

Fifty-ninth  
Legislative Assembly  
of North Dakota

**SENATE BILL NO. 2327**

Introduced by

Senators Schobinger, Grindberg, Syverson, Tollefson

Representatives Iverson, Ruby

1 A BILL for an Act to create and enact section 57-01-19 and chapters 57-64, 57-65, 57-66,  
2 57-67, and 57-68 of the North Dakota Century Code, relating to tax liens and imposition of sales  
3 and use taxes and gross receipts taxes; to amend and reenact subsection 5 of section 5-01-16,  
4 subsection 3 of section 5-01-17, subsection 1 of section 6-09.8-01, section 10-33-93,  
5 subsection 2 of section 11-09.1-05, subsection 5 of section 11-37-08, subsection 1 of section  
6 12.1-32-09, section 20.1-13-21, subsection 3 of section 25-04-16, sections 27-17-06 and  
7 37-27-06, subsection 16 of section 40-05.1-06, sections 40-57.3-01 and 40-57.3-04,  
8 subsection 8 of section 40-63-01, sections 40-63-04, 40-63-06, 40-63-07, and 47-21-08.1,  
9 subsection 1 of section 50-06.3-06, section 51-04-08, subsection 2 of section 52-06-30,  
10 sections 54-09-09, 54-17.2-23, and 57-01-13, subsections 15 and 27 of section 57-02-08,  
11 sections 57-32-01.1 and 57-34-04.5, subsection 2 of section 57-35.3-01, sections 57-35.3-02,  
12 57-35.3-06, 57-35.3-11, and 57-35.3-12, subsection 1 of section 57-35.3-13, subsection 14 of  
13 section 57-35.3-15, subsection 5 of section 57-40.3-01, section 57-40.3-02, subsection 6 of  
14 section 57-40.3-04, sections 57-40.3-11 and 57-40.5-03, subsection 3 of section 57-63-10, and  
15 section 65-04-26 of the North Dakota Century Code, relating to revisions to references to state  
16 sales and use taxes and state individual and corporate income taxes; to repeal chapter 10-30.1,  
17 sections 10-33-124 and 40-63-09, chapters 52-02.1, 57-38, 57-38.1, 57-38.3, 57-38.4, 57-38.5,  
18 57-38.6, 57-39.2, 57-39.3, 57-39.5, 57-39.6, and 57-40.2, and section 57-59-02 of the North  
19 Dakota Century Code, relating to elimination of state individual and corporate income taxes and  
20 replacement of statutory provisions relating to imposition of sales and use taxes; to provide  
21 penalties; and to provide a contingent effective date.

22 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

23 **SECTION 1. AMENDMENT.** Subsection 5 of section 5-01-16 of the North Dakota  
24 Century Code is amended and reenacted as follows:

5. This section does not apply to a transaction in which an individual twenty-one years of age or older who imports or transports into this state 2.38 gallons [9 liters] or less of liquor or two hundred eighty-eight fluid ounces [8517.18 milliliters] or less of beer per month for personal use and not for resale from a person holding a valid manufacturer's or retailer's license issued by the state of its domicile. Every package of alcoholic beverages shipped directly to an individual in this state must be labeled with conspicuous words "SIGNATURE OF PERSON AGE 21 OR OLDER REQUIRED FOR DELIVERY". A shipper shall obtain the signature of an individual twenty-one years of age or older before delivering any alcoholic beverages shipped directly to an individual in this state. A manufacturer or retailer selling or shipping alcoholic beverages under this subsection shall obtain a direct shipping permit from the state tax commissioner and pay an annual fee of fifty dollars within thirty days of making the first shipment. A direct shipper shall pay the wholesaler and retailer taxes to the state tax commissioner on all alcoholic beverages sold to residents in this state at the rates set forth in sections 5-03-07 and ~~57-39.2-03.2~~ 57-64-02. A direct shipper shall file reports with the state tax commissioner showing for each shipment, the quantity sold, the date shipped, and the amount of tax due the state. A direct shipper is subject to section 5-03-06. The state tax commissioner may initiate and maintain an action in a court of competent jurisdiction to enjoin a violation of this subsection and may request award of all costs and attorney's fees incurred by the state incidental to that action. Upon determination by the state tax commissioner that an illegal sale or shipment of alcoholic beverages has been made to a consumer in this state by either a manufacturer or retailer of alcoholic beverages, the state tax commissioner may notify both the bureau of alcohol, tobacco, firearms and explosives of the United States department of the treasury and the licensing authority for the state in which the manufacturer or retailer is domiciled that a state law pertaining to the regulation of alcoholic beverages has been violated and may request those agencies to take appropriate action.

**SECTION 2. AMENDMENT.** Subsection 3 of section 5-01-17 of the North Dakota Century Code is amended and reenacted as follows:

3. A domestic winery shall pay to the state the wholesaler taxes and the sales taxes on all wines sold at retail by the licensee as set forth in sections 5-03-07 and ~~57-39.2-03.2~~ 57-64-02.

**SECTION 3. AMENDMENT.** Subsection 1 of section 6-09.8-01 of the North Dakota Century Code is amended and reenacted as follows:

1. "Beginning farmer" means a person who ~~qualifies as a beginning farmer under subsection 2 of section 57-38-67.~~ is:
- a. A resident of this state;
  - b. Receiving more than half of that person's gross annual income from farming, except for the year the person initially commences farming;
  - c. Intending to use any farmland to be purchased or rented for agricultural purposes;
  - d. Except for tax-exempt transactions entered into prior to July 1, 1985, having adequate training by education in the type of farming operation which the person wishes to begin on the purchased or rented land referred to in subdivision c through satisfactory participation in the adult farm management education program of the state board for career and technical education or an equivalent program approved by the agriculture commissioner; and
  - e. Having, including the net worth of any dependents and spouse, a net worth of less than one hundred thousand dollars, not including the value of their equity in their principal residence, the value of one personal or family motor vehicle, and the value of their household goods, including furniture, appliances, musical instruments, clothing, and other personal belongings.

**SECTION 4. AMENDMENT.** Section 10-33-93 of the North Dakota Century Code is amended and reenacted as follows:

**10-33-93. Merger of corporation conducting activities as a hospital with a corporation organized for profit - Retention of property tax status.** Notwithstanding any provision of chapter 10-19.1 and this chapter, a corporation conducting activities as a hospital may merge with a corporation incorporated for profit and form a corporation incorporated under this chapter.

- 1           1.   Notwithstanding chapter 57-02 or any other provision of law, any interest in
- 2                   property of corporations merging under this section retains the same property tax
- 3                   status after the merger as it had in the taxable year before the merger.
- 4           2.   Notwithstanding chapter ~~57-39.2~~ 57-64 or ~~57-40.2~~ 57-67 or any other provision of
- 5                   law, the sale, purchase, or use of any property by a corporation merging under this
- 6                   section retains the same status under the sales and use tax laws after the merger
- 7                   as it would have had before the merger.

8           **SECTION 5. AMENDMENT.** Subsection 2 of section 11-09.1-05 of the North Dakota  
9 Century Code as effective after December 31, 2005, is amended and reenacted as follows:

- 10          2.   Control its finances and fiscal affairs; appropriate money for its purposes, and
- 11                   make payments of its debts and expenses; subject to the limitations of this section
- 12                   levy and collect property taxes, sales and use taxes, motor vehicle fuels and
- 13                   special fuels taxes, motor vehicle registration fees, and special assessments for
- 14                   benefits conferred, for its public and proprietary functions, activities, operations,
- 15                   undertakings, and improvements; contract debts, borrow money, issue bonds,
- 16                   warrants, and other evidences of indebtedness; establish charges for any county or
- 17                   other services to the extent authorized by state law, and establish debt and mill
- 18                   levy limitations; provided, that all property in order to be subject to the assessment
- 19                   provisions of this subsection must be assessed in a uniform manner as prescribed
- 20                   by the state board of equalization and the state supervisor of assessments. A
- 21                   charter or ordinance or act of a governing body of a home rule county may not
- 22                   supersede any state law that determines what property or acts are subject to, or
- 23                   exempt from, ad valorem taxes. A charter or ordinance or act of the governing
- 24                   body of a home rule county may not supersede section 11-11-55.1 relating to the
- 25                   sixty percent petition requirement for improvements and of section 40-22-18
- 26                   relating to the barring proceeding for improvement projects. After December 31,
- 27                   2005, sales and use taxes levied under this chapter:
- 28           a.   Must conform in all respects with regard to the taxable or exempt status of
- 29                   items under chapters ~~57-39.2~~ 57-64 and ~~57-40.2~~ 57-67 and may not be
- 30                   imposed at multiple rates with the exception of sales of electricity, piped
- 31                   natural or artificial gas, or other heating fuels delivered by the seller or the

1 retail sale or transfer of motor vehicles, aircraft, watercraft, modular homes,  
2 manufactured homes, or mobile homes.

