

Update from Design Professionals of North Carolina

An Alliance of ASID Carolinas, HPDC, IDS, IIDA, & NKBA
April 7, 2008

Attention Designers and Manufacturers:

This is to update you on the critical issue facing all designers throughout NC. At an alarming number the North Carolina Department of Revenue (NCDOR) is continuing to audit designers. **This is all about sales tax on services.** This is an abuse of G. S. 105-164 (35) & (37).

The Design Professionals of North Carolina (DPNC) is having bi-weekly board meetings to address this issue and is at work for you. The following is current information on the issue.

- Auditors are holding designers accountable for sales tax on 100% of consulting fees when any amount of merchandise is sold to the same customer.
- Tax assessments range from \$8,000.00 to \$200,000.00.
- No designer has won an appeal in fighting this unfair implementation.
- Furniture is still the largest income producing industry in the state. Designers are important to the furniture industry in North Carolina. NC cannot afford to undermine the industry in any way.
- Income tax is paid on service fees. How can they also be sales taxable? Is this not double taxation?
- Most of us are small businesses. This could run us out of business, reduce our revenues, inhibit our business spending, reduce hiring, reduce salaries and cause potential new businesses not to open. This pervasive uncertainty continues whether you have been audited or anticipate an audit. This results in a negative impact on your business and the economy.
- A technical bulletin is being prepared by the NCDOR to clarify their position. This technical bulletin is their response to the audits that have already occurred. This will still leave the interpretation in the hands of the field auditors. The technical bulletin is not the answer.
- The only way to make a change is legislation. Sales tax on service is the responsibility of the legislature and not the Department of Revenue.

The following are actions we have taken for designers:

- Town hall Meetings have been held in these cities
 - Winston-Salem
 - Hickory
 - High Point
 - Asheville
 - Charlotte
 - Boone
 - Greensboro

- We have reviewed and responded to NCDOR on their technical bulletin. Our response noted that the Design Professionals of North Carolina (DPNC) is in opposition to any sales tax on service. It still leaves the issue open to the interpretation of the local field auditors. Once the technical bulletin is issued it puts the additional burden of a bookkeeping nightmare on designers. We know that this bulletin is not a solution for us.

- Met with the Senior Policy Advisor in the office of the Governor
- Met with the leadership of the NCDOR
- Met with and continue to meet with Legislators in various cities
- Met with the furniture manufacturers in High Point at the request of the mayor, Becky Smothers
- Received newspaper coverage and television coverage
- Received endorsements from
 - High Point Chamber of Commerce – who sent out a press release
 - High Point Market Authority
- A senator has stepped forward to carry the bill and has sent it to bill writing
- Mayor Becky Smothers has sent a letter to the legislators regarding her concern for the issue
- Packets of information on the issue have gone out to the NC Legislature
- Hired a lobbyist to represent you in Raleigh for which we will need your financial support in order to continue
- Information packets will be distributed at Market
- A second mailing will be going out the Legislature

- Look for our upcoming website

The following are items we are continuing to work on and ways you can participate:

- Keep an ongoing count of designers being audited – please fill out the attached form if you have been or are being audited. Even if you have given us your name before, we would like to have one of these forms filled out and returned.
- Please print this document and give it out to sales representatives, carry it with you to tell others, forward it by email to unaffiliated designers and industry members.
- Become a member of DPNC

This issue continues to move quickly. Please look for continuing updates.

For more information, please come to one of our upcoming town hall meetings or email us at DPNC08@aol.com:

May 5 – Dare County (Mid-day) Greenville (Evening)

May 6 – New Bern/Kinston (Mid-day)

May 12 – Raleigh (Evening)

May 19 – Southern Pines/Rockingham (Mid-day) Wilmington (Evening)

May 20 – Fayetteville (Mid-day)

With your help and financial support we will have a bill introduced in this year's short session, which will open on May 13. Please join us in our efforts. Sign up below and mail your information and financial contribution to the address indicated.

Design Professionals of North Carolina
PO Box 1902, High Point, NC 27261-1902
DPNC08@aol.com

- Yes, I would like to **join** Design Professionals of NC. Enclosed is my donation.
 Yes, I would like to show my **support** of Design Professionals of NC. Enclosed is my donation.

Amount \$ _____
Name: _____
Firm Name: _____
Address: _____
City, State, Zip: _____
County: _____
Email: _____
Phone: _____ Fax: _____

I am also a member of ASID IIDA IDS NKBA Non-affiliated

Donor is Individual (*Designers, please make a minimum donation valued at 2 times your hourly rate or more to defend your profession.*)
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