



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, 2008

Date: April 24, 2008

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

Cooperstown

The city of Cooperstown will increase its city sales, use and gross receipts tax by one-half percent (0.5%). The tax rate for Cooperstown starting July 1, 2008 will be one and one-half percent (1.5%). In addition to the rate increase, the following change was made to the ordinance:

- Increased Maximum Tax (Refund Cap) to \$50.00 per transaction.

Drake

The city of Drake will increase its city sales, use and gross receipts tax by one percent (1%). The tax rate for Drake starting July 1, 2008 will be two percent (2%). No other changes were made to the ordinance.

Glenburn

The city of Glenburn will impose a city sales, use and gross receipts tax of one percent (1%) effective July 1, 2008. The following gives a brief synopsis of the newly imposed tax:

- Will be reported under local code 219.
- Includes Contractor Limited Exemption when a Contractor's Certificate is used.
- Includes Maximum Tax (Refund Cap) of \$25.00 per transaction.
- Does not provide for permit holder compensation.

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.

Contractor Limited Exemption

Some local tax ordinances include a Contractor Limited Exemption. When this exemption applies, local tax is not due to the local jurisdiction where the purchaser takes possession of the materials unless the materials are consumed or installed within that local jurisdiction. For more details about this exemption, see the Contractor section of the Local Option Taxes by Location guideline.

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) 328-3470 or by e-mail at salestax@nd.gov.