3 b. May not be newly imposed or changed except to be effective on the first day  
4 of a calendar quarterly period after a minimum of ninety days notice to the tax  
5 commissioner or, for purchases from printed catalogs, on the first day of a  
6 calendar quarter after a minimum of one hundred twenty days notice to the  
7 seller.

8 c. May not be limited to apply to less than the full value of the transaction or item  
9 as determined for state sales and use tax purposes.

10 d. Must be subject to collection by the tax commissioner under an agreement  
11 under section 57-01-02.1.

12 **SECTION 6. AMENDMENT.** Subsection 5 of section 11-37-08 of the North Dakota  
13 Century Code is amended and reenacted as follows:

14 5. Bonds issued by a commerce authority under this section are declared to be  
15 issued for an essential public government purpose, and together with interest and  
16 income on the bonds, are exempt from ~~all individual and corporate~~ taxes imposed  
17 under ~~sections section 57-35.3-03, 57-38-29, 57-38-30, and 57-38-30.3.~~

18 **SECTION 7. AMENDMENT.** Subsection 1 of section 12.1-32-09 of the North Dakota  
19 Century Code is amended and reenacted as follows:

20 1. A court may sentence a convicted offender to an extended sentence as a  
21 dangerous special offender or a habitual offender in accordance with this section  
22 upon a finding of any one or more of the following:

23 a. The convicted offender is a dangerous, mentally abnormal person whose  
24 conduct has been characterized by persistent aggressive behavior and the  
25 behavior makes the offender a serious danger to other persons.

26 b. The convicted offender is a professional criminal who has substantial income  
27 or resources derived from criminal activity.

28 c. The convicted offender is a habitual offender. The court may not make such a  
29 finding unless the offender is an adult and has previously been convicted in  
30 any state or states or by the United States of two felonies of class C or above  
31 committed at different times when the offender was an adult. For the

purposes of this subdivision, a felony conviction in another state or under the laws of the United States is considered a felony of class C or above if it is punishable by a maximum term of imprisonment of five years or more.

d. The offender was convicted of an offense that seriously endangered the life of another person and the offender had previously been convicted of a similar offense.

e. The offender is especially dangerous because the offender used a firearm, dangerous weapon, or destructive device in the commission of the offense or during the flight therefrom.

A conviction shown on direct or collateral review or at the hearing to be invalid or for which the offender has been pardoned on the ground of innocence must be disregarded for purposes of subdivision c. In support of findings under subdivision b, it may be shown that the offender has had control of income or property not explained as derived from a source other than criminal activity. For purposes of subdivision b, a substantial source of income means a source of income which for any period of one year or more exceeds the minimum wage, determined on the basis of a forty-hour week and a fifty-week year, without reference to exceptions, under section 6(a)(1) of the Fair Labor Standards Act of 1938, as amended, for an employee engaged in commerce or in the production of goods for commerce, and which for the same period exceeds fifty percent of the offender's declared federal adjusted gross income ~~under chapter 57-38~~.

**SECTION 8. AMENDMENT.** Section 20.1-13-21 of the North Dakota Century Code is amended and reenacted as follows:

**20.1-13-21. Evidence of tax payment or exemption.** With an application for a motorboat number and license under section 20.1-13-03 by an applicant in whose name the motorboat has not previously been licensed, the applicant shall present proof of payment of sales or use tax that was due upon acquisition or bringing the motorboat into this state for storage or use in this state or shall present proof of exemption from sales or use taxes. Credit for taxes paid by the applicant upon acquisition of the motorboat in another state must be allowed as provided in section ~~57-40-2-14~~ 57-67-18 if proof of that payment is presented. To establish that the motorboat was acquired through a casual sale and qualifies for exempt

1 status, the applicant shall present a receipt for the sale signed by the seller and showing the  
2 seller's name and address. The department may waive the furnishing of a signed receipt for a  
3 casual sale if the applicant shows good cause why a receipt is unavailable and signs a  
4 statement showing the name and address of the seller and stating that to the best of the  
5 applicant's knowledge the seller is not in the business of selling boats.

6 **SECTION 9. AMENDMENT.** Subsection 3 of section 25-04-16 of the North Dakota  
7 Century Code is amended and reenacted as follows:

- 8 3. Any patient, former patient, parent of a patient or former patient, guardian, or  
9 personal representative who seeks relief from the payment of the cost of care and  
10 treatment by filing an application for relief of payment shall do so with the  
11 understanding that the supervising department may, in its discretion, and to its  
12 satisfaction, verify any statement made in such application for relief of payment by  
13 a request for information from financial institutions, including commercial banks,  
14 and from other sources likely to possess verifying information. ~~Notwithstanding the~~  
15 ~~provisions of section 57-38-57, this verification~~ Verification may include a review of  
16 any of such applicant's state income tax return or any other document or report  
17 documents or reports submitted to or held by any office or department of the state  
18 of North Dakota or any of its political subdivisions.

19 **SECTION 10. AMENDMENT.** Section 27-17-06 of the North Dakota Century Code is  
20 amended and reenacted as follows:

21 **27-17-06. Immediate withdrawal of present active judges from judges retirement**  
22 **fund.** From and after July 1, 1973, each judge of the supreme or district court serving on that  
23 date and each former judge of the supreme or district court, not receiving judicial retirement  
24 salary, may elect to withdraw ~~his~~ that individual's previous contributions made pursuant to this  
25 chapter, and thereafter not participate in a judicial retirement program provided for by law. This  
26 option ceases to be available and may not be exercised after June 30, 1975. If a judge selects  
27 this option, ~~he~~ that individual is entitled to receive the combined total of the following sums:

- 28 1. The entire amount of ~~his~~ that individual's previous contributions made pursuant to  
29 this chapter, to be calculated to the date of election under this section; plus  
30 2. An amount calculated by applying the vesting schedule set forth in section  
31 54-52-11 to an amount equal to sixty percent of the judge's individual contributions

as calculated in subsection 1, plus earnings thereon as calculated in subsection 3;  
plus

3. An amount calculated by applying the figure .05625 to the periodic annual or partial annual balances in the individual judge's account during ~~his~~ that individual's years of service prior to selecting the option provided by this section. The figure applied pursuant to this subsection must be compounded annually.

~~The total amounts received pursuant to this section may not be considered taxable income for the purposes of chapter 57-38, and may be treated as an additional adjustment reducing the amount of taxable income in addition to those provided in section 57-38-01.2.~~ Selection of the option provided by this section must be made in writing to the director of the office of management and budget.

**SECTION 11. AMENDMENT.** Section 37-27-06 of the North Dakota Century Code is amended and reenacted as follows:

**37-27-06. Payments exempt from taxation and from execution - Assignments void - Debts to state and political subdivisions not deducted.** Payments under this chapter are exempt from all state and local taxes, ~~including an income tax liability determined under section 57-38-30.3,~~ and from levy, garnishment, attachment, and sale on execution. Any pledge, mortgage, sale, assignment, or transfer of any right, claim, or interest in any claim or payment under this chapter is void and payment to the veteran may not be denied because of any sums owed to the state or any political subdivisions, except as provided in section 37-27-05.

**SECTION 12. AMENDMENT.** Subsection 16 of section 40-05.1-06 of the North Dakota Century Code as effective after December 31, 2005, is amended and reenacted as follows:

16. To impose registration fees on motor vehicles, or sales and use taxes in addition to any other taxes imposed by law. After December 31, 2005, sales and use taxes levied under this chapter:

- a. Must conform in all respects with regard to the taxable or exempt status of items under chapters ~~57-39.2~~ 57-64 and ~~57-40.2~~ 57-67 and may not be imposed at multiple rates with the exception of sales of electricity, piped natural or artificial gas, or other heating fuels delivered by the seller or the retail sale or transfer of motor vehicles, aircraft, watercraft, modular homes, manufactured homes, or mobile homes.



- b. May not be newly imposed or changed except to be effective on the first day of a calendar quarterly period after a minimum of ninety days notice to the tax commissioner or, for purchases from printed catalogs, on the first day of a calendar quarter after a minimum of one hundred twenty days notice to the seller.
- c. May not be limited to apply to less than the full value of the transaction or item as determined for state sales and use tax purposes.
- d. Must be subject to collection by the tax commissioner under an agreement under section 57-01-02.1.

**SECTION 13. AMENDMENT.** Section 40-57.3-01 of the North Dakota Century Code is amended and reenacted as follows:

**40-57.3-01. City lodging tax - Imposition - Amount - Disposition.** The governing body of any city may, by ordinance, impose a city tax, not to exceed two percent, upon the gross receipts of retailers on the leasing or renting of hotel, motel, or tourist court accommodations within the city for periods of less than thirty consecutive calendar days or one month. The tax imposed by this section shall be in addition to the state sales tax on rental accommodations provided in chapter ~~57-39.2~~ 57-64 and any city which imposes the tax upon gross receipts described in this section shall deposit all proceeds in the city visitors' promotion fund. Moneys deposited in the city visitors' promotion fund shall be spent only as provided in this chapter. This chapter applies to all cities and does not limit the authority of a home rule city to levy any taxes authorized by other provisions of law.

