

1 17 NCAC 07B .4201 is readopted with substantive changes pursuant to G.S. 150B-21.3A(c)(2)g without notice
2 pursuant to G.S. 150B-1(D)(4) as follows:

3
4 **SECTION .4200 - SALES TO THE UNITED STATES GOVERNMENT OR AGENCIES THEREOF**

5
6 **17 NCAC 07B .4201 IN GENERAL**

7 (a) Sales made directly to the United States Government, or any qualifying agency or instrumentality thereof, are not
8 subject to the sales ~~or~~ and use tax. Qualifying United States Government agencies, ~~and instrumentalities~~ are divisions
9 of the federal ~~government~~ government. Qualifying United States instrumentalities are non-governmental agencies
10 that act independently and whose obligations are backed by the federal government, whose enabling legislation or
11 charter is ~~created~~ to provide a necessary public service and are immune from sales and use tax under federal law. In
12 order for a transaction to be a sale to the United States Government, ~~the government or qualifying agency or~~
13 instrumentality thereof, the entity involved ~~must make the~~shall purchase of the property, obtain title to the property
14 before or at the time it is delivered, and ~~pay the item~~ directly to ~~from~~ the vendor ~~the purchase price of such property or~~
15 use a government bankcard to pay the vendor ~~the purchase price of such property.~~retailer and make payment directly
16 to the retailer with its own funds. For example, meals and lodging billed to and paid for by the federal government are
17 not subject to sales and use tax, however meals and lodging billed to and paid for by a federal employee who is
18 subsequently reimbursed by the federal government are subject to sales and use tax.

19 (b) ~~Nontaxable federal~~ Qualifying Examples of qualifying United States Government agencies and instrumentalities
20 thereof that are not subject to sales and use tax include the ~~United States Postal Service,~~ Departments of Defense,
21 ~~Army, Navy and Air Force,~~United States Armed Forces, ~~United States~~federally operated hospitals, American Red
22 Cross, ~~federal reserve~~Federal Reserve banks, federal land banks, federal housing projects, federal housing authorities,
23 United States Postal Service, or any other department ~~or departments~~ of the federal government whose activities are
24 directly under federal control and whose purchases are paid for from the federal treasury.

25 (c) Sales made to the following organizations shall not be subject to sales and use tax provided that the organization
26 is authorized by the regulations of the Departments of Defense or a branch of the United States Armed Forces: ~~Army,~~
27 ~~Navy and Air Force~~United States Armed Forces Activities Funds, post exchanges, officers' mess funds,
28 noncommissioned officers funds and other voluntary unincorporated organizations of ~~Army, Navy, Marine Corps,~~
29 ~~Air Force, or Coast Guard personnel~~United States Armed Forces personnel. ~~authorized by regulations issued by the~~
30 Departments of Defense, Army, Navy or Air Force are likewise exempt fromnot subject to sales and use tax.

31
32 *History Note: Authority G.S. 105-164.13; 105-262; 105-264;*
33 *Eff. February 1, 1976;*
34 *Amended Eff. August 1, 1988-1988;*
35 *Readopted Eff. January 1, 2024.*
36

1 17 NCAC 07B .4202 is readopted with substantive changes pursuant to G.S. 150B-21.3A(c)(2)g without notice
2 pursuant to G.S. 150B-1(D)(4) as follows:

3
4 **17 NCAC 07B .4202 EXEMPT SALES TO THE UNITED STATES GOVERNMENT**

5 (a) ~~Purchase Requisitions:Retailer Records. -- A vendor making retailer that makes sales directly to the United States~~
6 ~~Government, or any a qualifying agency or instrumentality thereof, that issues purchase requisitions or affidavits must~~
7 ~~obtain and keep shall retain~~ copies of such ~~any Certificates of Exemption, Form E-595E,~~ purchase requisitions or
8 ~~affidavits affidavits, signed by the purchasing officer stating that such sales are being made directly to the United~~
9 ~~States Government or an agency or instrumentality thereof or other information provided to substantiate the exemption~~
10 ~~from sales and use tax. Copies of such purchase requisitions or affidavits must the documentation be retained by the~~
11 ~~vendor in his files for three years following the date of sale and must be available for inspection by the Secretary of~~
12 ~~Revenue or her the Secretary's agents upon request. Records shall be kept in accordance with G.S. 105-241.6 and G.S.~~
13 ~~105-241.8.~~

14 Qualifying United States Government agencies and instrumentalities are divisions of the federal government and non-
15 governmental agencies that act independently and whose obligations are backed by the federal government, whose
16 enabling legislation or charter is to provide a necessary public service and are immune from sales and use tax under
17 federal law.

