

SALES TAX REVENUE PAYERS BY BUSINESS GROUP

For the Fiscal Years 2011 & 2020

(Dollars in Thousands)

	2020		2011	
	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total
General merchandise.....	\$ 2,171,446	24.27%	\$ 1,556,012	23.70%
Food.....	1,397,728	15.63%	1,159,702	17.66%
Utilities.....	1,337,167	14.95%	999,108	15.21%
Lumber & building material.....	906,242	10.13%	575,148	8.76%
Automotive.....	496,126	5.55%	333,430	5.08%
Furniture.....	240,945	2.69%	197,329	3.00%
Apparel.....	268,026	3.00%	228,324	3.48%
Farming.....	—	0.00%	39	0.00%
Unclassified.....	2,127,572	23.78%	1,517,969	23.11%
Total.....	<u>\$ 8,945,252</u>	<u>100.00%</u>	<u>\$ 6,567,061</u>	<u>100.00%</u>
General State Sales Tax Rate.....	4.75%		5.75%	

Recent Significant Sales Tax Rate and Base Changes

Fiscal Year 2010-11	<p>Effective <u>July 1, 2010</u>, tax on electricity sold to farmers/manufacturers decreased from 0.8% to 0%. Privilege tax on fuel sold to a manufacturing industry decreased from 0.3% to 0%. Refund provision to Interstate Passenger Air Carriers was extended to repeal for purchases made on or after January 1, 2013 (previously January 1, 2011). Refund provision for aviation fuel for motorsports events to professional motorsports racing teams was extended to repeal for purchases made on or after January 1, 2013 (previously January 1, 2011).</p> <p>Effective <u>July 10, 2010</u>, refund provision to joint governmental agency created to operate a cable television system for purchases made on/after July 1, 2007 and before June 30, 2010.</p> <p>Effective <u>January 1, 2011</u>, sales tax law on accommodations was modernized to classify facilitators who assist accommodation owners with rentals as retailers subject to sales and use and room occupancy taxes. Facilitation or similar fees are includable in the sales price.</p> <p>Effective <u>June 18, 2011</u>, refund provision to joint governmental agency created to operate a cable television system extended to purchases made on/after July 1, 2007 and before June 30, 2011 (previously before June 30, 2010).</p>
Fiscal Year 2011-12	<p>Effective <u>July 1, 2011</u>, additional 1% State general sales and use tax rate expired. This also has the effect of reducing the State combined general rate from 8% to 7%.</p> <p>Effective <u>June 20, 2012</u>, refund provision to Interstate Passenger Air Carriers was extended to repeal for purchases made on or after January 1, 2014 (previously January 1, 2013). Refund provision for aviation fuel for motorsports events to professional motorsports racing teams was extended to repeal for purchases made on or after January 1, 2014 (previously January 1, 2013). Refund provision to taxpayers engaged in analytical services (the greater of 50% of eligible amount of tax paid on tangible personal property consumed or transformed in analytical services or 50% of the amount of tax paid on medical reagents) was extended to repeal for purchases made on or after January 1, 2014 (previously January 1, 2013). Refund provision to certain industrial facilities for tax paid on building materials, building supplies, fixtures, and equipment installed in the construction of the facility was extended to repeal for purchases made on or after January 1, 2014 (previously January 1, 2013).</p>
Fiscal Year 2013-14	<p>Effective <u>January 1, 2014</u>, the sale of a modular home is subject to the State general rate of 4.75% (no local rates apply) (transaction previously subject to the State 2.5% preferential rate with 20% of the proceeds shared with local governments). The sale of a manufactured home is subject to the State general rate of 4.75% (no local rates apply) (transaction previously subject to the State 2% preferential rate (maximum tax \$300 per article)). Service contracts (warranty agreements, maintenance agreements, repair contracts, or similar agreements or contracts by which the seller agrees to maintain or repair tangible personal property) are subject to the State general rate of 4.75% (applicable local rates apply). Previously, combined State/local use tax rates assessed on parts applied for certain transactions.</p>