**SECTION 14. AMENDMENT.** Section 40-57.3-04 of the North Dakota Century Code is amended and reenacted as follows:

**40-57.3-04. Payment of tax - Collection by tax commissioner - Administrative expenses allowed - Rules.** The taxes imposed under this chapter are due and payable at the same time the taxpayer is required to file a return under chapter ~~57-39.2~~ 57-64 and must be collected and administered by the state tax commissioner in accordance with the relevant provisions of chapter ~~57-39.2~~ 57-64. The amount the tax commissioner remits monthly to each city as taxes collected for that city's visitors' promotion fund and visitors' promotion capital construction fund must be reduced by three percent as an administrative fee necessary to defray the cost of collecting the taxes and the expenses incident to collection. The

administrative fee must be deposited in the general fund in the state treasury. The tax commissioner shall adopt rules necessary for the administration of this chapter. The penalties and liabilities provided in ~~sections 57-39.2-18 and 57-39.2-18.1~~ chapter 57-64 specifically apply to the filing of returns and administration of the taxes imposed under this chapter.

**SECTION 15. AMENDMENT.** Subsection 8 of section 40-63-01 of the North Dakota Century Code is amended and reenacted as follows:

8. "Taxpayer" means an individual, corporation, financial institution, or trust, including those subject to the taxes imposed by chapter 57-35.3 ~~or 57-38~~ and includes a partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity.

**SECTION 16. AMENDMENT.** Section 40-63-04 of the North Dakota Century Code is amended and reenacted as follows:

**40-63-04. ~~Income~~ Financial institution tax exemptions.**

- ~~1. An individual taxpayer who purchases or rehabilitates single family residential property for the individual's primary place of residence as a zone project is exempt from up to ten thousand dollars of personal income tax liability as determined under section 57-38-29 or 57-38-30.3 for five taxable years beginning with the date of occupancy or completion of rehabilitation.~~
2. Any taxpayer that purchases, leases, or rehabilitates residential or commercial property for any business or investment purpose as a zone project is exempt from any tax on income derived from the business or investment locations within the zone for five taxable years, beginning with the date of purchase, lease, or completion of rehabilitation.
- ~~3. If the cost of a new business purchase or expansion of an existing business, approved as a zone project, exceeds seventy five thousand dollars, and the business is located in a city with a population of not more than two thousand five hundred, an individual taxpayer may, in lieu of the exemption provided in subsection 2, elect to take an income tax exemption of up to two thousand dollars of personal income tax liability as determined under section 57-38-29 or 57-38-30.3. The election must be made on the taxpayer's zone project application. The election is irrevocable and binding for the duration of the exemptions provided~~

1           ~~in subsection 2 or 3. If no election is made on the zone project application, the~~  
2           ~~taxpayer is only eligible for the exemption provided in subsection 2.~~

- 3       4. 2. The exemptions provided by this section do not eliminate any duty to file a return or  
4           to report income as required under chapter 57-35.3 ~~or 57-38.~~

5           **SECTION 17. AMENDMENT.** Section 40-63-06 of the North Dakota Century Code is  
6   amended and reenacted as follows:

7           **40-63-06. Historic preservation and renovation tax credit.** A credit against state tax  
8   liability as determined under ~~sections~~ section 57-35.3-03, ~~57-38-29, 57-38-30, and 57-38-30.3~~  
9   is allowed for investments in the historic preservation or renovation of property within the  
10   renaissance zone. The amount of the credit is twenty-five percent of the amount invested, up to  
11   a maximum of two hundred fifty thousand dollars. The credit may be claimed in the year in  
12   which the preservation or renovation is completed. Any excess credit may be carried forward  
13   for a period of up to five taxable years.

14          **SECTION 18. AMENDMENT.** Section 40-63-07 of the North Dakota Century Code is  
15   amended and reenacted as follows:

16          **40-63-07. Renaissance fund organization - Exemption from taxation.**

- 17       1. Each city with a designated renaissance zone may establish a renaissance fund  
18       organization, if the detailed plan for such an organization is clearly established in  
19       the development plan and approved with the plan, or is submitted at a later date to  
20       the department of commerce division of community services for approval after the  
21       designation of a renaissance zone.
- 22       2. The purpose of a renaissance fund organization is solely to raise funds to be used  
23       to make investments in zone projects and to make investments in designated  
24       renaissance zone cities. A renaissance fund organization may provide financing to  
25       projects undertaken by individuals, partnerships, limited partnerships, limited  
26       liability companies, trusts, corporations, nonprofit organizations, and public entities.  
27       The financing may include any combination of equity investments, loans,  
28       guarantees, and commitments for financing. The amount of financing is not limited  
29       by this chapter.
- 30       3. A renaissance fund organization is exempt from any tax imposed by chapter  
31       57-35.3 ~~or 57-38.~~ An exemption under this section may be passed through to any

shareholder, partner, and owner if the renaissance fund organization is a passthrough entity for tax purposes. A corporation or financial institution entitled to the exemption provided by this subsection shall file required returns and report income to the tax commissioner as ~~required by the provisions of those chapters as if the exemption did not exist. If an employer, this subsection does not exempt a renaissance fund organization from complying with the income tax withholding laws.~~

4. A credit against state tax liability as determined under section 57-35.3-03, ~~57-38-29, 57-38-30, or 57-38-30.3~~ is allowed for investments in a renaissance fund organization. The amount of the credit is fifty percent of the amount invested in the renaissance fund organization during the taxable year. Any amount of credit which exceeds a taxpayer's tax liability for the taxable year may be carried forward for up to five taxable years after the taxable year in which the investment was made.
5. The total amount of credits allowed under this section may not exceed, in the aggregate, an initial limit of two million five hundred thousand dollars. Upon exhaustion of this initial limit, an additional two million five hundred thousand dollars in credits is available for investments in renaissance fund organizations. A renaissance fund organization that has received investments that qualify for these additional credits under this subsection may not use more than fifty percent of such investments for organization investments outside of a renaissance zone.
6. Income to a renaissance fund organization derived from the sale or refinancing of zone properties financed wholly or in part by the organization may be disbursed as annual dividends equal to the income, minus ten percent, derived from all sources and proportional to the investment. In the event of a loss to the fund resulting in a temporary diminishment of the fund below the original principal amount, no annual dividend may be paid until the fund is restored.
7. Income to a renaissance fund organization derived from interest or the temporary investment of its funds in certificates of deposit, bonds, treasury bills, or securities may be used for administration.
8. If an investment in a renaissance fund organization which is the basis for a credit under this section is redeemed by the investor within ten years of the date it is

1 purchased, the credit provided by this section for the investment must be  
2 disallowed, and any credit previously claimed and allowed with respect to the  
3 investment must be paid to the tax commissioner with the appropriate return of the  
4 taxpayer covering the period in which the redemption occurred. When payments  
5 are made to the tax commissioner under this section, the amount collected must be  
6 handled in the same manner as if no credit had been allowed.

- 7 9. A renaissance fund organization shall secure an annual audit of its financial  
8 records, prepared by an independent certified public accounting firm in accordance  
9 with generally accepted auditing standards. The audit report must include a  
10 statement of the percentage of annual investments received by the organization  
11 which have been invested by the organization in investments permitted under this  
12 chapter, including the use of investments, distinguishing between organization  
13 investments made in renaissance zones and outside renaissance zones. A  
14 renaissance fund organization shall file a copy of each audit of its financial records  
15 under this subsection with the governing body of the city in which it was  
16 established, the department of commerce division of community services, and the  
17 tax commissioner. The department of commerce division of community services  
18 shall provide an annual report to the budget section of the legislative council  
19 showing the conclusions of audit reports filed under this subsection.

20 **SECTION 19. AMENDMENT.** Section 47-21-08.1 of the North Dakota Century Code is  
21 amended and reenacted as follows:

22 **47-21-08.1. Administration.** The provisions of chapter ~~57-39.2~~ 57-64, pertaining to  
23 the administration of the retail sales tax, including provisions for penalty and interest, not in  
24 conflict with the provisions of this chapter, shall govern the administration of the tax levied by  
25 this chapter.

26 **SECTION 20. AMENDMENT.** Subsection 1 of section 50-06.3-06 of the North Dakota  
27 Century Code is amended and reenacted as follows:

- 28 1. Any person liable for the expenses of care and treatment at the state hospital may  
29 make application to the department to pay less than the expenses charged. The  
30 application must be accompanied by proof of the applicant's inability to pay. Any  
31 person who seeks relief from the payment of expenses for services provided by the

1 state hospital shall do so with the understanding that the department may verify  
2 any statement made in such application by a request for information from financial  
3 institutions, including commercial banks. ~~Notwithstanding the provisions of section~~  
4 ~~57-38-57, this verification~~ Verification may include a review of any of the  
5 applicant's ~~state income tax return or any other document or report~~ documents or  
6 reports submitted to or held by any office or department of the state of North  
7 Dakota, or any of its political subdivisions.

