Frequently Asked Questions Regarding Form E-585 Nonprofit and Governmental Entity Claim for Refund State, County, and Transit Sales and Use Taxes (*For Nonprofit Organizations Only*)

G. S. 105-164.14(b) provides that certain nonprofit entities are allowed semiannual refunds of sales and use taxes they pay on direct purchases and leases of tangible personal property and services, other than those exceptions listed on line 2 of the refund claim form, for use in carrying on the work of the nonprofit entity.

What form should a nonprofit organization use to claim a refund of sales and use tax?

- Form E-585, Nonprofit and Governmental Entity Claim for Refund State, County, and Transit Sales and Use Taxes, should be used by nonprofit organizations to claim a refund of sales and use tax.
- The Department asks that old forms or photocopied forms not be used, as this will delay the processing of the claim.

What Account ID number should be used?

- The organization should use the nine-digit account ID number which begins with "72" that was assigned to it when the organization was notified that it qualified to receive refunds of sales and use taxes it pays on purchases and leases of tangible personal property and services for use in carrying on its nonprofit work.
- If the organization has not been notified by the Department that it qualifies to receive refunds of sales and use tax, and it does not have a refund Account ID Number, eligibility can be determined by furnishing the Department with the following information:

1) The Federal Employer Identification Number (EIN) issued by the Internal Revenue Service or a statement advising the organization has not been assigned an EIN.

   What is the Federal Employer ID Number?

   A Federal Employer Identification Number is also known as a federal tax identification number and is used to identify a business entity. This number is issued by the Internal Revenue Service. Taxpayers may apply for a Federal Employer Identification Number in various ways, including contacting the IRS at https://www.irs.gov or by calling the IRS Business & Specialty Tax Line at 1-800-829-4933.

2) A copy of the organization's 501(c)(3) letter issued to the organization by the Internal Revenue Service.

   What is a 501(c)(3) letter?

   A determination letter issued by the IRS regarding the entity's tax status

with the IRS.

3) The organization's National Taxonomy of Exempt Entities (NTEE) Code.

The NTEE Code is a classification system for nonprofit organizations recognized as tax exempt under the Internal Revenue Code, and in most cases, can be obtained by visiting the websites listed below.

The Department will review the above information to determine whether the organization qualifies for refunds of sales and use tax and respond accordingly. Please send all information to the following address:

North Carolina Department of Revenue
Sales and Use Tax Division
Nonprofit Sales and Use Tax
PO Box 25000
Raleigh, NC 27640-0640

How can a nonprofit organization obtain a copy of its IRS ruling and/or find out what its NTEE code is?

- Any nonprofit entity wishing to obtain a copy of its IRS ruling or determination letter may contact the IRS Tax Exempt and Government Entities Customer Account Services section by calling 1-877-829-5500 or by forwarding correspondence to Internal Revenue Service, Exempt Organizations Determinations, PO Box 2508, Cincinnati, Ohio 45201. An Exempt Organizations Master Listing by state, which lists NTEE codes for many organizations, can be found at https://www.irs.gov/charities-non-profits/exempt-organizations-help-from-the-irs.

Additional information about the NTEE Core Codes Classification System can be found at https://nccs.urban.org/classification/NTEE.cfm. Organizations properly classified in any of the following major group areas of the NTEE do not qualify for a refund:

A. Community Improvement and Capacity Building
B. Public and Societal Benefit
C. Mutual and Membership Benefit

If the organization has received its 501(c)(3) status from the IRS but cannot determine their NTEE code after reviewing the information at the above websites, the organization should furnish the Department of Revenue with a copy of the documents used to create the organization (i.e. articles of incorporation, by-laws, constitution, etc.) and any information that reflects the organization's purposes and programs.

What are the beginning and ending periods, corresponding due dates, and other requirements for filing Form E-585?

- Claims are filed semiannually.
- Claims for refund of taxes paid during the first six months of the calendar year (January 1 through June 30) should be filed by October 15 of that year.
- Claims for refund of taxes paid during the last six months of the year (July 1 through December 31) should be filed by April 15 of the following year.
- Refund claims covering more than one semiannual period or filed more than three

years after the due date cannot be accepted.

- The total State sales and use tax refund amount for both six month periods may not exceed $31,700,000 for the State's fiscal year and the total Food, County & Transit tax refund amount for both six month periods may not exceed $13,300,000 for the State's fiscal year. Each cap applies separately.

Questions Related To Line 1

What is the taxing county?

- The taxing county is the county in which the organization paid county and/or transit tax. If all purchases and taxes were paid in only one county, enter that name as the taxing county.
- If the organization made purchases and paid county and/or transit tax in more than one county, do not list a county on Line 1. The organization must complete Form E-536R, Schedule of County Sales and Use Taxes for Claims for Refund, to identify the counties in which county and/or transit tax was paid.

How should Form E-536R be completed?

