



# Sales Tax Newsletter

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### New Local Sales And Use Taxes

Effective January 1, 2001, the cities of Hope and St. John will each impose a 1 percent local sales and use tax. The Office of State Tax Commissioner administers all local sales and use taxes within the state including the two new taxes imposed January 1. The local option tax codes for the new taxes will be Hope – 185 and St. John – 186.

All sales that are exempt from state sales and use taxes are also exempt from local taxes. In addition, the Hope city ordinance exempts the gross receipts from coin-operated amusement devices and St. John will exempt the sales of natural gas and gross receipts from coin-operated amusement devices. Both cities limit the tax to \$25 per transaction. Each invoice is a transaction for purposes of the local tax maximum. St. John allows 3 percent compensation up to \$83.33/month or \$250.00/quarter. The Hope tax ordinance does not provide for compensation.

The Office of State Tax Commissioner has mailed more detailed information to retailers located within Hope and St. John. The total number of local sales taxes in place on January 1, 2001 will be eighty-five city taxes and one county sales tax. For a complete listing of all local sales and use taxes within North Dakota see our *Local Option Taxes By Location* guideline. You may obtain the guideline from our web page or through the mail by contacting our office. ☀

### Tax Department Web Site

Our office continues to add new information to the Department's web site. The information that is currently available includes current sales tax guidelines, certain forms (certificate of resale, certificate of purchase – Montana residents, and contractor's certificate), sales tax statistical reports, and sales tax newsletters. To access this information on the Web, our address is [www.state.nd.us/taxdpt](http://www.state.nd.us/taxdpt). ☀

### Restocking Charge

A restocking charge is a fee charged by a retailer to a customer when the customer cancels a sale and returns the merchandise. This restocking charge is generally charged by the retailer to cover the time and expense in returning the merchandise to the retailer's resale inventory. Restocking charges are not taxable nor do they reduce the sales tax refunded to the customer.

The proper method of calculating a customer's credit or refund for returned merchandise subject to a restocking charge is as follows:

Original Sale:	Returned Merchandise/Credit:
Merchandise \$100.00	Merchandise \$100.00
5% State sales tax 5.00	5% State sales tax 5.00
1% City sales tax 1.00	1% City sales tax 1.00
(if applicable) _____	SUBTOTAL \$106.00
TOTAL \$106.00	Less restocking Charge <u>10.00</u>
	Total Credit Due
	Customer \$ 96.00

Note: The retailer may not deduct the restocking charge from the sales price of the merchandise and calculate the sales tax credit or refund to the customer based on the net amount. ☀

### File Sales Tax Returns Over The Internet

Would you like to file your sales tax returns electronically? You can by using our WebFile system, which allows you to file your returns over the Internet. The filing process is totally paper-free. When you file electronically, you may pay by ACH debit, ACH credit, or check. To obtain information and the WebFile application, see [www.state.nd.us/taxdpt/electronic\\_filing/sales\\_tax.html](http://www.state.nd.us/taxdpt/electronic_filing/sales_tax.html). ☀

## Are You Required To File If No Sales Or Use Taxes Are Due?

**Y**ES. The sales tax return must be filed whether or not any business activity occurred during the tax reporting period. If no business activity occurred, and no sales or use taxes are due, you should place a **zero** on Line 1 of your sales tax return, sign it and direct it back to the Tax Commissioner. 🍀

## Interstate Truckers

**W**e continue to receive questions from retailers regarding purchases made by Minnesota and other out-of-state truckers purchasing parts, tires, accessories and other merchandise in North Dakota using a direct pay permit or an exemption certificate issued to them by Minnesota or another state. These certificates are not accepted in North Dakota. If any trucker purchases parts, tires, accessories or other taxable items in North Dakota and takes delivery of them in this state, they are fully taxable here. There is no exemption that will enable a Minnesota or another state's trucker to make such purchases in this state without paying North Dakota sales tax. 🍀

## Returnable Containers And Pallets

**M**any retailers are engaged in the sale of LP gas, propane, various farm chemicals, fertilizers, and welding gases. These products are typically contained in tanks, drums, cylinders, or field application equipment owned or controlled by the retailer. The containers are generally returned to the retailer when the product has been consumed, or as with LP gas or propane, when the product is no longer being purchased from the retailer. Typically with pallets, the manufacturer or wholesaler charges a deposit to the shipper or purchaser of the goods.

The retailer, wholesaler, or manufacturer as the provider of these returnable containers or pallets is viewed as the final user of these items. As the final user, the provider must pay sales and use tax at the time the container is purchased. Any rental or use charges, including deposits made to secure the return of the pallet or container, are not subject to sales tax.

Sales tax is also due on the sale of new or used containers when sold by the retailer, unless the purchaser is buying the container for resale. If a wholesaler or manufacturer does not require a deposit or return of pallets, sales or use tax is not due on the purchase of the pallet. 🍀

## Cigarette And Tobacco Products

**T**he sale of cigarettes, cigars, and other tobacco products are subject to sales tax. 🍀

## Wireless Communication Service

**G**ross receipts from the sale of intrastate communication services provided, including wireless communication service, are subject to North Dakota and local sales taxes. Charges for wireless communication services include access fees, airtime charges, roaming charges, activation fees, call forwarding, call waiting, three-way calling, voice mail, or other custom calling features related to wireless communication services.

The monthly charge for wireless communication service billed by the wireless provider to the customer for calls made within the provider's licensed service area is subject to state sales tax and applicable local sales tax based on the customer's place of primary use. The customer's place of primary use is the customer's residence or business location within the wireless service area contracted by the customer.

Itemized charges made for individual wireless calls that extend outside the contracted service area are subject to tax if the point of origination and termination of the communication is within this state (intrastate communications) or if the service provider does not identify the origination and termination points. Itemized communication charges for interstate communication services (originate or terminate outside of North Dakota) are exempt from state and local sales taxes. 🍀

## Sales And Use Tax Record Keeping Requirements

**E**very person doing business in this state or storing, using, or consuming tangible personal property in this state is required to keep business records for three years and three months. These records must include the books of account ordinarily maintained by a business, with all bills, receipts, invoices, cash register tapes, and other documents of original entry supporting the entries in the books of accounts and all schedules or working papers used in the preparation of the tax returns. 🍀

### Need Assistance?

Please direct sales tax questions or concerns to:

Office of State Tax Commissioner

Sales Tax Compliance

Phone: (701)328-3470

Toll free within ND: 1-800-638-2901, option 4

Hearing/speech impaired TTY 1-800-366-6888

(Relay ND - Ask for 1-800-638-2901, option 4)

Fax: (701)328-3700

E-mail: [salestax@state.nd.us](mailto:salestax@state.nd.us)

Web site: [www.state.nd.us/taxdpt](http://www.state.nd.us/taxdpt)