

August 19, 2009

Dear Friends:

**IMPORTANT NOTICE: SALES AND USE TAX RATE CHANGE INCREASE IN STATE SALES AND USE TAX RATE BY 1%.**

The General Assembly enacted legislation to temporarily increase the State rate of sales and use tax by 1%. The increase is effective September 1, 2009 and scheduled to expire July 1, 2011.

Effective September 1, 2009, the general State rate of sales and use tax will increase from 4.5% to 5.5%. Taxable sales, purchases or services that are subject to the general State rate of tax are also subject to the 2.25% county tax in all counties **except** Alexander, Catawba, Cumberland, Haywood, Martin, Pitt, Sampson, and Surry where the county rate is 2.5%. Mecklenburg County has an additional 0.5% county rate.

Tax charts are available on the Department's website at [www.dornc.com](http://www.dornc.com).

Taxable sales, gross receipts, purchases and services that were subject to the 4.5% State rate of tax prior to September 1, 2009 will be subject to the 5.5% State tax on and after September 1, 2009 with the following exceptions:

- Gross receipts from the lease of tangible personal property that is delivered to a lessee prior to September 1, 2009 and leased for a definite stipulated period of time will continue to be subject to the 4.5% State tax and applicable county tax for the remainder of the lease.
- Construction materials purchased or sold on and after September 1, 2009 to fulfill a lump sum or unit-price contract entered into or awarded prior to September 1, 2009, or entered into or awarded pursuant to a bid made prior to September 1, 2009, will continue to be subject to the 4.5% State tax and applicable county tax. Form E-589E, Affidavit to Exempt Contractors from the Additional 1% State Tax, must be executed by the contractor or subcontractor to obtain the 4.5% State rate.

Form E-589E is available from the Department and on the Department's website at [www.dornc.com](http://www.dornc.com).

A sale is complete when delivery is made to the purchaser. Therefore, except for circumstances such as those above, the increased rate of sales and use tax will apply to all taxable sales and purchases of property or services delivered on or after the effective date of September 1, 2009, irrespective of the date the order was placed.

If you have any questions, please give us a call.

Sincerely,

**Lindsay & Gardner, CPAs, LLP**