- Complete Form E-536R only if the organization made purchases and paid county and/or transit tax in more than one county.
- To complete Form E-536R, identify the amount of county and/or transit tax that was paid in each county. Enter the amount(s) in the block(s) next to the appropriate taxing county. Generally, taxes are attributed to the county where delivery occurs. (If taxable tangible personal property or services is sourced or purchased for storage, use, or consumption to the organization in County A, then County A is attributed the county and/or transit tax.) For further detailed information on sourcing provisions review G.S. 105-164.4B.
- Enter, if applicable, the 2% food tax paid on purchases of food items other than prepared food, soft drinks, dietary supplements, and candy on Form E-536R.
- Enter, if applicable, the 0.5% Transit Tax paid on tangible personal property or services sourced into or purchased for storage, use, or consumption in Durham, Mecklenburg, Orange, and Wake counties.

Questions Related To Line 2

What should be entered on Line 2?

- Enter in the State Column total qualifying purchases of tangible personal property and/or services for use on which State sales or use tax was paid directly to retailers. The taxable purchase price of a modular home, manufactured home, boat, or aircraft is included in the State column only. Enter in the Food, County & Transit column total qualifying purchases of tangible personal property and/or services for use on which food, county and/or transit sales or use tax was paid directly to retailers. Do not include any sales or use tax paid on nonrefundable items such as electricity, piped natural gas, telecommunications and ancillary services, video programming, prepaid meal plans; the purchase, lease, rental, or subscription of motor vehicles; local occupancy or local prepared food and beverage taxes; scrap tire disposal or white goods disposal taxes; reimbursements for travel expenses; alcoholic beverages; digital property.

Where does the organization enter purchases of food that was purchased for use by the organization?

In North Carolina a 2% food tax is charged on most food items. However, prepared food, soft drinks, dietary supplements, and candy are subject to the general 4.75% State and applicable local and applicable transit rates of sales or use tax. Include purchases of food items subject to the 2% food tax on Line 2 under the Food, County & Transit column only; do not include those purchases under the State column. Purchases of food items subject to the general 4.75% State and applicable local and applicable transit rates of sales or use tax should be included under both the State column and the Food, County & Transit column.

Questions Related To Line 3

What should be entered on Line 3?

- An amount must be entered on Line 3 if you have entered an amount on Line 2. Enter in the State Column total State sales and use tax paid directly to retailers on qualifying purchases for use. Enter in the Food, County & Transit column the total food, county and/or transit sales and use tax paid directly to retailers on qualifying purchases for use. If you are unsure as to the correct rate of sales and use tax applicable for the refund period, you may go to https://www.ncdor.gov/taxes-forms/sales-and-use-tax/sales-and-use-tax-rates-other-information to obtain the correct rates of sales and use tax or contact the Department at the toll-free number listed at the end of this document.

Can reimbursements to individuals or employees for purchases of travel expenses including food and lodging paid by the individuals or employees be refunded?

- No.

Can tax that was paid for electricity, telecommunications and ancillary services, video programming, piped natural gas, digital property, or prepaid meal plans be claimed?

- No.

Can tax paid for the purchase, lease, rental, or subscription of a motor vehicle for use in my organization be claimed?

- No.

Can local occupancy or local prepared food and beverage taxes be claimed?

- No. These taxes are set apart from sales and use tax and are administered and collected by certain counties and municipalities within North Carolina.

Can scrap tire disposal or white goods disposal tax be claimed?

- No.

Can tax that was paid on alcoholic beverages be claimed?

- No.

Can tax that was paid on digital property be claimed?

- No.

Questions Related To Line 4

Sales and use tax paid on the qualifying purchase of building materials, supplies, fixtures and qualifying equipment by a real property contractor or other person under contract with a nonprofit entity may be refunded to the nonprofit entity if the materials, supplies, etc., in question become a part of or are annexed to any building or structure that is owned or leased by the nonprofit organization and is being built or repaired and is used in carrying on the nonprofit activities of the organization.

What should be entered on Line 4?

- An amount would be entered on Line 4 if the organization has real property contractors' statements.
- Enter in the State Column the total State sales and use tax paid indirectly on qualifying purchases of building materials and supplies as shown on real property contractors' statements. Enter in the Food, County & Transit column the total county and/or transit sales and use tax paid indirectly on qualifying purchases of building materials and supplies as shown on real property contractors' statements. This line would be zero if the organization is not in a building program and/or has not paid sales or use tax indirectly through a real property contractor.

What documentation should the organization obtain from contractors to substantiate their refund claims?

- To substantiate a refund claim for sales and use taxes paid on qualifying purchases of building materials, supplies, fixtures, and equipment by its real property contractor or other person ("contractor"), the applicant must secure from such contractor certified statements setting forth specific required information. A certified statement is a statement that is signed by the contractor/owner, a corporate officer, or an employee of the contractor who is authorized to provide the information. The certified statement must include all of the following information:

    a. The date the property was purchased.
    b. The type of property purchased.
    c. The name of the retailer from whom the purchase was made and the invoice number of the purchase.
    d. The purchase price of property purchased and the amount of sales and

use tax paid thereon.

e. The project for which the property was used.
f. If the property was purchased in this State, a copy of the sales receipt and the statement must include the county in which it was delivered.
g. If the property was not purchased in this State, the county in North Carolina in which the property was used must be included.

