



Sales Tax Newsletter

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In This Issue . . .

- **Local Tax Changes**
- **Avoidable Errors When Preparing Tax Return**
- **Electronic Newsletters Available**
- **2002 Business Tax Education Workshops**
- **Mobile Telecommunications Service**
- **Cellular Telephones**
- **Fund Raising by Charitable Organizations**

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Local Tax Changes

The Office of State Tax Commissioner administers all local sales and use taxes imposed in North Dakota. The following new or increased local taxes will become effective January 1, 2003.

The cities of **Buffalo, Northwood, Reeder, and Rolette** have each imposed a one percent sales and use tax. The new taxes will be reported on the local option tax schedule under the following local codes: Buffalo 196, Northwood 197, Reeder 198, and, Rolette 199. All transactions exempt from North Dakota sales tax will also be exempt from the local taxes. In addition, Northwood will exempt the gross receipts from coin-operated amusement and Reeder will exempt sales of farm machinery. All of the above cities limit the tax to \$25 per transaction. Each invoice is a transaction for purposes of the local tax. Only the Buffalo ordinance provides for retailer compensation. Buffalo's compensation allowance is 3% of the tax due up to \$83.33 on monthly returns or \$250.00 on a quarterly return.

The city of **Hillsboro** has increased its local sales and use tax rate from one percent to two percent. The maximum tax per transaction (invoice) has also been increased from \$25 to \$50. No other provision of the city tax has changed.

The Office of State Tax Commissioner has mailed additional information to retailers located in the cities imposing the new or increased taxes. For a complete listing of local taxes imposed in North Dakota, see the *Local Option Taxes by Location* guideline on our web site. The guideline is also available by mail upon request. ☀

Cass County Repeals Sales Tax

The Cass County Commission will repeal its local sales tax **effective April 1, 2003**. The one-half percent tax, which is a sales tax only (no use tax), is currently collected by Cass County retailers and does not apply to retailers located outside of the county. The Tax Commissioner's Office will be mailing a reminder of the termination date to each retailer located in Cass County. ☀

Avoidable Tax Return Errors

By now, you have probably seen the new version of our sales tax return, which is used for reporting periods beginning July 1, 2002 or later. Although the revised form has the same lines of information, the lines are in a different order and the appearance has been changed to make it machine readable. Please be careful to avoid the following common errors:

- Failing to complete Line 1 (Total Sales)
- Reporting net taxable sales on line 14 (Total Nontaxable Sales)
- Reporting net taxable sales on line 17 (Items Subject to Use Tax)
- Reporting the state tax due on line 21 (Adjustments)
- Deducting compensation on line 23 when not eligible to do so
- Itemizing local taxes on page two of the return and again on a separate schedule ST Local
- Filing a return generated by a software package and also submitting the original return furnished by our office.

Thank you for your assistance. ☀

Electronic Newsletter

The quarterly *Sales Tax Newsletter* is now available on the Office of State Tax Commissioner's web site, which will enable us to transmit more up-to-date information to you more quickly. This taxpayer service will enable our department to distribute tax information electronically to taxpayers and tax practitioners in an efficient, cost effective and timely manner.

To receive the electronic newsletter, we simply require that you add your email address to our email subscription listserv, which now allows you to subscribe and continue to receive future newsletters electronically. Once you have subscribed for this newsletter, it will come right to your e-mail account. You can save them, delete them, print them, or distribute them. Because e-mail is instantaneous, it is a great way to distribute news in the quickest way possible.

For more information on how you can sign up to receive electronic copies of future *Sales Tax Newsletter*, please click on our **newsletter subscription** at www.ndtaxdepartment.com. You will be asked to simply enter your e-mail address and click the submit button. You will then be directed to another screen where you can select multiple newsletters, including the sales tax newsletter. To select a newsletter, click in the area next to the title. Once registered, you will automatically receive future editions of the newsletter electronically.

Although taxpayers will continue to receive a paper copy of the *Sales Tax Newsletter* for the present with the mailing of your sales tax return, this electronic service provides you an opportunity to receive the most current newsletter instantaneously. ☛

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. Presentations are made by ND Tax Department, Internal Revenue Service, Social Security Administration, ND Workers Compensation, and ND Dept of Labor. The cost is \$20.00 for the first registration and, only \$10.00 per each additional person.

Taxation Workshop (Small Business Development Center)
(All class times: 8:00 AM – 4:30 PM)

Mandan 4/22/03 Best Western Seven Seas, 2611 Old Red Trail

Fargo 4/23/03 Skills & Technology Training Center Auditorium, 1305 195th Ave North

To register, please call toll-free at 800-445-7232. ☛

Mobile Telecommunications Service

New legislation went into effect on August 1, 2002 that provides a uniform method of sourcing mobile telecommunications services for sales tax purposes. The new law provides that all charges for mobile telecommunications services will be assessed using the state and local tax rates of the customer's "place of primary use."

