



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 October 1, 2009

Date: July 29, 2009

The following summarizes the local option tax changes effective October 1, 2009. More detailed information will be mailed to permit holders located within the cities where the changes occurred.

Pembina

The city of Pembina will increase its city sales and gross receipts tax by one half percent (.5%). The tax rate for Pembina starting October 1, 2009 will be one and one half percent (1.5%). In addition to the rate increase, the following changes were made to the ordinance:

- Increased Maximum Tax (Refund Cap) to \$50.00 per transaction
- Gross receipts from new farm equipment are exempt

Rugby

The city of Rugby will increase its city sales and gross receipts tax by one percent (1%). The tax rate for Rugby starting October 1, 2009 will be two percent (2%). No other changes were made to the ordinance.

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.