



Sales Tax Newsletter

News and developments


A publication of the Sales and Special Taxes Division

Rick Clayburgh
Tax Commissioner

WebFile Your Sales Tax Returns

The fastest and easiest way available to file your sales and use tax returns is to file over the Internet using the Tax Department's WebFile. In order to use WebFile, you must first register by completing the *Sales Tax WebFile Application* that can be found on the department's Web site at www.ndtaxdepartment.com. Click on *Sales and Use*, then click on *Electronic Filing*.

The WebFile service is available through our secure Web site; 24 hours a day, 7 days a week.


To learn more about this opportunity to electronically file returns quickly and efficiently, contact our office at (701) 328-3476 or email us at salestax@state.nd.us. 

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Local Sales Tax Rate Changes

Two cities, Michigan and Mott, will increase their sales and use tax rates effective April 1, 2004. Both cities have increased their local sales and use tax rates from 1 to 1½ percent. No other changes were made to the city ordinances. In both cities, the maximum tax that may be applied to a transaction (invoice) will remain at \$25.

The Office of State Tax Commissioner has mailed additional information regarding the city rate changes to all registered sales tax permit holders that have an address in the cities of Michigan or Mott. For a complete listing of local tax rates 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. 

Border State "Sales Tax" Seminars

The North Dakota Tax Department will again participate with the Minnesota and South Dakota Departments of Revenue to present joint sales and use tax seminars. These seminars will include information on the similarities and differences in the states' sales and use tax laws. You are invited to attend these seminars:

North Dakota/South Dakota Sales Tax Issue Workshop

Aberdeen, SD 4/13/2004	9:00 a.m. - 12:00 p.m.	Sales Tax
	1:00 p.m. - 3:00 p.m.	Contractors Tax


To register for this free workshop online, go to www.state.sd.us/revenue or call the South Dakota Department of Revenue toll free at 800-829-9188, or you may contact our office for information at 701-328-3475.



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North Dakota/Minnesota Sales Tax Issue Workshop

Fargo, ND 5/4/2004 9:00 a.m. - 12:30 p.m.

For more information or to register for this free workshop, please call the Minnesota Department of Revenue at 1-651-297-4213, or contact our office at 701-328-3475. 

A drop shipment sale occurs when the consumer orders merchandise or products from an out-of-state retailer.

Drop Shipment

A drop shipment sale occurs when the consumer orders merchandise or products from an out-of-state retailer. The retailer does not have the merchandise or products on hand to fill the consumer's order. The retailer then purchases the merchandise or products from the supplier. The supplier in turn ships the merchandise or products directly to the consumer in North Dakota.

In this third-party drop shipment scenario, the out-of-state supplier (Company A) is making a nontaxable sale for resale to the out-of-state retailer (Company B), and should support this by obtaining a completed certificate of resale form from Company B. If Company B holds a North Dakota sales and use tax permit, they are required to collect North Dakota sales tax on their sale to the consumer (Company C).

If Company B is not registered in North Dakota, Company C will be liable for the North Dakota use tax, which they would pay directly to the State Tax Commissioner. 

Motor Vehicle Rentals

All motor vehicles licensed in this state and intended for use as rental vehicles are subject to the 5% motor vehicle excise tax at the time of registration with the North Dakota Department of Transportation's Motor Vehicle Division.

In addition, a 5% sales tax applies on the charge made for renting any licensed motor vehicle for fewer than thirty (30) days.

The sales tax law also provides for an additional 3% sales tax surcharge on each motor vehicle rental contract for a period of fewer than thirty days on motor vehicles having a gross vehicle weight of ten thousand pounds or less.

The 5% sales tax is to be collected by the rental company and reported on rental company's sales and use tax return. The 3% rental surcharge is to be reported on an annual special surcharge return that is filed with the State Tax Commissioner on or before February fifteenth of the following year.

For additional information regarding tax on motor vehicles or motor vehicle rentals, call our office at (701) 328-3384 or e-mail us at taxinfo@state.nd.us. 

