

Joint House and Senate Finance Committees December 1, 2009



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SALES AND USE TAX DIVISION

NORTH CAROLINA DEPARTMENT OF REVENUE

Tax Rate Increase or Taxable Base Expansion



- Taxpayer Education
- Employee Education
- Technology System Changes
- Forms Redesign
- Worksheets
- Affidavits
- Streamlined Sales Tax
- Internal Costs (Budget Concerns)
- Departmental Resources

Taxpayer Education



- Notices
 - Mailings
 - Website Only
- Internet, e-Alerts
- E-505 Notice – General Issues
- Law Change Document
- Administrative Rules, Technical Bulletins, Directives
- Interactive Voice Response (IVR) – Frequently Asked Questions

Employee Education



- **Training**
 - Headquarters
 - Satellite Locations
 - TACC

- **Intranet**

Technology System Changes



- **Integrated Tax Administration System (ITAS)**
 - Rate Changes
 - Distribution Changes
 - Testing
 - Other Programming
 - System Training
- **Online Filing and Payment**
- **EDI Changes**

Forms Redesign – Rate Increase



- [E-500](#) (Sales and Use Tax Return)
- E-500E (Utility and Liquor Sales and Use Tax Return)
- E-588 and 8 Other Refund Claim Forms
- Tax Charts
- E-505AC (New Registrations)

Worksheets



- Worksheets – 4 required (09/09 increase)
- Example [Monthly 09/09](#)
- Cross Over Dates

Affidavits



- Savings Clause
- [Contractor/Subcontractor](#)
- Necessary at Time of Crossover?

Streamlined Sales Tax



- **Compliance**
 - Definitions, Rules, Adopted Interpretations
- **Permitted Effective Dates**
 - State
 - County
- **Rate and Boundary Tables**
- **Streamlined Electronic Return Mapping**

Internal Costs (Budget Concerns)



- **Printing and Mailing**
 - \$60k - 9/1/09 increase (Rate Only)
- **Information Technology Changes**
 - \$25K
 - 391 hours
- **Note:** Full system changes could not be implemented due to the time frame and pending October changes.

Departmental Resources



- **Temporary Reassignments**
 - Correcting Return Errors
 - Forms Team
 - Administrative Services Employees
- **Phone calls**
- **Correspondence**
- **Written Educational Documents**

Base Expansion Items to Consider



- Changing Midstream
- Resources
- Lead Time for Implementation
- Imposition Statutes Clearly Identify Intent
- Channels of Communication
- Noncompliance
- State/Local Governments

Changing Midstream



- **Drywall/Plaster Service**
 - Historically a Performance Contractor
 - Use Tax on Materials
- **Taxable Service**
 - Will Purchases of Material be Exempt?
 - Enact Savings Clause?

Resources



- **Current Staffing:**
 - Director
 - Assistant Director (vacant)
 - 6 Administration Officers
 - 2 Administrative Assistants
- **Additional Needs**

Lead Time for Implementation



- Proper Administration
- Technical Material Rewrites
- Education

Imposition Statutes Clearly Identify Intent



- **Comprehensive versus Incremental (Services)**
 - All?
 - Some?
- **Avoid Ambiguity**
- **Point to Other References?**
 - North American Industry Classification System (NAICS)
 - North American Product Classification System (NAPCS)

Channels of Communication



- Public Affairs Division
- Partner with Other Agencies, Boards, Associations
- Internet
- CCH

Noncompliance Concerns – Some Services Areas



- Small Businesses (Cash)
- Economy
- Delinquent Notices
- Collection Cases
- Registrations

State/Local Governments



- **General State and Applicable Local Taxes**
 - (7.75%, 8%, 8.25%)

- **Locals**
 - Distribution

Currently Subject to Combined General Rate



- Video Programming (Shared with Locals)
- Spirituous Liquor (State Only)
- Telecommunications (Shared with Locals)
- Current Rate 8%

Base Expansion Possibilities



- Optional Maintenance Contracts
- Gift Wrapping Receipts
- Carpentry, Painting, Plumbing, etc.
- Golf Course Fees
- Labor Charges In Conjunction with Tangible Property Repairs

Optional Maintenance Contracts



- **Current Treatment – Computer Software**
 - Upgrades/Support Services
 - Receipts – Exempt (use tax)
- **Possibilities – Streamlined Grants Options**
 - All Taxable
 - All Exempt
 - Tax a Percentage
- **Custom Software Versus Prewritten Software Issues**
- **Non-Software Transactions**

Gift Wrapping Receipts



- **Current Treatment**
 - Receipts Exempt
 - No Use Tax on Materials
- **Possibility**
 - Tax Due on Receipts

Carpentry, Painting, Plumbing, etc.



- **Current Treatment**
 - Use Tax on Purchases
 - Receipts Exempt from Tax
- **Possibilities**
 - Impose Tax on Total Receipts
 - Exempt Purchases
- **Other Thoughts**
 - New Property Exclusions?
 - Saving Clause Language?
 - Cross Over Issues

Golf Course Fees



- **Current Treatment**
 - Separately Stated Green Fees – Exempt
 - Separately Stated Cart Rental Receipts – Taxable
 - Carts Provided in Conjunction With Green Fees – Taxable at time of purchase or rental
- **Possibility**
 - Total Fees Subject to Tax
- **Advantages**
 - Specific Industry
 - Easier to Identify Affected Businesses
 - Sophisticated Point of Sale Systems

Labor Charges in Conjunction with Repairs of Tangible Personal Property



- **Current Treatment**
 - Exempt if Separately Stated

- **Possibilities**
 - Continue to Exempt
 - Repeal Exemption
 - Tax Total Repair Charges

- **Advantages**
 - Many Businesses Currently Registered
 - Partial Education Needed

Haircuts



- **Current Treatment**
 - Exempt
- **Possibilities**
 - Impose Tax at Time of Service
- **Questions:**
 - Impose on the Operator of the Shop
 - Impose on Each Barber/Beautician
- **Items to Consider:**
 - Cash Basis
 - Burden on Small Businesses

•Questions ?

