



Sales Tax Newsletter

News and developments

A publication of the Sales and Special Taxes Division

Cory Fong
Tax Commissioner

NEW LOCAL TAXES

The City of **Underwood** imposed a 1½ percent local sales, use and gross receipts tax effective October 1, 2006. All sales within the city limits of Underwood that are subject to North Dakota’s sales, use and gross receipts tax will also be subject to Underwood’s local tax except for new farm machinery. New farm machinery is exempt from Underwood’s local tax. The Underwood local tax will be reported as local code 211 on the local option schedule of the North Dakota Sales and Use tax return. The city ordinance does not provide for permit holder compensation and does not include a maximum tax refund provision.

Williams County imposed a ½ percent sales and use tax effective October 1, 2006. All sales within Williams County that are subject to North Dakota’s sales, use and gross receipts tax will also be subject to Williams County sales and use tax, except for the following: alcoholic beverages, new farm machinery, new farm irrigation equipment, gross receipts from coin-operated vending sales of 99 cents or less, and gross receipts from coin-operated amusement machines, which are exempt from Williams County sales and use tax. The Williams County local tax will be reported as local code 504 on the local option

schedule of the sales and use tax return. The Williams County tax is in addition to state and city sales, use and gross receipts taxes. The county ordinance does not provide for permit holder compensation. The ordinance has a maximum tax (refund cap) of \$12.50 per transaction. ☺

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LOCAL TAX RATE INCREASES

The cities of **Edgeley, Garrison, Linton** and **Northwood** have increased their local sales, use, and gross receipts taxes effective October 1, 2006. The following identifies the rate increases and other changes made to each local tax:

Edgeley

- Increased sales, use and gross receipts tax rate to 2%.
- Removed maximum tax (refund cap).

Garrison

- Increased sales, use and gross receipts tax to 2%.
- Increased maximum tax (refund cap) to \$50.00 per transaction.



Office of
State Tax Commissioner
600 E Blvd Ave, Dept 127
Bismarck ND 58505-0599
701.328.3470
www.nd.gov/tax
salestax@nd.gov
www.nd.gov

These seminars will include information on the similarities and differences in the states' sales and use tax laws.

Linton

- Increased sales, use and gross receipts tax to 2%.
- Removed maximum tax (refund cap).

Northwood

- Increased sales, use and gross receipts tax to 1½ %.
- Removed exemption for gross receipts from coin-operated amusement.
- Removed maximum tax (refund cap).

More detailed information has been mailed to retailers located in Williams County and all the cities that changed their local tax rate. For additional information on all local taxes within North Dakota, please refer to our *Local Option Taxes by Location* guideline available on our web site. 

TAX SEMINARS AND WORKSHOP INFORMATION

The Office of State Tax Commissioner 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. There is no charge to attend these seminars.

To register for the North Dakota/South Dakota workshop, 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.

North Dakota/South Dakota Sales Tax Issue Workshop

Fargo, ND October 17, 2006

Sales Tax 8:30 am – 12:00 pm; Contractors Tax 1:00 pm – 3:00 pm

Meeting site: West Acres Mall, Fargo, ND – basement meeting room

To register for the North Dakota/Minnesota workshops, call the Minnesota Department of Revenue at 651.297.4213 or you may contact our office for information at 701.328.3475.

North Dakota/Minnesota Sales Tax Issue Workshop

Fargo, ND October 18, 2006

Sales & Use Tax 9:00 am – 12:30 pm

Meeting site: West Acres Mall, Fargo, ND – basement meeting room

North Dakota/Minnesota Sales Tax Issue Workshop

Grand Forks, ND October 19, 2006

Sales & Use Tax 8:30 am – 12:00 pm

Meeting site: Grand Forks Job Service Office – Great Plains Room 

MOBILE TELECOMMUNICATION SERVICE

A mobile telecommunications company that provides communication services to retail consumers shall use the location of the customer's "place of primary use" for the purpose of determining whether tax is due on services charged to the customer. "Place of primary use" means the residential street address or the primary business street address of the customer, which must be within the licensed service area of the home service provider.

All charges for mobile telecommunications services that originate and terminate in this state will be assessed using the state and local tax rates of the customer's place of primary use.

