



Sales Tax Newsletter

June 2000
Volume 27
No. 2

In This Issue . . .

- Grand Forks Imposes Use Tax**
- Sales Tax Return Due Dates**
- Vehicles Acquired by Repair Businesses or Storage Facilities**
- Sales of Agricultural Products and Supplies**
- Use Tax Due on Out-of-State Purchases**
- Electronic Filing Options**
 - Sales Tax Webfile
 - Withholding Telefile
 - EFT Payment - Corporate Income Tax

GRAND FORKS IMPOSES USE TAX

Grand Forks, the first North Dakota City to impose a local sales tax, has imposed a complimentary 1¾ percent Use tax effective July 1, 2000. Prior to imposition of the use tax, only sales made by retail businesses located within the city limits of Grand Forks were subject to the city's local tax. Effective July 1, 2000, goods sold by retailers located outside of Grand Forks but delivered into the city will also be subject to city tax.

Grand Forks Sales and Use taxes are complimentary. The tax rate is the same for both city sales and use tax, and the same exemptions apply. City sales tax applies to taxable sales made by retailers located within the city limits. City use tax applies to goods and services purchased outside of Grand Forks and delivered into the city. This means a retailer located outside the city of Grand Forks who is completing business in the city of Grand Forks is required to collect city sales or use tax from the customer at the time of the sale. Contractors doing work within Grand Forks also have a responsibility for city sales or use tax on the purchase price of materials and equipment used on projects having bids submitted on or after July 1, 2000.

All the exemptions that apply to state sales and use taxes also apply to the Grand Forks tax. In addition, the city sales and use taxes are limited to \$43.75 per transaction. If the transaction is subject to 1¾ percent city sales or use tax, the portion of the transaction in excess of \$2,500 is exempt from city tax ($\$2,500 \times .0175 = \43.75).

When a retailer delivers goods to a customer outside the city limits of Grand Forks either by the retailer's delivery vehicles or by common carrier, the sale is exempt from Grand Forks city sales and use tax. Likewise, when a purchaser takes possession at the retailer's location outside of the city limits, the sale continues to be exempt from Grand Forks city sales and use tax. However, effective July 1, 2000, the purchaser will be subject to Grand

Forks use tax if the purchaser takes the goods into Grand Forks for storage, use, or consumption.

Retailers located outside of Grand Forks must collect Grand Forks city sales or use tax on taxable goods and services when they deliver into Grand Forks either by the retailer's own vehicles or by common carrier if the retailer has a sufficient business presence within Grand Forks. Examples of a business presence may include: ownership, rental, or lease of real or personal property within the city; periodic presence of sales representatives or contractors; delivery of goods into the city with the seller's vehicles; presence of employees or agents within the city.

Grand Forks sales and use taxes are administered by the Office of State Tax Commissioner. Therefore, all local sales and use taxes are reported on the Local Option Tax Schedule, which is a separate page of the North Dakota Sales and Use Tax return. All North Dakota sales tax permit holders will receive a notice with additional details regarding the new Grand Forks use tax.

SALES TAX RETURN DUE DATES

With one exception, all North Dakota Sales and Use Tax returns (form S1 or S2) are due the last day of the month following the reporting period. The exception to this rule is the May monthly return in odd numbered years. Every odd numbered year, the May monthly return is due June 22 rather than June 30.

If the statutory due date falls on a weekend or holiday, the due date is extended to the next business day. For example, the return due date for the second quarter (April, May, and June) is July 31. If July 31 falls on Sunday, the return is due Monday August 1. A return must be postmarked on or before the due date to be filed on time. Returns postmarked through a private metering machine will be considered timely only if they reach us by the due date.

VEHICLES ACQUIRED BY REPAIR BUSINESSES OR STORAGE FACILITIES

Occasionally, a repair business or a storage facility will take possession of a customer's motor vehicle because the customer has not paid for repair charges or storage fees. If the repair business or storage facility is not a "licensed motor vehicle dealer," the repair business or storage facility will be responsible to register the motor vehicle and pay the motor vehicle excise tax on the value of the vehicle. The value of the vehicle on which motor vehicle excise tax is applied may be based on the repair charges or storage fees unless it is determined the fair market value of the vehicle is substantially more or less than the amount owed by the customer. In which case, the Motor Vehicle Division will apply the motor vehicle excise tax to the fair market value of the motor vehicle.

SALES OF AGRICULTURAL PRODUCTS AND SUPPLIES

Fungicides, Herbicides, and Insecticides

Sales of fungicides, seed treatments, inoculants, fumigants, herbicides and insecticides, when sold to an agricultural producer (farmers and ranchers) are sales tax exempt. In addition, chemicals used by a producer or nonproducer to preserve agricultural crops are exempt from sales tax. Items purchased for home garden or lawn purposes are not exempt.

Drugs for Livestock and Poultry

Drugs sold to a farmer or rancher for livestock and poultry are exempt from sales tax. Drugs for livestock and poultry include serums, wormers, tonics, medicine, cattle oil, and cattle spray. Products, such as wound dressings, horn paint, bandages, teat dip, and drugs used to treat pets remain subject to sales tax.

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
Website: <http://www.state.nd.us/taxdpt>

Farm Machinery Repair Parts

We continue to receive inquiries regarding the correct rate of sales tax to apply to repair parts for new and used farm machinery used exclusively for agricultural purposes. Such sales of repair parts are subject to the 1.5% sales tax rate.

Farm machinery repair parts include any durable goods (except tires) used to repair a qualifying farm machine. Durable goods may include batteries, spark plugs, hoses, fuses, and electrical wires, but does not include fluids, gases, grease, lubricants, paints, and waxes. Furthermore, they do not include items like tools, lumber, twine, fencing materials or storage tanks.

USE TAX DUE ON OUT-OF-STATE PURCHASES

If you made taxable purchases for your own use from a retailer outside of North Dakota by mail order, through radio or television advertising, over the Internet, or directly from an out-of-state company, those purchases will be subject to North Dakota use tax and applicable local use tax if sales tax was not paid at the time of purchase. If you determine that sales tax was not paid on the purchase, you must enter on Line 4 of your *North Dakota State Sales and Use Tax Return* the total purchase price of the tangible personal property purchased by you.

ELECTRONIC FILING

As part of our commitment to using technology and our continuing effort to offer better service to you, we offer the following electronic options:

SALES TAX WEBFILE – SAVE TIME, SAVE MONEY!

North Dakota sales tax WebFile is ready when you are – 24 hours a day, 7 days a week. Just log-on; key in sales, purchases, and local tax information; and let WebFile do the rest. And, if you choose to pay electronically, the process is totally paperless. For more information, contact Jeremy Woeste at 1-800-638-2901, option 4 or e-mail jwoeste@state.nd.us.

WITHHOLDING TELEFILE - IT'S FAST, IT'S SIMPLE!

Just a phone call is all it takes to file and pay your North Dakota withholding taxes. TeleFile saves you money with no more checks, no more paper, and no more stamps to send the returns in. To find out more information about Withholding TeleFile and how to sign up, contact the Withholding Section toll-free at 1-877-638-2966 or email them at withhold@state.nd.us.

EFT PAYMENT NOW AVAILABLE FOR CORPORATE INCOME TAX

All North Dakota corporate income tax payments may now be made electronically. Our electronic funds transfer (EFT) system will accept payments of estimated income tax, payments of income tax as part of an extension, and payments of additional income tax resulting from an audit or office-generated correction. For more information call Norm Gabel at 701-328-3659 or e-mail ngabel@state.nd.us.