



NCDOR Communication

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Phase Out For Excise Tax On Piped Natural Gas Began Oct. 1, 2007

Phase Out Applies To Selected Manufacturers And Farmers

A new law that phases out the excise tax on piped natural gas for selected manufacturers and farmers went into effect Oct. 1 of last year. The amount of the tax decreases each year until it is phased out completely in 2010.

Click [here](#) and scroll to pages 30-31 for a listing of the amounts of the tax and a complete description of the provision that impacts the excise tax.

Who Is Eligible

Certain manufacturers that operate manufacturing facilities and farmers who use the gas for any farming purpose other than preparing food, heating their homes and other household purposes are eligible for the reduced rate. Manufacturers are those businesses classified under industry sectors 31, 32, or 33 of the North American Industrial Classification System (NAICS).

Those three manufacturing sectors include “establishments engaged in the mechanical, physical, or chemical transformation of materials, substances, or components into new products. The assembling of component parts of manufactured products is considered manufacturing, except in cases where the activity is appropriately classified in Sector 23, Construction,” states the NAICS guidelines. Facilities in these sectors may be described as plants, factories, or mills; they use power-driven machines and materials-handling equipment. Click [here](#) for the complete description of the sectors, including exceptions.

How To Apply

To qualify for the reduced rate, a farmer or manufacturer must submit a copy of a completed [Form E-595E](#), (link to the form) Streamlined Sales and Use Tax Agreement Certificate of Exemption to the provider of the natural gas. The provider will then pay the appropriate tax to the state.

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- Note: a taxpayer only becomes eligible for the reduced rate of tax by meeting the eligibility guidelines and submitting the form. Gas providers may not recalculate the tax liability using the lower rate for the time before their client provided the form.

A manufacturer purchasing piped natural gas for a qualifying purpose is required to enter its sales and use tax registration number on the exemption certificate. A farmer purchasing piped natural gas for a qualifying purpose is required to enter the appropriate exemption number as assigned by the Sales and Use Tax Division of the N.C. Department of Revenue. Meter number(s) should also be noted on the form. Meters for gas that is not used primarily in a manufacturing process should not be included. No prorating is allowed for mixed-use meters.

Suggestions From NCDOR

Step 1: determine if your business is eligible for the reduced tax rate. The eligibility information is covered in this communication (including a link to a detailed description of the types of manufacturing that are eligible).

Step 2: if you are eligible, submit a copy of a completed [Form E-595E](#), Streamlined Sales and Use Tax Agreement Certificate of Exemption to your company's provider of natural gas. Your provider will begin remitting tax at the lower rate.

Questions, Or To Get More Information

If you have questions about eligibility, the [Form E-595E](#) or any other aspect of this issue, please call the Taxpayer Assistance and Collections Center at 1-877-252-3052 or write to the Taxpayer Assistance Division, North Carolina Department of Revenue, P.O. Box 25000, Raleigh, N.C. 27640-0001.