Source: North Carolina Department of Revenue

Table 9

Recent Significant Sales Tax Rate and Base Changes

<p>Fiscal Year 2013-14 continued</p>	<p>Admission charges to the following entertainment activities are subject to the State general rate of 4.75% plus applicable local rates: a live performance or live event, a motion picture or film, a museum, a cultural site, a garden, an exhibit, a show, or a similar attraction or a guided tour at any of these attractions. The following events are exempted from this tax: school sponsored events held at an elementary or secondary school, certain commercial agricultural fairs, certain nonprofit-sponsored festivals or other recreational/entertainment activity, certain youth athletic contests, and certain State attractions. Previously, motion picture show admission charges were subject to a 1% gross receipts privilege tax and certain other amusements were subject to a 3% gross receipts privilege tax. Newspaper street vendors and sales by newspaper vending machines, nutritional supplements sold by a chiropractic physician at a chiropractic office to a patient as part of the patient's plan of treatment, and food and prepared meals sold by institutions of higher education (private and public) are subject to the State general rate of 4.75% plus applicable local rates (previously exempt). Effective <u>June 1, 2014</u>, gross receipts derived from the rental of a private residence, cottage, or similar accommodation listed with a real estate broker or agent where a person occupies or has the right to occupy such on or after June 1, 2014, are subject to the 4.75% general State and applicable local and transit rates of sales and use tax and any local occupancy tax imposed by a city or county. Previously, the taxation of gross receipts derived from the rental of a private residence, cottage, or similar accommodation listed with a real estate broker or agent for fewer than 15 days was deemed exempt under provisions of the Important Notice: Tax on Accommodations (Revised June 14, 2002).</p>
<p>Fiscal Year 2014-15</p>	<p>Effective <u>July 1, 2014</u>, gross receipts derived from sales of electricity billed on or after July 1, 2014, are subject to the combined general rate of 7% (local governments to share proceeds). Previously, electricity sold for residential purposes was subject to the State 3% preferential rate and electricity sold to laundry and dry cleaning establishments for business use was subject to the State 2.83% preferential rate. The legislation concurrently repeals the utility franchise tax rate of 3.22% applicable to gross receipts from sales of electricity, electric lights, current, or power (local governments shared proceeds). [Gross receipts derived from sales of electricity to a farmer for qualifying farm purposes and to manufacturers for manufacturing facility operation may qualify for exemption.] Gross receipts derived from sales of piped natural gas billed on or after July 1, 2014, are subject to the combined general rate of 7% (local governments to share proceeds). Previously, the piped natural gas excise tax was based on monthly therm volumes of gas received by the end-user (local governments shared proceeds). Special phase-in provision for gas cities: Gross receipts derived from sales of piped natural gas billed on or after July 1, 2014 and before July 1, 2015, received by gas cities and delivered by a gas city to a sales customer or transportation customer of the gas city are subject to a 3.5% rate. [Gross receipts derived from sales of piped natural gas to a farmer for qualifying farm purposes and to manufacturers for manufacturing facility operation may qualify for exemption; additionally, sales of piped natural gas to commercial laundry and pressing or dry cleaning establishments and sales to and purchases by State agencies may qualify for exemption.] Bakery thrift store sales are subject to the State general rate of 4.75% plus applicable local rates (previously exempt). Annual sales tax holiday transactions previously exempted from taxation are subject to the State general rate of 4.75% plus applicable local rates. Annual energy star holiday transactions previously exempted from taxation are subject to the State general rate of 4.75% plus applicable local rates. <i>Nonprofit refund limit provision:</i> The aggregate annual refund amount allowed a nonprofit entity for a fiscal year may not exceed \$45 million (\$31.7 million State tax and \$13.3 million local tax). Effective <u>September 1, 2014</u>, effective for transactions on or after September 1, 2014, fifty percent (50%) of the sales of a modular home or a manufactured home, including all accessories attached when delivered to the purchaser is exempt from taxation. Effective <u>October 1, 2014</u>, effective for transactions on or after October 1, 2014, the exemption is repealed for sales from vending machines where price is 1¢ per sale. Effective for transactions on or after October 1, 2014, newspapers sold through a coin-operated vending machine no longer qualify for an exemption of 50% of the sales price (taxed on 100% gross receipts). Effective <u>January 1, 2015</u>, gross receipts derived from admission charges to certain commercial agricultural fairs and to State attractions supported by State funds that offer cultural, educational, historical, or recreational opportunities are subject to the 4.75% general State and applicable local and transit rates of sales and use tax.</p>

