

NEXT CHALLENGE. NEXT LEVEL.

NEXSEN | PRUET

**Economic Development
Fundamentals**

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Sales Taxes



South Carolina Sales Taxes

- ▶ Sales and Use Tax
 - ▶ The sales and use tax rate in South Carolina is 6%.
 - ▶ Some counties assess a local option sales tax and/or a capital project sales tax, which currently range from 1 to 2.5%.

North Carolina Sales Taxes



- ▶ North Carolina levies a general sales and use tax of 4.75% (decreased from 5.75% effective July 1, 2011,) and a local sales tax rate of 2% in all 100 counties.
- ▶ 19 counties (and counting) have an additional .25% tax.
- ▶ Mecklenburg county levies an additional .5% local tax for public transportation.
- ▶ County and local taxes in most areas brings the sales tax rate to 6.75-7% in most counties but some can be as high as 8% or 8.25%.



Sales Tax Exemptions for Manufacturers in SC

- ▶ Sales Tax Exemptions
 - ▶ South Carolina supports new and expanding industry with a wide range of valuable exemptions to the sales tax (state and local). These exemptions, found in SC Code § 12-36-120, include the following:
 - ▶ Machinery and equipment, and applicable repair parts, used in the production of tangible goods.
 - ▶ Materials that will become an integral part of the finished product.
 - ▶ Coal, coke, or other fuel for manufacturers, transportation companies, electric power companies, and processors.
 - ▶ Industrial electricity and other fuels used in manufacturing tangible personal property.
 - ▶ Research and development machinery and equipment.
 - ▶ Air, water and noise pollution control equipment.
 - ▶ Material handling equipment for manufacturing or distribution projects investing \$35 million or more in the state.
 - ▶ Packaging material.
 - ▶ Long distance telephone calls and access charges, including 800 services.
 - ▶ Construction materials used in the construction of a single manufacturing or distribution facility with a capital investment of at least \$100 million in an 18 month period.

Sales Tax Exemptions for Manufacturers in NC



- ▶ Manufacturing exemptions:
 - ▶ Mill machinery, mill machinery parts or accessories, and specialized equipment used to unload or process bulk cargo are exempt from sales and use tax, but are subject to a privilege tax.
 - ▶ This privilege tax rate is one percent with a maximum of \$80 per article. N.C. § 105-187.51D.
 - ▶ Purchases of ingredients or component parts of a manufactured product that becomes an ingredient or component part of tangible personal property that is manufactured are exempt from sales and use tax. N.C. § 105-164.13(8).
 - ▶ Packaging items that constitute a part of the sale at wholesale or retail and are delivered with the product to the customer are exempt from sales and use tax. N.C. § 105-164.13(23).
 - ▶ Fuel and electricity sold to a manufacturer for use in connection with the operation of a manufacturing facility are exempt from sales and use tax. N.C. § 105-164.13(57).
 - ▶ Fuel purchased by a manufacturer for use in connection with the operation of a manufacturing facility is not subject to the privilege tax. N.C. § 105-187.51A.

Sales Tax Exemptions for Manufacturers in NC



Privilege Tax

A manufacturer or processor which purchases various components of mill machinery or equipment, otherwise taxable at the 1% rate, is not purchasing a single article of mill machinery, as such, even though the assembled machinery or equipment constitutes a single article. The purchaser has made numerous purchases of components of machinery or equipment and the tax is due on each purchase at the rate of 1%, and if the cost of any one component does, in fact, exceed \$8,000, the \$80.00 maximum tax would be applicable thereto. If an one article, as such, is purchased by a manufacturer, it does not lose its identity as a single article because it is too large or cumbersome to be shipped as **“one” single article** and has to be disassembled for shipping purposes or is billed on more than one invoice. The single article limitation does not apply to numerous purchases from the same or different vendors, even though the various components so purchased may be assembled by the purchaser into a single article.



Sales Tax Exemptions for Material Handling



- ▶ Material handling equipment is exempt from sales taxes in North Carolina (but subject to privilege tax).
- ▶ Material handling is subject to sales taxes in South Carolina except where the manufacturer/warehouse/distribution center has a Cap X of \$35M.



Sales Tax Exemptions for Construction Materials



- ▶ South Carolina
 - ▶ Exempt for the construction of manufacturing, warehouse or distribution center if the Cap X is \$100M in 18 months.
- ▶ North Carolina
 - ▶ Certain industries previously received refund if Cap X thresholds were met. The thresholds vary by county and are either \$50M or \$100M. The qualifying industries are air courier services; aircraft manufacturing, bioprocessing, financial services, motor vehicle manufacturing, paper from pulp manufacturing, pharma manufacturing, semiconductor manufacturing, solar energy manufacturing, and turbine manufacturing. This provision sunsetted in 2014.