A telecommunications provider, who provides bundled services to its customer for a single non-itemized price, must charge tax on the total cost of the bundled transaction unless the provider can reasonably identify the non-taxable portion from its books and records kept in the regular course of business. 

LOCAL TAX REFUNDS

Since October 1, 2005, local sales tax "caps" no longer apply when you collect city and county sales, use, and gross receipts taxes on sales transactions. Retailers instead collect tax on the full amount of the taxable transactions within each local taxing jurisdiction.

The customer may apply to the Tax Commissioner for a refund of local tax paid in excess of the cap for these sales transactions. To request the refund, your customer should complete and submit a *Claim for Refund of City or County Sales and Use Tax Transmittal* form along with copies of the invoices to the Tax Commissioner. A copy of the claim form can be obtained from the Office of State Tax Commissioner, Sales & Withholding Tax Section by calling 701.328.3470, or by e-mailing to salestax@nd.gov. Forms are also available on our web site.

Businesses holding active sales and use tax permits that qualify for a local tax refund on purchases for their own use may take a credit on their sales and use tax return rather than submit a refund request. Credit is taken on the return by deducting the eligible amount from the appropriate city tax in Column C of the local option tax section of the return.

The Claim for Refund form must be received by the Office of State Tax Commissioner within three years of the actual purchase date identified on the purchase invoice. This means a customer that made a purchase on October 15, 2005 and that qualifies for a local tax refund has until October 14, 2008 to provide a completed Claim for Refund to the State Tax Commissioner. Requests that are not received within three years of the purchase date will not qualify for a refund. Retailers taking a local option tax credit in lieu of a refund must also apply the credit within three years of the purchase.

As of October 1, 2006, North Dakota has 210 cities and three counties that impose sales and use taxes. To insure you are applying city or county sales and use taxes correctly for each of these taxing jurisdictions, we have prepared a special guideline entitled *Local Option Taxes by Location*. This guideline details the cities and counties currently imposing taxes, and provides other information that is unique to each jurisdiction. This guideline is available at www.nd.gov/tax. Select Sales and Use, then Publications, and click on the Local Option Taxes by Location link. 

FILE YOUR SALES TAX AND INCOME TAX WITHHOLDING RETURNS OVER THE INTERNET

For a number of years, the Office of State Tax Commissioner has offered an Internet based system for filing and paying sales and use tax returns. A similar system, Withholding WebFile, is now available for employers to file their income tax withholding returns. Both systems are available 24 hours a day and 7 days a week. For information about Withholding WebFile, log onto the Tax Commissioner's web site, click on Income Tax Withholding, and then select

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Water products that contain natural or artificial sweeteners are considered soft drinks.

Electronic Filing. For information about sales tax WebFile, select Sales and Use and then Electronic Filing. The web site contains guidelines that explain all the available electronic filing and payment options as well as detailed instructions on how to get started.

If you have questions regarding the use of this safe and secure method of filing your tax returns, please contact our office for further information by calling 701.328.3470 or e-mail us at salestax@nd.gov. 

BOTTLED WATER

We continue to get questions regarding the taxability of bottled drinking water. There are many types and sizes of water products available in the retail marketplace. Bottled drinking water (including mineral, carbonated and distilled) is an exempt food product regardless of the container size as long as the product does not contain natural or artificial sweeteners. (Prior to October 1, 2005, water in a container of less than one gallon was subject to tax.) Ice is also an exempt food product.

Water products that contain natural or artificial sweeteners are considered soft drinks. All soft drinks are subject to state and local sales taxes. Soft drinks are nonalcoholic beverages that contain natural or artificial sweeteners, contain 50 percent or less fruit or vegetable juice, and do not contain milk or milk products, soy, rice, or similar milk substitutes. 

TAXPAYER ASSISTANCE

If you have questions regarding sales tax or about 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:

- For Streamlined Sales and Use Tax information and updates on our web site www.nd.gov/tax, click on **Sales and Use**, then click on **Streamlined Sales & Use** on the drop down list. The information includes up-to-date rate and boundary tables.
- If you have general sales tax questions, please call our Sales and Withholding Tax Compliance Section at 701.328.3470.
- If calling our office about 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@nd.gov. 

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Office of
State Tax Commissioner
600 E Blvd Ave, Dept 127
Bismarck ND 58505-0599
701.328.3470
www.nd.gov/tax
salestax@nd.gov
www.nd.gov