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SALES TAX REVENUE PAYERS BY BUSINESS GROUP (continued)

Recent Significant Sales Tax Rate and Base Changes

<p>Fiscal Year 2014-15 continued</p>	<p><i>New application for real property contracts (designates the real property contractor as the consumer):</i> Effective for sales made (and contracts entered into) on or after January 1, 2015, the sales price of tangible personal property sold to a real property contractor for use by the real property contractor in erecting structures, building on, or otherwise improving, altering, or repairing real property is subject to the general 4.75% State and applicable local and transit rates of sales and use tax.</p>
<p>Fiscal Year 2015-16</p>	<p>Effective <u>July 1, 2015</u>, gross receipts derived from sales of piped natural gas by gas cities (Bessemer City, Greenville, Kings Mountain, Lexington, Monroe, Rocky Mount, Shelby and Wilson) and gross receipts derived from sales of electricity by Cape Hatteras Electric Membership Corporation (CHEMC) billed on or after July 1, 2015, are subject to the 7% combined general rate of sales and use tax (local governments to share proceeds). The 7% combined general rate of sales and use tax generally applied to gross receipts of piped natural gas and electricity sold at retail in the State and billed on or after July 1, 2014 except that gross receipts of gas cities and CHEMC were subject to a reduced 3.5% rate applicable for the July 1, 2014 through June 30, 2015 billing period prior to being subject to the 7% rate effective for billing periods on or after July 1, 2015.</p> <p><i>Refunds authorized for certain governmental entities:</i> A joint agency created by interlocal agreement pursuant to General Statute 160A-462 to provide fire protection, emergency services, or police protection is allowed an annual refund of certain sales and use taxes paid on purchases of tangible personal property or certain services made on or after July 1, 2015. A soil and water conservation district organized under Chapter 139 of the General Statutes is allowed an annual refund of certain sales and use taxes paid on purchases of tangible personal property or certain services made on or after July 1, 2015. A district confinement facility created pursuant to General Statute 153A-219 is allowed an annual refund of certain sales and use taxes paid on purchases of tangible personal property or certain services made on or after July 1, 2015.</p> <p>Purchases or sales of datacenter machinery and equipment by or to an owner of a datacenter, or a contractor or subcontractor of an owner of a datacenter, are subject to the general 4.75% State and applicable local and transit rates of sales and use tax (the privilege tax imposed on machinery and equipment transactions purchased by a qualifying datacenter pursuant to General Statute 105 Article 5F expires for sales made on or after July 1, 2015).</p> <p>Effective <u>September 24, 2015</u>, the sales price of spirituous liquor sold at retail by a distillery permit holder and sales of antique spirituous liquor are subject to the 7% combined general rate of sales and use tax. A distillery, as authorized by legislation enacted during the 2015 General Assembly session is permitted to sell spirituous liquor distilled on the premises to visitors of the distillery with certain restrictions for consumption off the premises.</p> <p>Effective <u>September 30, 2015</u>, the sale, lease, or rental of an engine to a professional motorsports racing team or a related member of a team for use in competition in a sanctioned race series is exempt from sales and use tax; an engine or a part to rebuild an engine for the purpose of providing an engine under an agreement to a professional motorsports racing team or a related member of a team for use in competition in a sanctioned race series is exempt from sales and use tax (exemptions expire for transactions made on or after January 1, 2020).</p> <p><i>Refund provisions for economic incentive funds:</i> The refund provision for interstate passenger air carriers was modified to allow a refund of the sales and use taxes paid on fuel in excess of \$1.25 million for the six-month period July 1, 2015 through December 31, 2015. The sunset for repeal of the refund provision for aviation fuel for a professional motorsports racing team, sanctioning body, or a related member of such a team or body is extended for purchases made on or after January 1, 2020 (previously scheduled to sunset for purchases made on or after January 1, 2016). The sunset for repeal of the refund provision for professional motorsports racing teams or related member of a team of 50% of tax on property that comprises any part of a professional motor racing vehicle is extended for purchases made on or after January 1, 2020 (previously scheduled to sunset for purchases made on or after January 1, 2016).</p> <p>Effective <u>October 1, 2015</u>, the sales price of an aircraft sold at retail is subject to the 4.75% general State rate of tax (previously 3% State rate) with a maximum tax per article of \$2,500 (previously \$1,500); the sales price of an aircraft includes all accessories attached to the aircraft when it is delivered to the purchaser. The sale of an aircraft is not subject to the local and transit rates of sales and use tax. Each qualified jet engine sold at retail or purchased for storage, use, or consumption in this State is subject to the 4.75% general State rate of sales or use tax. The maximum use tax on a qualified jet engine purchased under a direct pay permit is \$2,500; otherwise, no maximum tax applies. The sale of a qualified jet engine is not subject to the local and transit rates of sales and use tax.</p>

