

**17 NCAC 05G .1006 RELATED ENTITY TRANSACTIONS**

When the professional service is sold to a related entity, rather than applying the rule for professional services delivered to business customers in Rule .1004(2) of this Section, the state or states where the service is assigned is the place of receipt by the related entity as reasonably approximated using the following hierarchy:

- (1) if the service primarily relates to specific operations or activities of a related entity conducted in one or more locations, then to the state or states where those operations or activities are conducted in proportion to the related entity's payroll at the locations to which the service relates in the state or states; or
- (2) if the service does not primarily relate to specific operations or activities of a related entity conducted in particular locations, but instead relates to the operations of the related entity generally, then to the state or states where the related entity has employees, in proportion to the related entity's payroll in those states. The taxpayer may use the safe harbor provided by Rule .1004(3) of this Section.

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