8 **SECTION 21. AMENDMENT.** Section 51-04-08 of the North Dakota Century Code is  
9 amended and reenacted as follows:

10 **51-04-08. Certain excepted sales.** The provisions of this chapter do not apply to the  
11 following:

- 12 1. Sales made to dealers by commercial travelers or selling agents in the usual  
13 course of business.
- 14 2. Sales made by persons soliciting orders of goods, wares, merchandise, or  
15 personal property for future delivery, and not from a stock or supply carried by the  
16 solicitor or otherwise available for immediate delivery to the purchaser, in which the  
17 solicitor does not demand or accept payment of any money or deposit in advance  
18 or on delivery without first providing the purchaser with the privilege of examination  
19 of the goods, wares, merchandise, or personal property.
- 20 3. Sales made by a person who has a sales or use tax permit in accordance with  
21 chapter ~~57-39-2~~ 57-64 or ~~57-40-2~~ 57-67, pays contributions to job service North  
22 Dakota for unemployment compensation in accordance with chapter 52-04, and  
23 who has reported to workforce safety and insurance in accordance with chapter  
24 65-04.
- 25 4. Sales made by a seller at residential premises pursuant to an invitation issued by  
26 the owner or legal occupant of such premises.

27 **SECTION 22. AMENDMENT.** Subsection 2 of section 52-06-30 of the North Dakota  
28 Century Code is amended and reenacted as follows:

- 29 2. An individual filing a new claim for unemployment compensation benefits, at the  
30 time of filing the claim, must be advised that:

- a. Unemployment compensation is subject to federal income tax ~~and state income tax~~;
- b. Requirements exist pertaining to estimated federal ~~and state~~ tax payments;
- c. The individual may elect to have federal income tax deducted and withheld from the individual's payment of unemployment compensation benefits at the amount specified in the federal Internal Revenue Code; and
- d. ~~The individual, having elected to have federal income tax withheld, may also elect to have state income tax deducted and withheld from the individual's payment of unemployment compensation at a rate determined by the tax commissioner pursuant to section 57-38-59; and~~
- e. The individual is permitted to change a previously elected withholding status. Amounts deducted and withheld from unemployment compensation must remain in the unemployment fund until transferred to the federal ~~and state~~ taxing authority as payment of income tax. The bureau shall follow all procedures specified by the United States department of labor; and the federal internal revenue service, ~~and the tax commissioner~~ pertaining to the deducting and withholding of income tax. Amounts must be deducted and withheld under this section only after amounts are deducted and withheld for any overpayments of unemployment compensation, child support obligations, or any other amounts required to be deducted and withheld under this chapter.

**SECTION 23. AMENDMENT.** Section 54-09-09 of the North Dakota Century Code is amended and reenacted as follows:

**54-09-09. Computerized central indexing system - Rules.**

1. The secretary of state shall maintain a computerized central indexing system that contains the information filed with the office of the secretary of state or with any of the offices of the recorder in this state pursuant to sections 35-13-02, 35-17-04, 35-20-16, 35-30-02, 35-31-02, 35-34-04, 35-34-06, 41-09-72, 57-01-19, 57-28-29, ~~57-38-49~~, 57-39.2-13, 57-40.2-16, 57-40.3-07.1, 57-43.1-17.4, 57-43.2-16.3, and 57-51-11. The system must connect each recorder's office to the secretary of state's office through the information technology department. The system must

allow access to financing statement information by equipment that conforms to requirements determined by the information technology department. The system must have safeguards to allow access to information that is in the system relating to security interests or liens and to prevent unauthorized alteration or deletion of that information and to allow access to other information in the system as prescribed by the secretary of state.

2. Within two working days of receipt of a financing statement, continuation statement, amendment, or termination statement filed pursuant to chapter 41-09 or a statement filed pursuant to section 35-13-02, 35-17-04, 35-20-16, 35-30-02, or 35-31-02, the recorder or secretary of state shall file the information contained in the statement in the computerized central indexing system. A computer printout of information from the system is prima facie evidence of the existence or nonexistence of the filing of a financing statement or lien. The secretary of state shall prescribe one form that can be used to perfect a security interest in farm products or gain protection under the central notice system, or both.
3. The secretary of state may adopt rules necessary to implement this section and sections 54-09-10 and 54-09-11.

**SECTION 24. AMENDMENT.** Section 54-17.2-23 of the North Dakota Century Code is amended and reenacted as follows:

**54-17.2-23. State building authority lease payments - Limitation.** The general fund amount of lease payments for a biennium associated with capital construction projects financed by the industrial commission acting as the state building authority may not exceed the amount equal to a portion of sales, use, and motor vehicle excise tax collections equal to ten percent of an amount, determined by multiplying the quotient of one percent divided by the general sales tax rate that was in effect when the taxes were collected, times the net sales, use, and motor vehicle excise tax collections under chapters ~~57-39.2, 57-40.2, and 57-40.3~~, 57-64, 57-65, 57-66, and 57-67. The computation for the authorized general fund lease payments for a biennium must be based on the projected sales, use, and motor vehicle excise tax collections presented to the legislative assembly at the close of the most recently adjourned regular legislative session. Lease payment amounts for any particular project must be calculated as of the date the related bonds are issued.



1           **SECTION 25. AMENDMENT.** Section 57-01-13 of the North Dakota Century Code is  
2 amended and reenacted as follows:

3           **57-01-13. (Contingent expiration date - See note) Collection of delinquent sales,**  
4 **use, motor vehicle fuels, special fuels, importer for use, aviation fuel, motor vehicle**  
5 **excise, telecommunications carriers, ~~income~~, and business and corporation privilege**  
6 **and other taxes.**

- 7           1. ~~Notwithstanding the secrecy and confidential information provisions in~~  
8 ~~chapters 57-38, 57-39.2, and 57-40.2, the~~ The tax commissioner may, for the  
9 purpose of collecting delinquent North Dakota sales, use, motor vehicle fuels,  
10 special fuels, importer for use, aviation fuel, motor vehicle excise,  
11 telecommunications carriers, ~~income~~, or business and corporation privilege taxes  
12 or any other taxes collected by the tax commissioner due from a taxpayer not  
13 residing or domiciled in this state, contract with any collection or credit agency,  
14 within or without the state, for the collection of the delinquent ~~sales, use, motor~~  
15 ~~vehicle fuels, special fuels, importer for use, aviation fuel, motor vehicle excise,~~  
16 ~~telecommunications carriers, income, or business and corporation privilege taxes,~~  
17 including penalties and interest thereon. For purposes of this section, a delinquent  
18 tax is defined as a tax liability that is due and owing for a period longer than six  
19 months and for which the taxpayer has been given at least three notices in writing  
20 requesting payment. The notices must be sent by first-class mail to the taxpayer at  
21 the taxpayer's last-known mailing address. The third notice must be sent with a  
22 copy of an affidavit of mailing. If the tax commissioner has assigned a delinquent  
23 tax liability pursuant to this section, subsequent ~~sales, use, motor vehicle fuels,~~  
24 ~~special fuels, importer for use, aviation fuel, motor vehicle excise,~~  
25 ~~telecommunications carriers, income, or business and corporation privilege taxes~~  
26 that become due from the same taxpayer may be assigned immediately and  
27 without further notice to the taxpayer, so long as the originally assigned liability has  
28 not been fully collected.
- 29           2. a. Fees for services, reimbursement, or any other remuneration to a collection or  
30 credit agency must be based on the amount of tax, penalty, and interest  
31 actually collected. Each contract entered into between the tax commissioner

and the collection or credit agency must provide for the payment of fees for the services, reimbursements, or other remuneration not in excess of fifty percent of the amount of delinquent ~~sales, use, motor vehicle fuels, special fuels, importer for use, aviation fuel, motor vehicle excise, income, or business and corporation privilege~~ tax, including penalties and interest actually collected.

- b. All funds collected by the collection or credit agency must be remitted to the tax commissioner monthly from the date of collection from a taxpayer. Forms to be used for the remittances must be prescribed by the tax commissioner. The tax commissioner shall transfer the funds to the state treasurer for deposit in the state general fund. An amount equal to the amount of fees for services, reimbursement, or any other remuneration to the collection or credit agency as set forth in the contract authorized by this section is appropriated as a standing and continuing appropriation to the tax commissioner for payment of fees due under the contract.
- c. Before entering into a contract, the tax commissioner shall require a bond from the collection or credit agency not in excess of ten thousand dollars, guaranteeing compliance with the terms of the contract.

3. A collection or credit agency entering into a contract with the tax commissioner for the collection of delinquent taxes pursuant to this section thereby agrees that it is doing business in this state for the purposes of the North Dakota ~~income tax and business and corporation privilege~~ tax laws.

