

Recent Sales Tax Rules Affect Agri-tourism Admission Charges

House Bill 998, signed by the Governor in July of 2013, changed or broadened sales tax rules for agriculture in North Carolina. Agri-tourism or “agri-tainment” is a segment of businesses that utilize the rural setting and agricultural assets to capture a value-added revenue stream. Admission charges to these businesses are generally subject to sales and use tax unless an exemption applies.

On June 25, 2014, the North Carolina Department of Revenue (NCDOR) issued an *Important Notice: Recent Changes for Admission Charges to Entertainment Activities*. This notice was released on the NCDOR website; the link to which is below:

<http://www.dornrc.com/taxes/sales/impnotice062514.pdf>

The thrust of the notice is the following sentence from this notice. “**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.”

Definitions of interest to operators of agri-tourism or agri-tainment businesses are:

- Admission charge – Gross receipts derived for the right to attend an entertainment activity.
- Amenity – A feature (*such as a farm setting, emphasis added*) that increases the value or attractiveness of an entertainment facility...
- Entertainment activity –
 - ...a live event of any kind, the purpose of which is for entertainment.
 - ...a garden, an exhibit, ... , or similar attraction

Admission charges for agri-tourism or agri-tainment activities which involve entertainment of persons and families are subject to sales tax using these definitions.

However, an exemption to sales tax exists for agri-tourism or agri-tainment admission charges that are for activities which are “...charges to attend instructional seminars, conferences, or workshops for educational purposes.” Operators of these businesses must be very careful to understand the definitions, for sales tax purposes, of “educational purposes”.

If the agri-tourism or agri-tainment business owner is defined to be a “**retailer**” in accordance to N.C. Gen. Stat. § 105-164.16, then sales and use tax is due and payable on admission charges to NCDOR.

On December 18, 2013, NCDOR issued Directive SD-13-4 which discussed admissions charges that included amenities for sales prior to May, 29, 2014. The link for which is below:

<http://www.dornrc.com/practitioner/sales/directives/SD-13-4.pdf>

Due to these new rules and explanations of them, Agri-tourism and Agri-tainment businesses must determine the impact of the rules to their specific business activities on or after May 29, 2014. Generally, all admissions charges are subject to sales and use tax. Therefore, business affected must comply by collecting and then remitting sales and use tax to NCDOR. For more detailed information read the June 12, 2014 notice from NCDOR discussed above.

Prepared by Guido van der Hoeven, Extension Specialist / Senior Lecturer, Department of Agricultural and Resource Economics, NC State University, gvanderh@ncsu.edu
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