

Alert Dealer Alert Dealer Alert

March 28, 2008

North Carolina Automobile Dealers Association

800-264-6223

TO: Alexander, Catawba, Martin, Pitt, Sampson, and Surry County Dealers

FROM: Robert J. Glaser, President
T. John Policastro, General Counsel

******REMINDER******

Local Sales and Use Tax Increase Effective April 1, 2008

This is a special NCADA Dealer Alert reminder for dealers in Alexander, Catawba, Martin, Pitt, Sampson and Surry counties. **Effective April 1, 2008, the local sales and use tax rate for these counties will increase by 0.25% to 2.75%. Along with the state sales and use tax of 4.25%, the combined state and local sales and use tax rate for these counties will be 7%.**

Pursuant to legislation enacted in the 2007 legislative session, all counties were given the authority to levy an additional 0.25% sales and use tax after an affirmative referendum vote of the county's residents. The above counties are the first to levy this additional tax increase.

Please note, this increase impacts only the taxation of tangible personal property and other transactions that are subject to the general State rate of sales and use tax. **This does not impact the current 3% Highway Use Tax applicable to the sale of motor vehicles.**

Please see the attached North Carolina Department of Revenue Notice issued in January for more information on this increase.

Please contact John Policastro at 800-264-6223 with any questions. Thank you.

The above information is provided for information purposes only and should not be construed as legal advice or a legal opinion on specific facts or circumstances. Please consult with legal counsel concerning specific factual situations before acting on this information.

January 2008

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

IMPORTANT NOTICE: ADDITIONAL 0.25% LOCAL SALES AND USE TAX

Effective April 1, 2008:

The 2007 North Carolina General Assembly enacted legislation that provides all counties with authority to levy an additional 0.25% local sales and use tax upon the favorable vote by the residents of a county. In accordance with the provisions of the legislation, the following counties have adopted resolutions to levy the additional 0.25% sales and use tax effective April 1, 2008 following affirmative votes to approve the new levy:

Alexander
Catawba

Martin
Pitt

Sampson
Surry

Effective April 1, 2008, the local rate of tax in the above counties is 2.75%. The local rate of tax in Mecklenburg County remains at 3%; the local rate of tax in the other counties remains at 2.5%.

The additional 0.25% local tax applies only to sales of tangible personal property and other transactions that are subject to the general State rate of sales and use tax. Sales of food that are subject only to the 2% county rate of tax are not subject to the additional 0.25% 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 0.25% local 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-589D, Affidavit to Exempt Contractors from the ¼% County 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 bids submitted before April 1, 2008. 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 after April 1, 2008 by accessing the Department's website or by contacting the Department's Forms Line at 1-877-252-3052 (toll-free).

Taxpayers who report and pay sales and use tax on the cash basis of accounting are liable for remitting the 2.5% local tax on collections made on or after April 1, 2008 for sales made prior to April 1, 2008. The lease receipts derived by lessors in the counties named above who have entered into lease agreements with lessees prior to April 1, 2008, for a definite stipulated period of time to lease property that is subject to the general State rate of sales and use tax continue to be subject to only the 2.5% local sales and use tax for the term of the lease agreement. The sales and use tax returns contain lines to report and compute tax at both the 2.5% and 2.75% rates.

A retailer who ships or delivers taxable merchandise sold to a purchaser in a county other than the county in which the retailer's business is located is required to collect and remit tax due for the county to which the property is shipped or delivered. A retailer who has locations in multiple counties or ships or delivers merchandise sold to purchasers in multiple counties is required to complete and submit Form E-536, Schedule of County Sales and Use Taxes. This schedule shows the amount of tax collected for each county, and this information is used to derive the proper amount of tax that is distributed to local jurisdictions. Failure to fulfill this filing requirement can result in compliance action against a retailer, including proceedings to revoke the retailer's certificate of registration. This form has been revised to include entries for the combined 2.75% tax for the counties of Alexander, Catawba, Martin, Pitt, Sampson, and Surry. Taxpayers who currently file Form E-536 will be mailed a supply of the revised forms by May 1, 2008. The revised form will also be available on the Department's website or can be ordered from the Department's Forms Line after April 1, 2008.

Tax charts setting out the combined State and local tax are available on the website or by calling the Forms Line. Questions about this notice can be directed to the Taxpayer Assistance Call Center at telephone number 1-877-252-3052 (toll-free) or in writing to the Taxpayer Assistance Division, North Carolina Department of Revenue, Post Office Box 25000, Raleigh, North Carolina 27640-0001.