



## North Carolina Department of Revenue

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### Memorandum

To: State Agency Chief Fiscal Officers

From: Sales and Use Tax Division  
North Carolina Department of Revenue

Subject: State Agency Exemption Numbers

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. G.S. 105-164.29A, enacted by the 2003 General Assembly, authorizes the Secretary of Revenue to issue an exemption number for sales and use taxes to State agencies. G.S. 105-164.13(52) sets out the conditions that must be met for a purchase to be exempt through the use of a State agency exemption number. This memorandum sets out the procedures for issuance and use of these exemption numbers.

### Eligibility

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 submit it to the Sales and Use Tax Division at the address shown on the form. A copy of Form E-592A is included with this memorandum. A copy of the form is also available from the Department's website at <http://www.dor.state.nc.us/>.

### Issuance

When an application for a State agency exemption number is approved, the State agency will be assigned an exemption number and will be sent a letter advising of the exemption number. The number applies only to the State agency to which it is issued.

### Use of Exemption Number

When a State agency is issued an exemption number, the State agency must use the exemption number for its direct purchases that are within the scope of the exemption.

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 that contains the exemption number of the agency and a description of the property purchased, or the items purchased are paid for with a State-issued check, electronic deposit, credit card, procurement card, or credit account of the State agency.

- c. For all purchases other than by an agency-issued purchase order, the agency must provide to or have on file with the retailer the agency's exemption number.

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.

#### Scope of Exemption

The exemption from tax does not apply to the following taxes; these taxes must be paid to the vendor by the State agency:

1. Prepared food and beverage taxes levied and administered by various local governments in the State.
2. Occupancy taxes levied and administered by various local governments in the State.
3. Highway use taxes paid on the purchase, lease, or rental of motor vehicles.
4. State sales taxes levied on electricity or telecommunications services.
5. Scrap tire disposal tax levied on new tires.
6. White goods disposal tax levied on new white goods.
7. Dry-cleaning solvent tax levied on dry-cleaning solvent purchased by a dry-cleaning facility.
8. Excise tax on piped natural gas.

#### Effect on State Agency Refunds

In the past, State agencies were allowed quarterly refunds of local sales and use taxes paid on direct purchases of tangible personal property and local sales and use taxes paid indirectly on building materials, supplies, fixtures, and equipment that become a part of or annexed to a building or structure that is owned or leased by the State agency and is being erected, altered, or repaired for use by the State agency.

Effective July 1, 2004, sales and use taxes paid on direct purchases 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 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.

#### Registry of Exemption Holders

G.S. 105-259(b)(23) authorizes the Department to provide public access to the names and account numbers of taxpayers who are not required to pay sales and use taxes because of an exemption. Information regarding State agencies that have been issued an exemption number will be available in June 2004 on the Department's website, <http://www.dor.state.nc.us/>.

#### Questions

Questions about this memorandum may be directed to the Taxpayer Assistance Division of the North Carolina Department of Revenue, Post Office Box 1168, Raleigh, North Carolina 27602 or by telephone toll free at (877) 252-3052.