

Excise and Sales Tax

Policy 509.19

1 Introduction

1.1 This policy provides guidance on the applicability of Federal excise taxes and State of North Carolina Sales and Use tax on University purchases.

2 Scope

2.1 This policy applies to all University purchases of tangible items and services.

3 Definitions

3.1 Excise Tax

Excise taxes are taxes paid when purchases are made on a specific good, such as gasoline. Excise taxes are often included in the price of the product. There are also excise taxes on activities, such as highway usage by trucks. One of the major components of the excise tax program is motor fuel.

3.2 Local Taxes

Sales taxes levied by a county, or municipal, government which are applied to the purchase in addition to the state general and county combined rate.

3.3 State General Rate

The combined sales tax rate for North Carolina includes a state rate and a county rate. Organizations exempt from sales taxes are exempt from this combined rate, but not locally administered rates levied in addition to the combined rate.

4 Policy and Procedure Statements

4.1 Exemption from Federal Excise Tax

4.1.1 The University is exempt from the Federal Excise Tax. The University's Materials Management (Purchasing) Office must furnish the State of North Carolina Exemption Number under which the University is authorized to purchase tax free, to vendors of items subject to the Federal Excise Tax. The North Carolina Exemption Number is _400020.

4.2 State Sales Taxes - Rates and Exemptions

4.2.1 Other than for those categories of items exempt by law (See section 4.3 below), all purchases of goods and materials are subject to the State General and local sales tax. All sales taxes are figured on the total cost of taxable items included.

4.2.2 Where items are being traded in as part of the payment, the sales tax is figured on original sales cost rather than on the net cost.

4.2.3 Include on Procurement Request - Applicable sales taxes are to be included on the procurement request when requisitioning materials and supplies.

4.3 Items Exempted From Sales Tax

4.3.1 To be exempt from sales tax, a University purchase must be:

1. Purchased for the University's use.
2. Purchased pursuant to a valid purchase order issued by the University's Materials Management Office that contains the University's exemption number and includes a description of the items purchased.; and
3. Be paid for with either a State issued check, electronic deposit, credit card, procurement card, or University credit account.
4. If purchased without a purchase order, the University must provide the retailer with the University's exemption number.

4.3.3 The exemption number cannot be used by contractors or subcontractors of the University to purchase items to fulfill a contract with the University or any other State agency or by any University employees to purchase food, lodging, or other taxable items paid by the employees from their own funds and reimbursed by the University.

4.3.4 A State agency exemption number does not apply to the following taxes and these taxes must be paid to the vendor by the University:

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 (except for sales to the NC Department of Transportation).
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.

4.4 Items Taxable at Special Rates

1. Highway motor vehicles are taxed at a 2% rate with a maximum of \$300.00 per vehicle.
2. Purchase of supplies or equipment which are used in the manufacture of a product, such as water and electrical power, or used in a laundry operation are taxed at a 1% rate with a maximum of \$80.00 per item.

5 Additional References

[North Carolina Sales and Use Tax Technical Bulletins](#)

6 Authority

[Internal Revenue Code](#)
[North Carolina Department of Revenue](#)

NCGS 105-164.13
NCGS 105-164.29A

7 Contact Information

Materials Management 828.262.2080
Controller's Office 828.262.2110

8 Original Effective Date

9 Revision Dates

February 18, 2016