

Schedule H

Direct Shipper's Annual Liquor Tax Report

Electronic Filing Instructions

North Dakota Century Code (N.D.C.C.) § 5-01-16 states that direct shipping, transporting, and delivery of alcoholic beverages direct to consumers in North Dakota is illegal unless you are a licensed retailer or manufacturer in your state of domain and obtain a North Dakota (1) direct shipper license and (2) a sales and use tax permit; or are a Logistics Shippers or an Alcohol Carriers licensed in North Dakota.

Direct Shippers, Logistics Shippers, and Alcohol Carriers must apply for and obtain a license before shipping. Therefore, when direct shipping alcohol to North Dakota, all direct shippers must be licensed in North Dakota and must only involve North Dakota licensed Logistics Shippers and North Dakota Licensed Alcohol Carriers as stated under N.D.C.C. § 5-01-16. N.D.C.C. § 5-01-16.3 penalties apply for unlicensed persons shipping, causing to be shipped, or transporting alcoholic beverages to North Dakota consumers.

This Schedule H is to be used by licensed direct shippers for liquor including wine; Schedule G is used by direct shippers for beer. The Schedule L report applies to licensed logistics shippers and Schedule M applies to licensed alcohol carriers.

●Direct Shipper License and Reporting Requirements●

N.D.C.C. § 5-01-16 states that a retailer or manufacturer may ship alcoholic beverages directly to consumers in North Dakota once they obtain a Direct Shipper license. The license is valid for one calendar year and costs \$50.00 per year. Renewal notices are mailed out each year in November for the coming calendar year.

Direct shipper must file an annual tax report with the Office of State Tax Commissioner and make payment based on the total gallons shipped or caused to be shipped to North Dakota consumers from each licensed location. The Commissioner has designated "Schedule H" as the direct shipper's annual tax report form to be used for reporting and paying tax on liquor, which includes wine. *Note that direct shippers should use Schedule G when reporting and paying tax on beer.*

Due Date: The Direct Shipper liquor tax report, Schedule H, is an annual report and is due on or before **January 15** of the year following the year of sale. When the fifteenth day of January falls on a Saturday, Sunday, or legal holiday, the due date is the first working day thereafter.

Schedule H is to be filed electronically using the following instructions and on the form prescribed by the Commissioner. Amended reports must also be filed electronically. Reports are not required if no sales were made, and zero reports are not processed. Filing a zero report when sales were made will not satisfy the filing requirement and failure to file and late file penalties will apply.

N.D.C.C. § 5-03-06 also applies for any taxes imposed by this chapter, failure to pay such tax on the date payment is due, there must be added to the tax a penalty of five percent of the total amount of the tax or five dollars, whichever is greater, plus interest of one percent of the tax per month or fraction of a month of delay, except the month the return or tax becomes due; and failing to furnish reports when required must be assessed a penalty of one hundred dollars for each day such reports are delinquent.

● Sales and Use Tax Permit and Reporting Requirements ●

Direct Shippers must also have a Sales and Use Tax permit and remit state and local tax using the forms prescribed by the Commissioner. The Sales and Use permit application form can be found on our web site under Sales and Use/Forms/Applications. The Sales and Use tax return is required even if no sales were made. Taxpayers are mailed paper forms based on the permit's filing schedule; however sales tax returns can also be electronically filed by using the method prescribed under Sales and Use at <http://www.nd.gov/tax/salesanduse/electfiling/>, or call 701.328.1257 for assistance in filing electronic sales tax returns. Amended Sales and Use tax returns can also be filed electronically.

● For Direct Shipper Schedule H purposes, the following definitions apply ●

“**Direct shipper**” means a person that is licensed by the commissioner and ships or causes to be shipped alcoholic beverages directly into this state to a consumer for the consumer's personal use and not for resale.

“**Licensed alcohol carrier**” means a person licensed to transport or deliver alcoholic beverages to a consumer without first having an alcoholic beverage delivered through a wholesaler licensed in this state.