**(Contingent effective date - See note) Collection of delinquent sales, use, motor vehicle fuels, special fuels, importer for use, aviation fuel, motor vehicle excise, telecommunications carriers, ~~income~~, and business and corporation privilege and other taxes.**

1. ~~Notwithstanding the secrecy and confidential information provisions in chapters 57-38 and 57-39.2, the~~ The tax commissioner may, for the purpose of collecting delinquent North Dakota sales, use, motor vehicle fuels, special fuels, importer for use, aviation fuel, motor vehicle excise, telecommunications carriers, ~~income~~, or business and corporation privilege taxes or any other taxes collected by

1           the tax commissioner due from a taxpayer not residing or domiciled in this state,  
2           contract with any collection or credit agency, within or without the state, for the  
3           collection of the delinquent ~~sales, use, motor vehicle fuels, special fuels, importer~~  
4           ~~for use, aviation fuel, motor vehicle excise, telecommunications carriers, income, or~~  
5           ~~business and corporation privilege~~ taxes, including penalties and interest thereon.

6           For purposes of this section, a delinquent tax is defined as a tax liability that is due  
7           and owing for a period longer than six months and for which the taxpayer has been  
8           given at least three notices in writing requesting payment. The notices must be  
9           sent by regular mail to the taxpayer at the taxpayer's last-known mailing address.

10          The third notice must be sent with a copy of an affidavit of mailing. If the tax  
11          commissioner has assigned a delinquent tax liability pursuant to this section,  
12          subsequent ~~sales, use, motor vehicle fuels, special fuels, importer for use, aviation~~  
13          ~~fuel, motor vehicle excise, income, or business and corporation privilege~~ taxes that  
14          become due from the same taxpayer may be assigned immediately and without  
15          further notice to the taxpayer, so long as the originally assigned liability has not  
16          been fully collected.

17          2.   a.   Fees for services, reimbursement, or any other remuneration to a collection or  
18               credit agency must be based on the amount of tax, penalty, and interest  
19               actually collected. Each contract entered into between the tax commissioner  
20               and the collection or credit agency must provide for the payment of fees for  
21               the services, reimbursements, or other remuneration not in excess of fifty  
22               percent of the amount of delinquent ~~sales, use, motor vehicle fuels, special~~  
23               ~~fuels, importer for use, aviation fuel, motor vehicle excise, income, or~~  
24               ~~business and corporation privilege~~ tax, including penalties and interest  
25               actually collected.

26          b.   All funds collected, less the fees for collection services, as provided in the  
27               contract, must be remitted to the tax commissioner monthly from the date of  
28               collection from a taxpayer. Forms to be used for the remittances must be  
29               prescribed by the tax commissioner.

c. Before entering into a contract, the tax commissioner shall require a bond from the collection or credit agency not in excess of ten thousand dollars, guaranteeing compliance with the terms of the contract.

3. A collection or credit agency entering into a contract with the tax commissioner for the collection of delinquent taxes pursuant to this section thereby agrees that it is doing business in this state for the purposes of the North Dakota ~~income tax and business and corporation privilege~~ tax laws.

**SECTION 26.** Section 57-01-19 of the North Dakota Century Code is created and enacted as follows:

**57-01-19. Lien of tax - Presentation of lien - Satisfaction of lien.** Whenever any taxpayer liable to pay a tax or penalty imposed under chapter 57-64, 57-65, 57-66, or 57-67 refuses or neglects to pay the same, the amount, including any interest, penalty, or addition to such tax, together with the costs that may accrue in addition thereto, is a lien in favor of the state of North Dakota upon all property and rights to property, whether real or personal, belonging to said taxpayer. Such lien attaches at the time the tax becomes due and payable and continues until the liability for such amount is satisfied.

Any mortgagee, purchaser, judgment creditor, or lien claimant acquiring any interest in, or lien on, any property situated in the state, prior to the commissioner filing in the central indexing system maintained by the secretary of state a notice of the lien under this section, takes free of, or has priority over, the lien. The commissioner shall index in the central indexing system the following data:

1. The name of the taxpayer.
2. The tax identification number or social security number of the taxpayer.
3. The name "State of North Dakota" as claimant.
4. The date and time the notice of lien was indexed.
5. The amount of the lien.

The notice of lien is effective as of eight a.m. next following the indexing of the notice. Any notice of lien filed by the commissioner with a recorder may be indexed in the central indexing system without changing its original priority as to property in the county where the lien was filed. The commissioner shall index any notice of lien with no payment of fees or costs to the secretary of state.

1        Upon payment of the tax, together with any accrued penalties and interest, as to which  
2        the commissioner has filed a notice of lien, the commissioner shall index a satisfaction of the  
3        lien in the central indexing system without fees or costs.

4        **SECTION 27. AMENDMENT.** Subsections 15 and 27 of section 57-02-08 of the North  
5        Dakota Century Code are amended and reenacted as follows:

6        15.    a.    All farm structures and improvements located on agricultural lands.

7                (1)    This subsection must be construed to exempt farm buildings and  
8                improvements only, and may not be construed to exempt from taxation  
9                industrial plants, or structures of any kind not used or intended for use  
10               as a part of a farm plant, or as a farm residence.

11               (2)    Any structure or improvement used primarily in connection with a retail  
12               or wholesale business other than farming, any structure or improvement  
13               located on platted land within the corporate limits of a city, or any  
14               structure or improvement located on railroad operating property subject  
15               to assessment under chapter 57-05 is not exempt under this  
16               subsection. For purposes of this paragraph, "business other than  
17               farming" includes processing to produce a value-added physical or  
18               chemical change in an agricultural commodity beyond the ordinary  
19               handling of that commodity by a farmer prior to sale.

20               (3)    The following factors may not be considered in application of the  
21               exemption under this subsection:

22                    (a)    Whether the farmer grows or purchases feed for animals raised  
23                    on the farm.

24                    (b)    Whether animals being raised on the farm are owned by the  
25                    farmer.

26                    (c)    Whether the farm's replacement animals are produced on the  
27                    farm.

28                    (d)    Whether the farmer is engaged in contract feeding of animals on  
29                    the farm.

30               b.    It is the intent of the legislative assembly that this exemption as applied to a  
31               residence must be strictly construed and interpreted to exempt only a

1 residence that is situated on a farm and which is occupied or used by a  
2 person who is a farmer and that the exemption may not be applied to property  
3 which is occupied or used by a person who is not a farmer. For purposes of  
4 this subdivision:

5 (1) "Farm" means a single tract or contiguous tracts of agricultural land  
6 containing a minimum of ten acres [4.05 hectares] and for which the  
7 farmer, actually farming the land or engaged in the raising of livestock  
8 or other similar operations normally associated with farming and  
9 ranching, has received annual net income from farming activities which  
10 is fifty percent or more of annual net income, including net income of a  
11 spouse if married, during any of the three preceding calendar years.

12 (2) "Farmer" means an individual who normally devotes the major portion  
13 of time to the activities of producing products of the soil, poultry,  
14 livestock, or dairy farming in such products' unmanufactured state and  
15 has received annual net income from farming activities which is fifty  
16 percent or more of annual net income, including net income of a spouse  
17 if married, during any of the three preceding calendar years. "Farmer"  
18 includes a "retired farmer" who is retired because of illness or age and  
19 who at the time of retirement owned and occupied as a farmer the  
20 residence in which the person lives and for which the exemption is  
21 claimed. "Farmer" includes a "beginning farmer" who has begun  
22 occupancy and operation of a farm within the three preceding calendar  
23 years; who normally devotes the major portion of time to the activities of  
24 producing products of the soil, poultry, livestock, or dairy farming in  
25 such products' unmanufactured state; and who does not have a history  
26 of farm income from farm operation for each of the three preceding  
27 calendar years.

28 (3) "Net income from farming activities" means taxable income from those  
29 activities as computed for federal income tax purposes ~~pursuant to~~  
30 ~~chapter 57-38~~ adjusted to include the following:

- 1 (a) The difference between gross sales price less expenses of sale  
2 and the amount reported for sales of agricultural products for  
3 which the farmer reported a capital gain.
- 4 (b) Interest expenses from farming activities which have been  
5 deducted in computing taxable income.
- 6 (c) Depreciation expenses from farming activities which have been  
7 deducted in computing taxable income.
- 8 (4) When exemption is claimed under this subdivision for a residence, the  
9 assessor may require that the occupant of the residence who it is  
10 claimed is a farmer provide to the assessor for the year or years  
11 specified by the assessor a written statement in which it is stated that  
12 fifty percent or more of the net income of that occupant, and spouse if  
13 married and both spouses occupy the residence, was, or was not, net  
14 income from farming activities.
- 15 (5) In addition to any of the provisions of this subsection or any other  
16 provision of law, a residence situated on agricultural land is not exempt  
17 for the year if it is occupied by an individual engaged in farming who  
18 had nonfarm income, including that of a spouse if married, of more than  
19 forty thousand dollars during each of the three preceding calendar  
20 years. This paragraph does not apply to a retired farmer or a beginning  
21 farmer as defined in paragraph 2.
- 22 (6) For purposes of this section, "livestock" includes "nontraditional  
23 livestock" as defined in section 36-01-00.1.
- 24 (7) A farmer operating a bed and breakfast facility in the farm residence  
25 occupied by that farmer is entitled to the exemption under this section  
26 for that residence if the farmer and the residence would qualify for  
27 exemption under this section except for the use of the residence as a  
28 bed and breakfast facility.
- 29 27. Installations, machinery, and equipment of systems in new or existing buildings or  
30 structures, designed to provide heating or cooling or to produce electrical or  
31 mechanical power, or any combination of these, or to store any of these, by

utilization of solar, wind, or geothermal energy; provided, that if the solar, wind, or geothermal energy device is part of a system which uses other means of energy, only that portion of the total system directly attributable to solar, wind, or geothermal energy shall be exempt. Provided, however, that any exemptions granted by this subsection shall be valid for a five-year period following installation of any such system. For the purposes of this subsection, ~~solar or wind energy devices shall have the meaning provided in section 57-38-01.8; geothermal energy device means a system or mechanism or series of mechanisms designed to provide heating or cooling or to produce electrical or mechanical power, or any combination of these, by a method which extracts or converts the energy naturally occurring beneath the earth's surface in rock structures, water, or steam.;~~

a. "Geothermal energy device" means a system or mechanism or series of mechanisms designed to provide heating or cooling or to produce electrical or mechanical power, or any combination of these, by a method which extracts or converts the energy naturally occurring beneath the earth's surface in rock structures, water, or steam.

b. "Solar or wind energy device" means a system or mechanism or series of mechanisms designed to provide heating or cooling or to produce electrical or mechanical power, or any combination of these, or to store any of these, by a method which converts the natural energy of the sun or wind.

**SECTION 28. AMENDMENT.** Section 57-32-01.1 of the North Dakota Century Code is amended and reenacted as follows:

**57-32-01.1. Property assessed in lieu of registration fees and sales and use taxes.** The taxes imposed by chapters 57-06, 57-07, 57-08, 57-13, and this chapter on air carrier transportation property are in lieu of the registration fees imposed by section 2-05-11 and are in lieu of sales and use taxes which would otherwise be imposed on the sale, storage, use, or consumption of air carrier transportation property ~~except for the provisions of sections 57-39.2-04 and 57-40.2-04.~~

**SECTION 29. AMENDMENT.** Section 57-34-04.5 of the North Dakota Century Code is amended and reenacted as follows:



1           **57-34-04.5. Resale certificates.** A telecommunications carrier who receives a resale  
2 certificate certifying that another telecommunications carrier holds a North Dakota sales and  
3 use tax permit for sales or use tax purposes ~~under section 57-39.2-14~~ is relieved from  
4 submitting the telecommunications gross receipts tax upon the sale of telecommunications  
5 services to be resold by the telecommunications carrier submitting the certificate. When a  
6 telecommunications carrier submits a false resale certificate to another telecommunications  
7 carrier, the telecommunications carrier that submitted the certificate is liable for the  
8 telecommunications gross receipts tax on the sale. A hospital, hotel, motel, or similar place of  
9 temporary accommodation selling telecommunications service to its patients or guests is not a  
10 telecommunications carrier under this section.

11           **SECTION 30. AMENDMENT.** Subsection 2 of section 57-35.3-01 of the North Dakota  
12 Century Code is amended and reenacted as follows:

13           2. "Financial institution" means:

- 14           a. A corporation or other business entity registered under state law as a bank  
15 holding company, registered under the Bank Holding Company Act of 1956,  
16 as amended [Pub. L. 84-240; 70 Stat. 133; 12 U.S.C. 1841 et seq.], or  
17 registered as a savings and loan holding company under the National  
18 Housing Act, as amended [Pub. L. 73-847; 48 Stat. 1246; 12 U.S.C. 1701  
19 et seq.];
- 20           b. A national bank organized and existing as a national bank association  
21 pursuant to the provisions of the National Bank Act [1864 ch. 106, § 5;  
22 13 Stat. 100; 12 U.S.C. 21 et seq.];
- 23           c. A savings association or federal savings bank as defined in the Federal  
24 Deposit Insurance Act [Pub. L. 81-967; 64 Stat. 873; 12 U.S.C. 1813(b)(1)];
- 25           d. A bank or thrift institution incorporated or organized under the laws of any  
26 state;
- 27           e. A trust company organized under the laws of any state, the United States, a  
28 dependency or insular possession of the United States, or a foreign country;
- 29           f. A corporation organized under the provisions of Public Law No. 63-6, § 25A  
30 [38 Stat. 273; 12 U.S.C. 611 to 631];

- 1           g. An agency or branch of a foreign depository as defined in Public Law  
2           No. 95-369 [92 Stat. 607; 12 U.S.C. 3101];
- 3           h. A production credit association organized under the Farm Credit Act of 1933  
4           [Pub. L. 73-98; 48 Stat. 257; 12 U.S.C. 1131 et seq.], all of the stock of which  
5           held by the federal production credit corporation has been retired;
- 6           i. A corporation the voting stock of which is more than fifty percent owned,  
7           directly or indirectly, by any person or business entity described in  
8           subdivisions a through h other than an insurance company taxable under  
9           section 26.1-03-17 ~~or a corporation taxable under chapter 57-38~~;
- 10          j. A corporation or other business entity that derives more than fifty percent of  
11          its total gross income for financial accounting purposes from finance leases.  
12          For purposes of this subdivision, a "finance lease" means any lease  
13          transaction that is the functional equivalent of an extension of credit and which  
14          transfers substantially all of the benefits and risks incident to the ownership of  
15          property. The phrase includes any "direct financing lease" or "leverage lease"  
16          that meets the criteria of financial accounting standards board statement  
17          no. 13, "accounting for leases", or any other lease that is accounted for as a  
18          financing by a lessor under generally accepted accounting principles. For the  
19          classification under this subdivision to apply:
- 20           (1) The average of the gross income in the current tax year and  
21           immediately preceding two tax years must satisfy the more than fifty  
22           percent requirement; and
- 23           (2) Gross income from incidental or occasional transactions must be  
24           disregarded; or
- 25          k. Any other person or business entity, other than an insurance company taxable  
26          under section 26.1-03-17, a real estate broker, or a securities dealer, ~~or a~~  
27          ~~person or entity taxable under chapter 57-38~~, which derives more than fifty  
28          percent of its gross income from activities that a person described in  
29          subdivisions b through h and j is authorized to transact. For the purpose of  
30          this subsection, the computation of gross income does not include income  
31          from nonrecurring, extraordinary items.

1           The commissioner may exclude any person from the application of subdivision k  
2           upon that person proving, by clear and convincing evidence, that the  
3           income-producing activity of that person is not in substantial competition with those  
4           persons described in subdivisions b through h and j.

5           **SECTION 31. AMENDMENT.** Section 57-35.3-02 of the North Dakota Century Code is  
6   amended and reenacted as follows:

7           **57-35.3-02. Taxable income.**

- 8           1. In determining "taxable income" there must be added to federal taxable income:
- 9           a. The adjustments provided by subdivisions c, d, and g of subsection 1 of  
10           section 57-38-01.3 as they existed before January 1, 2007;
- 11           b. Interest not subject to federal tax upon obligations of the state of North Dakota  
12           and its political subdivisions;
- 13           c. The amount of any charitable contribution deduction taken for federal income  
14           tax purposes under section 170 of the Internal Revenue Code;
- 15           d. In the case of a building and loan association or savings and loan association,  
16           the amount of any bad debt reserve deduction taken for federal income tax  
17           purposes under section 585 of the Internal Revenue Code; and
- 18           e. Dividends paid by a federal reserve bank to the extent not subject to federal  
19           tax.
- 20           2. In determining "taxable income" there must be subtracted from federal taxable  
21           income:
- 22           a. The adjustments provided by subdivision b of subsection 1 of section  
23           57-38-01.3 as it existed before January 1, 2007;
- 24           b. Repealed by S.L. 2003, ch. 529, § 3;
- 25           c. In the case of a building and loan association or savings and loan association  
26           that uses the bad debt reserve method under section 585 of the Internal  
27           Revenue Code to account for bad debts for federal income tax purposes, an  
28           amount equal to the deduction for bad debts that would have been allowed  
29           under section 166(a) of the Internal Revenue Code if a deduction had not  
30           been claimed under section 585 or 593;

