

Schedule H

Direct Shipper's Annual Liquor Tax Report

Electronic Filing Instructions

Direct shipping alcoholic beverages direct to consumers in North Dakota is illegal unless you are a licensed retailer or manufacturer in your state of domain and obtain a direct shipper permit and a sales and use tax permit. There are no exceptions.

●Direct Shipper Permit and Reporting Requirements●

North Dakota Century Code (N.D.C.C.) § 5-01-16, states that a retailer or manufacturer may ship alcoholic beverages directly to consumers in North Dakota once they obtain a Direct Shipper permit. The permit is valid for one calendar year and costs \$50.00 per year. Renewal notices are mailed out each year in November for the coming calendar year.

Direct shipper must file an annual tax report with the Office of State Tax Commissioner and make payment based on the total gallonage shipped to North Dakota consumers. The Commissioner has designated "Schedule H" as the direct shipper's annual tax report form to be used for reporting and paying tax on **liquor, which includes wine**. *Note that direct shippers should use Schedule G when reporting and paying tax on beer.* The Direct Shipper liquor tax report, Schedule H, is an annual report and is due on or before **January 15** of the year following the year of sale. Schedule H is to be filed electronically using the following instructions and on the form prescribed by the Commissioner. If no sales were made, no report is necessary. Amended reports must also be filed electronically.

N.D.C.C. § 5-03-06 also applies for any taxes imposed by this chapter, failure to pay such tax on the date payment is due, there must be added to the tax a penalty of five percent of the total amount of the tax or five dollars, whichever is greater, plus interest of one percent of the tax per month or fraction of a month of delay, except the month the return or tax becomes due; and failing to furnish reports when required must be assessed a penalty of one hundred dollars for each day such reports are delinquent.

●Sales and Use Tax Permit and Reporting Requirements●

Direct Shippers must also have a Sales and Use Tax permit and remit state and local tax using the forms prescribed by the Commissioner. This return is required even if no sales were made. Taxpayers are mailed paper forms based on the permit's filing schedule; however sales tax returns can also be electronically filed by using the method prescribed under Sales and Use at <http://www.nd.gov/tax/salesanduse/elecfileing/>

Amended Sales and Use tax returns cannot be filed electronically; taxpayers will need to file an amended paper return which can be requested from our office by calling 701-328-1246.

For Schedule H purposes, the following definition applies:

“**Liquor**” means any alcoholic beverage except beer.

“**Alcohol**” means neutral spirits distilled at or above one hundred ninety degrees proof, whether or not such product is subsequently reduced, for nonindustrial use.

“**Distilled Spirits**” means any alcoholic beverage that is not beer, wine, sparkling wine, or alcohol.

“**Sparkling Wine or Champagne**” means wine made effervescent with carbon dioxide.

“**Wine**” means the alcoholic beverage obtained by fermentation of agricultural products containing natural or added sugar or such beverage fortified with brandy and containing not more than twenty-four percent alcohol by volume.

“**Gallon**” means US wine gallon equal to 128 ounces.

Schedule H Filing Instructions

Use the actual Schedule H report form designated for either paper or electronic filing.

Please Note: Calculation formulas have been provided in highlighted fields.

➡ Begin with Schedule H Coversheet.

Report Period: Enter the calendar year covered on the report in the YYYY format (i.e., 2010).

Original or Amended return: Enter “O” for original return or an “A” for amended return.

Direct Shipper Name: Enter the name you have on your N.D. Direct Shipper Permit.

Direct Shipper FEIN: Enter the company assigned 9 character Federal ID Number with no hyphens.

ND Direct Shipper Permit #: Enter your 5 character N.D. Direct Shipper Permit number.

Address, City, State, and Zip Code: Enter the Direct Shipper's mailing address using US Postal code formatting.

Phone Number: Enter the phone number of the contact person.

Email Address: Enter the contact person's email address.

Stop here, you will return later to finish the coversheet.

