



North Carolina Department of Revenue

Beverly Eaves Perdue
Governor

Kenneth R. Lay
Secretary

February 12, 2009

Account ID: 720019141

St. Paul's United Methodist Church
Post Office Box 356
Carolina Beach, North Carolina 28428

Attention: Archie Bright

Dear Mr. Bright:

We have your letter dated February 5, 2009, in which you have inquired as to whether sales or use tax paid on certain transactions can be refunded to a church under the provisions of G.S. 105-164.14(b).

G.S. 105-164.14(b) provides that qualifying nonprofit entities, including churches, are allowed a semiannual refund of sales and use taxes they pay on direct purchases of tangible personal property and services, other than electricity, telecommunications service, and ancillary service, for use in carrying on the work of the church. You have inquired as to whether certain transactions a church may make are considered direct purchases within the meaning of G.S. 105-164.14(b).

We have restated your questions, along with the corresponding answers, below.

Question One: If a church member purchases an item (such as a printer) for the church with his own funds (cash, debit, credit, or check) and brings this item to the church, and if the purchased item will belong to the church, while in return the church member will be refunded (reimbursed) for the amount he spent, is the sales tax he paid on that purchase eligible to be refunded to the church on its semiannual refund claim?

Response: The sales or use tax paid by an individual in this scenario would be refundable to the church pursuant to G.S. 105-164.14(b), provided that the item purchased becomes the property of the church and is used by the church. Sales or use taxes associated with purchases of meals or lodging paid by a church member or employee and later reimbursed by the church would not be refundable. Purchase of items specifically excluded from refund eligibility, such as electricity, telecommunications service, or ancillary service, would not be refundable.

Question Two: Assume the same facts as in Question One, with the exception that the item (printer) purchased by the church member is donated to the church. The item purchased and the accompanying receipt are turned over to the

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church, but the church member is not reimbursed. Is the sales tax paid by the church member (but not reimbursed by the church) eligible to be included on the church's semiannual refund claim?

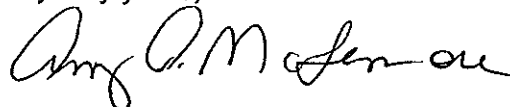
Response: No. Sales or use tax paid by an individual on an item of tangible personal property that is donated to the church is not eligible to be included on the church's semiannual refund claim.

Question Three: If a member of the church goes to a grocery store to buy breakfast foods for a monthly church business meeting, and the church reimburses the church member the full amount he paid on this purchase of food items, is the sales tax paid on that purchase eligible to be refunded to the church on its semiannual refund claim?

Response: If the church member is authorized by the church to purchase food for an official church function (such as a monthly business meeting), the sales or use tax paid on that purchase of food would be refundable to the church pursuant to G.S. 105-164.14(b).

The determinations set forth in this letter are based on the facts and circumstances presented in your letter and the understandings set out above. If any of the facts are different or if any material facts have been omitted, the determination concerning the application of sales and use tax to your church's transactions may be affected.

Very truly yours,



Amy A. McLemore
Administration Officer
Sales and Use Tax Division
(919) 733-2151

AAM:dpp