18 (b) ~~United States Government Credit Card Program – GSA Smartpay:Smartpay. -- Under the program, credit cards~~
19 ~~may be centrally billed or individually billed. Card designs may be viewed on the following Internet website:~~
20 ~~<http://www.gsa-smartpay.org/gsa-howidentify.html>.~~

21 (1) ~~Fleet Cards: All Federal Government fleet cards are centrally billed. This means that all charges~~
22 ~~are billed directly to and paid directly by the Federal Government and are exempt from the general~~
23 ~~rate of State tax and any applicable local sales and use tax. Centrally billed charges are billed directly~~
24 ~~to and paid directly by the United States Government and are exempt from sales and use tax.~~

25 (2) ~~Purchase Cards: All Federal Government purchase cards are centrally billed. This means that all~~
26 ~~charges are billed directly to and paid directly by the Federal Government and are exempt from the~~
27 ~~general rate of State tax and any applicable local sales and use tax. Individually billed charges are~~
28 ~~billed to and paid by the federal employee who is then reimbursed by the United States Government.~~
29 ~~Individually billed charges are subject to the applicable rates of sales and use [tax.]tax, pursuant to~~
30 ~~G.S. 105-164.4.~~

31 (3) ~~Travel Cards: Federal Government travel cards may be centrally billed or individually billed.~~
32 ~~Individually billed charges are billed to and paid by the Federal employee who is then reimbursed~~
33 ~~by the Federal Government. These charges are subject to the general rate of State tax and any~~
34 ~~applicable local sales and use tax. Centrally billed charges are billed directly to and paid directly~~
35 ~~by the Federal Government and are exempt from to the general rate of State tax and any applicable~~
36 ~~local sales and use tax.~~

1 ~~(4) Integrated Cards: Federal Government integrated cards include fleet, travel, purchase transactions~~
2 ~~or any combination thereof and offer the Federal Government a single card for all of its purchases.~~
3 ~~This card is in use only at the Department of the Interior. All fleet and purchase type transactions~~
4 ~~on an integrated card are centrally billed, and travel type transactions may be centrally billed or~~
5 ~~individually billed. Centrally billed charges are billed directly to and paid directly by the Federal~~
6 ~~Government and are exempt from the general rate of State tax and any applicable local sales and~~
7 ~~use tax. Individually billed charges are billed to and paid by the Federal employee and then~~
8 ~~reimbursed by the Federal Government. These charges are subject to the general rate of State tax~~
9 ~~and any applicable local sales and use tax.~~

10 (c) [Other]Non-GSA Smartpay credit card programs implemented by qualifying agencies or instrumentalities of the
11 United States Government are exempt from sales and use tax when the charges are centrally billed and directly paid
12 by the qualifying agency or instrumentality.

13
14 History Note: Authority G.S. 105-164.4; 105-164.13; 105-262; 105-264; Article 39; Article 40; Article 42; Article
15 43; Article 44;
16 Eff. February 1, 1976;
17 Amended Eff. September 1, 2006; April 1, 1997; January 1, 1995; October 1, 1993; October 1,
18 1991; August 1, 1988-1988;
19 Readopted Eff. January 1, 2024.

1 17 NCAC 07B .4204 is repealed pursuant to G.S. 150B-21.3A(c)(2)g without notice pursuant to G.S. 150B-1(D)(4)
2 as follows:

3

4 **17 NCAC 07B .4204 GOVERNMENT AGRICULTURAL OFFICES**

5

6 *History Note: Authority G.S. 105-164.13; 105-262;*

7 *Eff. February 1, ~~1976~~1976;*

8 *Repealed Eff. January 1, 2024.*

9

1 17 NCAC 07B .4411 is readopted with substantive changes pursuant to G.S. 150B-21.3A(c)(2)g without notice
2 pursuant to G.S. 150B-1(D)(4) as follows:

3
4 **17 NCAC 07B .4411 EXTENSION OF LEASES SUBJECT TO A MAXIMUM TAX**

5 When a maximum tax, pursuant to G.S. 105-164.4 105-164.6, or 105-164.27A would apply to the sale of tangible
6 personal ~~property, the sale of which is subject to a maximum tax,~~ property and the tangible person property is leased
7 for a definite stipulated period of time, the lease payments during the lease period are subject to the maximum tax.

8 (a) Extension Provisions in Lease. -- ~~If the original lease contains provisions for extension-extension, whether~~
9 ~~by action or inaction, either by notification or by failure to notify the lessor of termination,~~ the extended term
10 of the lease is part of the original lease and the maximum tax ~~would apply~~ applies to the entire lease including
11 any extension under the terms of the original lease.