“**Licensed logistics shipper**” means a person that provides fulfillment house services, including warehousing, packaging, distributing, order processing, or shipment of alcoholic beverages on behalf of a licensed direct shipper and by way of a licensed alcohol carrier.

“**Liquor**” means any alcoholic beverage except beer.

“**Alcohol**” means neutral spirits distilled at or above one hundred ninety degrees proof, whether or not such product is subsequently reduced, for nonindustrial use.

“**Distilled Spirits**” means any alcoholic beverage that is not beer, wine, sparkling wine, or alcohol.

“**Sparkling Wine or Champagne**” means wine made effervescent with carbon dioxide.

“**Wine**” means the alcoholic beverage obtained by fermentation of agricultural products containing natural or added sugar or such beverage fortified with brandy and containing not more than twenty-four percent alcohol by volume.

“**Gallon**” means US wine gallon equal to 128 ounces.

Schedule H Electronic Filing Instructions

▶ Calculation formulas have been provided in highlighted fields and these fields are protected.

 **Begin on Schedule H Coversheet.**

Report Period: Enter the calendar year covered on the report in the YYYY format (i.e., 2014).

Original or Amended return: Enter “O” for original return or an “A” for amended return.

Direct Shipper Name: Enter the name you have on your N.D. Direct Shipper License.

Direct Shipper FEIN: Enter the company assigned 9 character Federal ID Number.

ND Direct Shipper’s License Number: Enter your 5 character N.D. Direct Shipper License number which is in the 90000 series.

Direct Shipper’s Address, City, State, and Zip Code: Enter the Direct Shipper's **mailing** address using US Postal code formatting. If the mailing address entered here is different from the mailing address on file, this mailing address will replace the prior mailing address.

Direct Shipper Contact Person’s Phone Number: Enter the phone number of the contact person.

Direct Shipper Contact Person’s Email Address: Enter the contact person's email address.

 **Stop here on the coversheet. Next go to the Direct Shipper’s Annual Liquor Tax Report – Schedule H Worksheet.**

▶ **The first four information fields, as listed below, will fill in automatically pulling information from the Schedule H coversheet.**

Report Period: The calendar year reported on the coversheet.

Direct Shipper’s Name: Name on the Direct Shipper License.

Direct Shipper’s FEIN: The 9 character Federal ID Number

Direct Shipper’s Permit #: The 5 digit N.D. Direct Shipper License number.

▶ **Do not leave any field blank when completing Column A through Column I of this report.**

➡ **Begin on Line 18 of this worksheet and enter the following information for each shipment.**

Column A: Must enter the alcohol carrier’s license number, it is a five-digit number in the 60000 series, this number will be matched with the monthly carrier’s report. All licensed carrier account numbers are listed on our web site under Alcohol/Forms/Alcohol License and Permit List.

Column B: Must enter the alcohol carrier’s name.

Column C: Enter the Logistics Shipper account number if you did not send this shipment directly from your premises, it is a five-digit number in the 40000 series; this number will be matched with the monthly logistics shipper’s report. All licensed logistics shipper account numbers are listed on our web site under Alcohol/Forms/Alcohol License and Permit List. If no Licensed Logistics Shipper was used, enter an “X”, DO NOT LEAVE THIS FIELD BLANK.

Column D: Enter the Logistics Shipper name pertaining to the number in entered in Column C. If no Licensed Logistics Shipper was used, enter an “X”, DO NOT LEAVE THIS FIELD BLANK.

Column E: Must enter the invoice date using the correct format, i.e., mm/dd/yyyy.

Column F: Must enter the invoice number.

Column G: Must enter the N.D. Recipient's Name.

Column H: Must enter the N.D. Recipient's Address – enter street or shipping address.

Column I: Must enter the N.D. Recipient's city name.

Column J: Enter the total gallons of Distilled Spirits shipped under this invoice rounded to 2 decimal places.

