



# Sales Tax Newsletter

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## EDINBURG IMPOSES LOCAL TAX

Effective April 1, 1999, Edinburg will impose a 1 percent city sales and use tax that will be administered by the Office of State Tax Commissioner. The total number of cities imposing a sales or use tax on April 1, 1999 will be seventy-five. Edinburg will be identified by city code 176 on the Local Option schedule of the sales and use tax return.

All sales that are exempt from state sales and use taxes are also exempt from the Edinburg local tax. In addition, the city of Edinburg will exempt sales of farm machinery and farm machinery repair parts.

The maximum city tax that may be imposed on a single transaction is \$25. The Edinburg ordinance does not provide compensation to retailers.

The Office of State Tax Commissioner is mailing more detailed information to retailers that have an Edinburg address. Retailers with questions concerning the new city taxes may contact the Sales Tax Compliance Section for assistance.

## DUE DATE REMINDER!

If you file S2 (blue) monthly sales tax returns, please note that your May monthly sales tax return must be filed earlier than normal this year.

The sales tax laws change the May monthly S2 sales tax return due date on odd numbered years from June 30 to June 22. This means the due date of the May 1999 S2 sales tax returns is June 22, 1999. Please mark this early due date on your calendars. The due date of May monthly S1 (yellow) sales tax returns remains June 30.

The early due date assists in closing the state's books for the biennial budget period. Thank you for your cooperation.

## LOCAL OPTION SALES AND USE TAX SCHEDULE

Beginning in October 1998, our sales and use tax return expanded to two pages to accommodate the growing number of cities that impose local taxes. The second page is Schedule S1-A if filed with an S1 (yellow) return and Schedule S2-A if filed with an S2 (blue) return. The transition from one page to two page returns has gone fairly smoothly so far and we thank you for your efforts. The following are a few reminders about the city sales and use tax schedules:

- Be sure to complete the schedule heading with the reporting period and your sales tax permit number. If the schedule gets separated from the first page of the return, this heading is the only way we can match the two pages back together again.
- Please staple the two pages together in the upper right corner of the return with the city tax schedule in the back.
- Make sure the city tax schedule includes only tax amounts. Do not report sales amounts.
- Identify which city the local tax applies to by reporting it on the appropriate city line (even if you have only one city to report).
- The city tax amount must be reported in both Column B (Total City Tax) and Column D (Net City Tax Due). If you report the tax due in Column D only, our processing system will detect an error and send you a notice.
- If you do not have local taxes to report, please do not return the Schedule - just send the first page with the state tax information.

Your assistance will help both of us by reducing our processing time and eliminating unnecessary notices to you. Thank you.

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## **EXTENDED WARRANTY OR MAINTENANCE CONTRACT**

When an extended warranty or maintenance contract is sold to a customer in conjunction with the sale of tangible personal property, including a motor vehicle, no sales or use tax will apply to the separately stated charge for the extended warranty or maintenance contract. However, the seller of the extended warranty or maintenance contract is responsible for the payment of sales or use tax upon the cost of the parts used to repair the tangible personal property. In those instances where an extended warranty or maintenance company is billed by the repairer for the repairs completed under the extended warranty or maintenance contract, the repairer does have the option of billing sales tax on the separately stated charges for the repair parts like other repair billings. If the repairer does not itemize the repair parts from the repair labor, the repairer is responsible for the payment of sales or use tax based upon the cost of the repair parts.

Any charge passed onto the customer for service or parts is subject to sales tax only to the extent such charge is actually for parts and not for service or labor charges. When a charge is made for a "deductible," which the customer is obligated to pay under the extended warranty or maintenance contract, the deductible is first applied to the nontaxable service or labor charges. Should the deductible amount paid by the customer exceed the nontaxable service or labor charges, the remaining amount allocable to parts is subject to sales tax.

If the extended warranty or maintenance agreement is mandatory, the agreement is required as a condition of the sale, the charge for the maintenance agreement is regarded part of the sale and is subject to sales tax.

### **Computer Software Maintenance Agreements**

The sale or lease of prewritten or "canned" computer software is subject to sales tax. A maintenance agreement offered to the purchaser at the time prewritten or canned software is sold or leased is also generally subject to sales tax. The maintenance agreement will generally entitle the purchaser of the software to receive prewritten program improvements, commonly referred to as updates, when the improvements become available. In addition, the purchaser may receive certain services, such as telephone or on-site consultation.

If the maintenance agreement is mandatory, the agreement is required as a condition of the sale or rental of the prewritten software, the charge for the maintenance agreement is regarded part of the sale or rental and is subject to sales tax.

If the maintenance agreement is optional, only that portion of the maintenance fee charged for the prewritten program improvements or updates is subject to sales tax provided the charges for consulting are separately stated. If the consulting charges are not separately stated, the entire charge for the maintenance agreement is subject to sales tax.

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## **GARDEN SEEDS AND 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" include potted plants, set plants, small young trees, shrubs, herbs, slips, cuttings and small saplings.

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## **BUSINESS TAX EDUCATION PROGRAMS**

The Office of State Tax Commissioner is again cooperating in education partnerships to provide workshops at minimum or no cost, which provide opportunities to business owners and employees to receive tax information. These programs include information on identifying taxable transactions, handling specific tax transactions and responsibility for collecting and reporting state and local sales and use taxes.

### **North Dakota/Minnesota Sales Tax Border Issue Classes**

Fargo	4/20/99	9:00a.m. - 12:30p.m.
Grand Forks	4/21/99	9:00a.m. - 12:30p.m.
Minneapolis/St. Paul	8/19/99	9:00a.m. - 12:30p.m.

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

### **Need Assistance?**

Please direct sales tax questions or concerns to:

Office of State Tax Commissioner  
Sales Tax Compliance  
600 E. Boulevard Ave.  
Bismarck, ND 58505-0599  
Phone: (701)328-3470  
Toll free within state: 1-800-638-2901, option 4  
Fax: (701)328-3700  
E-mail: [mmail.mv472@ranch.state.nd.us](mailto:mmail.mv472@ranch.state.nd.us)  
Website: <http://www.state.nd.us/taxdpt>