



Sales Tax Newsletter

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MCVILLE AND OXBOW IMPOSE LOCAL SALES AND USE TAXES

Effective January 1, 2002, the cities of McVile and Oxbow will each impose a one percent city sales and use tax. The Office of State Tax Commissioner administers all local sales and use taxes within the state including the two new city taxes. The local option tax codes will be 188 for McVile and 189 for Oxbow.

All transactions exempt from North Dakota sales and use tax are also exempt from local taxes. In addition, McVile will exempt sales of farm machinery, farm machinery repair parts and gross receipts from coin-operated amusement devices. The Oxbow ordinance exempts the gross receipts from coin-operated amusement devices. The maximum amount of McVile local tax that may be imposed on a single transaction is \$25. Each invoice is a transaction for purposes of the local tax maximum. Oxbow does not have a maximum tax provision so the full transaction amount is subject to local tax. Neither city ordinance provides for retailer compensation. ●

DICKINSON INCREASES CITY SALES AND USE TAX RATE

Effective January 1, 2002, the Dickinson sales and use tax rate will increase from 1 to 1½ percent. In addition, the maximum tax per transaction will increase from \$25.00 to \$37.50. No other provisions of the city tax ordinance will change.

Dickinson is the eighth North Dakota city to impose a local tax greater than 1 percent. Effective January 1, eighty-eight cities and two counties in North Dakota impose a local sales tax. For a complete listing of the local sales and use tax rates see our *Local Option Taxes by Location* guideline. The guideline is available on our web site or by mail. ●

2002 BUSINESS TAX EDUCATION WORKSHOPS

The Office of State Tax Commissioner is continuing to cooperate in education partnerships to provide workshops, which provide opportunities to business owners and employees.

Small Business Development Center (SBDC) Classes

(All Class Times: 8:00a.m. - 4:30p.m.)

Jamestown	03/05/02	Dakota Inn Hwy 281 South & I-94
West Fargo	03/06/02	VFW 308 Sheyenne St

One Interactive Video Network (IVN) Class will be presented on March 13, 2002. You may participate in this SBDC class by attending at one of the following locations:

Belcourt	TMCC Bia Road #7 N. IVN Building, Room 209
Bismarck	Bismarck State College 1200 College Dr. Vocational Technical Center, Rm. 228
Bottineau	Minot State University – Bottineau 105 Simrall Blvd. Amtzen IVN Building, Rm. 100
Devils Lake	Lake Region State College 1801 College Drive N. Administration Bldg, Room 171
Fort Yates	Sitting Bull College 1341 92 nd Street, Room 5
Mayville	Mayville State University 330 3 rd Street NE Library, Room 115
New Town	Fort Berthold Community College 220 8 th Avenue N., FBCC
Wahpeton	NDSCS 800 N. 6th Street, Rm. 117 Mildred Johnson Library

Williston Williston State College
1410 University Avenue
Main Bldg, Room 120

For more information or to register for the SBDC classes, please call the SBDC office toll-free at 1-800-445-7232. ☛

FILE SALES TAX RETURNS ELECTRONICALLY

Did you know you could file your sales tax returns over the Internet? Our secure WebFile system allows you to file sales tax returns 7 days a week and 24 hours a day. Payment for WebFile returns may be submitted by check or by ACH debit or credit and all electronic returns are available for on-line viewing or printing for two years. WebFile will save you time and money and you will never have to worry about mailing delays again. If you would like the convenience of electronic filing, give us a call or log-on to our web site for a WebFile registration form.

We recommend WebFile over paper returns. However, if you prefer to file paper returns, please complete and mail the preprinted form we provide. Paper returns are scanned, read, and processed electronically. Outdated forms or computer-generated forms with an incorrect name, permit number, or tax-reporting period may result in unnecessary notices or penalty assessments.

Beginning January 2002, all sales tax returns will be printed on white paper. We have been using colored paper to assist mail sorting; however, we have found white paper improves electronic processing and is preferred by the form users. ☛

CONTRACTORS ARE FINAL USERS

Contractors or subcontractors that install personal property into real estate are *always* subject to use tax on the cost of such property unless the owner of the personal property has already paid the North Dakota and all applicable local sales or use tax. The contractor is liable for tax even if the property is owned by an entity exempt from paying sales tax or the contract is with an exempt entity.

When a contractor takes ownership of tangible personal property in North Dakota for use outside of the state, North Dakota sales tax still applies to the purchase price. In addition, any applicable local tax is due unless the local taxing jurisdiction provides a special exemption to allow contractors to remove materials for use outside of the local jurisdiction without payment of tax. The following seventeen North Dakota cities provide a removal exemption to contractors for installation outside of the city: Bismarck, Bottineau, Cooperstown, Devils Lake, Dickinson, Enderlin, Fargo, Fort Ransom, Hankinson, LaMoure, Lidgerwood, Lisbon, Mandan, McVillage, Mohall, St. John, and Williston.

To purchase materials without payment of tax, a contractor must provide its supplier with a properly completed Contractor Certificate (Form 21948). This certificate requires the contractor's name, sales tax permit number, North Dakota contractor's license number, and an authorized signature. The Contractor's Certificate will exempt the purchase from both state and local taxes. A certificate may not be used to exempt only local tax.

When goods purchased tax-free are used, the contractor must report the purchase price of the goods on line four of the North Dakota sales and use tax return to remit the state use tax. Local tax due is reported on the Local Option Tax Schedule for the city where the contractor took possession of the goods unless the materials were used outside of the city **and** the city ordinance provides for the removal exemption. Materials that qualify for the removal exemption will be subject to another local tax if they were stored, used, or consumed in another local taxing jurisdiction where a local use tax is imposed. See our *Contractors* guideline for more information about state and local taxes imposed on materials used under contract. ☛

SALES TAX EXEMPTIONS

The sales tax law provides a sales tax exemption for certain manufacturing machinery and equipment, computer and telecommunications equipment, agricultural processing plant construction materials and wind-powered electrical generating facilities. Generally this exemption will apply to new or expanding businesses located in North Dakota, or in the case of computer and telecommunication equipment to a new or expanding primary sector business. (A primary sector business must be certified by the North Dakota Department of Commerce Division of Economic Development and Finance.)

The manufacturer, qualifying primary sector business, agricultural processing facility or wind-powered electrical generating facility must receive prior approval from the State Tax Commissioner to qualify for the sales tax exemption at the time of purchase. If prior approval is not received, the manufacturer, qualifying primary sector business, agricultural processing facility or wind-powered electrical generating facility must pay the tax, and then apply to the State Tax Commissioner for a refund.

The exemption is not available to contractors. Manufacturers, qualifying primary sector businesses, agricultural processing facilities, or wind-powered electrical generating facilities may apply for a refund of the appropriate portion of the tax actually paid by the contractors on eligible machinery, equipment, computers and telecommunications equipment.

To apply for one of these sales tax exemptions, please contact our Sales Tax Compliance Section at (701) 328-3389. ☛