

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

technologies. Though sales of printed books are experiencing a resurgence, electronic books have a solid market share; sales of streamed music now dwarf digital ...

Gail Cole • Aug. 22, 2019



In the last decade, buying habits have shifted dramatically to keep pace with new technologies. Though sales of printed books are experiencing a resurgence, electronic books have a solid market share; sales of streamed music now dwarf digital and vinyl music sales; and so on. This can have a real impact on sales tax revenue, because state sales tax policies don't change as swiftly as technology.

That's changing bit by bit, state by state, and it's an ongoing process. Thus, the North Carolina Legislature recently made several clarifying changes to its sales and use tax

law.

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

According to the [legislature](#), this policy has “created confusion with respect to items that may fall into one of the digital property categories, but do not necessarily have a tangible corollary.” For example, e-learning materials that accompany a continuing education course are considered “audiovisual work,” but without a taxable tangible corollary, the Department of Revenue has concluded they can’t be subject to tax.

Senate Bill 253 removes the phrase “would be taxable ... if sold in a tangible medium,” effective October 1, 2019. [Taxing digital content is still complicated](#), but it should soon be slightly less complicated in North Carolina.

Other sales tax changes

The bill makes several other clarifying changes to North Carolina’s sales and use tax laws, including:

- Defines a property management contract and provides when repair, maintenance, and installation (RMI) services provided by a real property manager under a property management contract are taxable; and establishes a grace period under which property managers cannot be assessed for failure to collect sales tax on RMI contracts through January 1, 2021. (Effective immediately.)
- Exempts limited service car washes (the cleaning of a car by a mechanical means, where no cleaning activities are performed by a person). (Effective October 1, 2019.)
- Exempts equipment used in cutting, finishing, polishing, and shaping rough cut slabs of stone and stone-like products sold to a company that primarily provides made-to-order countertops, tubs, or walls. (Effective October 1, 2019.)
- Exempts certain incontinence supplies that are paid for by the state Medicaid program. (Effective October 1, 2019.)

- Exempts sales of admissions to charges to attend instructional seminars,

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

See the text of [SB 253](#) and the [guide to Senate Bill 253](#) for more details about the forthcoming changes. See the [North Carolina Department of Revenue](#) for information about the current taxation of digital property.

Redefining the economic nexus threshold

As of October 1, 2019, the economic nexus threshold for remote sellers is based on the sum total of the sales price of all items, with “items” defined as “tangible personal property, certain digital property, or a service unless the context requires otherwise.” More information about economic nexus in North Carolina and other states is available in our [state-by-state guide to economic nexus laws](#).

=====

This article first appeared on the [Avalara blog](#). Gail Cole began researching and writing about sales tax for Avalara in 2012 and has been fascinated with it ever since. She has a penchant for uncovering unusual tax facts, and endeavors to make complex sales tax laws more digestible for both experts and laypeople.

Sales Tax • Small Business • Technology

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved