

**Frequently Asked Questions Regarding
Form E-585 Nonprofit and Governmental Entity Claim For Refund
State and County Sales and Use Taxes
(For Nonprofit Organizations)**

G. S. 105-164.14(b) provides that certain nonprofit entities are allowed semiannual refunds of sales and use taxes they pay on direct purchases and leases of tangible personal property and services, other than those exceptions set forth on line 3 of the claim form, for use in carrying on the work of the nonprofit entity.

What form should a nonprofit organization use to claim a refund of sales and use tax?

- Form E-585, Nonprofit and Governmental Entity Claim for Refund State and County Sales and Use Taxes, should be used by nonprofit organizations to claim a refund of sales and use tax.
- The Department asks that old forms or photocopied forms not be used, as this will delay the processing of the claim.

What Account ID number should be used?

- The organization should use the nine-digit account ID number which begins with “72” that was assigned to it when the organization was notified that it qualified to receive refunds of sales and use taxes it pays on purchases and leases of tangible personal property for use in carrying on its nonprofit work.
- If the organization has not been notified by the Department that it qualifies to receive refunds of sales and use tax, and it does not have a refund Account ID Number, eligibility can be determined by furnishing the Department with the following information:
 - 1) The Federal Employer Identification Number (EIN) issued by the Internal Revenue Service or a statement advising the organization has not been assigned an EIN.

What is the Federal Employer ID Number?

A Federal Employer Identification Number is also known as a federal tax identification number and is used to identify a business entity. This number is issued by the Internal Revenue Service. Taxpayers may apply for a Federal Employer Identification Number in various ways, including contacting the IRS at <http://www.irs.gov> or by calling the IRS Business & Specialty Tax Line at 1-800-829-4933.

- 2) A copy of the organization’s 501(c)(3) letter issued to the organization by the Internal Revenue Service.

What is a 501(c)(3) letter?

This is a certification letter issued by the IRS regarding the entity’s tax status. This determination is based on their review of the organization’s

application and supporting documentation.

- 3) The organization's National Taxonomy of Exempt Entities (NTEE) code issued by the Internal Revenue Service.

What is a National Taxonomy of Exempt Entities (NTEE) Code?

The NTEE code is issued by the IRS. The NTEE is a classification system for non-profit organizations recognized as tax exempt under the Internal Revenue Code.

The Department will review the above information to determine whether the organization qualifies for refunds of sales and use tax and respond accordingly. Please send all information to the following address:

North Carolina Department of Revenue
Taxpayer Assistance Division
Nonprofit Sales and Use Tax
PO Box 25000
Raleigh, NC 27640-0640

How can a nonprofit organization obtain a copy of its IRS ruling and/or find out what its NTEE code is?

- Any nonprofit entity wishing to obtain a copy of its IRS ruling or determination letter may contact the IRS Tax Exempt and Government Entities Customer Account Services section at 1-877-829-5500. An Exempt Organizations Master Listing by state, which lists NTEE codes for many organizations, can be found at <http://www.irs.gov/taxstats/charitablestats/article/0,,id=97186,00.html>. A nonprofit entity that wishes to have the IRS determine its NTEE code may send a detailed explanation of its activities, a copy of its IRS ruling or determination letter, its federal employer identification number, current address, and other contact information to:

Internal Revenue Service
Exempt Organizations Determinations
PO Box 2508
Room 4-024
Cincinnati, Ohio 45201

Additional information about the NTEE Core Codes Classification System can be found at <http://nccs.urban.org/classification/NTEE.cfm>.

If the organization has received its 501(c)(3) status from the IRS but cannot determine their NTEE code after contact with the IRS, the organization should furnish the Department of Revenue with a copy of the documents used to create the organization (i.e. articles of incorporation, by-laws, constitution, etc.) and any other information (i.e. website, publications) that may assist the Department in making a determination.

What is the beginning and ending period and corresponding due dates?

- Claims are filed semiannually.

- Claims for refund of taxes paid during the first six months of the calendar year (January 1 through June 30) should be filed by October 15 of that year.
- Claims for refund of taxes paid during the last six months of the year (July 1 through December 31) should be filed by April 15 of the following year.
- Refund claims filed more than three years after the due date cannot be accepted.
- A claim for a refund covering more than one semiannual period will be returned to the nonprofit organization.

Questions Related To Line 1

What is the taxing county?

- The taxing county is the county in which the organization paid tax. If all purchases and taxes were paid in only one county, enter that name as the taxing county.
- If the organization made purchases and paid county tax in more than one county, do not list a county on Line 1. The organization must complete Form E-536R, Schedule of County Sales and Use Taxes for Claims for Refund, to identify the counties in which tax was paid.

How should Form E-536R be completed?

- Complete Form E-536R only if the organization made purchases and paid county tax in more than one county.
- To complete Form E-536R, identify the amount of county tax that was paid in each county and enter that amount in the blocks next to the appropriate taxing county. Taxes are attributed to the county where delivery occurs. (If taxable property or service is delivered to the organization in County A, then County A is attributed the county tax.)
- Enter, if applicable, the 2% food tax paid on purchases of food items other than prepared food, soft drinks, dietary supplements, and candy on Form E-536R.
- Enter, if applicable, the 0.5% Mecklenburg Public Transit Tax on tangible personal property shipped into Mecklenburg County or tangible personal property purchased in Mecklenburg County by your organization.

Questions Related To Line 2

What should be entered on Line 2?

- Enter in the State Column total purchases of tangible personal property for use on which State sales or use tax was paid directly to retailers. Enter in the County Column total purchases of tangible personal property for use on which county sales or use tax was paid. Do not include any sales or use tax paid, purchases for resale or items listed on Line 3 of Form E-585 (electricity, telephone services, motor vehicle purchases, leases, or rentals, etc.).

Where does the organization enter purchases of food that was bought for use by the organization?

In North Carolina a 2% food tax is charged on most food items. However, prepared food, soft drinks, dietary supplements, candy are subject to the general rate of sales or use tax. Include purchases of food items subject to the 2% food tax on Line 2 under the County column and do not include those purchases under the State column. Purchases

of food items subject to the general rate of sales or use tax should be included under both the State column and County column.

Questions Related To Line 3

What should be entered on Line 3?

- An amount must be entered on Line 3 if you have entered an amount on Line 2.
- Enter in the State Column total State sales and use tax paid directly to retailers on purchases for use. Enter in the County Column total county sales and use tax paid directly to retailers on purchases for use. If you are unsure as to the correct rate of sales and use tax applicable for the refund period, please contact the Department at the toll-free number listed at the end of this document.

Can reimbursements to individuals or employees for purchases of food, lodging, or other travel expenses paid by the individuals or employees be refunded?

- No. Reimbursements to individuals or employees for food, lodging, or other travel expenses are not considered to be a direct purchase; therefore, the sales or use tax is not refundable.

Can tax that was paid for electricity, piped natural gas, or telephone services be claimed?

- No.

Can tax paid for the purchase, lease, or rental of a motor vehicle for use in my organization be claimed?

- No.

Can local occupancy or local prepared food and beverage tax be claimed?

- No.

Can scrap tire or white goods disposal tax be claimed?

- No.

Can tax that was paid on alcoholic beverages be claimed?

- No, effective July 1, 2006, sales or use tax paid on purchases is no longer eligible for refund.

Questions Related To Line 4

Sales and use tax paid on the purchase of building materials, supplies, fixtures and qualifying equipment by a contractor under contract with a nonprofit entity may be refunded to the nonprofit entity if the materials, supplies, etc., in question become a part of or are annexed to any building or structure that is owned or leased by the nonprofit organization and is being built or repaired and is used in carrying on the nonprofit activities of the organization.

What should be entered on Line 4?

- An amount would be entered on Line 4 if the organization has contractor statements.
- Enter in the State Column the total State sales and use tax paid indirectly on building materials and supplies as shown on contractors' statements. Enter in the County Column total county sales and use tax paid indirectly on building materials and supplies as shown on contractors' statements. This line would be zero if the organization is not in a building program and/or has not paid sales tax indirectly through a contractor.

What should the organization do if the contractor provided a statement that does not provide a breakdown of the taxes paid?

- Adequate documentation for contractor purchases is a certified statement from the contractor or subcontractor that purchased the items. The statement must include the item purchased, the vendor from whom it was purchased, the invoice number of the purchase, the cost of the item, and the amount of sales and use tax paid.

Are there any items that should not be included in the contractor statement and that are not eligible for refund of sales and use tax?

- A contractor should not include in its statement items the contractor purchased and used to fulfill the contract but which did not become a part of the building constructed. Items such as scaffolding, concrete forms, fuel for the operation of machinery and equipment, tools, equipment repair parts, equipment rentals, and blueprints are not to be included in contractors' statements. Sales and use tax paid on these items are not eligible for refund.

Questions Related To Line 5

What should be entered on Line 5?

- If the organization has a use tax account and pays use tax directly to the Department on its purchases for use upon which no tax was charged or paid, complete this line.
- Enter in the State Column the total State use tax paid to the Department by the organization on the sales and use tax returns. Enter in the County Column the total county use tax paid to the Department by the organization on the sales and use tax returns.

What is use tax?

- Use tax is an excise tax imposed on a North Carolina customer who purchases, from a vendor, tangible personal property for storage, use or consumption in this state and upon which no sales tax has been paid.

If the organization collected and paid tax to the Department on taxable sales, can the organization claim this tax?

- No, the organization cannot request a refund of tax remitted to the Department on taxable sales made by your organization. Do not include this tax on Line 5.

Questions Related To Line 6

How is Line 6 computed?

- Add the State tax on Lines 3, 4, and 5 and enter the total in the State Column. Add the county tax on Lines 3, 4, and 5 and enter the total in the County Column.
- If the organization made purchases and paid county tax in more than one county, the organization must complete Form E-536R, Schedule of County Sales and Use Taxes for Claims for Refund, to identify the individual counties to which tax was paid and the applicable rates.
- The total of all entries made on Form E-536R should equal the county tax shown on Line 6.
- The total of county tax shown on Line 6 should be allocated to the applicable rate on Line 8.

Questions Related To Line 7

What is entered on Line 7?

- Add the State and county taxes on Line 6 and enter this total on Line 7. This is the total amount of the refund that the organization is requesting.

Questions Related To Line 8

How should Line 8 be completed?

- Allocate the amount of county tax included on Line 6 in the County Column to the applicable rate.
- The total of the appropriately allocated amounts on Line 8 should equal the amount under the County Column on Line 6.
- If required to complete Form E-536R, Schedule of County Sales and Use Taxes for Claims for Refund, the amounts entered on Line 8 must equal the total amounts by rate included on Form E-536R.

Other Questions

Should receipts or invoices be mailed with the organization's claim for refund?

- No. However, receipts and invoices should be kept for a period of three years beyond the date the refund claim is due to be filed or three years beyond the date the claim is filed, whichever is later.

Where can additional information about nonprofit organizations be found?

- For additional information you may view the State Taxation and Nonprofit Organization Publication at www.dornnc.com/publications/nonprofit.html or Section 17-2 of the Sales and Use Tax Technical Bulletins at www.dor.state.nc.us/practitioner/sales/bulletins/section17.pdf#2.
- You may call 1-877-252-3052 to reach the Taxpayer Assistance and Collection Center.