



**Sales and Use Tax Division  
North Carolina Department of Revenue  
Post Office Box 25000  
Raleigh, North Carolina 27640-0001  
[www.dornrc.com](http://www.dornrc.com)**

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**IMPORTANT NOTICE:**  
**RECENT CHANGES FOR ADMISSION CHARGES TO ENTERTAINMENT ACTIVITIES**

**Effective May 29, 2014**, N.C. Gen. Stat. § 105-164.4(a)(10) is amended to provide that the gross receipts derived from an admission charge to an entertainment activity are subject to sales and use tax in accordance with the newly created N.C. Gen. Stat. § 105-164.4G. Also effective May 29, 2014, N.C. Gen. Stat. § 105-164.4(a) is amended to provide that the term “gross receipts” has the same meaning as “sales price” for purposes of the section. The content of this notice is effective May 29, 2014 and applicable to the gross receipts derived from an admission charge to an entertainment activity sold at retail on or after that date, except some changes for exemptions from sales and use tax are effective January 1, 2015 as noted herein. The gross receipts derived from an admission charge to an entertainment activity continue to be subject to the 4.75% general State and applicable local and transit rates of sales and use tax.

**Definitions**

N.C. Gen. Stat. § 105-164.4G(a) sets out the following definitions:

- (1) **Admission charge.** – Gross receipts derived for the right to attend an entertainment activity. The term includes a charge for a single ticket, a multi-occasion ticket, a seasonal pass, and an annual pass; a membership fee that provides for admission; a cover charge; a surcharge; a convenience fee, a processing fee, a facility charge, a facilitation fee, or similar charge; or any other charges included in gross receipts derived from admission.
- (2) **Amenity.** – A feature that increases the value or attractiveness of an entertainment activity that allows a person access to items that are not subject to sales and use tax and that are not available with the purchase of admission to the same event without the feature. The term includes parking privileges, special entrances, access to areas other than general admission, mascot visits, and merchandise discounts. The term does not include any charge for food, prepared food, and alcoholic beverages subject to sales and use tax under Article V of Chapter 105.
- (3) **Entertainment activity.** – An activity listed in this subdivision:
  - a. A live performance or other live event of any kind, the purpose of which is for entertainment.
  - b. A movie, motion picture, or film.
  - c. A museum, a cultural site, a garden, an exhibit, a show, or a similar attraction.
  - d. A guided tour at any of the activities listed in sub-subdivision c. of this subdivision.
- (4) **Facilitator.** – A person who accepts payment of an admission charge to an entertainment activity and who is not the operator of the venue where the entertainment activity occurs.

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### **Exceptions – Not an Admission Charge to an Entertainment Activity**

Effective May 29, 2014, N.C. Gen. Stat. § 105-164.4G(e) provides that receipts derived from the following are not an admission charge to an entertainment activity and therefore are not subject to sales and use tax. However, where such items are included in a bundled transaction, sales and use tax applies to the sales price of the bundled transaction in accordance with the provisions of N.C. Gen. Stat. § 105-164.4D. The exceptions noted below as not being an admission charge to an entertainment activity are consistent with the information provided in [SD-13-4](#), regarding charges that generally do not constitute admission charges.

- (1) An amount paid for the right to participate in sporting activities. Examples of these types of charges include bowling fees, golf green fees, and gym memberships.
- (2) Tuition, registration fees, or charges to attend instructional seminars, conferences, or workshops for educational purposes.
- (3) A political contribution.
- (4) A charge for lifetime seat rights, lease, or rental of a suite or box for an entertainment activity, provided the charge is separately stated on an invoice or similar billing document given to the purchaser at the time of sale.
- (5) An amount paid solely for transportation.

### **Retailer of Admission Charges**

The sales and use tax is due and payable by the retailer in accordance with N.C. Gen. Stat. § 105-164.16. For purposes of the sales and use tax imposed on the gross receipts from an admission charge to an entertainment activity, the retailer is the applicable person listed below:

- (1) The operator of the venue where the entertainment activity occurs, unless the retailer and the facilitator have a contract between them allowing for dual remittance, as provided below.
- (2) The person that provides the entertainment and that receives admission charges directly from a purchaser.