Place of primary use, for purposes of determining whether state and local sales tax is due on telecommunications services provided by a mobile telecommunications service provider, means the customer's residential or business street address, within the licensed service area of the home service provider.

The new legislation provides the application of sales taxes on all calls charged to that place of primary use, as the mobile telecommunications customer's place of primary use is considered the point of delivery of the mobile telecommunications service whether the call originates or terminates in another state. ☛

Cellular Telephones

Sales of cellular telephones represent sales of tangible personal property subject to sales tax.

Often times a cellular telephone service provider will contract with retailers to act as agents to solicit or advertise the provider's cellular service. The retailer is often required to have cellular telephones available for those persons signing up for cellular telephone service. For this reason, these retailers will often use cellular telephones as an inducement to sign up customers for cellular telephone service contracts.

When the retailer sells cellular telephones at a bargain price or otherwise, the retailer must charge sales tax on the itemized charge for the cellular telephone (sale of tangible personal property). If the retailer, acting as a agent for the telecommunications service provider, also signs up customers for telecommunications service, the itemized charges for the cellular telephone service contract (sale of a communication service) is also subject to sales tax.

In instances where a retailer’s discount and coupon is applied by the retailer to a customer’s purchase to reduce the selling price of the cellular telephone, the discounted (net) selling price is subject to sales tax. However, where the retailer is reimbursed or credited by the manufacturer or service provider for the discounts or coupons used to discount the customer’s purchase, the sales tax will apply on the sales price before discounts or coupons were applied.

Where a cellular telephone is transferred by the retailer to the customer “free-of-charge” or at no charge involving the cellular telephone service contract, the retailer is regarded as the final user and is responsible for the payment of sales or use tax based on the cost of the cellular telephone to the retailer. The itemized charge by the retailer to the customer for the cellular telephone service contract remains subject to sales tax.

If you have any questions regarding cellular telephones or cellular telephone service, please contact our office. 🌱

Fund Raising By Charitable Organizations

Generally, sales made by charitable organizations are not subject to sales tax if all of the following conditions exist:

1. The net proceeds are used for a specific educational, religious, or charitable purpose.
2. The sales are not regular ongoing sales made in direct competition with retailers (i.e., sales of Christmas trees and fireworks are representative of regular ongoing sales in direct competition with retailers).
3. The event takes place in a privately owned facility.
4. If the event occurs in a publicly owned facility, the total sales from the event are less than \$5,000. If the total sales made by the charitable organization are \$5,000 or greater, all of the sales are subject to sales tax.

Most charitable groups do not have a sales or use tax permit, which means they cannot issue a resale certificate to their suppliers to avoid sales tax on the goods they purchase for resale in their fund raising events. To resolve this problem, the charitable group should direct a letter to the Sales Tax Compliance Section describing the fund raising activity, how the net proceeds will be used, and where the event will be held.

If the event is determined to be exempt from sales tax, a letter will be directed to the charitable organization that will provide authorization to purchase goods for resale without paying sales tax. A copy of this letter should be made available to the seller and retained by the seller to support the exempt sales transaction. If a copy of the letter is not provided or available to the seller, the sale of goods will generally be subject to sales tax. 🌱

City Lodging Tax and City Lodging and Restaurant Taxes

The following cities impose local taxes on lodging accommodations, restaurant meals and on-sale beverages.

City Lodging Tax

City	Rate	City	Rate	City	Rate	City	Rate	City	Rate
Ashley	2%	Bowman	2%	Grafton	2%	Medora	2%	Tioga	1%
Belfield	2%	Carrington	2%	Hettinger	2%	New Town	1%	Wahpeton	2%
Beulah	2%	Devils Lake	2%	Jamestown	2%	Rolla	2%	Watford City	2%
Bismarck	2%	Dickinson	2%	Langdon	2%	Rugby	2%	West Fargo	2%
Bottineau	2%	Garrison	2%	Mandan	2%	Steele	2%	Williston	2%

Note: Fargo, Grand Forks, Minot and Valley City also impose a local lodging tax of 3%, however, their taxes are administered locally.

City Lodging and Restaurant Tax

City	Applies to	Rate	City	Applies to	Rate	City	Applies to	Rate
Bismarck	Lodging, food, liquor	1%	Dickinson	Lodging, food, liquor	1%	Mandan	Lodging, food, liquor	1%
Bottineau	Lodging, food, liquor	1%	Edgeley	Lodging, food, liquor	1%	Pick City	Food, liquor	1%
Bowman	Lodging, food, liquor	1%	Hazen	Lodging, food, liquor	1%	Rugby	Lodging, food	1%
Devils Lake	Food only	1%	Jamestown	Lodging, food	1%	Valley City	Food, liquor	1%