

Income/Franchise:

North Carolina: Ruling Addresses Market-Based Sourcing of Receipts from Contract Manufacturing Services

CPLR 2023-02, N.C. Dept. of Rev. (6/20/23). In a private letter ruling involving a company providing contract manufacturing services to its foreign parent and the sourcing of its corresponding receipts pursuant to North Carolina's market-based sourcing rules for taxable years beginning on or after January 1, 2020, the North Carolina Department of Revenue (Department) concluded that based on its review of the facts, such service fee receipts should be sourced to North Carolina if the finished product is ultimately delivered by a related entity to a customer located in North Carolina, regardless of the "F.O.B." terms. That is, according to the Department, the gross receipts derived from the company's contract manufacturing services should be sourced to the ultimate destination of the finished product in this case because the two companies are related entities, and the finished product is tangible property. Please contact us with any questions.

URL: <https://www.ncdor.gov/cplr-2023-02-contract-manufacturing-service-fees/open>

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