### **Facilitator**

N.C. Gen. Stat. § 105-164.4G(c) provides that a facilitator must report to the retailer with whom it has a contract the admission charge a consumer pays to the facilitator for an entertainment activity. The facilitator must send the retailer the portion of the gross receipts the facilitator owes the retailer and the sales and use tax due on the gross receipts derived from an admission charge no later than 10 days after the end of each calendar month. A facilitator that does not send the retailer the sales and use tax due on the gross receipts derived from an admission charge is liable for the amount of tax the facilitator fails to send to the retailer. A facilitator is not liable for sales and use tax sent to a retailer but not remitted by the retailer to the Department. Sales and use tax payments received by a retailer from a facilitator are held in trust by the retailer for remittance to the Department. A retailer that receives a sales and use tax payment from a facilitator must remit the amount received to the Department. A retailer is not liable for sales and use tax due but not received from a facilitator. The requirements imposed by this subsection on a retailer and a facilitator are considered terms of the contract between the retailer and the facilitator.

### **Dual Remittance Option**

N.C. Gen. Stat. § 105-164.4G(d) provides that the sales and use tax due on the gross receipts derived from an admission charge may be partially reported and remitted to the operator of the venue for remittance to the Department and partially reported and remitted by the facilitator directly to the Department. The portion of the sales and use tax not reported and remitted to the

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operator of the venue must be reported and remitted directly by the facilitator to the Department. A facilitator that elects to remit sales and use tax under the dual remittance option is required to obtain a certificate of registration in accordance with N.C. Gen. Stat. § 105-164.29. A facilitator is subject to the provisions of Article 9 of Chapter 105.

### **When Tax is Due on Admission Charges**

The tax is due at the time the admission charges are received notwithstanding the admission charges may be for the right to attend an entertainment activity for a future date. Where season tickets are billed in advance of the season and payment is rendered at such time, the sales and use tax is due for the period in which the payment is rendered by the purchaser or other person on behalf of the purchaser.

### **Exemptions – Effective May 29, 2014**

N.C. Gen. Stat. § 105-164.4G(f) provides that the gross receipts derived from an admission charge to an entertainment activity listed below are specifically exempt from the sales and use tax for receipts on or after May 29, 2014. Prior to May 29, 2014, where an optional donation or contribution was given to attend an entertainment activity, such was not deemed gross receipts derived from an entertainment activity subject to sales and use tax.

- (1) The portion of a membership charge that is deductible as a charitable contribution under section 170 of the Code.
- (2) A donation that is deductible as a charitable contribution under section 170 of the Code.
- (3) Charges for an amenity. If charges for amenities are separately stated on a billing document given to the purchaser at the time of the sale, then the tax does not apply to the separately stated charges for amenities. If charges for amenities are not separately stated on the billing document given to the purchaser at the time of the sale, then the transaction is a bundled transaction and taxed in accordance with N.C. Gen. Stat. § 105-164.4D, except that N.C. Gen. Stat. § G.S. 105-164.4D(a)(3) does not apply.

N.C. Gen. Stat. § 105-164.4D(a) provides that sales and use “[t]ax applies to the sales price of a bundled transaction unless . . . [t]he bundle includes a service, and the retailer determines an allocated price for each product in the bundle based on a reasonable allocation of revenue that is supported by the retailer’s business records kept in the ordinary course of business. In this circumstance, [sales and use] tax applies to the allocated price of each taxable product in the bundle.” N.C. Gen. Stat. § 105-164.3(1i) defines a “bundled transaction,” in part, as “[a] retail sale of two or more distinct and identifiable products, at least one of which is taxable and one of which is exempt, for one nonitemized price.”

If charges for amenities are not separately stated on the face of an admission ticket, a retailer may use a reasonable allocation, based on the retailer’s business records, to determine the allocated price of the taxable portion of the admission charge included in a bundled transaction. A retailer may determine such an allocated price is equal to the admission charge for a ticket to the same event that does not include amenities and is for a seat located directly in front of or closest to a seat that includes amenities. See [SD-13-4](#), issued December 18, 2013 for treatment of an admission charge that includes amenities for sales prior to May 29, 2014.

### **Specific Exemptions for Admission Charges Prior to January 1, 2015**

The statutory exemptions from sales and use tax for certain admission charges sold at retail before January 1, 2015 pursuant to N.C. Gen. Stat. § 105-164.13(60) and identified in [SD-13-4](#),

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issued December 18, 2013 by the Department, continue to apply to the gross receipts derived from certain admission charges. Such exemptions are:

- a. An event that is held at an elementary school or secondary school and is sponsored by the school.
- b. A commercial agriculture fair that meets the requirements of N.C. Gen. Stat. § 106-520.1, as determined by the Commissioner of Agriculture.
- c. A festival or other recreational or entertainment activity that lasts no more than seven consecutive days and is sponsored by a nonprofit entity that is exempt from tax under Article 4 of Chapter 105 and uses the entire proceeds of the activity exclusively for the entity's nonprofit purposes. This exemption applies to the first two activities sponsored by the entity during a calendar year.
- d. A youth athletic contest sponsored by a nonprofit entity that is exempt from tax under Article 4 of Chapter 105. For the purpose of this subdivision, a youth athletic contest is a contest in which each participating athlete is less than 20 years of age at the time of enrollment.
- e. A State attraction. A State attraction is a physical place supported with State funds that offers cultural, educational, historical, or recreational opportunities. The term "State funds" has the same meaning as defined in N.C. Gen. Stat. § 143C-1-1.

