



Sales Tax Newsletter

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THREE CITIES INCREASE LOCAL SALES TAX RATES

Valley City, Mayville, and Portland have each increased their city sales tax rates and maximum tax amounts effective July 1, 2003. The new rates and maximum amounts are as follows:

	<u>Rate</u>	<u>Maximum</u>
Valley City	1½ %	\$37.50 per transaction
Mayville	2 %	\$50.00 per transaction
Portland	2 %	\$50.00 per transaction

The Office of State Tax Commissioner has mailed new rate charts and information about the changes to each retailer in Valley City, Mayville, and Portland areas. For a complete listing of all local taxes, please see our *Local Option Taxes by Location* guideline on our website. Guidelines are also available by mail upon request. ☀

2003 LEGISLATIVE UPDATE

This *Sales Tax Newsletter* explains some of the new tax laws passed by the 2003 North Dakota Legislature. A copy of the bill may be obtained by accessing the State of North Dakota web site for the Legislative Branch (<http://www.state.nd.us/lr/>). If you have any questions or require more information, please contact our office.

House Bill 1243 North Dakota Lottery

Provides authority for the North Dakota Attorney General to establish a Lottery Division for the purpose of developing the rules and policies necessary to supervise and administer the operation of a government-authorized lottery. Although the actual start date for the lottery has not been set, the Attorney General's office is currently working to implement the lottery as soon as possible.

House Bill 1328 Raffle Prizes

Exempts the sale of tangible personal property purchased by a charitable organization provided the property (1) will be awarded as a prize in a raffle conducted by the charitable organization and (2) provided the winner of the property will be subject to sales or use tax upon being awarded the prize.

In order for the charitable organization to be exempt at the time of purchase, the charitable organization must first receive a letter from the State Tax Department recognizing the exempt status of such a purchase. If a charitable organization has not received such a letter and cannot provide a copy of this letter to their suppliers, the sale to the charitable organization is subject to sales tax.

House Bill 1426 Commerce Authorities

Provides that any political subdivision may create a commerce authority for the purpose of promoting commerce and economic development. The commerce authority, itself, becomes a political subdivision. The authority provided to a commerce authority may include the exemption of sales and use taxes on tangible personal property that is made a part of the commerce authority's infrastructure.

Senate Bill 2095 Streamlined Sales & Use Tax Agreement

Adopts the Streamlined Sales and Use Tax Agreement, which is an agreement that was developed by a group of states, including North Dakota, with the support of the National Governors' Association, National Council of State Legislators, businesses, business organizations, trade associations, and representatives from cities and counties around the country. The Agreement's purpose is to reduce the burden and complexity on both Main Street businesses and remote sellers that comply with sales and use tax laws by providing for a cooperative, simplified system for the application and administration of sales and use taxes.

Senate Bill 2096 Streamlined Sales and Use Tax

This is a companion bill to Senate Bill 2095. This bill provides for the changes in the sales and use tax laws that are necessary to bring North Dakota into compliance with the provisions of the Streamlined Sales and Use Tax Agreement.

The bill, which has an effective date after December 31, 2005, amends several provisions of the North Dakota Century Code, to include:

- State-level administration of local sales and use taxes.
- Local sales taxes must have same tax base as state.
- Uniform procedures for providing sellers notice of state and local changes in tax rates, tax bases, and taxing jurisdiction boundaries
- Eliminate multiple tax rates, caps and thresholds, yet continues to allow local taxing jurisdictions the ability to set their own individual tax rates (moves 3% farm machinery and 7% alcohol taxes to a "gross receipts tax")
- Uniform sourcing rules (point of receipt)
- Limited uniform definitions (states continue to define taxability)
- Uniform rules involving sales tax administration, bad debts, and buyer's privacy protections

The effective date for changes reflected by Senate Bill 2096 is after December 31, 2005.

Senate Bill 2337 1% Sales Tax on Hotel, Motel and Tourist Court Accommodations

Imposes an additional 1% sales tax on all hotel, motel and tourist court accommodations except bed and breakfast facilities, with the tax receipts intended to assist with the promotion of the Lewis & Clark Celebration. The additional 1% sales tax applies to during the period of July 1, 2003 through June 30, 2007. ●

SALES TO HOSPITAL AND NURSING HOMES

Retail sales of tangible personal property are exempt from sales tax when the sales are made to hospitals and nursing homes licensed by the State Department of Health. When making purchases at retail, the hospital or nursing home must provide the retailer a copy of the facility's Sales Tax Exemption Certificate issued to it by this office. Facilities, which provide dual services, such as a hospital/clinic, must remit sales tax on those items purchased for the clinic's portion of the facility.

A contractor or subcontractor using tangible personal property in the performance of a contract with a hospital or nursing home is responsible for the payment of sales or use tax on the cost of tangible personal property, with the exception of medical equipment purchased by the hospital or nursing home and then installed by the contractor. This same principle applies to all contracts with government agencies and subdivisions of the government. The contractor or subcontractor installing the materials is responsible for the sales or use tax on the cost of the materials installed. ●

FOOD SUPPLEMENTS AND VITAMINS

The sales tax law specifically states that "food" and "food products" do not include "medicines or preparations in liquid, powdered, granular, tablet, capsule, lozenge and pill form sold as dietary supplements or adjuncts." Therefore, vitamins and other dietary supplements remain subject to sales tax regardless of whether they are made from natural or artificial ingredients. ●

WEBFILE SALES TAX RETURNS

Your sales tax returns can be filed 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 (<http://www.ndtaxdepartment.com>) for a WebFile registration form. ●