12 (b) No Extension Provisions in Lease. -- ~~[If, however,]~~ If the original lease does not contain provisions for
13 extension at the option of the lessee, whether by action or ~~nonaction,~~ inaction, but a new lease agreement is
14 subsequently entered ~~into~~ into, ~~granting an extension or a new lease, there would be a~~ the maximum tax
15 applies separately to the second ~~[lease]~~ lease, which would ~~[and does not have the benefit of any]~~ Any sales
16 tax payments made ~~[by reason of]~~ on the maximum tax for the first lease ~~[with respect to the maximum]~~
17 tax. [tax] is not applied to [for] the second lease.

18
19 *History Note: Authority G.S. 105-164.4; 105-164.6; 105-262; 105-264;*
20 *Eff. February 1, 1976.*
21 *Readopted Eff. January 1, 2024.*
22

1 17 NCAC 07B .4413 is readopted with substantive changes pursuant to G.S. 150B-21.3A(c)(2)g without notice
2 pursuant to G.S. 150B-1(D)(4) as follows:

3
4 **17 NCAC 07B .4413 CONDITIONAL SALES CONTRACT**

5 (a) A conditional sales contract is an agreement that requires the following:

- 6 (1) The transfer of title under a security agreement or deferred payment ~~plan~~plan, upon completion of
7 the required payments; or
8 (2) The transfer of title upon completion of required payments and payment of an option price that does
9 not exceed the greater of one hundred dollars (\$100.00) or one percent ~~[(1%)]~~ of the total required
10 payments.

11 (b) An agreement that meets the requirements of paragraph (a) of this Rule does not constitute a lease or ~~rental~~rental,
12 as defined in G.S. 105-164.3, and is considered a conditional sales contract. Any applicable ~~statutory state and local~~
13 sales and use tax for a conditional sales contract is due upon delivery of the ~~tangible personal property~~item, as the
14 term item is defined in G.S. 105-164.3, to the purchaser.

15
16 *History Note: Authority G.S. 105-164.3; 105-164.4; 105-164.6; 105-262; 105-264;*
17 *Eff. February 1, 1976;*
18 *Amended Eff. August 1, 2009; October 1, ~~1993-1993;~~*
19 *Readopted Eff. January 1, 2024.*
20

1 17 NCAC 07B .4510 is readopted with substantive changes pursuant to G.S. 150B-21.3A(c)(2)g without notice
2 pursuant to G.S. 150B-1(D)(4) as follows:

3
4 **17 NCAC 07B .4510 INDEPENDENT CLEANING SOLICITORS**

5 (a) Independent Cleaning Solicitors. -- For purposes of this Rule, an independent cleaning solicitor is a person engaged
6 in the business of soliciting laundry, dry cleaning, or hat blocking services to customers but engages another business
7 to perform the laundering, dry cleaning, or hat blocking.

8 (b) Sales by Independent Cleaning Solicitors. -- An independent ~~operator cleaning solicitor that owns his truck and~~
9 solicits business but engages a laundry, dry cleaning, or hat blocking firm or similar type business to perform the
10 laundering, cleaning, or other service is liable for collecting and remitting the general State, and applicable statutory
11 state and local and transit rates of sales ~~or and~~ use tax on his ~~their~~ gross ~~receipts~~ receipts derived from laundry, dry
12 cleaning, or hat blocking services it solicits.

13 (c) Purchases by Independent Cleaning Solicitors. -- The purchase of laundry, dry cleaning, or hat blocking services
14 by an independent cleaning solicitor to sell to its customers from a company that performs the laundering, cleaning,
15 or other service is a ~~[sale for resale.]wholesale sale. [The independent]~~Independent cleaning ~~[solicitor]~~solicitors shall
16 comply with 17 NCAC 07B .0106 when ~~[making such a purchase.]purchasing laundry, dry cleaning, or hat blocking~~
17 services, for the purpose of resale. If the solicitor is not registered with the Department of Revenue for remitting the
18 tax on his gross receipts, the firm performing the laundering, cleaning or similar type services shall collect and remit
19 the tax on the total charge for the services performed for the independent operator without any deduction of any
20 allowance to the solicitor. The firm performing the service shall secure from the solicitor a Streamlined Sales and
21 Use Tax Agreement Certificate of Exemption, Form E 595E, which shall be accepted as evidence that the solicitor is
22 registered for payment of the tax and as authority for not charging tax on the gross receipts from the service performed
23 for the solicitor.

