



Guideline

Sales Tax Bowling Alleys

Cory Fong
Tax Commissioner

April 1997

Charges for Bowling

Sales tax law imposes a tax on “admissions to places of amusement, entertainment, or athletic events, including amounts charged for participation in an amusement, entertainment or athletic activity”; thus, charges for bowling are subject to sales tax. Sales tax may be added to the price charged per line of bowling or sales tax may be included in the price per line. However, when the line price includes tax, a sign must be posted advising patrons that the price per line includes a specified amount of sales tax.

Sales and Rentals of Bowling Balls, Bags, Shoes and Towels

Most bowling alleys sell bowling balls, bags, towels, shoes and other bowling accessories and supplies. All such sales are taxable and must be reported on the sales tax return filed by the bowling alley.

Most bowling alleys also rent bowling shoes to their patrons and these rentals are taxable. Since the rental of shoes is taxable, the bowling alley may purchase the shoes without paying sales or use tax.

Rental of Lockers

Many bowling alleys rent lockers to their patrons. Generally, the locker rental fee is on a seasonal basis. These charges are not subject to sales tax since the rental of lockers is rental of real property (the lockers are affixed to the building) rather than rental of tangible personal property.

Trophies and Bowling Shirts

Bowling alley sales of trophies and clothing are subject to sales tax, including any charges for engraving trophies or awards and any charges for lettering placed on bowling shirts.

IMPORTANT:

Please note that charges for engraving trophies or awards and charges for lettering shirts are subject to sales tax even if the charges are separately stated from the price of the trophy, award, or shirt. The engraved trophy or the lettered shirt is regarded as “an article made to order” and its total selling price is subject to sales tax.

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:

- | | | |
|----|--|--|
| 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 ÷ 106% (1.065) |
| | 1¾% city sales tax | Taxable Sales = Gross Receipts ÷ 106% (1.0675) |

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.

Amusement Sales

State sales tax is due on eighty percent (80%) of the gross receipts collected from coin-operated amusement devices. Grand Forks provides for city sales tax on fifty-six percent (56%) of the gross receipts. All other cities that tax coin-operated amusement, tax 80% 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).

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

- | | | | |
|----|---|-------------------|--|
| 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)
(City) | Taxable Sales = Gross Receipts x 76.20% (.7620)
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.

Receipts from amusement, entertainment or admission charges are subject to North Dakota sales tax. Accordingly, receipts from cover charges, dance tickets, billiards, card games and similar activities are subject to sales tax.

Restaurants, Cafes, Lunch Counters

A bowling alley in which a restaurant, cafe, lunch counter or caterer provides meals is responsible for collection of sales tax on the gross receipts from such sales. Sales tax must be added to the selling price of all meals, lunches, snacks, coffee, soft drinks, ice cream, cigarettes, cigars, and tobacco sold. Sales of candy bars, gum, snack foods and similar items are also subject to sales tax.

Alcoholic Beverage Sales

All sales of beer, wine, mixed drinks and other alcoholic beverages are subject to North Dakota sales tax whether these products are sold for consumption on or off the premises. The North Dakota sales and use tax rate on alcoholic beverages is 7%, not the general rate of 5%.

For ease of administration, alcoholic beverage retailers may include sales tax in the posted price of all on-sale beverages and all off-sale alcoholic beverages. Prices for nonalcoholic off-sale and other taxable goods should not include sales tax. When the posted price of on-sale or off-sale alcoholic beverages includes sales tax, a sign should be posted advising patrons that the posted price includes sales tax.

Purchases Subject to Use Tax

All bowling alleys are required to pay sales or use tax on purchases of equipment and supplies for their own use. Examples of these items include:

<u>Equipment</u>	<u>Supplies</u>
Bowling balls (for house use)*	Cleaning supplies
Bowling pins	Toilet tissue
Pin setting machines & parts	Paper towels
Ball cleaning machines	Brooms & mops
Fixtures & furniture	Oil for alley maintenance
Tables & booths	Light bulbs
Cash registers	Office supplies
Office equipment	Dishes & glassware
Bar or lounge equipment	Ash trays
Cafe equipment	

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 fails to charge North Dakota sales or use tax, the purchaser must include the cost of the purchases on line four 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.

*Special note - Many bowling alleys accept used bowling balls as “trade-ins” on new bowling ball sales. The bowling alley then utilizes these used balls as “house balls” rather than reselling them. When the bowling alley does this, it is required to pay use tax on the value of the used bowling balls. The value is the amount credited as a “trade-in” on a new ball.