

SECTION .4800 - BASIS OF REPORTING

17 NCAC 07B .4801 RECORDS REQUIRED TO BE KEPT

(a) Persons making sales or purchases of an item, as the term item is defined in G.S. 105-164.3, shall keep records as required in G.S. 105-164.22 that establish the amount of the person's sales and use tax liability. Documentation shall be kept until the statute of limitations to request a refund and to be issued a proposed assessment have expired, as set out in G.S. 105-241.6 and G.S. 105-241.8. Records to establish a person's sales and use tax liability include the following:

- (1) All cash and credit sales, including sales under any type of financing or installation plan.
- (2) The amount of all items purchased and copies of all bills of lading, invoices, and purchase orders.
- (3) Copies of all sales invoices furnished by wholesale merchants that shall show the name and address of the purchaser, the date of purchase, the item or items purchased, and the purchase price of the item.
- (4) All deductions and exemptions claimed in sales and use tax returns for each transaction.
- (5) All purchase, sales, and inventory records for items, as the term item is defined in G.S. 105-164.3, used or consumed in the conduct of business.
- (6) A true and complete inventory of the value of the materials, supplies, goods or merchandise on hand.
- (7) All exemption certificates, and records of all sales made to a person furnishing an exemption certificate.
- (8) All affidavits of capital improvement or other records that establish a transaction is a real property contract. For purposes of this Rule, other records means written records that establish a transaction is a capital improvement.
- (9) All affidavits certifying tax paid by the purchaser on an item that becomes a part of real property.
- (10) Records of all sales made through a facilitator engaged in business in the State.
- (11) All affidavits of export.
- (12) All shipping records for items that are delivered.
- (13) All agreements with facilitators.
- (14) All bank account records.
- (15) All point-of-sale records and cash register z-tapes.
- (16) Any other document, report, form, or other similar record that establishes a person's sales and use tax liability.

(b) Except for persons listed in G.S. 105-164.20(b), person's having both cash and credit sales may elect to report their tax liability on either the cash or accrual basis of accounting provided their records are kept in such a manner that they can determine their tax liability correctly on the basis used. If a person wishes to change the basis of reporting selected when applying for a Certificate of Registration in accordance with 17 NCAC 07B .0104 to another, the person shall apply to the Secretary of Revenue by written letter signed by the person and mailed to the attention of the Sales and Use Tax Division to the Department's mailing address set out in 17 NCAC 01A .0101 for permission to make such change. A person's selected basis continues in effect until the person receives permission from the Secretary, or the Secretary's designee, to change the basis selected. The Secretary, or the Secretary's designee, shall only grant permission allowing a person to change the basis of reporting upon a showing that the person's accounting system and processes shall establish the amount of the person's sales and use tax liability using the requested basis of accounting.

History Note: Authority G.S. 105-164.20; 105-164.22; 105-262; 105-264;
Eff. February 1, 1976;
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