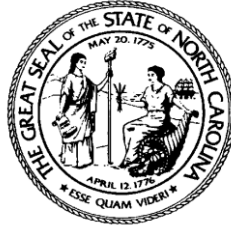

North Carolina Department of Revenue



DIRECTIVE

Subject: Application of Tax Change to Certain Monthly or Other Periodic Lease or Rental Billings
Tax: Sales and Use Tax
Law: N.C. Gen. Stat. § 105-164.15A
Issued By: Sales and Use Tax Division
Date: May 21, 2018
Number: SD-18-2

This directive is issued under the authority granted the Secretary of Revenue pursuant to N.C. Gen. Stat. § 105-264 to address the application of sales and use tax concerning the effective date of a tax change applicable to billings for the lease or rental of tangible personal property or digital property provided and billed on a monthly or other periodic basis. The directive is specifically applicable to a lease or rental agreement, entered into prior to the date of this directive, for a taxable item billed on a monthly or other periodic basis, on or after September 1, 2018.

Change of Interpretation

Effective September 1, 2018, persons who lease or rent tangible personal property or digital property must collect and remit the applicable rate(s) of sales and use tax on the gross receipts derived from leases or rentals in effect on the day of the billing, no matter that the lease or rental agreement was entered into prior to September 1, 2018, unless such lease receipts are otherwise exempt from sales and use tax.

General Application for Certain Tax Changes

N.C. Gen. Stat. § 105-164.15A provides, in part, “[t]he effective date of a tax change for tangible personal property or digital property . . . taxable under [Article 5 of Chapter 105 of the North Carolina General Statutes] is administered as follows:

- (1) For a taxable item that is provided and billed on a monthly or other periodic basis: . . . A new tax . . . applies to the first billing period that is at least 30 days after enactment and that starts on or after the effective date. . . .
- (2) For a taxable item that is not billed on a monthly or other periodic basis, a tax change applies to amounts received for items provided on or after the effective date”

To the extent that there is any change in the rate or amount of tax, change to a statute or regulation, or new case law subsequent to this directive, the provisions in this directive may be superseded or voided. To the extent that any provisions in any other notice, directive, technical bulletin, or published guidance issued prior to the date of this directive conflicts with this directive, the provisions contained in this directive supersede.