Guideline

Taxability of Local Government Sales and Purchasers

Cory Fong
Tax Commissioner

January 2006

Sales By Local Governments

Under the North Dakota sales tax law, the United States government and its agencies, as well as state government and all of the political subdivisions (counties, cities, townships, and park districts) are exempt from sales tax on purchases of tangible personal property. Sales made by the state or political subdivisions and their agencies and departments may involve taxable and nontaxable sales.

Taxable Sales

Taxable sales by local governments, which would require the collection of state and local sales taxes, include the following:

- Gross receipts from the furnishing or service of steam, gas, or communication services.
- Tickets or admissions to places of amusement, including athletic events. Examples include golf membership fees or green fees that provide for golfing privileges, and admission fees to swimming pools.
- Rental fees paid to local governments for equipment. Examples include the rental of golf cart, recreational boat or canoe.
- Retail sales of tangible personal property made on a regular basis, and that are considered to be in competition with other retailers.

Local government agencies responsible for the collection of sales tax must obtain a sales tax permit from the Office of State Tax Commissioner. An application for a sales tax permit is available online at **www.nd.gov/tax** or by contacting our office at 701-328-3470 or by e-mail at **salestax@state.nd.us**.

Exempt Sales

Exempt sales or exempt transactions made by local governments, include the following:

- Fees paid for lessons or instruction.
- Landfill fees.
- Rental or fees charged for use of a local government facility, including parks.
- Gross receipts from the sales of tickets, or admissions to local or county fairs and school athletic events.

- Sales of tangible personal property to individuals confined in city or county detention facilities. This includes sales of personal care items from a commissary and cafeteria meals.
- Sales of tangible personal property or services to federal, state, or political subdivisions.
- Sales of tangible personal property or services required by North Dakota Century Code.

Sales To Cities & Counties

Cities and counties are exempt from sales tax on all purchases, and therefore, exempt from payment of sales tax on purchases.

City or County Employees

Individuals representing a city or county agency are generally subject to sales tax on their purchases. Purchases, including lodging accommodations, are taxable to the city or county employee unless payment for the room is made directly by government warrant or government check. Purchases by a city or county employee, where payment is made using cash, personal check or personal credit card are not exempt from sales or use taxes.

Construction Contracts

A contractor performing any contract, including service contracts, for the United States Government, State of North Dakota, Counties, Townships, Cities, School Districts, Park Districts or any other municipal corporations in North Dakota is not exempt from payment of sales or use tax on material and supplies used or consumed in carrying out such contracts. In these cases, the contractor is required to file returns and pay sales and use tax just as required for contracts with private parties.

On contracts with government agencies, schools or other tax-exempt institutions, the contractor must pay sales or use tax on the purchase price of all materials installed, even if the exempt institution purchases the materials.