



Sales Tax Newsletter

September 2000
Volume 27
No. 3

In This Issue . . .

- Contact Us**
- Five Cities Impose Local Sales And Use Tax**
- Cass County Sales Tax**
- Barter**
- 2000 Business Tax Education Workshops**
- Are Churches Subject To Sales Tax?**
- Filing Sales Tax Returns Over The Internet**
- Sales Tax Return Preparation**

CONTACT US

If you have a computer and Internet service, visit our site at www.state.nd.us/taxdpt/. In addition to the tax information provided, we also provide you an opportunity to e-mail any questions or comments you might have by clicking on the **Feedback** button located on the bottom of our homepage.

FIVE CITIES IMPOSE LOCAL SALES AND USE TAXES

Effective October 1, 2000, Hazelton, Lidgerwood, Turtle Lake, Washburn, and Wilton will each impose a 1 percent city sales and use tax. The Office of State Tax Commissioner administers all local sales and use taxes within the state including the five new taxes imposed October 1. The local option tax codes for the new taxes will be Hazelton – 180, Lidgerwood – 181, Turtle Lake – 182, Washburn – 183, and Wilton – 184.

All sales that are exempt from state sales and use taxes are also exempt from local taxes. In addition, the new local ordinances provide for exemptions on the following: Hazelton – natural gas and gross receipts from coin-operated amusement devices; Turtle Lake – farm machinery, farm machinery repair parts, farm irrigation equipment, natural gas, and gross receipts from coin-operated amusement devices; Washburn – natural gas; and Wilton – natural gas. The Lidgerwood ordinance does not provide for any exemptions in addition to those allowed by state law. All five cities limit the tax to \$25 per transaction. Each invoice is a transaction for purposes of the local tax maximum.

Three of the five city ordinances provide compensation to retailers collecting local sales and use taxes. Washburn and Wilton allow 3 percent compensation up to \$83.33/month or \$250.00/quarter. Hazelton allows 3 percent compensation up to \$50.00/month or \$150/quarter. Lidgerwood and Turtle Lake do not provide for compensation.

The Office of State Tax Commissioner has mailed more detailed information to retailers located within the five cities. The total number of local sales taxes in place on October 1, 2000 will be eighty-three 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 through the mail by contacting our office.

CASS COUNTY SALES TAX – REMINDER

The Cass County tax is a sales tax only (no use tax)! Therefore, only retailers located within Cass County or businesses having tangible personal property being leased or rented within Cass County are required to collect the ½% county sales tax. Retailers located outside of Cass County, despite the periodic presence of sales people, delivery equipment, or repair staff inside Cass County, may not collect the county sales tax.

To report the Cass County sales tax, retailers must use the *Local Option Sales and Use Tax* reporting schedule (Schedule S1-A or S2-A). Cass County is located on this schedule after the listing of cities.

BARTER

Is sales or use tax due when a business provides goods or services in exchange for goods or services that it wants to receive?

“Sale” or “purchase” as defined by the sales and use tax law includes “barter.” The goods or services that are given in exchange for the goods or services received constitute a consideration and is commonly referred to as a barter transaction. The two parties in the barter transaction function as both a buyer and seller, and each may have a responsibility for tax depending on the goods or services exchanged.

For example, a clothing store and a lawyer may enter into a barter transaction in which the store provides the lawyer with clothing worth \$200 in exchange for the lawyer's legal services valued at \$200. The legal services received by the clothing store are not subject to sales tax, as these represent nontaxable service charges. On the other hand, the clothing, valued at \$200, is subject to sales tax. The clothing store has a responsibility to charge sales tax to the lawyer for the clothing.

2000 BUSINESS TAX EDUCATION WORKSHOPS

The Office of State Tax Commissioner is continuing to cooperate 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 Workshops

Fargo	10/24/2000	9:00a.m.-12:30p.m.
Grand Forks	10/25/2000	9:00a.m.-12:30p.m.

The Border Issue Workshop 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.)

Small Business Development Center (SBDC) Classes

(Class Times: 8:00a.m.-4:30p.m.)

Mandan	10/17/2000	Best Western Seven Seas 2611 Old Red Trail
Dickinson	10/18/2000	Travelodge Hotel 532 15 th Street W.
Williston	10/19/2000	Williston Community Library 1302 Davidson Dr.
Jamestown	11/14/2000	Dakota Inn Hwy. 281 S. & I-94
Fargo	11/15/2000	Skills & Technology Center 1305 19 th Avenue N.
Grand Forks	11/16/2000	Bremer Bank 3100 S Columbia Rd.
Minot	12/5/2000	Ramada Inn – Airport 2315 N. Broadway
Devils Lake	12/6/2000	Lake Region State College 1801 College Dr. N.
Grafton	12/7/2000	Walsh County Courthouse 600 Cooper Ave.

(For more information or to register, please call the SBDC office, toll-free at 1-800-445-7232.)

Please note that the next set of scheduled SBDC classes will not begin until the fall of 2001.

ARE CHURCHES SUBJECT TO SALES TAX?

Yes! North Dakota sales tax law does not provide an exemption to churches or other nonprofit religious organizations on purchases of tangible personal property or taxable services. However, churches and other nonprofit religious organizations are exempt on purchases of Bibles, hymnals, textbooks, and prayer books.

DID YOU KNOW THAT YOU CAN FILE YOUR SALES TAX RETURNS OVER THE INTERNET?

If you have a computer and have Internet service, you can electronically file your sales tax returns over the Internet. In addition, you have the option of making payment of the *WebFiled* sales tax returns by ACH Credit, ACH Debit, or check. The WebFile system completes all the calculations necessary to help make filing your return fast, easy, and accurate.

For more information, contact Jeremy Woeste toll-free at 1-800-638-2901, option 4 or e-mail jwoeste@state.nd.us.

SALES TAX RETURN PREPARATION

We continue to experience some problems with tax preparers submitting photocopied sales tax returns for the taxpayer instead of using the original sales tax report directed to the taxpayer by this office. Often, the tax preparers will photocopy a sales tax return from a prior period or from another taxpayer's return, then make changes to the photocopied return to reflect the taxpayer's name. In these instances, returns often reflect an incorrect sales tax permit number or reporting period.

These errors can result in posting the information to an incorrect account, rejection of the photocopied tax return, or a delay in processing the return as a result of the time and effort necessary to correct the return.

It is recommended that in those instances where the original tax return can not be located, an informal filing be made by cover letter directed to this office to ensure the filing of the tax information by the due date. The letter should identify the taxpayer's sales tax permit number, correct mailing address, the tax period, the calculation of state and local sales and use taxes, and payment for any tax due.

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: www.state.nd.us/taxdpt