Column K: Enter the total gallons of Sparkling Wine or Champagne shipped under this invoice rounded to 2 decimal places.

Column L: Enter the total gallons of Wine 17% to 24% alcohol by volume shipped under this invoice rounded to 2 decimal places.

Column M: Enter the total gallons of Wine under 17% alcohol by volume shipped under this invoice rounded to 2 decimal places.

Column N: Enter the total gallons of Alcohol > 190 proof shipped under this invoice rounded to 2 decimal places.

▶ **If you need help converting total invoiced products, by category, to gallons rounded to 2 decimal places, there is a conversion chart on our web site www.nd.gov/tax, under Alcohol, Electronic Filing, Liquor & Beer Package Conversion to Gallons Chart.**

▶ **Block A through Block E on this worksheet contain formulas that will compute the grand total volume for the report period by category. These amounts will automatically carry to the coversheet for use in computing tax due.**

•Important filing Reminders•

▶ **Column N - the “Alcohol > 190 pf” column is not a total column for this page. Only enter product in this column that is classified as Alcohol over 190 proof.**

▶ **Do not leave any field blank when completing Column A through Column I of this report.**

▶ **For return/credit invoices, provide the same information as for sales invoices and enter volumes as credit (negative) amounts.**

▶ **Report wine volumes in correct categories ‘wine 17-24%’ or ‘wine under 17%’ alcohol.**

▶ **Report ‘alcohol’ and “distilled spirits’ in correct categories.**

▶ **Always enter all volumes rounded to 2 decimal places.**



Next, return to the Schedule H Coversheet and complete the report.

► **The Schedule H report contains highlighted cells with formulas that automatically fill in based on information entered on the corresponding worksheets and also automatically calculate the tax due. Line 1 through 11, Line 13, and Line 16 automatically fill in and are locked.**

- Line 1: Shows the total sales gallons for spirits, rounded to 2 decimal places, carried from Block A on the shipments worksheet.
- Line 2: Calculates tax due for Line 1 spirits sales, Line 1 times \$2.50.
- Line 3: Shows total sales gallons for sparkling wine or champagne, rounded to 2 decimal places, carried from Block B on the shipments worksheet.
- Line 4: Calculates tax due for line 3 sparkling wine or champagne sales, Line 3 times \$.50.
- Line 5: Shows the total sales gallons for wine 17% - 24%, rounded to 2 decimal places, carried from Block C on the shipments worksheet.
- Line 6: Calculates tax due for line 5 wine sales, Line 5 times \$.60.
- Line 7: Shows the total sales gallons for wine <17%, rounded to 2 decimal places, carried from Block D on the shipments worksheet.
- Line 8: Calculates tax due for Line 7 wine sales, Line 7 times \$.50.
- Line 9: Shows the total sales gallons for alcohol, rounded to 2 decimal places, carried from Block E on the shipments worksheet.
- Line 10: Calculates total tax due for Line 9 wine sales, Line 9 times \$4.05.
- Line 11: Calculates total alcohol tax due, total of Lines 2, 4, 6, 8, and 10.

Begin Here

- Line 12: **If filing an amended return, enter** previously paid tax from previously filed return for this reporting period.
- Line 13: Calculates total tax due with this report, Line 11 minus Line 12.
- Line 14: **Enter** penalty on late or amended returns if applicable (5% of tax due or \$5.00, whichever is greater). For late returns, also calculate the failure to file penalty of \$100 for each day the return is late beginning with January 15th, of the year the report was due, and include that amount.
- Line 15: **Enter** interest on late or amended returns if applicable (1% of tax due per month except for month after the return or tax becomes due).
- Line 16: Calculates total tax, penalty, and interest due, total of Lines 13, 14, and 15.
- Line 17: **Enter total amount remitted with this return.** This will be the amount you want drawn from your account using ACH Debit or the amount of your check and payment voucher. See payment instructions below.