24
25 *History Note:* Authority G.S. 105-164.4; ~~105-164.5; 105-164.13; 105-262; 105-264; [Chapter 105, Articles 39,~~
26 ~~40, 42, 43, and 46;]Article 39; Article 40; Article 42; Article 43; Article 44; Article 46; 105-467;~~
27 ~~105-468; 105-469; 105-483; 105-498; 105-507.2; 105-509.1; 105-510.1; 105-511.3; 105-537; 105-~~
28 ~~538;~~

29 *Eff. February 1, 1976;*

30 *Amended Eff. August 1, 2009; October 1, ~~1993-1993;~~*

31 *Readopted Eff. January 1, 2024.*

1 17 NCAC 07B .4707 is readopted with substantive changes pursuant to G.S. 150B-21.3A(c)(2)g without notice
2 pursuant to G.S. 150B-1(D)(4) as follows:

3
4 **17 NCAC 07B .4707 PRINTING CHEMICALS**

5 (a) [Sales] Pursuant to G.S. 105-164.13, sales of the following chemicals to commercial printers or publishers which
6 enter into or become an ingredient or component part of printed matter which such purchasers sell are exempt from
7 sales and use tax, tax:

- 8 (1) Chemicals that enter into or become an ingredient or component part of printed material for resale.
9 (2) Chemicals used to clean printing machinery.

10 (b) Sales of chemicals not listed in paragraph (a), including Chemicals-chemicals used by commercial printers and
11 publishers for [sanitation] cleaning, disinfecting, or sanitizing purposes purposes, are subject to the applicable statutory
12 state general State and applicable local and transit rates of sales or and use tax. Local tax rates by county, including
13 any transit tax can be found on the Department's website at www.ncdor.gov.

14
15 *History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-164.28; 105-262; 105-264; [Chapter 105,*
16 *Articles 39, 40, 42, 43, and 46;] Article 39; Article 40; Article 42; Article 43; Article 44; 105-467;*
17 *105-468; 105-469; 105-483; 105-498; 105-507.2; 105-509.1; 105-510.1; 105-511.3; 105-537; 105-*
18 *538;*
19 *Eff. February 1, 1976;*
20 *Amended Eff. April 1, 2006; October 1, 1993; October 1, 1991; July 5, ~~1980~~ 1980;*
21 *Readopted Eff. January 1, 2024.*
22

1 17 NCAC 07B .4708 is readopted with substantive changes pursuant to G.S. 150B-21.3A(c)(2)g without notice
2 pursuant to G.S. 150B-1(D)(4) as follows:

3
4 **17 NCAC 07B .4708 POSTAGE CHARGES BY PRINTERS**

5 ~~When The amount a commercial printer purchases charges its customers for postal cards or stamped envelopes and~~
6 ~~prints and sells them to customers for use, the printer is liable for collecting and remitting the applicable statutory state~~
7 ~~and local sales or use tax on the charge to the customer; that are printed and sold for use by the customer is subject to~~
8 ~~the general State and applicable local and transit rates of sales and use [tax,]tax. Local tax rates by county, including~~
9 ~~any transit tax can be found on the Department's website at www.ncdor.gov. [except the face value of stamps or~~
10 ~~postage charges on the printed cards or envelopes are is exempt from tax when separately stated on the customer's~~
11 ~~invoice.invoice or similar billing document given to the customer at the time of the sale.] Pursuant to G.S. 105-~~
12 ~~134.13(17) and 18 USC 8, the face value of United State Postal Service postage sold by commercial printers is exempt~~
13 ~~from sale and use tax even if the postage is printed or affixed to envelopes or postcards prior to sale, provided that the~~
14 ~~value of the postage is stated separately from other charges on the invoice or similar billing document and given to~~
15 ~~the purchaser at the time of sale.~~

16
17 *History Note: Authority G.S. 105-164.3; 105-164.4; 105-164.6; 105-164.13; 105-262; 105-264; Article 39;*
18 *Article 40; Article 42; Article 43; Article 44; [Chapter 105, Articles 39, 40, 42, 43, and 46;]-105-*
19 *467; 105-468; 105-469; 105-483; 105-498; 105-507.2; 105-509.1; 105-510.1; 105-511.3; 105-537;*
20 *105-538;*
21 *Eff. February 1, 1976;*
22 *Amended Eff. April 1, 2006; October 1, 1993; October 1, 1991; July 5, 1980-1980;*
23 *Readopted Eff. January 1, 2024.*

1 17 NCAC 07B .4716 is repealed pursuant to G.S. 150B-21.3A(c)(2)g without notice pursuant to G.S. 150B-1(D)(4)
2 as follows:

3

4 **17 NCAC 07B .4716 TYPESETTING**

5

6 *History Note: Authority G.S. 105-164.3; 105-164.4; 105-164.6; 105-262; Article 39; Article 40; Article 42; Article*
7 *43; Article 44;*

8 *Eff. February 1, 1976;*

9 *Amended Eff. April 1, 2006; October 1, 1993; October 1, 1991; October 1, ~~1990, 1990~~;*

10 *Repealed Eff. January 1, 2024.*

11

1 17 NCAC 07B .4801 is readopted with substantive changes pursuant to G.S. 150B-21.3A(c)(2)g without notice
2 pursuant to G.S. 150B-1(D)(4) as follows:

3
4 **SECTION .4800 - BASIS OF REPORTING**

5
6 **17 NCAC 07B .4801 VENDOR'S RECORDS REQUIRED TO BE KEPT**

7 (a) Persons making sales or purchases of an item, as the term item is defined in G.S. 105-164.3, shall keep records as
8 required in G.S. 105-164.22 that establish~~Every vendor must keep adequate and complete records as required by G.S.~~
9 ~~105-164.31 to determine the amount of the person's sales and use tax for which he may be liable.~~ liability. Records
10 shall be kept in accordance with G.S. 105-241.6 and G.S. 105-241.8.

11 Records to establish a person's sales and use tax liability include the following:

- 12 (1) All cash and credit sales, including sales under any type of financing or installation plan.
- 13 (2) The amount of all items purchased and copies of all bills of lading, invoices, and purchase orders.
- 14 (3) Copies of all sales invoices furnished by wholesale merchants that shall show the name and address
15 of the purchaser, the date of purchase, the item or items purchased, and the purchase price of the
16 item.
- 17 (4) All deductions and exemptions claimed in sales and use tax returns for each transaction.
- 18 (5) All items, as the term item is defined in G.S. 105-164.3, used or consumed in the conduct of
19 business.
- 20 (6) A true and complete inventory of the value of the ~~[stock]~~the materials, supplies, goods or
21 merchandise on hand
- 22 (7) All exemption certificates, and records of all sales made to a person furnishing an exemption
23 certificate.
- 24 (8) All affidavits of capital improvement or ~~[other records]~~written contracts that establish a transaction
25 is a real property contract.
- 26 (9) All affidavits certifying tax paid by the purchaser on an item that becomes a part of real property.
- 27 (10) Records of all sales made through a facilitator engaged in business in the State.
- 28 (11) All affidavits of export.
- 29 (12) All shipping records for items that are delivered.
- 30 (13) All agreements with facilitators.
- 31 (14) All bank account records.
- 32 (15) All point-of-sale records and cash register z-tapes.
- 33 (16) Any other document, report, form, or other similar record that establishes a person's sales and use
34 tax liability.

35 (b) Except for persons listed in G.S. 105-164.20(b), ~~Vendors~~person's having both cash and credit sales may elect to
36 report their tax liability on either the cash or accrual basis of accounting provided their records are kept in such a
37 manner that they can determine their tax liability correctly on the basis used. If a ~~[taxpayer]~~person wishes to change

1 ~~[from one]~~ the basis of reporting selected when applying for a Certificate of Registration in accordance with 17 NCAC
2 07B .0104 to another, ~~he must~~ the [taxpayer]person shall apply to the Secretary of Revenue by written letter signed by
3 the [taxpayer]person and mailed to the attention of the Sales and Use Tax Division to the Department's mailing address
4 set out in 17 NCAC 01A .0101 for permission to make such change. A [taxpayer's]person's selected basis continues
5 in effect until the person receives permission from the Secretary, or the Secretary's designee, to change the basis
6 selected. The Secretary, or the Secretary's designee, shall only grant permission allowing a person to change the basis
7 of reporting upon a showing that the person's accounting system and processes shall establish the amount of the
8 person's sales and use tax liability using the requested basis of accounting.

9
10 *History Note:* Authority G.S. 105-164.20; 105-164.22; 105-262; 105-264;
11 Eff. February 1, 1976;
12 Amended Eff. October 1, ~~1993~~1993;
13 Readopted Eff. January 1, 2024.
14

1 17 NCAC 07B .4802 is readopted with substantive changes pursuant to G.S. 150B-21.3A(c)(2)g without notice
2 pursuant to G.S. 150B-1(D)(4) as follows:

3
4 **17 NCAC 07B .4802 ACCRUAL BASIS**

5 (a) ~~When a vendor~~A person that elects to report and pay tax on the accrual basis ~~[basis,]~~basis pursuant to 17 NCAC
6 07B .4801, or is required to report on the accrual basis pursuant to G.S. 105-164.20, ~~he must~~shall keep records which
7 that disclose a separate accounting of taxable and nontaxable sales.

