

General Instructions

- Complete this Web-Fill form in its entirety on your computer, print the completed form, and mail to the Department.
- This form is to be filed by the following entities as specified:
 - **Nonprofit or other qualified entities as permitted in N.C. Gen. Stat. § 105-164.14(b):** Claims for refund of taxes paid during the first six months of the calendar year are due to be filed by October 15 of that year. Claims for refund of taxes paid during the last six months of the calendar year are due to be filed by April 15 of the following year. Enter the National Taxonomy of Exempt Entities ("NTEE") code under which the entity is classified. The NTEE code system is used by the Internal Revenue Service and the National Center for Charitable Statistics to classify nonprofit organizations. Organizations properly classified in any of the following major group areas of the NTEE do not qualify for a refund: Community Improvement and Capacity Building, Public and Societal Benefit, and Mutual and Membership Benefit.

Effective July 1, 2014, the State sales and use tax aggregate annual refund amount for a fiscal year for a nonprofit entity must not exceed \$31,700,000 (total for both six month periods). Effective July 1, 2014, the Food, County, and Transit sales and use tax aggregate annual refund amount for a fiscal year for a nonprofit entity must not exceed \$13,300,000 (total for both six month periods). Each cap applies separately.

A hospital not listed in N.C. Gen. Stat. § 105-164.14(b) is only allowed a semiannual refund of sales and use taxes paid by it on over-the-counter drugs purchased for use in carrying out its work.
 - **Governmental entities as permitted in N.C. Gen. Stat. § 105-164.14(c):** Claims for refund are due on a fiscal year basis within six months of the close of the fiscal year of the claimant. The State sales and use tax is not subject to refund for local school administrative units and joint agencies created by interlocal agreement among local school administrative units pursuant to N.C. Gen. Stat. § 160A-462. Only the Food, County, and Transit sales and use tax are subject to refund.
- Records must be maintained on a **county by county** basis to identify purchases of tangible personal property and services, county & transit tax paid directly to retailers on purchases for use as shown on sales receipts and invoices, county & transit tax paid indirectly on building materials and supplies as shown on contractors' statements, and county & transit tax paid directly to the Department of Revenue.
- Records must be maintained for direct purchases and contractor purchases as specified:
 - **Direct Purchases** - Adequate documentation for tax paid directly to the vendor is an invoice or copy of an invoice that identifies the item purchased, the date of the purchase, the cost of the item, and the amount of sales or use tax paid. Reimbursements for travel expenses to an authorized person of the entity are not considered to be a direct purchase; therefore, the sales or use tax paid on such are not refundable.
 - **Contractor Purchases** - Adequate documentation for contractor purchases is a certified statement from the contractor or subcontractor that purchased the items. The statement must indicate 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. Only items that become part of a building the nonprofit or governmental entity owns or leases and uses to conduct its nonprofit or governmental activities are eligible for a refund.
- In general, the statute of limitations for obtaining a refund of an overpayment is the later of three years after the due date of the return or two years after payment of the tax. For a claim for refund filed within the statute of limitations, the Department must take one of the following actions within six months after the date the claim for refund is filed: (1) send the taxpayer a refund of the amount shown due on the claim for refund; (2) adjust the amount of the refund shown due and send the taxpayer a refund of the adjusted amount; (3) deny the refund and send the taxpayer a notice of proposed denial; or (4) request additional information from the taxpayer. If the Department does not take one of the actions within six months, the inaction is considered a proposed denial of the requested refund. A taxpayer who objects to a proposed denial of a refund may request a Departmental review of the proposed action by filing a request for review within the time provided in N.C. Gen. Stat. § 105-241.11. If the Department selects a claim for refund for examination, the taxpayer has the same rights that the taxpayer would have during an examination of a return by the Department.

If the Department determines that a claim for refund was not filed within the statute of limitations, the refund request will be denied and the Department will issue a notice of denied refund. If the taxpayer disagrees with the Department's determination, the taxpayer may file a petition for a contested tax case at the Office of Administrative Hearings ("OAH"). If the taxpayer elects to file a petition with OAH and the court ultimately finds that the Department's determination that the statute of limitations for requesting a refund had expired is incorrect, the case will be returned to the Department for further consideration. The Department's notice of denied refund will provide the appeal procedures a taxpayer must follow to contest the Department's determination. If a taxpayer elects not to file a petition with OAH, the Department's determination will be final.

Line by Line Instructions

If you have questions about how to complete this form, more detailed instructions can be found on our website at www.dornc.com/downloads/e585_faqs.pdf or you can call the Taxpayer Assistance and Collection Center at 1-877-252-3052 (toll-free).

Line 1 - If all taxes were paid in only one county, enter the name of that county. If you made purchases and paid county and transit tax in more than one county, do not list a county on Line 1.

For Lines 2 through 6, local school administrative units and associated joint agencies should only complete the Food, County & Transit column.

Line 2 - Enter in the State column the total amount of purchases of tangible personal property and services for use on which State sales or use tax was paid to retailers. The taxable purchase price of a modular home, manufactured home, boat, or aircraft is included in the State column only. Enter in the Food, County & Transit column the total amount of purchases of tangible personal property and services for use on which food, county and transit sales or use tax was paid to retailers.

For Lines 3 through 6, State tax must be entered in the State column and food, county and transit tax must be entered in the Food, County & Transit column.

Line 3 - Enter the amount of sales and use tax paid directly to retailers on purchases for use, as shown on sales receipts or invoices. Do not include tax paid on nonrefundable purchases as described in the box on the front of claim form.

Line 4 - Enter the total amount of sales and use tax paid indirectly on building materials and supplies as shown on contractors' statements.

Line 5 - Enter the total amount of use tax paid to the Department by the entity on its sales and use tax returns. **Do not include tax collected and paid on taxable sales made by your entity.**

Line 6 - Add the amounts of tax by column on Lines 3, 4, and 5 and enter the sum.

Line 7 - Add the State and Food, County & Transit taxes on Line 6 and enter the sum. This is the total amount of refund requested for the period.

Line 8 - Allocate the amount of county and transit taxes included on Line 6 in the Food, County & Transit Tax column to the applicable rate. If county or transit tax was paid for more than one county, complete Form E-536R, Schedule of County Sales and Use Taxes for Claims for Refund, to identify the applicable rates and individual counties to which tax was paid for the period. The total of all entries on Form E-536R must equal the food, county and transit tax shown on Line 6.

For nonprofit entity only: If the aggregate annual entries of food, county, and transit tax on Form E-536R (total for both six month periods) exceeds \$13,300,000 for a fiscal year, then each entry of the food, county, and transit tax (total for both six month periods) on Form E-536R must be proportionally reduced to the aggregate annual refund cap of \$13,300,000 for a fiscal year.