Table 9

Recent Significant Sales Tax Rate and Base Changes

<p>Fiscal Year 2015-16 continued</p>	<p>Parts and accessories for use in the repair or maintenance of a qualified aircraft (or a qualified jet engine) are specifically exempt from the tax imposed on the sale at retail and the use, storage, or consumption in this State. A qualified aircraft is aircraft with a maximum take-off weight of more than 9,000 pounds but not in excess of 15,000 pounds. The sales price of (or the gross receipts) derived from a service contract applicable to a qualified aircraft (or a qualified jet engine) is exempt from taxation.</p> <p>Effective <u>January 1, 2016</u>, the gross receipts derived from the retail sale of aviation gasoline and jet fuel are subject to the 7% combined general rate of sales and use tax (previously 4.75% general State and local and transit rates applied) except that sales of aviation gasoline and jet fuel to an interstate air business for use in a commercial aircraft to include aviation gasoline and jet fuel purchased for use in a commercial aircraft in foreign commerce by a person whose primary business is scheduled passenger air transportation are exempt (exemption expires January 1, 2020). [The net proceeds of the tax collected on aviation gasoline and jet fuel are transferred within 75 days after the end of each fiscal year to the Highway Fund; this amount is annually appropriated from the Highway Fund to the Division of Aviation of the Department of Transportation for prioritized capital improvements to public airports and time-sensitive aviation capital improvement projects for economic development purposes (initial transfer in September 2016 for sales and use taxes collected during FY15-16).]</p> <p>The sale at retail or the storage, use, or consumption in this State of electricity for use at a qualifying datacenter and datacenter support equipment to be located and used at the qualifying datacenter are exempt from sales and use tax. In this application, datacenter support equipment is property that is capitalized for tax purposes under the Code and is used within the provision of a service or function included in the business of an owner, user, or tenant of the datacenter.</p> <p>Effective <u>March 1, 2016</u>, the 4.75% general State and applicable local and transit rates of sales and use tax apply to the sales price of (or the gross receipts derived from) certain repair, maintenance, and installation services transacted by a retailer and sourced to the State effective for sales occurring on or after March 1, 2016. Effective for transactions on or after <u>March 1, 2016</u>, the sales and use tax base is extended to include installation charges, repair, maintenance, and installation services for taxable tangible property; the 4.75% general State and local and transit rates of sales and use tax are imposed provided the transaction is made by a person engaged in retail trade.</p> <p>Motor vehicle repair, maintenance, and installation services transacted by a retailer are subject to the 4.75% general State and applicable local and transit rates of sales and use tax except for services (includes replacement items and repair parts) covered under a manufacturer's warranty or dealer's warranty; the sales price of (or the gross receipts derived from) a service contract sold at retail that covers the entire motor vehicle is exempt from tax.</p> <p>Shoe repair services, watch, clock, and jewelry repair services, and tire recapping or retreading sales and services transacted by a retailer are subject to the 4.75% general State and applicable local and transit rates of sales and use tax (sales or receipts prior to March 1, 2016 by administrative rule were permitted to be taxed at certain percentages where charges for labor and materials were not separately stated). The definition of service contract is amended to include a contract to maintain or repair tangible personal property regardless of whether the property becomes a part of or is applied to real property; additionally, a renewal of a service contract for tangible personal property where the tangible personal property becomes a part of or applied to real property to the effective date of the renewal is subject to sales and use tax. Installation charges made by a retailer as part of the retail sale of tangible personal property, certain digital property, and taxable services, sold at retail, are subject to the applicable rate of tax for the product, irrespective that installation charges may be separately stated by the retailer. Installation charges that are part of the gross receipts from the lease or rental of tangible personal property are subject to the applicable rate of sales and use tax, and maximum tax if applicable.</p>
<p>Fiscal Year 2016-17</p>	<p>Effective <u>July 1, 2016</u>, a use tax exemption is granted to a direct pay permit holder for certain boat, aircraft, and qualified jet engine charges and services; the allowable amount of use tax exemption is the amount of the separately stated installation charges that are part of the sales price of the tangible personal property or digital property that exceed \$25,000 and the sales price of or gross receipts derived from the repair, maintenance, and installation services that exceed \$25,000.</p>