➡ Next, complete the Direct Shipper’s Annual Liquor Tax Report – Shipments Worksheet.

Note that the first four information fields, as listed below, will fill in automatically pulling information from the Schedule G coversheet.

Report Period: The calendar year covered on the report in the YYYY format (i.e., 2010).

Direct Shipper Name: The name you have on your N.D. Direct Shipper Permit.

Direct Shipper FEIN: The company assigned 9 character Federal ID Number with no hyphens.

ND Direct Shipper Permit #: Your 5 character N.D. Direct Shipper Permit number.

➔ **Start on Line 19, for each shipment, enter the following information:**

- a. The invoice date using the correct format, i.e., mm/dd/yyyy.
- b. The invoice number.
- c. N.D. Customer Name.
- d. N.D. Customer Address – enter street or shipping address, then enter city name.
- e. Convert total invoiced products, by category, to gallons rounded to 2 decimal places. There is a conversion chart on our web site www.nd.gov/tax, under Alcohol, Electronic Filing, Liquor & Beer Package Conversion to Gallons Chart.

▶ Block A through Block E on this worksheet contain formulas that will compute the grand total volume for the report period by category. These amounts will carry to the coversheet for use in computing tax due.

● **Important Filing Reminders** ●

▶ **The “Alcohol > 190 pf” is not a total column for this page. Only enter product in this column that is classified as Alcohol over 190 proof.**

▶ **Do not leave any field blank when completing the invoice date, invoice number, customer name or address information fields.**

▶ **For return/credit invoices, provide the same information as for sales invoices and enter volumes as credit (negative) amounts.**

▶ **Report wine volumes in correct categories ‘wine 17-24%’ or ‘wine under 17%’ alcohol.**

▶ **Report ‘alcohol’ and “distilled spirits’ in correct categories.**

▶ **Always enter all volumes rounded to 2 decimal places.**

➔➔ **Next, return to the Schedule H Coversheet and complete the report.**

▶ **The Schedule H report contains highlighted cells with formulas that automatically fill in based on information entered on the corresponding worksheets.**

- Line 1: Shows the total sales gallons for spirits, rounded to 2 decimal places, carried from Block A on the shipments worksheet.
- Line 2: Calculates tax due for Line 1 spirits sales, Line 1 times \$2.50.
- Line 3: Shows total sales gallons for sparkling wine or champagne, rounded to 2 decimal places, carried from Block B on the shipments worksheet.
- Line 4: Calculates tax due for line 3 sparkling wine or champagne sales, Line 3 times \$.50.
- Line 5: Shows the total sales gallons for wine 17% - 24%, rounded to 2 decimal places, carried from Block C on the shipments worksheet.
- Line 6: Calculates tax due for line 5 wine sales, Line 5 times \$.60.
- Line 7: Shows the total sales gallons for wine <17%, rounded to 2 decimal places, carried from Block D on the shipments worksheet.
- Line 8: Calculates tax due for Line 7 wine sales, Line 7 times \$.50.
- Line 9: Shows the total sales gallons for alcohol, rounded to 2 decimal places, carried from Block E on the shipments worksheet.
- Line 10: Calculates total tax due for Line 9 wine sales, Line 9 times \$4.05.
- Line 11: Calculates total alcohol tax due, total of Lines 2, 4, 6, 8, and 10.

➔ **Begin Here:**

- Line 12: **If filing an amended return, enter** previously paid tax from previously filed return for this reporting period.
- Line 13: Calculates total tax due with this report, Line 11 minus Line 12.
- Line 14: **Enter** penalty on late or amended returns if applicable (5% of tax due or \$5.00, whichever is greater).
- Line 15: **Enter** interest on late or amended returns if applicable (1% of tax due per month except for month after the return or tax becomes due).
- Line 16: Calculates total tax, penalty, and interest due, total of Lines 13, 14, and 15.
- Line 17: **Enter total amount remitted with this return.** This will be the amount you want drawn from your account using ACH Debit or the amount of your check and payment voucher.