- 1 d. The amount of any adjustments taken into account for federal income tax  
2 purposes under section 593(g) of the Internal Revenue Code;
- 3 e. The amount of any interest and expenses relating to income not taxable for  
4 federal income tax purposes if the income is taxable under sections  
5 57-35.3-01 through 57-35.3-12 and the interest and expenses were  
6 disallowed as deductions under section 171(a)(2), 265, or 291 of the Internal  
7 Revenue Code in computing federal taxable income;
- 8 f. The amount of any wage and salary expenses disallowed as deductions  
9 under section 280C(a) of the Internal Revenue Code in computing federal  
10 taxable income;
- 11 g. An amount equal to the deduction for charitable contributions that would be  
12 allowed for federal income tax purposes under section 170 of the Internal  
13 Revenue Code if the percentage limitation of section 170(b)(2) of the Internal  
14 Revenue Code was applied in all relevant taxable periods to taxable income,  
15 rather than federal taxable income, but computed without regard to this  
16 subdivision and that portion of subdivision a that refers to subdivision g of  
17 subsection 1 of section 57-38-01.3 as it existed before January 1, 2007.  
18 However, no deduction is allowable for a contribution if and to the extent that  
19 a credit is allowed for the contribution under section 57-35.3-05;
- 20 h. The amount of net income not allocated and apportioned to this state under  
21 sections 57-35.3-13 through 57-35.3-17, but only to the extent that the  
22 amount of net income not allocated and apportioned to this state under those  
23 sections is not included in any adjustment made pursuant to the preceding  
24 subdivisions; and
- 25 i. The amount of federal income tax liability for the same taxable year for which  
26 North Dakota taxable income is being determined, to the extent that the  
27 federal taxes are computed upon income that becomes part of North Dakota  
28 taxable income. Provided, that no adjustment to federal income taxes, paid or  
29 accrued, is required because of allowable deductions to federal taxable  
30 income made under the cost recovery provisions of subdivision b of  
31 subsection 5 of section 57-38-01 as it existed before January 1, 2007.

1 Federal income taxes for prior periods assessed against the taxpayer by  
2 reason of audit or other adjustment by the internal revenue service, or  
3 voluntary disclosure by the taxpayer, are not deductible except in the period in  
4 which income so taxed was reported or reportable or in which an adjustment  
5 was required but only after an adjustment is made by or with the office of the  
6 state tax commissioner. A refund of federal income tax must be reported and  
7 included in North Dakota taxable income in the year in which the tax was  
8 originally deducted. Income must be further reduced by any federal  
9 alternative minimum tax when a federal credit for a prior year minimum tax is  
10 taken. This reduction is limited to any federal alternative minimum tax  
11 previously disallowed in computing North Dakota taxable income and may not  
12 exceed North Dakota taxable income computed before the North Dakota net  
13 operating loss deduction. Any excess may be carried forward to the next  
14 taxable year a federal credit for a prior year minimum tax is taken.

15 3. A net operating loss for any prior taxable period, attributable to North Dakota  
16 sources, must be allowed as a deduction from the sum otherwise calculated under  
17 this section to the extent that it exceeds the taxable income for each of the prior  
18 taxable years to which the loss may be carried under sections 57-35.3-01 through  
19 57-35.3-12 or under prior chapters 57-35, 57-35.1, ~~or 57-35.2, or corporations~~  
20 ~~under chapter 57-38~~, governing the taxation of the taxpayer. Net operating losses  
21 may be carried forward for the same time period as federal net operating losses  
22 may be carried forward. If a financial institution uses an apportionment formula in  
23 the loss year to determine the amount of income or loss that is attributable to North  
24 Dakota sources, the amount of the North Dakota loss so determined is the net  
25 operating loss attributable to North Dakota sources for purposes of this subsection.  
26 No deduction may be taken for a carryforward when determining the amount of net  
27 operating loss that is attributable to North Dakota sources. No net operating loss  
28 carryback deduction is allowed.

29 4. The commissioner may adopt rules to prevent requiring income that had been  
30 previously taxed under sections 57-35.3-01 through 57-35.3-12, or prior law  
31 governing the taxation of financial institutions, from being taxed again because of

the provisions of sections 57-35.3-01 through 57-35.3-12 and to adopt rules to prevent any income from becoming exempt from taxation because of sections 57-35.3-01 through 57-35.3-12 if it would otherwise have been subject to taxation under sections 57-35.3-01 through 57-35.3-12.

5. If it appears to the commissioner that the segregation of assets shown by any return made under sections 57-35.3-01 through 57-35.3-12 does not properly reflect the taxpayer's activity or business done, or the income earned from the taxpayer's activity or from business done in this state, because of the character of the taxpayer's business and the character and location of its assets, the commissioner may equitably adjust the tax.

**SECTION 32. AMENDMENT.** Section 57-35.3-06 of the North Dakota Century Code is amended and reenacted as follows:

**57-35.3-06. Tax return.** On or before April fifteenth of each year, the taxpayer shall file with the commissioner, on forms or in a manner prescribed by the commissioner, a report in writing under oath showing the amount of taxable income of the financial institution for the preceding calendar year. If required by the commissioner, the return must be accompanied by a true copy of the federal income tax return of the taxpayer or by equivalent information in the form and manner prescribed by the commissioner. A true copy of the federal income tax return must be furnished to the commissioner by the taxpayer at any time after the taxpayer has filed the return required by this section if required by the commissioner before the expiration of the applicable period for assessment of additional tax liability ~~under section 57-38-38~~. The commissioner may prescribe alternative methods for signing, subscribing, or verifying a return filed by electronic means, including telecommunications, that has the same validity and consequence as the actual signature and written declaration for a paper return. The commissioner may grant a reasonable extension of time for filing a return ~~under the standards and terms applicable to other corporations under section 57-38-34~~.

**SECTION 33. AMENDMENT.** Section 57-35.3-11 of the North Dakota Century Code is amended and reenacted as follows:

**57-35.3-11. Refunds.** Refunds of the tax imposed by sections 57-35.3-01 through 57-35.3-12, including related interest, must be paid from the state general fund. An amount equal to the portion of any such refund attributable to tax collections deposited in the financial

1 institution tax distribution fund must be reimbursed to the state general fund from the first  
2 available assets of the financial institution tax distribution fund, with interest thereon at the rate  
3 prescribed by section 57-38-35.2 as it existed before January 1, 2007, from the date of  
4 payment of the refund from the state general fund. The amounts necessary to pay these  
5 refunds are hereby appropriated to the state treasurer as a standing and continuing  
6 appropriation for payment under this section.

7 **SECTION 34. AMENDMENT.** Section 57-35.3-12 of the North Dakota Century Code is  
8 amended and reenacted as follows:

9 **57-35.3-12. Applicable provisions of chapter 57-38 relating to administration,**  
10 **interest, and penalties.** The provisions of section 57-38-33, subsection 1 of section 57-38-34,  
11 sections 57-38-34.4, 57-38-35.1, 57-38-35.2, 57-38-37, 57-38-38, 57-38-39, 57-38-40,  
12 57-38-44, 57-38-45, 57-38-46, 57-38-47, 57-38-48, 57-38-49, 57-38-50, 57-38-51, 57-38-53,  
13 57-38-54, 57-38-56, and 57-38-57 as they existed before January 1, 2007, insofar as consistent  
14 therewith, govern the administration of sections 57-35.3-01 through 57-35.3-12. For this  
15 purpose, the term "corporation", as used in the sections listed in this section, includes a  
16 financial institution.

17 **SECTION 35. AMENDMENT.** Subsection 1 of section 57-35.3-13 of the North Dakota  
18 Century Code is amended and reenacted as follows:

- 19 1. Except as otherwise specifically provided, a financial institution whose business  
20 activity is taxable both within and without this state shall allocate and apportion its  
21 net income as provided in sections 57-35.3-13 through 57-35.3-17. All items of  
22 nonbusiness income, meaning income that is not includable in the apportionable  
23 income tax base, must be allocated under chapter 57-38.1 as it existed before  
24 January 1, 2007. A financial institution organized under the laws of a foreign  
25 country, the Commonwealth of Puerto Rico, or a territory or possession of the  
26 United States the effectively connected income of which, as defined under the  
27 Internal Revenue Code, is taxable both within this state and within another state,  
28 other than the state in which it is organized, shall allocate and apportion its net  
29 income as provided in sections 57-35.3-13 through 57-35.3-17.

30 **SECTION 36. AMENDMENT.** Subsection 14 of section 57-35.3-15 of the North Dakota  
31 Century Code is amended and reenacted as follows:

- 1           14. All other receipts. The numerator of the receipts factor includes all other receipts  
2                   under the rules set forth in chapter 57-38.1 as it existed before January 1, 2005, to  
3                   the extent not inconsistent with this section.