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SALES TAX REVENUE PAYERS BY BUSINESS GROUP (continued)

Recent Significant Sales Tax Rate and Base Changes

<p>Fiscal Year 2016-17 continued</p>	<p>Effective <u>January 1, 2017</u> (for transactions occurring on or after such date) The General Assembly repealed an exemption for sales of items by a nonprofit civic, charitable, educational, scientific, or literary organization when the net proceeds of the sales will be given, contributed, or ultimately flow to the State of North Carolina or to one or more of its agencies or instrumentalities. The General Assembly enacted an exemption for sales of food, prepared food, soft drinks, candy, and other items of tangible personal property sold not for profit for or at an event that is sponsored by an elementary or secondary school when the net proceeds of the sales will be given, contributed, or ultimately flow to the school. The 2016 General Assembly enacted various provisions affecting the sales and use tax base expansion items related to repair, maintenance, and installation (RMI) services, and service contracts: the newly enacted provisions repeal provisions for retail trade; expand the application of sales and use tax to RMI services of certain transactions for real property and certain digital property; identify specific RMI-related exemptions; clarify the application of sales and use tax to real property contracts with respect to capital improvements; grant an exemption for installation labor related to real property contracts; and expand the exemption applicable to motor vehicle service contracts. The definition of retail trade is repealed; the definition of retailer is amended to provide that the term does not include a real property contractor, but does include a person whose <i>only</i> business activity is providing RMI services. (The 2015 legislated provisions applied sales and use tax to RMI services for transactions made by a person engaged in retail trade as statutorily defined). The definition of RMI services is expanded to include such services rendered with respect to digital property and real property, except for tangible personal property or digital property installed or applied by a real property contractor pursuant to a real property contract. RMI-related services transactions performed pursuant to a real property contract that constitute construction, reconstruction, or remodeling with respect to a capital improvement to real property are not subject to the sales and use tax. RMI-related services transactions performed on real property that do not meet the statutory definition of capital improvement such as the replacement or repair of a fixture in or on a building or structure, or a single repair, maintenance, or installation service may be subject to the sales and use tax. The definition of RMI services, as amended, clarifies that such service include cleaning, refinishing, inspection, and monitoring services for property or a motor vehicle (excludes security or similar monitoring services for real property).</p>
<p>Fiscal Year 2017-18</p>	<p><i>Effective July 1, 2017 (for transactions occurring on or after such date)</i> An exemption from sales and use tax is allowed for sales of investment coins, investment metal bullion, and non-coin currency. An exemption from sales and use tax is allowed for sales of wastewater dispersal products that have been approved by the Department of Health and Human Services for dispersing wastewater effluent within the subsurface dispersal field in a ground absorption system. An exemption from sales and use tax is allowed for sales of equipment, or an accessory, an attachment, or a repair part for equipment that is sold to a large fulfillment facility and is used at the facility in the distribution process (excludes electricity). To qualify for the exemption, a large fulfillment facility must achieve required investment and employment levels within five years and maintain the minimum level of employment throughout its operation. If the level of investment or employment is not timely made, achieved, or maintained, the exemption is forfeited. A sales and use tax refund is provided for a transformative project for sales and use tax paid on building materials, building supplies, fixtures, and equipment that become a part of the real property of the facility. A qualifying transformative project must be approved for a grant under the Job Development Investment Grant (JDIG) Program by the North Carolina Department of Commerce on or before June 30, 2019 and achieve legislated investment and employment levels. <i>Special Provisions (Effective August 11, 2017)</i> Sales Tax Base Expansion Protection Act - The 2017 General Assembly provides the Department of Revenue shall take no action to assess any tax due for a filing period beginning on or after March 1, 2016 and ending before January 1, 2018 if certain conditions set forth in the statute apply and the retailer did not receive specific written advice from the Secretary of Revenue for the transactions at issue for the laws in effect for the applicable periods.</p>

