



Wholesale Alcohol Tax

News and developments

A publication of the Alcoholic Beverages Section

Cory Fong
Tax Commissioner

2005 Legislation – Changes to Alcoholic Beverage Laws – Effective August 1, 2005

Unfair Competition Section: HB 1159 increased the maximum value of items wholesalers may provide to retailers as follows:

Inside this issue:

- 2005 Legislation - Changes to Alcoholic Beverage Laws - Effective August 1, 2005 1
- Frequently Asked Questions & Answers 3
- Electronic Filing 3
- Taxpayer Assistance 3

- The value of containers and equipment a beer wholesaler may furnish to retailers increased from fifty dollars to one hundred fifty dollars. The value of “containers and equipment” now includes tap or coil cleaning services.
- The value of outdoor signs wholesaler may furnish to retailers increased from one hundred dollars to four hundred dollars.
- The value for point-of-sale items wholesalers may furnish to retailers remains at five hundred dollars. The tax commissioner’s authority to adjust that limit was removed.

Brand Registrations: HB 1159 repealed the requirement that brand labels need to be registered with the tax commissioner before an alcoholic beverage could be sold or transported within the state. Previous brand registrations expired June 30, 2005 and were not renewed.

Supplier Licenses Required: HB 1159 enacted a requirement that all suppliers must obtain a license from the Tax Commissioner before engaging in the sale or shipment of alcoholic beverages to a licensed North Dakota wholesaler. There are no fees for the licenses, and the licenses will be active until cancelled or revoked.

- “Supplier” is defined as “an alcoholic beverage manufacturer, importer, marketer, or wholesaler selling alcoholic beverages to a wholesaler licensed in this state for purposes of resale.”
- All suppliers that previously held active brand label registrations were notified of the new requirements and were provided with a supplier license application form.
- A listing of licensed suppliers will be available on our website by mid August 2005. That listing will be updated periodically. Wholesalers may not purchase alcoholic beverages from a supplier that does not have a valid license issued by the Tax Commissioner; therefore, wholesalers are encouraged to utilize the listing.



Office of
State Tax Commissioner
600 E Blvd Ave, Dept 127
Bismarck ND 58505-0599
701.328.3139
ndtaxdepartment.gov
alcoholtax@state.nd.us
www.nd.gov

- This licensing requirement does not apply to North Dakota manufacturers, domestic wineries, microbrew pubs, or wholesalers already licensed by the Tax Commissioner.

Penalty and Interest: HB 1159 amended the following penalty and interest provisions for alcohol tax returns paid or filed after the due date:

- For the first month a tax due amount is late, penalty is five percent (5%) of the tax due or five dollars, whichever is greater.
- Interest does not apply the first month a tax due amount is late, but applies at a rate of one percent each month or fraction of a month the tax due remains late or unpaid.
- Failure to file tax reports when required continues to be subject to a penalty of one hundred dollars for each day the reports remain delinquent.

The penalty and interest charges for failure to pay a tax amount in a timely manner will be applicable beginning with the August 2005 taxes due September 2005.

Direct Shipment of Alcoholic Beverages: HB 1325 enacted a provision allowing North Dakota wineries to make interstate sales and interstate sales through the internet. Intrastate shipping or intrastate sales through the internet by domestic wineries are not allowed.

This bill creates new provisions involving the interstate direct shipment of wine to individual consumers between states based upon reciprocal privilege. The reciprocity provisions directly affect whether the North Dakota alcoholic beverage business privilege tax applies.

Domestic Wineries: HB 2179 contained the following amendments to the domestic winery laws effective April 18, 2005:

- The percentage of ingredients by volume, excluding water, of wine produced by a domestic winery, which must be grown and produced in North Dakota is as follows:
 - An exclusion for the first year of licensure;
 - A ten percent requirement for the second year of licensure;
 - A twenty percent requirement for the third year of licensure;
 - A thirty percent requirement for the fourth year of licensure;
 - A forty percent requirement for the fifth year of licensure; and
 - A fifty-one percent requirement for the sixth and subsequent years of licensure.
- The volume of wine a domestic winery may produce during a calendar year is increased from 10,000 gallons to 25,000 gallons.
- The number of days allowed on special events permit issued to a domestic winery by the state tax commissioner has been increased from five to twenty days. An application for a special event permit should be filed at least sixty days prior to the event, and should be directed to the attention of the Alcohol Compliance Section. 

The volume of wine a domestic winery may produce during a calendar year is increased from 10,000 gallons to 25,000 gallons.

Frequently Asked Questions & Answers

Frequently asked questions and answers are available on our web site at www.state.nd.us/taxdpt/misc/faq/ and select **Alcohol Tax and Enforcement**. This is a good source of information covering issues affecting the industry. 

Electronic Filing

We are currently developing Excel spreadsheets for suppliers to file Schedule A (liquor) and Schedule C (beer) reports electronically. We are also working on Excel spreadsheets for liquor wholesalers at this time and should have them ready to be tested very soon. After completing these, we will begin development of Excel spreadsheets for beer wholesalers. If you have an interest in being a participant in the testing process, please e-mail our office at alcoholtax@state.nd.us. 

*Frequently
asked
questions and
answers are
available on
our web site*

This newsletter is available free of charge on our Web site at www.ndtaxdepartment.gov or in hard copy. We offer an e-mail notification service to subscribers as soon as a new issue is placed on our Web site. To join the e-mail service, simply visit our Web site and click on "Newsletter Subscription" located in the top blue bar at the right side of our home page. If you prefer to receive a hard copy, contact the Alcohol Beverage Section at (701)328-3139 to be placed on our mailing list.



Office of
State Tax Commissioner
600 E Blvd Ave, Dept 127
Bismarck ND 58505-0599
701.328.3139
ndtaxdepartment.gov
alcoholtax@state.nd.us
www.nd.gov