In the event the contractor makes several purchases from the same retailer, such certified statement must indicate the invoice numbers, the inclusive dates of the invoices, the total amount of the invoices, and the general State, applicable local, and applicable transit rates of sales and use taxes paid thereon. Such certified statement must also include the purchase price of any tangible personal property withdrawn from the contractor's warehouse stock and the amount of the general State, applicable local, and applicable transit rates of sales and use tax paid thereon by the contractor. Similar certified statements by the contractor's subcontractors must be obtained by the general contractor and furnished to the applicant. Any payment of applicable local and applicable transit sales and use taxes included in the contractor's certified statements must be shown separately from the State sales and use taxes paid.

Are there any items that should not be included in a contractor's statement?

- The contractor's certified statements must not contain sales and use taxes paid on purchases of tangible personal property purchased by such contractors for use in performing the contract which does not annex to, affix to, or in some manner become a part of the building or structure that is owned or leased by the nonprofit entity and is being erected, altered, or repaired for use by the applicant. Examples of property on which sales and use tax has been paid by the contractor and which shall not be included in the contractor's certified statement are scaffolding, forms for concrete, fuel for the operation of machinery and equipment, tools, equipment, equipment repair parts, and equipment rentals. Sales and use tax paid on these items are not eligible for refund.

Questions Related To Line 5

What should be entered on Line 5?

- If the organization has a use tax account and pays use tax directly to the Department on its qualifying purchases for use upon which no tax was charged or paid, complete this line.
- Enter in the State Column the total State use tax paid to the Department by the organization on its sales and use tax returns. Enter in the Food, County & Transit column the total food, county and/or transit use tax paid to the Department by the organization on its sales and use tax returns. **Do not include tax collected and paid on taxable sales made by the nonprofit entity.**

What is use tax?

- A use tax is an excise tax levied on taxable tangible personal property, including property that becomes part of a building or another structure, purchased inside or outside this State for storage, use, or consumption in this State and on services sourced to this State.

- The liability for the tax is not extinguished until it is fully paid, except that payment of the tax to a vendor who charges such tax shall relieve the purchaser of use. The tax imposed is payable by the person who purchases, leases, or rents tangible personal property or who purchases a service. If the property purchased becomes a part of real property in the State, the real property contractor, the retailer-contractor, the subcontractor, the lessee, and the owner are jointly and severally liable for the tax, except as provided in G.S. 105-164.4H(a1) regarding receipt of an affidavit of capital improvement. The liability of a real property contractor, a retailer-contractor, a subcontractor, a lessee, or an owner who did not purchase the property is satisfied by receipt of an affidavit from the purchaser certifying that the tax has been paid.

If the organization collected and paid tax to the Department on taxable sales, can the organization claim this tax?

- No. Do not include this tax on Line 5.

Questions Related To Line 6

How is Line 6 computed?

- Add the State tax on Lines 3, 4, and 5 and enter the total in the State Column. Add the food, county, and transit tax on Lines 3, 4, and 5 and enter the total in the Food, County & Transit column.
- If the organization made qualifying purchases and paid county and/or transit tax in more than one county, the organization must complete Form E-536R, Schedule of County Sales and Use Taxes for Claims for Refund, to identify the individual counties to which county and/or transit tax was paid.
- The total of all entries made on Form E-536R should equal the food, county, and transit tax amount shown on Line 6 in the Food, County & Transit column.
- The amount of food, county and transit tax shown on Line 6 should be allocated to the applicable rate on Line 8.

Questions Related To Line 7

What is entered on Line 7?

- Add the amounts in the State column and the Food, County & Transit column on Line 6 and enter this total on Line 7. This is the total amount of refund the organization is requesting.

Questions Related To Line 8

How should Line 8 be completed?

- Allocate the amount of food, county, and transit tax included on Line 6 in the Food, County & Transit column to the applicable rate(s) on Line 8.
- The total of the amounts listed on Line 8 should equal the amount under the Food, County & Transit column on Line 6.
- If required to complete Form E-536R, Schedule of County Sales and Use Taxes for Claims for Refund, the amounts entered on Line 8 must equal the total amounts entered on Form E-536R.

Other Questions

Should receipts or invoices be mailed with the organization's claim for refund?

- No. However, receipts and invoices should be kept for a period of three years beyond the date the refund claim is due to be filed or three years beyond the date the claim is filed, whichever is later.

Where can additional information about nonprofit organizations be found?

- For additional information you may view the State Taxation and Nonprofit Organization Publication at https://www.ncdor.gov/reports-and-statistics/state-taxation-and-nonprofit-organizations-publication or SUTB 73-3 of the Sales and Use Tax Bulletins at https://files.nc.gov/ncdor/documents/files/SUTB-2019-FINAL-01032020.pdf.
- If you have questions, you may call the Department at 1-877-252-3052 (toll free).