Electronically File Report

- ▶ Save a copy of this year's report in the Excel format for your records.
- ▶ Prepare an email to alcoholtax@nd.gov, enter your 5 digit direct shipper license number in the subject line, and attach the completed Schedule H report. Be sure you are sending the report in the Excel format prescribed by the Commissioner. Send only one Schedule H report per email. Electronic reports must be submitted by the due date to be considered timely filed.
- ▶ **Watch for an email reply** either (1) confirming receipt of the report which was able to be processed, OR (2) a reply informing you that your report was not correct and would not process. If you get an email stating that your report would not process, you must correct the reporting errors and resend the report until you get confirmation that it was acceptable and would process. Reports that are received but that cannot be processed are not considered filed and may cause penalties to occur if the report is not corrected on or before the due date.

Payment Instructions

• ACH Debit Payment Method:

An Automated Clearing House (ACH) Debit is a banking term for the electronic transfer of funds in which the state contacts its bank to initiate the transfer of funds from your bank account to the state's account. The state pays the transaction costs for ACH Debit.

If you choose this payment option, you will be able to file your report at any time on or before the due date and the payment amount indicated on your report will be requested from your bank on the due date. Original reports filed after the due date will have the ACH Debit transaction occur the next business day. ACH Debit will not be a payment option available for amended reports; a check with a payment voucher will be required for the additional amount due.

To register for ACH Debit, go to <http://www.nd.gov/tax/alcohol/electfiling/> and click on ACH Debit.

Note: Registration for ACH Debit must be complete on or before the day you submit your electronic return – see detailed instructions and limitations under ACH Debit.

• Check Payment Method:

A check for payment of an electronic report will require a voucher to insure that the payment can be properly matched to the appropriate report. You will be required to complete a “Liquor Check Payment Voucher”, tax type 95, for the Schedule H report you are paying and submit it with your check.

The check and voucher must be postmarked by the due date of the return to be considered timely filed.

A copy of the check voucher for this report is also attached as an additional sheet on the Schedule H report form.

Direct Shippers of both beer and liquor can issue one check for the tax due for both tax types or for two accounts under one tax type; however, a payment voucher must be included for each report and for each tax type with the check, i.e., 1 check and 2 or more vouchers (beer vouchers are for tax type 94 and liquor vouchers are for tax type 95).

Make sure your check and voucher(s) are for the same total amount and that the each voucher matches the amount of the payment you entered on the report coversheet(s).

Amending Schedule H Reports

Amended reports will be necessary when a direct shipper fails to report correctly. To correct an original report, a “**total replacement**” amended report will have to be electronically submitted.

The taxpayer will enter an “A” for amended report instead of an “O” for original report on the Schedule H coversheet. After completing the report as it should have been reported, enter the amount of tax “previously paid” in Line 12 so that Line 13 reflects the tax due or overpaid as a result of the

new information. Previously paid tax entered on Line 12 would be the tax paid with the original return for that period.

If the amount in Line 13 shows tax due, calculate and enter the penalty due on late returns (5% of total tax due on line 11 or \$5.00, whichever is greater) on Line 14 and enter interest on late returns if applicable (1% of tax due per month except for month after the return or tax becomes due) on Line 15. Line 16 automatically calculates the total tax, penalty and interest due. Enter the amount of your payment on Line 17 - **payment would need to be made using a check and a voucher, ACH Debit is not available for amended reports.** If an overpayment results from the amended report, zero should be entered on Line 17 and a refund will be issued.

Contacts:

Taxpayer Assistance: (701) 328-2702
(701) 258-3158
FAX Number: (701) 328-0336
E-mail: alcoholtax@nd.gov
Web Site Address: www.nd.gov/tax

Mailing Address:

Sales & Special Taxes Compliance Section
Office of State Tax Commissioner
600 E Boulevard Ave. Dept. 127
Bismarck, ND 58505-0599