

17 NCAC 05G .1004 PROFESSIONAL SERVICES OTHER THAN ARCHITECTURAL OR ENGINEERING SERVICES

Receipts from sales of professional services other than those services described in Rules .1005 - .1006 of this Section, shall be assigned as follows:

- (1) Professional Services Delivered to Individual Customers. Except as otherwise provided in Section .1000 of this Subchapter, in any instance where the service provided is a professional service and the taxpayer's customer is an individual customer, the state or states where the service is delivered shall be reasonably approximated as set forth in this Rule. The taxpayer shall assign the receipts from a sale to the customer's state of primary residence, or, if the taxpayer cannot reasonably identify the customer's state of primary residence, to the state of the customer's billing address. However, when the taxpayer derives more than five percent of its receipts from sales of all services from an individual customer, the taxpayer shall identify the customer's state of primary residence and assign the receipts from the service or services provided to that customer to that state.
- (2) Professional Services Delivered to Business Customers. When the taxpayer provides a professional service to a business customer, the state or states where the service is delivered shall be reasonably approximated as set forth in this Rule. Unless the taxpayer uses the safe harbor set forth in Item (3) of this Rule, the taxpayer shall assign the receipts from the sale as follows:
 - (a) by assigning the receipts to the state where the contract of sale is principally managed by the customer;
 - (b) if the place of customer management is not reasonably determinable, to the customer's place of order; and
 - (c) if the customer place of order is not reasonably determinable, to the customer's billing address.

When the taxpayer derives more than five percent of its receipts from sales of all services from a customer, the taxpayer is required to identify the state where the contract of sale is principally managed by the customer.
- (3) Safe Harbor; Large Volume of Transactions. Notwithstanding the rules set forth in Items (1) and (2) of this Rule, a taxpayer may assign its receipts from sales to a particular customer based on the customer's billing address in any taxable year when the taxpayer engages in substantially similar service transactions with more than 250 customers, whether individual or business, and does not derive more than five percent of its receipts from sales of all services from that customer.

History Note: Authority G.S. 105-130.4; S.L. 2016-94;
Eff. January 1, 2020 (See S.L. 2019-246, s. 3).