



Sales Tax Newsletter

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CITY OF ELGIN IMPOSES LOCAL TAX

Effective April 1, 2000, Elgin will impose a 1 percent city sales and use tax that will be administered by the Office of State Tax Commissioner. The local option tax code for the Elgin city tax is 179.

All sales that are exempt from state sales and use taxes are also exempt from the city's sales and use taxes. In addition, Elgin's city ordinance exempts farm machinery and farm machinery repair parts through March 31, 2002.

Like all other local option sales taxes in North Dakota, Elgin's city ordinance establishes a maximum amount of local tax that may be imposed. The Elgin tax is limited to \$25 per transaction. No compensation is provided to retailers.

The Office of State Tax Commissioner has mailed more detailed information to retailers that have an Elgin address. The total number of local sales taxes in place on April 1, 2000 will be seventy-eight 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 by contacting our office.

WEBFILE – SAVE TIME! SAVE MONEY!

Did you know you can file your sales tax return over the Internet and pay electronically? Our WebFile system will help you save time and money, and if you also pay electronically, the process is totally paper-free. To obtain information and the WebFile application see www.state.nd.us/taxdpt/electronic_filing/sales_tax.html.

REPORTING LOCAL OPTION SALES TAXES

Local option sales taxes are reported on a separate page (Schedule S1-A or S2-A) of the North Dakota sales tax return. Please consider the following tips when completing your sales tax return:

- If you do not have local taxes to report, please discard the Local Option Tax Schedule and return only the completed page with the state tax information. The state portion of the return must always be filed by the due date, even if no sales were made during the period.
- Be sure to write your permit number and tax period on the Local Option Tax Schedule just in case the two pages get separated.
- When reporting both Cass County tax and city tax, each tax must be reported separately. Cass County is listed at the bottom of the Local Option Tax Schedule.
- All local option tax amounts must be reported in *Column B* and on the correct line of the schedule. Please calculate the compensation amounts allowed in *Column C* and report the Net Local Tax Due in *Column D*. If you complete only *Column D* or you report sales rather than local tax due, our processing system will not be able to identify the local tax and you will receive a notice from us.
- Please staple the Local Option Tax Schedule behind the state tax page and in the upper right corner. If you are filing returns for more than one permit, please do not staple multiple returns together.

By following the above tips, it will ensure the processing of your tax return without unnecessary notices being directed to you.

LOCAL OPTION TAXES - BILLING PROCEDURES

If in doubt, retailers will apply the applicable city or county sales or use tax when delivering tangible personal property to a customer having a delivery or mail address that reflects a city or county currently applying city sales or use tax. However, should the customer respond with written confirmation that the delivery or mail address is located outside the city or county limits, the retailer should not collect the city or county local option tax.

All local jurisdictions currently applying a sales and use tax provide a maximum tax amount that can apply on any sales transactions. A sales transaction occurs when the customer is provided a billing, invoice, or other documentation that reflects the cost of the items being purchased.

BUSINESS TAX EDUCATION PROGRAMS

North Dakota/Minnesota Sales Tax Border Issue Classes

Fargo	5/09/2000	9:00a.m. – 12:30p.m.
Grand Forks	5/10/2000	9:00a.m. – 12:30p.m.

The Border Issue Class is presented by representatives from both North Dakota Office of State Tax Commissioner and Minnesota Department of Revenue. (For more information or to register, please call toll-free at 1-800-888-6231.)

FARM MACHINERY REPAIR PARTS

1.5 percent sales tax applies to the sale of all farm machinery repair parts for use in the repair of the farm machinery used exclusively for agricultural purposes. Parts sold to contractors, livestock yards, or others who will not use them exclusively for agricultural purposes are subject to the 5 percent 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, because farm repair parts must be for qualifying farm machinery, they do not include items like tools, lumber, twine, fencing material or storage tanks.

When parts are sold over the counter (instead of installed) the intended use of the parts is not always clear. In these situations, the seller should use some discretion but should generally accept in good faith the customer's word as to what the parts will be used for. When the purchaser intends to use the parts on qualifying farm machinery, 1.5 percent tax applies. If the parts are for non-farm machinery use, then 5 percent tax must be charged.

SALE OF SAND, GRAVEL AND DIRT

Retail Sale

When sand, gravel or dirt is sold to a customer and is simply stockpiled for the customer or loaded on the customer's truck, the sale is regarded as a sale at retail and subject to sales tax based on the total selling price, including any delivery charges. If the sale is for resale, the seller should obtain a completed Certificate of Resale for the seller's records.

If a contractor sells sand, gravel or dirt and "truck-spreads" the product, and completes no other activity in association with the delivery and spreading of the product, the sale will continue to be regarded as a retail sale. However, should the contractor provide additional follow-up activity to the spreading of the product, such as leveling or spreading the product with additional equipment, the sale is no longer regarded as a retail sale but instead is considered to be installed. (See Installations)

Installations

If sand, gravel or dirt is installed into real property, which is accomplished by spreading the product beyond simply "truck spreading," the contractor will be responsible for the payment of sales or use tax based on the purchase price of the product to the contractor.

Dirt: Dirt, which is severed from lands owned by the contractor and installed into real property by the contractor, is not subject to sales or use tax.

Sand or gravel: Sand or gravel, which is severed from lands owned by the contractor and installed into real property by the contractor, is subject to use tax based on a value of 8¢ per ton.

If the contractor purchases the sand, gravel or dirt from another person and then installs the sand, gravel or dirt into real property, the contractor is responsible for sales or use tax based on the purchase price. If the contractor pays a royalty to a landowner, the contractor will have the responsibility to pay the sales or use tax based on per ton, per yard or other value applied to the contractor based on the royalty agreement.

SALES TO HOSPITALS AND NURSING HOMES

Retail sales of tangible personal property to hospitals and nursing homes are exempt from sales tax, provided the items are intended for the use or benefit of its patient or occupant. When making purchases at retail, the hospital or nursing home must provide the retailer with a copy of the facility's Sales Tax Exemption Certificate issued to them 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.

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: sales tax@state.nd.us

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