8 (b) ~~The vendor must~~person shall pay tax on the total sales price of all taxable ~~tangible personal property~~items, as the
9 term item is defined in G.S. 105-164.3, sold during the ~~month~~period covered by the ~~[return,]~~sales and use tax return
10 as required by G.S. 105-164.16, whether or not such sales are cash, credit, ~~installment~~installment, or conditional sales
11 sales, and whether or not the ~~vendor~~person retains the installment and conditional sales contracts or sells or assigns
12 them to others and without regard to any finance reserve withheld on finance paper sold or assigned to others.

13 (c) ~~Finance charges, service charges or interest~~Interest, financing, and carrying charges from credit extended under
14 conditional sales contracts providing for deferred payment ~~of the purchase price~~are not subject to tax if ~~such the~~
15 charges are separately stated on the ~~invoices~~invoice or similar billing document given to the ~~customers~~purchaser at
16 the time of sale and ~~maintained~~in the ~~vendor's~~person's records of sales.

17 ~~(b)~~(d) Bad Debts. — Pursuant to G.S. 105-164.13, ~~[Bad]~~bad debts that meet the requirements of G.S. 105-
18 164.13(15) may ~~If, in reporting on the accrual basis, accounts of purchasers representing taxable sales on which the~~
19 tax has been paid are found to be worthless and actually charged off for income tax purposes, the amount charged off
20 representing taxable sales may at corresponding periods be deducted from gross sales ~~taxable sales, during~~
21 corresponding periods, ~~provided if~~ the ~~vendor~~person maintains records disclosing separately ~~that portion~~the amount
22 of bad ~~accounts~~debts representing taxable sales and ~~that portion~~the amount representing nontaxable sales. ~~Accounts~~
23 charged off as bad debts must be added to gross sales if afterwards collected. A ~~[taxpayer]~~person shall make the
24 deduction for sales and use tax purposes within three (3) years of charging off an account for income tax purposes. A
25 ~~[taxpayer]~~person who is not required to file income tax returns may deduct a bad debt on a return filed for the period
26 in which the bad debt is charged off in its books and records as uncollectible and would otherwise be eligible for a
27 bad debt deduction for income tax purposes if the ~~[taxpayer]~~person were required to file income tax returns. In this
28 instance, the ~~[taxpayer]~~person shall make the deduction for sales and use tax purposes within three (3) years of the
29 date the account is recognized and finally expensed as a bad debt in its books and records. A ~~[taxpayer]~~person that
30 does not deduct a bad debt within the time allowed shall not make any deduction for the bad debt. If a deduction is
31 taken for a bad debt and the debt is subsequently collected, in whole or in part, the tax on the amount of debt collected
32 must be paid and reported on the sales and use tax return filed for the period in which the collection occurs. For
33 purposes of reporting collection of the bad debt subsequent to having charged off and deducted such bad debt, any
34 payments on the debt shall be applied first proportionally to the taxable price of the item and sales tax thereon, and
35 secondly to interest, services charges, and any other charges.

1 *History Note:* Authority G.S. 105-164.3; 105-164.13; 105-164.20; 105-164.22; 105.262; 105-264; [Chapter 105,
2 Articles 39, 40, 42, 43, and 46;] 105-467; 105-468; 105-469; 105-483; 105-498; 105-507.2; 105-
3 509.1; 105-510.1; 105-511.3; 105-537; 105-538;
4 Eff. February 1, 1976-1976;
5 Readopted Eff. January 1, 2024.
6

1 17 NCAC 07B .4803 is readopted with substantive changes pursuant to G.S. 150B-21.3A(c)(2)g without notice
2 pursuant to G.S. 150B-1(D)(4) as follows:

3
4 **17 NCAC 07B .4803 CASH BASIS**

5 (a) ~~When a vendor having both taxable and nontaxable sales elects to report and pay tax on the cash basis, the vendor~~
6 ~~must~~ A person making taxable and nontaxable sales that elects to report and pay tax on the cash basis, and is not
7 required to report on the accrual basis pursuant to G.S. 105-164.20, shall keep records which that disclose a separate
8 accounting of taxable and nontaxable sales and receipts on sales.

9 ~~(b) Such vendor must~~ The person shall pay tax on the total sales price of all taxable tangible personal property items,
10 as the term item is defined in G.S. 105-164.3, sold for cash during the month period covered by the return ~~return,~~
11 sales and use tax return as required by G.S. 105-164.16.

