



Sales Tax Newsletter

News and developments

A publication of the Sales and Special Taxes Division

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Tax Commissioner

New or Increased Local Taxes

The Office of State Tax Commissioner administers all local sales and use taxes imposed in North Dakota. The following new or increased local taxes will become effective October 1, 2004.

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The city of **Hannaford** has imposed a 1 percent sales and use tax. The new Hannaford tax will be reported on the local option tax schedule under location code 202. All transactions exempt from North Dakota sales tax will also be exempt from the Hannaford local tax. In addition, Hannaford will exempt the gross receipts from coin-operated amusement. The maximum amount of local tax that may be imposed on a single transaction is \$50. Each invoice is a transaction for purposes of the local tax. The city ordinance does not provide for retailer compensation.

The city of **Rolla** has increased its local sales and use tax rate from 1 to 1½ percent. No other provision of the city tax has changed including the maximum tax per transaction (invoice), which will remain at \$25.

For a complete listing of local taxes imposed in North Dakota, see the *Local Option Taxes By Location* guideline on our Web site. The guideline is also available by mail upon request.

Border State "Sales Tax" Workshop

The North Dakota Office of State Tax Commissioner is participating with the Minnesota Department of Revenue to present a joint sales and use tax workshop. This workshop will include information on the similarities and differences in the states' sales and use tax laws. You are invited to attend this workshop:

North Dakota/Minnesota Sales Tax Issue Workshop

Fargo, ND 10/26/2004 9:00am – 12:30pm Sales Tax
(Location: West Acres Mall – basement meeting room)

To register for this free workshop, call the Minnesota Department of Revenue at 651-297-4213 or our office at 701-328-3475.



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Our most recent innovations involve a joint registration process for income tax withholding and sales tax, and an upgrade to an existing electronic filing option.

What's New for Filers?

The Office of State Tax Commissioner continues to look for opportunities to assure taxpayers and tax practitioners receive the best possible accessibility and service. Our most recent innovations involve a joint registration process for income tax withholding and sales tax, and an upgrade to an existing electronic filing option.

We recommend you check out these opportunities and contact us with any questions.

Sales Tax and Income Tax Withholding Registration

We recently combined the income tax withholding and sales tax functions into one compliance unit. In doing so, we have eliminated the need to complete a separate application form for the sales tax permit and a separate application form for income tax withholding. Instead, you now have the ability to file a single application form.

The *Application to Register for Income Tax Withholding and Sales and Use Tax Permit* form can be filled-in and printed from our Web site at www.ndtaxdepartment.com. To locate the form, click on **Income Tax Withholding**, or click on **Sales and Use**, then select **Forms**. The completed application form should be mailed to our office.

Sales Tax WebFile Upgrade

The Office of State Tax Commission has recently improved our WebFile service to make filing, paying, and viewing sales and use tax returns easier and more efficient for businesses and tax practitioners. We encourage both businesses and tax practitioners who are completing sales and use tax returns for their clients to check out the WebFile program on our Web site at www.ndtaxdepartment.com.

Some of the new features of the WebFile system include:

- **On-line registration:** Convenient on-line registration is available 24 hours a day, 7 days a week. You no longer need to call or write our office to participate in WebFile. (This registration for WebFile should not be confused with the requirement to register for a sales and use tax permit, which still requires the submission of a paper application.)
- **View past returns:** You can now view all your sales tax returns filed for the past six years – even if these returns were filed by paper.
- **Customized local tax information:** With a click of the mouse, you can customize which locations are displayed and reported on your sales and use tax return. There is no need to scroll through a long list of city and county locations that you have no need to report.
- **Upload capabilities:** All return data, including local tax information, may be uploaded from an XML file directly into the sales and use tax return so you no longer have to spend time keying the information to be reported.
- **Improved security:** WebFile users, including tax practitioners, use North Dakota's Logon ID system. This allows you to use the same ID and password for other Internet services provided by the Tax Commissioner's Office and other state agencies.

Other advantages over paper returns that WebFile still offers from the previous system are:

- Ability to file returns or view previously filed returns 24 hours a day, seven days a week.
- Secure Sockets Layer (SSL) encryption technology to ensure information is secure and protected.

- All calculations completed automatically resulting in error free returns.
- Postage costs, paper, and mail delays are eliminated.

