



This Week in State Tax (TWIST)

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North Carolina: State supreme court finds gift cards used to purchase mobile minutes are taxable

The North Carolina Supreme Court recently addressed the sales tax treatment of gift cards sold by a prepaid wireless services retailer. The case, [No. 272A23](#), focused on cards issued during two periods. For the first period, the cards could only be redeemed for prepaid wireless services, which are specifically defined as taxable at the point of sale under state law. As a result, the retailer was liable for collecting and remitting sales tax on these transactions.

During the second period, however, the retailer revised its agreement with the telecommunications provider, allowing the cards to be used for both taxable wireless services and non-taxable products. The court held that in this scenario, the retailer (i.e., seller of the cards) was not responsible for collecting sales tax at the time of sale. Instead, the tax liability shifted to the telecommunications provider, which would be required to collect and remit appropriate tax when the cards were redeemed for taxable products or services. The case was remanded for recalculation of the retailer's liability based on those distinctions. For questions regarding [N.C. Dep't of Revenue v. Wireless Ctr. Of N.C.](#), or responsibilities of retailers and telecommunications providers in North Carolina, please reach out to [Nicole Umpleby](#) or [Scott Jackson](#).

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