



# Sales Tax Newsletter

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**NEED ASSISTANCE?**

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## 2002 BUSINESS TAX EDUCATION WORKSHOPS

The Office of State Tax Commissioner, in cooperation with other agencies, is offering the following tax information seminars:

### Taxation Workshop (Small Business Development Center)

(All class times: 8:00a.m. – 4:30p.m.)

Grand Forks	10/16/02	Bremer Bank 3100 South Columbia Rd.
Devils Lake	10/17/02	Lake Region State College 1801 College Dr. N. Chautauqua Gallery
Bismarck	10/22/02	Bismarck State College Student Union/Prairie Rm. 1500 Edwards Ave.
Dickinson	10/23/02	Dickinson St. University – North Campus 1679 6 <sup>th</sup> Ave. W. Rm. 101
Williston	10/24/02	Williston Community Library 1302 Davidson Dr.
West Fargo	11/5/02	VFW 308 Sheyenne St.
Jamestown	11/6/02	Dakota Inn Hwy 281 South & I-94
Minot	11/13/02	Holiday Inn 2200 Burdick Expy. E.
Grafton	11/14/02	Marketplace on Eighth 43 E. 8 <sup>th</sup> St.

To register, please call toll-free at 1-800-445-7232.

### North Dakota/Minnesota Sales Tax Border Issues Workshop

Fargo 10/15/02 9:00a.m. – 12:30p.m.

To register, please call 1-651-297-4213 (Minnesota Department of Revenue). 🌱

## NEW OR INCREASED LOCAL TAXES

The following new local taxes will go into effect October 1, 2002: 1 percent sales and use tax in the cities of Carson, Grenora, New England and Tower City; and, 1½ percent sales and use tax in the city of Maddock. In addition, the city of Milnor (local code 169) has increased its rate from 1 to 1½ percent effective October 1. The Office of State Tax Commissioner administers all local sales and use taxes within the state. The local codes for the new taxes are Carson 191, Grenora 192, Maddock 193, New England 194, and Tower City 195.

All transactions exempt from North Dakota sales tax will also be exempt from the new local taxes. In addition, Grenora will exempt sales of natural gas and Tower City will exempt sales of natural gas and new farm machinery. The ordinances for the other three new taxes do not provide for any exemptions in addition to those allowed by state law.

All of the above cities, including Milnor, limit the tax to \$25 per transaction. Each invoice is a transaction for purposes of the local tax maximum. None of the new local ordinances provide for compensation to retailers collecting and remitting the local sales and use tax. The total number of local taxes imposed in North Dakota effective October 1, 2002 is ninety-four cities and two counties.

The Office of State Tax Commissioner has mailed additional information to retailers located in the cities imposing the new or increased taxes. For a complete listing of local taxes imposed in North Dakota, see the *Local Option Taxes By Location* guideline on our web site. 🌱

## SALES TAX RETURNS ARE “IN THE MAIL”

Each reporting period, we receive inquiries from permit holders asking when the sales tax forms will be mailed from our office. The Tax Commissioner’s Office mails sales tax returns to monthly filers on the last day of each month. Sales tax returns for all other periods are mailed within the last week of the reporting period. The return filing due date is the last day of the month following the reporting period. Returns postmarked **by the US Post Office** on or before the due date are filed timely. 🌱

## SALES OF COUPON BOOKS

The North Dakota Supreme Court recently ruled that gross receipts from the sale of coupon books are not subject to sales tax. Based on this determination, sales of coupon books or other certificates, which entitle the holder to a discount or other price advantage on the purchase of goods, are not subject to sales tax. 🌱

## USE TAX

Line 17 on the sales and use tax return is entitled “*Items subject to use tax.*” The instructions for this line indicate a permit holder must enter the total purchase price of tangible personal property on which sales tax has not been previously paid.

Use tax applies when state or local sales tax has not been charged when purchasing tangible personal property for your business or personal use. Purchases, including credit card purchases, that would be subject to use tax if sales tax has not been paid previously include office equipment, office supplies, computers, software, tools, equipment, cleaning supplies, retail inventory items removed for the retailer’s own use, and items purchased for personal use.

Sales of professional services generally are not subject to sales tax, but the materials and supplies used in rendering these services are subject to sales tax when purchased by the service provider. If sales tax is not paid at the time of purchase, the service provider has a responsibility to report and pay the use tax. 🌱

## PRODUCTS SUBJECT TO SALES TAX

- Magazines sold at newsstands and over-the-counter (retail stores). The sales of magazine subscriptions are exempt from sales tax.
- Goods sold to American Indians or to an Indian tribe where delivery of the goods to the customer occurs off the Indian reservation.
- Cigarettes and tobacco products.
- Goods sold to churches. However, the sale of Bibles, hymnals, textbooks and prayer books sold to churches or nonprofit religious organizations are exempt from sales tax.

- Prewritten (canned) computer programs, program updates, and charges for mandatory maintenance contracts or agreements sold in connection with sale or lease of prewritten computer programs.
- Parts, tires, accessories or other items sold to interstate truckers taking delivery of these items in North Dakota.
- Goods sold to nonprofit organizations for their own use. 🌱

## COMMUNICATION SERVICES

The gross receipts from the sale of communication services provided in this state are subject to sales tax. Taxable communication services include computer services that allow a subscriber the means of communicating by computer or electronically with others, such as those provided by Internet access services or other interactive services.

The sales of electronically transmitted information services are not generally subject to sales tax. Electronically transmitted information services include information that is gathered, maintained, or compiled and made available by the provider of the information service. The term does not include communication service, necessary to convey the information.

In instances where the charges to the subscriber of the electronically transmitted information include charges for communication services, the total charges are subject to sales tax. 🌱

## FARM MACHINERY REMINDER

The sale, lease or rental of *used* farm machinery and all farm machinery repair parts used exclusively for agricultural purposes are exempt from sales and local sales taxes. *New* farm machinery and new attachments continue to be taxed at the 3 percent state sales tax rate plus applicable local sales taxes.

To be regarded as used farm machinery, the machinery must meet one of the following:

- was subject to North Dakota sales tax on a previous sale;
- was originally purchased outside this state and previously owned by a farmer; or
- has been under lease or rental for three or more years.

Farm machinery repair parts include any durable goods (except tires) used to repair qualifying farm machinery. Durable goods do not include fluids, gases, oils, greases, lubricants, paints, and waxes. All farm supplies, ranch supplies, and farm machinery accessories remain subject to the 5 percent sales tax rate, including such items as tools, lumber, twine, fencing materials, storage tanks, and grain storage bins.