WebFile is available to all permit holders. If you are not registered for this electronic filing option, we suggest that you check out the electronic filing information on our Web site at www.ndtaxdepartment.com or call our office at 701-328-3476.

Sales Tax WebFiler Comments

"I like the new shorter sales tax report!"

"Great improvement! Very easy to use."

"The new web site for filing sales tax is 200 fold better than the old one. Very easy to use! The city reporting is much, much, much better. You did a good job revamping the web filing system."

"Once I got the hang of the new look, it seems to be a lot more user friendly." 

Verify Sales and Use Tax Permit

For retailers accepting resale certificates, we have available an inquiry screen that will allow you to verify whether or not a business customer providing a resale certificate actually has an active sales tax permit. The inquiry screen can be found on our Web site at www.ndtaxdepartment.com. Click on *Sales & Use* and then *Verify Permit Number*.

To verify if a permit is valid, you will be asked to enter the 5 or 6 digit permit number. If the permit is valid, you will be provided the business location name for this permit number. If you receive the message "Permit not found", this indicates the permit is invalid. 

Core Charges

Repair shops and other sellers of re-built parts (like generators, radiators) will often make a separate "core" charge to the customer who does not have an old part to trade in. This core charge is generally refundable when the customer brings in the old part, which can then be re-built. These core charges are subject to sales tax. If the customer brings in the used part, the core charge and the sale tax charged should be refunded by the seller to the customer. 

Sales Tax Exemption Approval Process

Sales tax exemptions on machinery and equipment may apply to a new or expanding manufacturer or a qualifying primary sector business provided they receive *prior* approval from the State Tax Commissioner for the exemption that will apply at the time of purchase. If prior approval is not received for a specific purchase, the manufacturer or qualifying primary sector business must pay the tax and then apply to the State Tax Commissioner for a refund.

To determine if your new or expanding manufacturing operation or primary sector business would qualify for a sales tax exemption, please contact the Sales Tax Compliance Section by calling (701) 328-3470 or e-mail us at salestax@state.nd.us. 

For retailers accepting resale certificates, we have available an inquiry screen that will allow you to verify whether or not a business customer providing a resale certificate actually has an active sales tax permit.

The maintenance agreement will generally entitle the purchaser of the software to receive prewritten program improvements, commonly referred to as updates, when the improvements become available.

Eye Care

Sales of prescription eye glasses and contact lenses are exempt from sales tax. Replacement lenses, frames, screws and other repair or replacement parts for prescription eye glasses are also exempt from sales tax.

Sales of non-prescription eye glasses and contact lenses, including color contact lenses that do not have vision correction properties, are subject to sales tax. 

Computer Software Maintenance Agreement

The sale or lease of prewritten or “canned” computer software is subject to sales tax. A maintenance agreement offered to the purchaser at the time prewritten or canned software is sold or leased is also generally subject to sales tax. The maintenance agreement will generally entitle the purchaser of the software to receive prewritten program improvements, commonly referred to as updates, when the improvements become available. In addition, the purchaser may receive certain services, such as telephone or on-site consultation.

If the maintenance agreement is mandatory, the charge for the maintenance agreement is regarded as part of the sale or rental and is subject to sales tax.

If the maintenance agreement is optional, only that portion of the maintenance fee charged for the prewritten program improvements or updates is subject to sales tax provided the charges for consulting are separately stated. If the consulting charges are not separately stated, the entire charge for the maintenance agreement is subject to sales tax. 

Sales and Use Tax Quick Notes

- **Cover Charges**
Sales of tickets or admissions to places of amusement or entertainment, such as bars, are subject to sales tax.
- **Cigarettes**
Sales of cigarettes and other tobacco products are subject to sales tax. 

Taxpayer Assistance

If you have questions regarding sales tax or about correspondence received from our office, the following information will be helpful in ensuring that your call or visit to our office is completed in a speedy and efficient manner:

- If you have general sales tax questions, please call our Sales Tax Compliance Section at (701) 328-3470.
- If calling our office about correspondence you have received, please call the number that is listed on the correspondence, and have a copy of the correspondence available when you call.
- When calling our office, please note the name of the person assisting with your question in the event you will have any follow-up questions later.
- Instead of calling or visiting our office, you may also e-mail us at salestax@state.nd.us. 

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