**The Schedule H report is to be filed electronically, do not mail this report.
Paper returns are not processed and are not considered filed.
Zero reports are not processed and are not considered filed.**

Electronically File Report

Step 1: Save a copy of this year's report in the Excel format for your records.

Step 2: Prepare an email to alcoholtax@nd.gov, enter your 5 digit direct shipper license number in the subject line, and attach the completed Schedule H report. Be sure you are sending the report in the Excel format prescribed by the Commissioner. Send only one Schedule H report per email. Electronic reports must be submitted by the due date to be considered timely filed.

Step 3: Watch for an email reply either **(1)** confirming receipt of the report which was able to be processed, OR **(2)** a reply informing you that your report was not correct and would not process. If you get an email stating that your report would not process, you must correct the reporting errors and resend the report until you get confirmation that it was acceptable and would process. Reports that are received but that cannot be processed are not considered filed and may cause penalties to occur if the report is not corrected on or before the due date.

Payment Instructions

▶ **Make sure you have entered the amount in line 17 that you wish to pay.**

This amount will be the amount pulled from your account if you have set up the ACH Debit payment, if no amount is entered, no ACH payment will be initiated. ACH Debit is not available for amended reports.

The Amount entered on line 17 should also be the amount you enter on your check and on the liquor tax payment voucher which is to be submitted with your check.

● ACH Debit Payment Method

An Automated Clearing House (ACH) Debit is a banking term for the electronic transfer of funds in which the state contacts its bank to initiate the transfer of funds from your bank account to the state's account. The state pays the transaction costs for ACH Debit.

If you choose this payment option, you will be able to file your report at any time on or before the due date and the payment amount indicated on your report will automatically be requested from your bank on the due date. Original reports filed after the due date will have the ACH Debit transaction occur the next business day. ACH Debit will not be a payment option available for amended reports; a check with a payment voucher will be required for the additional amount due.

To register for ACH Debit, go to <http://www.nd.gov/tax/alcohol/electfiling/> and click on ACH Debit.

Note: Registration for ACH Debit must be complete on or before the day you submit your electronic return – see detailed instructions and limitations under ACH Debit.

● Check Payment Method

A check for payment of the electronically filed report will be required to be mailed with a completed “Liquor Tax Payment Voucher” to insure that the payment can be matched to the appropriate report. The Liquor Tax Payment Voucher can be found under Alcohol/Electronic Filing/Pay by Check.

The check and voucher must be postmarked by the due date of the return to be considered timely filed.

Make sure your check and voucher are for the same total amount and that the voucher matches the amount of the payment you entered on the report coversheet.

Amending Schedule H Reports

Amended reports will be necessary when a direct shipper fails to report correctly. To correct an original report, a “**total replacement**” amended report will have to be electronically submitted.

The taxpayer will enter an “A” for amended report instead of an “O” for original report on the Schedule H coversheet. After completing the report as it should have been reported, enter the amount of tax “previously paid” in Line 12 so that Line 13 reflects the tax due or overpaid as a result of the new information. Previously paid tax entered on Line 12 would be the tax paid with the original return for that period.

If the amount in Line 13 shows tax due, calculate and enter the penalty due on late returns (5% of total tax due on line 11 or \$5.00, whichever is greater) on Line 14 and enter interest on late returns if applicable (1% of tax due per month except for month after the return or tax becomes due) on Line 15. Line 16 automatically calculates the total tax, penalty, and interest due. Enter the amount of your payment on Line 17 - **payment would need to be made using a check and a voucher, ACH Debit is not available for amended reports.** If an overpayment results from the amended report, zero should be entered on Line 17 and a refund will be issued.

Contact Information

Sales & Special Taxes Compliance Section
Office of State Tax Commissioner
600 E. Boulevard Ave. Dept. 127
Bismarck, ND 58505-0599

Taxpayer Assistance: 701.328.3158

FAX Number: 701.328.0336
E-mail: alcoholtax@nd.gov
Website Address: www.nd.gov/tax