004, sales tax should not be charged by the vendor.
11. The payment of sales tax has nothing to do with the date of the purchase order or the date payment is made.
12. For invoices that are received with sales tax, whether they are in-state or out-of-state, and that meet all the qualifications for being tax exempt, the sales tax must be subtracted from the invoice and the vendor must be advised that you are tax exempt. This can be accomplished by using a remittance message or through a letter sent with the check.
13. For purchases made out-of-state and goods taken possession of out-of-state, the other state's tax still applies and must be paid. For example, while traveling in Virginia, an employee purchases office supplies on their agency purchasing card. The agency pays all applicable Virginia tax.
14. For goods purchased from an out-of-state vendor, but taken possession of in NC, tax is exempt. There will be no more accruals and remittance of use tax from out-of-state vendors to the Department of Revenue as in the past.
15. A new field labeled "State Agency Tax Exempt Number" will appear in the header of purchase orders sent to suppliers through the E-procurement system. The tax amount will be set to zero (based on a default tax rate of "other") on requisition lines created by users. Contact the NC E-Procurement Help Desk at 1-888-211-7440, option 1 for help and/or questions regarding this issue.
16. Should your agency mistakenly pay sales and use tax on purchases made after June 30, 2004, it will be necessary to correct this error with the vendor, not with the Department of Revenue. The vendor should refund erroneously charged sales and use tax back to the agency. It is the agency's responsibility to provide to the vendor its sales and use tax exemption number.
17. For procurement cards, the exemption number will appear on the face of the card. However, at this time the exemption number cannot be defaulted at the point of sale. Therefore, it will be the purchaser's responsibility to notify the vendor the purchase is exempt from the sales and use tax as a state agency purchase.
18. Employee expense reimbursements of goods purchased by employees in the performance of their official duties are considered to be indirect purchases and are subject to the sales and use tax.

Please refer questions concerning the agency sales and use tax exemption to the OSC-Helpdesk at (875-HELP). Continue checking this document for updates.