For additional information regarding the exemptions from sales and use tax for admission charges to an entertainment activity sold prior to January 1, 2015, refer to [SD-13-4](#).

#### **Exemptions – Effective January 1, 2015**

N.C. Gen. Stat. § 105-164.4G(f), provides the following gross receipts derived from an admission charge to an entertainment activity are specifically exempt from sales and use tax in addition to the exemptions discussed previously listed in the section "Exemptions – Effective May 29, 2014."

- (4) An event that is sponsored by an elementary or secondary school. For purposes of this exemption, the term "school" is an entity regulated under Chapter 115C of the General Statutes.
- (5) An event sponsored solely by a nonprofit entity that is exempt from tax under Article 4 of Chapter 105 if all of the following conditions are met:
  - a. The entire proceeds of the activity are used exclusively for the entity's nonprofit purposes.
  - b. The entity does not declare dividends, receive profits, or pay salary or other compensation to any members or individuals.
  - c. The entity does not compensate any person for participating in the event, performing in the event, placing in the event, or producing the event. For purposes of this subdivision, the term "compensate" means any remuneration included in a person's gross income as defined in section 61 of the Code.

The exemptions in N.C. Gen. Stat. §§ 105-164.4G(f)(4) and (f)(5) above are effective January 1, 2015 and apply to the gross receipts derived from an admission charge sold at retail on or after that date.

#### **Exemptions No Longer Applicable as of May 29, 2014**

Effective May 29, 2014, N.C. Gen. Stat. § 105-164.13(34), which provides an exemption from sales and use tax for certain, qualifying sales by a nonprofit civic, charitable,

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educational, scientific, or literary organization, is amended to provide the exemption does not apply to gross receipts derived from an admission charge to an entertainment activity.

Effective May 29, 2014, N.C. Gen. Stat. § 105-164.13(35), which provides an exemption from sales and use tax for certain, qualifying sales by a nonprofit civic, charitable, educational, scientific, literary, or fraternal organization, is amended to provide the exemption does not apply to gross receipts derived from an admission charge to an entertainment activity.

### **Sourcing**

N.C. Gen. Stat. § 105-164.4G(g) provides that an admission charge to an entertainment activity is sourced to the location where admission to the activity may be gained by a person. When the location where admission may be gained is not known at the time of the receipt of the gross receipts for an admission charge, the sourcing principles in N.C. Gen. Stat. § 105-164.4B(a) apply.

### **Tickets Purchased for Resale**

Effective May 29, 2014, sales and use tax is due on the sale of the admission charge sold at retail by a ticket reseller. A ticket reseller should issue Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption, or other information as required per N.C. Gen. Stat. § 105-164.28, as the seller's authority not to charge tax on the purchase of an admission charge for resale by a ticket reseller.

Prior to May 29, 2014, a ticket reseller engaged in business in the state reselling tickets on or after January 1, 2014, including tickets to a live event, was required to remit sales and use tax on the difference between the amount the ticket reseller paid for the ticket and the amount the ticket reseller charged for a ticket.

### **Initial Sale of Tickets to a Live Event**

Effective January 1, 2015, the gross receipts derived from an admission charge to an entertainment activity sold at retail to a live event occurring on or after January 1, 2015, are subject to the 4.75% general State and applicable local and transit rates of tax regardless of when the initial sale of a ticket to the event occurred.

The gross receipts derived from an admission charge to an entertainment activity sold at retail on or after January 1, 2014 and prior to January 1, 2015, are subject to or exempt from sales and use tax depending on when the initial sale of a ticket to the event occurred, as discussed in [SD-13-4](#).

### **Additional Information**

The application of sales and use tax to gross receipts derived from an admission charge for an entertainment activity was previously addressed in Directive [SD-13-4](#), issued by the Department on December 18, 2013. **To the extent that any provision in Directive [SD-13-4](#) conflicts with this Important Notice, the provisions contained in this Important Notice supersede.**

### **Assistance**

Questions about this notice can be directed to the Taxpayer Assistance and Collection Center at telephone number 1-877-252-3052 (toll-free).