12 ~~(c) Sales upon which tax is due include cash, credit, installment, or conditional sales, and on that any portion of the~~
13 sales price collected or constructively received during such month the return period, on taxable tangible personal
14 property sold on credit, installment or other deferred payment sales contracts without any arbitrary allocation for
15 finance charges, service charges or interest charges.

16 ~~(4)(d) Interest, Finance charges, service charges and interest charges for financing, and carrying charges from~~ credit
17 extended under conditional sales contracts providing for deferred payment of the purchase price are not subject to the
18 tax if such charges are separately stated on the invoices ~~invoice~~ or similar billing document given to the customers
19 purchaser at the time of sale and in the vendor's records of sales and collections, maintained in the person's records of
20 sales.

21 ~~(2)(c) A person that sells or assigns the finance paper on If, on conditional, installment ~~installment,~~ or other deferred~~
22 payment sales, sales the vendor sells or assigns the finance paper, he is deemed to have received the full balance of the
23 consideration for the sale of tangible personal property an item and is liable for remitting ~~shall remit~~ tax on the total
24 sales price of such property the item at the close of the month during which period when the finance paper was assigned
25 or sold including any finance reserve withheld on the finance paper. ~~If such vendor sells his accounts receivable he~~
26 is liable for payment of tax on the outstanding taxable balance of such accounts at the time they are sold
27 notwithstanding that the accounts may be sold at a discount to the purchaser.

28 ~~(b)(f) When persons~~ A person filing their sales and use tax reports ~~returns~~ on the cash basis of accounting ~~sell that~~
29 sells their accounts receivable, receivable shall remit they are liable for payment of sales tax on their taxable accounts
30 receivable balance outstanding at the time they sell such accounts. ~~the accounts even though the accounts may be sold~~
31 at a discount to the purchaser. ~~When a corporation is formed to succeed a proprietorship or partnership and the~~
32 accounts receivable are sold to the corporation, the proprietorship or partnership is liable for remitting the sales tax
33 due on its outstanding taxable accounts receivable balance at the time the accounts are sold.

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35 *History Note:* Authority G.S. 105-164.3; 105-164.20; 105-164.22; 105-262; 105-264; [Chapter 105, Articles 39,
36 40, 42, 43, and 46;] 105-467; 105-468; 105-469; 105-483; 105-498; 105-507.2; 105-509.1; 105-
37 510.1; 105-511.3; 105-537; 105-538;

38 Eff. February 1, 1976-1976;

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Readopted Eff. January 1, 2024.



1 17 NCAC 07B .5001 is readopted with substantive changes pursuant to G.S. 150B-21.3A(c)(2)g without notice
2 pursuant to G.S. 150B-1(D)(4) as follows:

3
4 **SECTION .5000 - ~~EYEGLASSES~~ EYEGLASSES, CONTACT LENSES, AND OTHER OPHTHALMIC**
5 **OPTICAL AIDS AND SUPPLIES: SUPPLIES ~~OCULISTS: OPTOMETRISTS AND OPTICIANS~~**

6
7 **17 NCAC 07B .5001 ~~PRESCRIPTION EYEGLASSES AND CONTACT LENSES~~**

8 **(a) Eyeglasses:**

9 (1) Corrective Eyeglasses. -- Sales of corrective eyeglasses for human use, ~~ground on prescription of~~
10 physicians, oculists or optometrists, including frames as an integral part thereof, are not subject to
11 the tax, exempt from sales and use tax as prosthetic ~~[devices.]~~ devices pursuant to G.S. 105-
12 164.13(12). When eyeglass cases, lens wipes, and lens solution are given to the purchaser as part of
13 the sale and included in the sales price of corrective eyeglasses for human use, they are also exempt
14 under G.S. 105-164.13(12) from sales and use tax.

15 Corrective eyeglasses, whether prescription eyeglasses or reading glasses, are not required to be
16 sold on prescription in order ~~[to be exempt]~~ for the exemption from sales and use ~~[tax.]~~ to apply.

17 A person who sells corrective eyeglasses shall keep sales records that clearly separate it sales of
18 corrective eyeglasses from sales of other items. Failure of a person to keep records that establish a
19 sale is exempt from sales and use tax subjects the person to liability for ~~[the general State, and~~
20 applicable local and transit rates of] sales and use tax on the sale.

21 (2) Non-Corrective Eyeglasses. -- Sales of non-corrective eyeglasses for human use are subject to the
22 general State, and applicable local and transit rates of sales and use tax unless specifically exempt
23 by statute. ~~Local tax rates by county, including any transit tax can be found on the Department's~~
24 website at www.ncdor.gov.

