



Guideline

Sales Tax Coin-Operated Machines

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Tax Commissioner

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Coin-Operated Vending Machines

The gross receipts from coin-operated vending machines are subject to sales tax. Receipts from cigarette vending machines are taxable as are the receipts from soft drink vending machines, candy or gum vending machines or other vending machines which dispense merchandise. The only exception is for those vending machines which dispense peanuts, gum balls or other products for 15 cents or less.

Sales tax is included in the gross receipts from coin-operated vending machines and must be deducted before calculating gross receipts subject to sales tax (taxable sales). Taxable sales from coin-operated vending machines are calculated as follows:

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|--|--|
| a) 5% state sales tax only | Taxable Sales = Gross Receipts ÷ 105% (1.05) |
| b) 5% state sales tax and city sales tax | Taxable Sales = Gross Receipts ÷ [105% + city tax percent] |
| Example: 1% city sales tax | Taxable Sales = Gross Receipts ÷ 106% (1.06) |
| 1½% city sales tax | Taxable Sales = Gross Receipts ÷ 106½% (1.065) |
| 1¾% city sales tax | Taxable Sales = Gross Receipts ÷ 106¾% (1.0675) |
| 2% city sales tax | Taxable Sales = Gross Receipts ÷ 107% (1.07) |

The owner of the coin-operated vending machine is the one responsible for sales tax on receipts from the machine. Sales tax should be subtracted from total receipts by the machine owner before calculating the percentage of receipts which go to the location owner.

While the Grand Forks city ordinance exempts coin-operated vending sales of 99 cents or less, coin-operated vending sales of \$1.00 or more are subject to the city sales tax. The Grand Forks city tax rate is 2 percent on gross receipts from sales of prepared food, beverages and on-sale alcoholic beverages and 1¾ percent on all other sales.

Amusement Sales

State sales tax is due on 80 percent of the gross receipts collected from coin-operated amusement devices. Grand Forks provides for city sales tax on 56 percent of the gross receipts. All other cities that tax coin-operated amusement, tax 80 percent of the gross proceeds. Sales tax is included in the gross receipts from coin-operated amusement devices and must be deducted before calculating gross receipts subject to sales tax (taxable sales).

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Taxable sales from coin-operated amusement machines are calculated as follows:

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|---|---|
| a) 5% state sales tax only | Taxable Sales = Gross Receipts x 76.92% (.7692) |
| b) 5% state sales tax and
1% city sales tax | Taxable Sales = Gross Receipts x 76.34% (.7634) |
| c) 5% state sales tax and
1¾% Grand Forks city sales tax | (State) Taxable Sales = Gross Receipts x 76.20% (.7620)
(City) Taxable Sales = Gross Receipts x 53.34% (.5334) |

The owner of the coin-operated amusement device is the one responsible for sales tax on the receipts from the machine. Sales tax should be subtracted from total receipts by the machine owner before calculating the percentage of receipts which go to the location owner.

Purchases Subject to Use Tax

All coin-operated machine owners are required to pay sales or use tax on purchases of equipment (including the coin-operated machine) and supplies for their own use. If these items are purchased from a supplier who holds a North Dakota sales and use tax permit, North Dakota sales tax should be paid directly to the supplier. If these items are purchased from a supplier who does not charge North Dakota sales or use tax, the purchaser should include the cost of such purchases on the *Items Subject to Use Tax* line of the North Dakota sales and use tax return and remit the use tax on those items directly to the Office of State Tax Commissioner.