



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

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

Subject: Local Tax Changes Effective July 1, 2012

Date: April 30, 2012

The following summarizes the local option tax changes effective July 1, 2012. Information will be mailed to permit holders located within the cities where the changes will occur.

Fargo

At this time, the city of Fargo has a two percent (2%) city sales, use, and gross receipts tax in place. One half percent (.5%) of the current city tax will sunset effective June 30, 2012. Effective July 1, 2012, the Fargo city sales, use, and gross receipts tax will be one and one half percent (1.5%).

- Maximum tax (refund cap) will decrease to \$37.50 per transaction

Surrey

The city of Surrey will impose a city sales, use, and gross receipts tax of two percent (2%) effective July 1, 2012. The following gives a brief synopsis of the newly imposed tax:

- Will be reported under local tax code 231
- Includes no Maximum Tax (Refund Cap)
- No additional exemptions other than allowed by state tax law
- Provides a limited liability for contractors (see the Local Option Tax Guideline for information on this limited exemption:
<http://www.nd.gov/tax/salesanduse/pubs/guide/gl-21847.pdf>)
- Exempts contracts awarded prior to effective date
- Does not provide for permit holder compensation
- No sunset date is provided
- Proceeds are intended for infrastructure and capital improvements

(For additional information:

<http://www.nd.gov/tax/salesanduse/streamlinetax/ratechange.html>)

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 was required to collect tax on the entire sale without considering the caps. If the purchaser paid more than the maximum tax amount on a purchase, the purchaser could 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.

More information on state and local taxes, including the Local Option Taxes by Location Guideline, 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 701.328.1246 or by e-mail at salestax@nd.gov.