25 **(b) Contact Lenses:**

26 (1) Corrective Contact Lenses. -- Sales of corrective contact lenses for human use are exempt from sales
27 and use tax as prosthetic ~~[devices.]~~ devices pursuant to G.S. 105-164.13(12). When carrying cases,
28 patient instruction booklets, patient care kits, aseptors, salt tablets, lens solution, and squeeze bottles
29 are given to the purchaser as part of the sale and included in the sales price of corrective contact
30 lenses for human use, they are also exempt under G.S. 105-164.13(12) from sales and use tax.

31 A person who sells corrective contact lenses shall keep sales records that clearly separate its sales
32 of corrective contact lenses from sales of other items. Failure of a person to keep records that
33 establish a sale is exempt from sales and use tax subjects the person to liability for ~~[the general State,~~
34 and applicable local and transit rates of] sales and use tax on the sale.

35 (2) Non-Corrective Contact Lenses. - Sales of non-corrective contact lenses for human use are subject
36 to the general State, and applicable local and transit rates of sales and use tax unless specifically

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exempt by statute. Local tax rates by county, including any transit tax can be found on the Department's website at www.ncdor.gov.

History Note: Authority G.S. 105-164.3; 105-164.4; 105-164.4D; 105-164.13; 105-164.22; 105-262; 105-164.264; [Chapter 105, Articles 39, 40, 42, 43, and 46;] 105-467; 105-468; 105-469; 105-483; 105-498; 105-507.2; 105-509.1; 105-510.1; 105-511.3; 105-537; 105-538;
Eff. February 1, ~~1976~~1976;
Readopted Eff. January 1, 2024.

1 17 NCAC 07B .5004 is readopted with substantive changes pursuant to G.S. 150B-21.3A(c)(2)g without notice
2 pursuant to G.S. 150B-1(D)(4) as follows:

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4 **17 NCAC 07B .5004 TAXABLE OPTICAL SUPPLIES**

5 (a) Supplies for Corrective Eyeglasses - All sales to users or Sales to consumers of eyeglass frames not for use in
6 connection with eyeglasses ground on prescription, sunglasses not ground on prescription, solutions for cleaning
7 eyeglasses, telescopes, binoculars, opera glasses, and similar items, by whomsoever made, eyeglass cleaning cloths or
8 wipes, eyeglass cases, eyeglass chains or cords, and similar corrective eyeglass supplies when such sales are made
9 separate and apart from a corrective eyeglass sale or when they are sold with corrective eyeglasses, but billed separate
10 and apart from the corrective eyeglasses, are subject to the applicable statutory state and local sales or use tax, general
11 State, and applicable local and transit rates of sales and use [tax.]tax, pursuant to G.S. 105-164.4. In addition, the

12 retail sale of nose pads, temples and any other repair parts for eyeglass frames are subject to the tax without regard to
13 whether the repair parts are sold to be used on frames with prescription lens. All persons, including opticians,
14 optometrists, and oculists, making such sales shall register as retail merchants and collect and remit the tax due thereon.

15 (b) Supplies for Corrective Contact Lenses - Sales to consumers of aseptors, salt tablets, squeeze bottles, carrying
16 cases, patient instruction booklets, patient care kits, and similar corrective contact lens supplies when such sales are
17 made separate and apart from a corrective contact lens sale or when they are sold with corrective contact lenses, but
18 billed separate and apart from the corrective contact lenses, are subject to the general State, and applicable local and
19 transit rates of sales and use [tax.]tax, pursuant to G.S. 105-164.4.

20 (c) Supplies for Non-Corrective Eyeglasses or Contact Lenses - Sales to consumers of optical supplies for non-
21 corrective eyeglasses or contact lenses are subject to the general State, and applicable local and transit rates of sales
22 and use [tax.]tax, pursuant to G.S. 105-164.4.

23 (d) Other Optical Items - Sales to consumers of telescopes, binoculars, opera glasses, and similar items are subject to
24 the general State, and applicable local and transit rates of sales and use [tax.]tax, pursuant to G.S. 105-164.4.

25 (e) Local tax rates by county, including any transit tax can be found on the Department's website at www.ncdor.gov.

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27 *History Note:* Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-262; 105-264; ~~Article 39; Article 40; Article~~
28 ~~42; Article 43; Article 44; Article 46;~~[Chapter 105, Articles 39, 40, 42, 43, and 46;] 105-467; 105-
29 468; 105-469; 105-483; 105-498; 105-507.2; 105-509.1; 105-510.1; 105-511.3; 105-537; 105-538;
30 Eff. February 1, 1976;
31 Amended Eff. October 1, 2009; October 1, 1993; October 1, 1991, 1991;
32 Readopted Eff. January 1, 2024.
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