Coupons

When a coupon is issued by a retailer and is used to reduce the sale price of a taxable product, the value of the coupon is regarded as a discount applied against the selling price on which sales tax will apply. For example:

Regular price	\$ 4.50
Credit for coupon	(.50)
Subtotal	\$ 4.00
Sales tax at 5%	.20
Amount due from purchaser	\$ 4.20


If a manufacturer issues coupons entitling the holder to a credit on the purchase of its products from a retailer, and the manufacturer's coupons allow for a reimbursement to the retailer accepting the coupon, the manufacturer's coupon cannot be used to reduce the sale price of the taxable product. For example:

Regular price	\$ 4.50
Sales tax at 5%	<u>.23</u>
Subtotal	\$ 4.73
Credit for coupon	<u>(.50)</u>
Amount due from purchaser	\$ 4.23

Manufacturer's Rebates


Manufacturer's rebates are not cash discounts and may not be used to reduce the taxable gross receipts derived from sales of taxable products. Manufacturer's rebates subject to tax include those paid by the manufacturer directly to the purchaser of taxable goods as well as those assigned by the purchaser to the seller of the goods.

Motor Vehicle Rebates

The 5% motor vehicle excise tax is due at the time the motor vehicle is titled and licensed with the Department of Transportation's Motor Vehicle Division. Where a manufacturer's rebate is paid by the manufacturer directly to the purchaser or assigned to the motor vehicle dealer by the purchaser, the rebate cannot be used to reduce the taxable selling price on which motor vehicle excise tax will apply. 

Manufacturer's rebates are not cash discounts and may not be used to reduce the taxable gross receipts derived from sales of taxable products.

Garden Seeds And Small Plants

The sale of small plants, bulbs, roots, seeds and fertilizer for a householder's personal garden or lawn is subject to sales tax. The term "small plants" may include potted plants, set plants, small young trees, shrubs, herbs, slips, cuttings and small saplings. 


Streamlined Sales Tax Update

As noted in the December 2003 issue of the *Sales Tax Newsletter*, legislation was passed during the 2003 Legislative Session allowing the State of North Dakota to enter into the Streamlined Sales Tax Agreement with other states after December 31, 2005. The streamlined sales tax system that is anticipated to be in place after this date will focus on improving sales and use tax administration systems for both main-street and remote sellers.

Several key features of the Streamlined Sales Tax System include:

- 1. Uniform definitions within a tax base.** Individual state legislatures still decide what is taxable and exempt but states will agree to use the common definitions for key items in the tax base.
- 2. State level tax administration and rate simplification.** States will be responsible for the administration of all state and local sales and use taxes. State and local governments will use common tax bases and accept responsibility for notice of rate and boundary changes.
- 3. Uniform sourcing rules.** States will have uniform sourcing rules for all tangible personal property and services.

4. **Simplified exemption administration.** States will make available a uniform exemption form available in paper and electronic form. Purchasers will be responsible for paying tax, interest and penalties for claiming incorrect exemptions.


It is anticipated that with the legislative changes that will occur after December 31, 2005 the North Dakota sales tax system will reduce the burden of tax compliance for all sellers and for all types of commerce. 

Income Tax Update: Taxpayers May Qualify For Free E-File

The North Dakota Tax Department partnered with Free File Alliance, a consortium of tax software companies, to help taxpayers prepare and electronically file individual income tax returns for free if they meet certain eligibility criteria. The eligibility requirements vary with each software company, and are usually based on factors such as age, military status, adjusted gross income, and so on – in order for the taxpayer to qualify for free e-file.


Taxpayers can find an online tax preparation company that offers free e-file for their federal and North Dakota income tax return by visiting our Web site.

Taxpayers who do not qualify for the free electronic filing are able to e-file using Internet services offered by tax preparation companies, by purchasing commercial tax software, and through their tax preparer. Taxpayers who do not have a computer are encouraged to visit a local library that has Internet access.

For more information about free electronic filing visit the Office of State Tax Commissioner's Web site at www.ndtaxdepartment.com. 

Taxpayer Assistance

If you have questions regarding sales tax or questions regarding correspondence received from our office, the following information will be helpful in ensuring that your call or visit to our office is completed in a speedy and efficient manner:

- If you have general sales tax questions, please call our Sales Tax Compliance Section at (701) 328-3470.
- If calling our office in regards to correspondence you have received, please call the number that is listed on the correspondence, and have a copy of the correspondence available when you call.
- When calling our office, please note the name of the person assisting with your question in the event you will have any follow-up questions later.
- Instead of calling or visiting our office, you may also e-mail us at salestax@state.nd.us. 



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