Table 9

Recent Significant Sales Tax Rate and Base Changes

<p>Fiscal Year 2017-18 continued</p>	<p>The 2017 General Assembly enacted provisions relative to the determination of taxability of a mixed transaction contract (a contract that includes both a real property contract for a capital improvement and a repair, maintenance, and installation (RMI) service that is not related to the capital improvement). If the allocated sales price of the taxable RMI services included in the mixed transaction contract is greater than 25% of the contract price, then the 4.75% general State sales and use tax rate applies to the sales price of or the gross receipts derived from the taxable RMI service portion of the contract. If the allocated sales price of the taxable RMI services included in the contract is less than or equal to 25% of the contract price, then the RMI service portion of the contract and the taxable personal property, digital property, or service used to perform those services are taxable as real property contract and not subject to the 4.75% general State sales and use tax rate. The 2017 legislation increased the percentage for determining taxability of a mixed transaction contract from 10% to 25%. (Effective retroactively for sales and purchases made on or after January 1, 2017)</p>
<p>Fiscal Year 2018-19</p>	<p><i>Special Provision (Effective June 12, 2018)</i> Sales Tax Base Expansion Protection Act - The 2018 General Assembly amended the Act to provide certain additional and extended relief from sales and use taxes due to the expansion of the sales tax base: the grace period is extended to January 1, 2019 (previously January 1, 2018). Effective <u>November 1, 2018</u>, as a result of the US Supreme Court decision rendered on June 21, 2018 in <i>South Dakota v. Wayfair, Inc.</i>, the NC Department of Revenue requires certain remote sellers that do not have a physical presence in the State and are not registered to collect and remit NC sales and use taxes to register, collect, and remit sales and use taxes to this State effective November 1, 2018, or 60 days after a remote seller meets the threshold, whichever is later. The threshold applies for remote sellers having gross sales in excess of \$100,000 sourced to the State or 200 or more separate transactions sourced to the State in the previous or current calendar year.</p>
<p>Fiscal Year 2019-20</p>	<p><i>Effective July 26, 2019</i> An exemption from sales and use tax is allowed for certain RMI services provided by a real property management contract. <i>Effective October 1, 2019 Exemptions from sales and use tax:</i> -sales of equipment, attachments, and repair parts of equipment used in cutting, shaping, polishing, and finishing granite, marble, and engineered stone, and for similar stone-like products sold to a company primarily engaged in the business of providing made-to-order countertops, walls, and tubs. -sales of self-service car washes or vacuums and limited-service vehicle washes. -certain prescription sales of diapers and incontinence underpads purchased by an enrolled State Medicaid/Health Choice provided for use by beneficiaries of the State Medicaid program. <i>Effective November 1, 2019</i> <i>The sunset of the following provisions was extended to January 1, 2024 (from January 1, 2020)</i> -exemption for sales of aviation gasoline and jet fuel to an interstate air business for use in a commercial aircraft to include aviation gasoline and jet fuel purchased for use in a commercial aircraft in foreign commerce by a person whose primary business is scheduled passenger air transportation. -exemptions for engine-related transactions to a professional motorsports racing team or a related member of a team for use in competition in a sanctioned race series. -refund provision for aviation fuel for a professional motorsports racing team, sanctioning body, or a related member of such a team or body. -refund provision for a professional motorsports racing teams or related member of a team of 50% of tax on property that comprises any part of a professional motor racing vehicle. <i>Effective February 1, 2020</i> A marketplace facilitator is required to collect sales taxes from its remote sales (including all marketplace-facilitated sales for all marketplace sellers) sourced to this State if the facilitator meets either of the following conditions for sales sourced to this State in the previous or current calendar year: (1) gross sales in excess of \$100,000, or (2) 200 or more separate transactions.</p>