



STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER
Cory Fong, Commissioner

To: North Dakota Sales, Use and Gross Receipts Tax Permit Holders

Subject: Tax Changes Effective January 1, 2008

Date: October 23, 2007

Coal and Natural Gas

The following sales and use tax rate changes will become effective January 1, 2008:

- Sales of coal used for heating purposes will be exempt from tax.
- The rate of tax on natural gas will be reduced from 2 percent to 1 percent.

The exemption and reduced rate were approved by the North Dakota Legislative Assembly during the 2007 session as part of House Bill 1049. The bill will also exempt natural gas from sales and use taxes effective July 1, 2009.

The following summarizes the local option tax changes effective January 1, 2008. More detailed information will be mailed to permit holders located within the cities where the changes occurred.

New England

The city of New England will increase its city sales, use and gross receipts tax by one percent (1%). The tax rate for New England starting January 1, 2008 will be two percent (2%). In addition to the rate increase, the following change was made to the ordinance:

- Increased Maximum Tax (Refund Cap) to \$100.00 per transaction

Richardton

The city of Richardton will increase its city sales and gross receipts tax by one percent (1%). The tax rate for Richardton starting January 1, 2008 will be two percent (2%). In addition to the rate increase, the following changes were made to the ordinance:

- Added a Use Tax
 - Effective January 1, 2008, retailers located outside the city of Richardton making deliveries into the city will be required to charge the 2% city tax.
- Removed Exemption on New Farm Machinery
- Increased Maximum Tax (Refund Cap) to \$100.00 per transaction

Maximum Tax (Refund Cap)

Prior to October 2005, most local sales taxes included a maximum tax provision (now also known as a refund cap). This was a maximum amount of tax that could apply to a single transaction. In October 2005, the caps were replaced with a refund program. Under the refund program, the retailer is required to collect tax on the entire sale without considering the caps. If the purchaser pays more than the maximum tax amount on a purchase, the purchaser may apply to the Tax Commissioner for a refund of any tax paid in excess of the cap. Beginning July 1, 2007, retailers may voluntarily collect up to the cap amount as a convenience to their customers so the purchasers do not need to apply for a refund. Retailers are not required to calculate caps and may continue to collect tax without regard to the caps. Retailers should be consistent in the method they choose to calculate local taxes.

October 23, 2007

Wahpeton

The city of Wahpeton will impose a 1% City Lodging & Restaurant Tax effective January 1, 2008 on the following:

- Gross receipts from leasing or renting of hotel, motel or tourist court accommodations for a period of less than 30 consecutive calendar days or one month;

More information on state and local taxes is available on our web site at www.nd.gov/tax. Rate charts are also available on our web site. You may also contact the Tax Compliance Section at (701) 328-3470 or by e-mail at salestax@nd.gov.