



State of North Carolina Office of the State Controller

Michael F. Easley, Governor

Robert L. Powell, State Controller

November 27, 2002

MEMORANDUM NO. FSD 030012

TO: NCAS Fiscal Officers
NCAS Accounts Payable Personnel

FROM: Zeke Partin, CPA, Assistant State Controller
Rick Pieringer, CPA, Senior State Management Analyst

SUBJECT: Important Sales Tax Changes

On December 1, 2002, the sales tax for some counties will be increased by a half percent. See <http://www.dor.state.nc.us/taxes/sales/countyrates.html>. Several changes have been made to the North Carolina Accounting System (NCAS) Accounts Payable (AP) module to accommodate this change. New rates have been added to the NCAS and can be viewed on the Tax Authorities List (TAL) screen. These indicators are used in the tax indicator fields on the Invoice Worksheet (IWS) screen to indicate the correct tax rate. A complete list of all available indicators and the rates associated with them are outlined in the attached schedule. Each indicator has an associated total tax, state tax, county tax and other tax rate along with a brief description of when each applicable rate should be used. For complete descriptions on correct rate usage, the Department of Revenue (DOR) tax bulletins must be consulted.

Background

Currently state agencies are required to pay taxes on certain purchases. A portion of this tax, generally 4.5%, is the state tax, the other 2.0, 2.5, or 3.0 is a county tax. Vendors are required to file a form with DOR showing the state portion and the county portion where the tax is sourced. The county to which the tax is sourced is generally the county where the vendor sells the goods, if sold over the counter, or to the county where the goods are delivered if they are shipped to the buyer. For complete tax sourcing rules, refer to the OSC memorandum dated October 19, 2002, number 03-24 or G.S. 105-164.4B. This form is used by DOR to calculate each county's portion of the tax.

Because the State has been exempted from paying the county tax, each State agency must file a Claim for Refund (Form E-585E). This is completed so that the county tax paid by the State can be deducted from the tax being paid back to the county by DOR. When NCAS agencies process an invoice for the goods purchased from a vendor, the county code recorded in NCAS should be the same county that the vendor used when filing the tax. This is generally the county where the agency takes physical possession of the goods. ****This is not necessarily the county of the vendor's remit to address.**** For example, when a vendor sources the tax to Wake county because the goods were delivered to an agency in Wake County, then the agency paying the invoice must code a 92 (Wake County) on the invoice. If the AP person keys any county code other than 92, for instance 60 (Mecklenburg County) on the invoice then Mecklenburg County is shorted the tax due them and Wake County is given too much.

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Website: www.osc.state.nc.us/OSC/

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The sales tax by county report (C-U-AP-SALES-TAX-BY-COUNTY) has been modified. A new column has been added so that the 2.0 % and the 2.5% county tax can be reported in separate columns. This will help facilitate the completion of the new Schedule of County Sales and Use Taxes form (Form E-536). Several logic changes have also been made in the way the report handles the half percent Mecklenburg County Transportation tax. These logic changes should not change the appearance of the report.

If you have any questions regarding these changes please call the OSC/NCAS Help Desk at (919) 875-HELP (4357). Thank you for your attention to these important sales tax changes.

Attachment:

Tax Table and Descriptions

ZKP/rp

Attachment to Memorandum No. FSD 030012
Tax Table and Descriptions

Tax Indicator	Total Tax	State Tax	County Tax	Other Tax	Usage Description
000	.000	.000	.000	.000	No tax. Same as leaving tax field blank.
100	1.000	1.000	.000	.000	Farm machinery sourced to any county. (\$80.00 tax cap)
200	2.000	.000	2.000	.000	Non-prepared food sourced to any county except Mecklenburg.
250	2.500	.000	2.500	.000	Non-prepared food sourced to Mecklenburg County.
300	3.000	3.000	.000	.000	Aircraft, boats, locomotives, mobile classrooms (\$1500.00 tax cap)
400	4.000	2.000	2.000	.000	No longer used.
500	5.000	3.000	2.000	.000	No longer used.
600	6.000	4.000	2.000	.000	Invoices and contracts dated prior to 10/16/2001 sourced to any county except Mecklenburg.
65A	6.500	4.500	2.000	.000	Standard goods purchases prior to 12/1/2002 tax increase sourced to any county except Mecklenburg and all counties not raising tax ½ %.
650	6.500	4.000	2.500	.000	Invoices and contracts dated prior to 10/16/2001 sourced to Mecklenburg County.
70A	7.000	4.500	2.500	.000	Standard goods purchases after 12/1/2002 sourced to any county that has increased the rate by ½ % and for purchases sourced to Mecklenburg County prior to 1/1/2003 tax increase.
700	7.000	4.000	2.000	1.000	No longer used. (Rate used for prepared food in all counties except Mecklenburg prior to 10/16/2001).
75A	7.500	4.500	3.000	.000	Standard goods purchases sourced to Mecklenburg County after 1/1/2003 ½ % tax increase.
750	7.500	4.500	2.000	1.000	Prepared food sourced to Wake County prior to 12/1/2002 ½ % increase.
80A	8.000	4.500	2.500	1.000	Prepared food sourced to Mecklenburg County prior to 1/1/2003 ½ % tax increase and Wake County after 12/1/2002 ½ % increase.
800	8.000	8.000	.000	.000	Short term lease of motor vehicles.
850	8.500	4.500	3.000	1.000	Prepared food sourced to Mecklenburg County after 1/1/2003 ½ % tax increase.