4           **SECTION 37. AMENDMENT.** Subsection 5 of section 57-40.3-01 of the North Dakota  
5 Century Code is amended and reenacted as follows:

- 6           5. "Purchase price" means the total amount paid for the motor vehicle whether  
7                   received in money or otherwise; provided, however, that when a motor vehicle or  
8                   other tangible personal property that will be subject to a sales or use tax imposed  
9                   by chapter ~~57-39.2~~ 57-64 or ~~57-40.2~~ 57-67 when sold or used is taken in trade as  
10                  a credit or as part payment on a motor vehicle taxable under this chapter, the credit  
11                  or trade-in value allowed by the person selling the motor vehicle shall be deducted  
12                  from the total selling price to establish the purchase price of the vehicle being sold  
13                  and the trade-in allowance allowed by the seller on a motor vehicle accepted as a  
14                  trade-in shall constitute the purchase price of a motor vehicle accepted as a  
15                  trade-in. If a motor vehicle is purchased by an owner who has had a motor vehicle  
16                  stolen or totally destroyed, a credit or trade-in credit shall be allowed in an amount  
17                  not to exceed the total amount the purchaser has been compensated by an  
18                  insurance company for the loss but not to exceed the total amount of motor vehicle  
19                  excise tax paid. The purchaser must provide the director of the department of  
20                  transportation with a notarized statement from the insurance company verifying the  
21                  fact that the original vehicle was a total loss and stating the amount compensated  
22                  by the insurance company for the loss. The statement from the insurance  
23                  company must accompany the purchaser's application for a certificate of title for  
24                  the replacement vehicle. In instances in which a licensed motor vehicle dealer  
25                  places into the dealer's service a new vehicle for the purpose of renting, leasing, or  
26                  dealership utility service, the reasonable value of the vehicle replaced shall be  
27                  included as trade-in value provided the vehicle replaced has been subject to motor  
28                  vehicle excise tax under section 57-40.3-02 and if the new vehicle is properly  
29                  registered and licensed. "Purchase price" when the motor vehicle is acquired by  
30                  gift or by any other transfer for a nominal or no monetary consideration also  
31                  includes the average value of similar motor vehicles, established by standards and



guides as determined by the director of the department of transportation.

"Purchase price" when a motor vehicle is manufactured by a person who registers it under the laws of this state means the manufactured cost of such motor vehicle and manufactured cost means the amount expended for materials, labor, and other properly allocable costs of manufacture except that, in the absence of actual expenditures for the manufacture of a part or all of the motor vehicle, manufactured cost means the reasonable value of the completed motor vehicle.

**SECTION 38. AMENDMENT.** Section 57-40.3-02 of the North Dakota Century Code is amended and reenacted as follows:

**57-40.3-02. Tax imposed.** There is hereby imposed an excise tax at the rate of five and seven-tenths percent on the purchase price of any motor vehicle purchased or acquired either in or outside of the state of North Dakota for use on the streets and highways of this state and required to be registered under the laws of this state.

**SECTION 39. AMENDMENT.** Subsection 6 of section 57-40.3-04 of the North Dakota Century Code is amended and reenacted as follows:

6. Motor vehicles transferred between a lessee and lessor; provided, that the lessee has been in continuous possession of such vehicle for a period of one year or longer, and further provided that the lessor has paid either the tax imposed under section 57-40.3-02 at the time of titling or licensing the vehicle in this state or the use tax imposed by chapter ~~57-40.2~~ 57-67.

**SECTION 40. AMENDMENT.** Section 57-40.3-11 of the North Dakota Century Code is amended and reenacted as follows:

**57-40.3-11. Penalties.**

1. Any person who violates any of the provisions of this chapter is guilty of a class B misdemeanor.
2. Any person who submits a false or fraudulent motor vehicle purchaser's certificate, or who fails to submit the certificate, is subject to a penalty of five percent of the true amount of the tax which was due or five dollars, whichever is greater, plus one percent of such tax for each month or fraction thereof subsequent to the month in which the motor vehicle purchaser's certificate was due or the false or fraudulent motor vehicle purchaser's certificate was furnished to the director of the

department of transportation. Such penalty must be paid to either the tax commissioner or the director of the department of transportation and disposed of pursuant to the provisions of section 57-40.3-10. The tax commissioner, if satisfied that the failure to submit or the delay was excusable, may waive, and if paid, refund all or any part of such penalty and interest. Unpaid penalties may be enforced in the same manner as the tax imposed by this chapter.

3. Whenever a person, including any motor vehicle dealer, has collected from a person acquiring a motor vehicle, a motor vehicle excise tax in excess of the amount prescribed or due under this chapter, and if the person does not refund the excessive tax collected to the person who remitted it, the person who collected the tax shall pay it to the tax commissioner in the quarterly period in which the excessive collection occurred. The penalty and interest provisions of this section apply beginning at the termination of each reporting period.

4. If upon audit the commissioner determines that a motor vehicle excise tax has not been paid or an additional tax is due, the commissioner shall give notice of determination of the tax due to the person liable for the tax. The notice of determination of tax due fixes the tax finally and irrevocably unless within fifteen days of the date of the notice the person against whom the tax is assessed applies to the commissioner for a hearing under chapter 28-32 or unless the commissioner reduces the liability relating to assessments on the commissioner's own motion. The provisions of ~~chapter 57-39-2~~ chapters 57-64 through 57-67 not in conflict with the provisions of this chapter govern the administration of the tax levied in this chapter.

**SECTION 41. AMENDMENT.** Section 57-40.5-03 of the North Dakota Century Code is amended and reenacted as follows:

**57-40.5-03. Exemptions.** There are specifically exempted from the provisions of this chapter and from computation of the amount of tax imposed by it, the following:

1. Aircraft acquired by disabled veterans as defined by the provisions of Public Law No. 79-663 [38 U.S.C. 1901]. This exemption shall be allowed only with respect to one aircraft owned by any disabled veteran.

2. Any aircraft owned by or in possession of the federal or state government or any of the political subdivisions, departments, agencies, or institutions thereof.
3. Aircraft which were previously titled or registered in the names of two or more joint tenants and subsequently transferred without monetary consideration to one or more of the joint tenants; the transfer of aircraft by gift, inheritance, or devise between a husband and wife, parent and child, or brothers and sisters; and the transfer of aircraft to reflect a new name of the owner caused by a business reorganization, if the ownership of the business organization remains in the same person or persons as prior to the reorganization.
4. Aircraft transferred between a lessee and lessor, if the lessee has been in continuous possession of the aircraft for a period of one year or longer, and if the lessor has paid either the tax imposed under this chapter at the time of registering the aircraft in this state or the use tax imposed by chapter ~~57-40.2~~ 57-67.
5. Aircraft acquired by any parochial or private nonprofit school. To qualify, a school must normally maintain a regular faculty and curriculum and must have a regularly organized body of students in attendance. The aircraft is not to be used for commercial activities.

**SECTION 42. AMENDMENT.** Subsection 3 of section 57-63-10 of the North Dakota Century Code is amended and reenacted as follows:

3. A mortgagee, purchaser, judgment creditor, or lien claimant acquiring an interest in, or lien on, any property situated in the state, prior to the commissioner filing in the central indexing system maintained by the secretary of state, a notice of the lien ~~provided for in section 57-39.2-12~~, takes free of, or has priority over, the lien.

**SECTION 43.** Chapter 57-64 of the North Dakota Century Code is created and enacted as follows:

**57-64-01. Definitions.** For purposes of this chapter, unless the context otherwise requires:

1. "Agricultural purposes" means the producing, raising, or growing and harvesting of food or fiber upon agricultural land, including dairy products, livestock, and crops. The services of custom harvesters, chemical applicators, fertilizer spreaders, hay grinders, and cultivators are considered agricultural purposes.

- 1        2. "Business" means any activity engaged in by any person or caused to be engaged  
2        in by such person with the object of gain, benefit, or advantage, either direct or  
3        indirect.
- 4        3. "Controlled group" means any corporations or other entities eligible to file a  
5        consolidated federal income tax return under the Internal Revenue Code as in  
6        effect on January 1, 2002, or entitled to only a single surtax exemption for federal  
7        corporate income tax purposes under the Internal Revenue Code as in effect on  
8        January 1, 2002, and includes a controlled group of corporations as defined in  
9        26 U.S.C. 1563 as in effect on January 1, 2002. A controlled group also consists  
10       of any subchapter S corporation, limited liability company, limited liability  
11       partnership, general partnership, or limited partnership with at least eighty percent  
12       common ownership as if the entity was converted to or taxed as a subchapter C  
13       corporation under the Internal Revenue Code as in effect on January 1, 2002.
- 14       4. "Delivery charges" means charges by the retailer for preparation and delivery to a  
15       location designated by the purchaser of tangible personal property or services,  
16       including transportation, shipping, postage, handling, crating, and packing.
- 17       5. a. "Gross receipts" means the total amount or consideration, including cash,  
18       credit, property, and services, for which tangible personal property or services  
19       are sold, leased, or rented, valued in money, whether received in money or  
20       otherwise, without any deduction for the following:
- 21                (1) The retailer's cost of the property or service sold;  
22                (2) The cost of materials used, labor or service cost, interest, losses, all  
23                costs of transportation to the retailer, all taxes imposed on the retailer,  
24                and any other expense of the retailer;  
25                (3) Except as provided in chapter 57-67, charges by the retailer for any  
26                services necessary to complete the sale whether or not separately  
27                stated, including delivery charges; and  
28                (4) The value of exempt tangible personal property whether or not  
29                separately stated on the invoice, billing, or similar document given to  
30                the purchaser when taxable and exempt tangible personal property

1                   have been bundled together and sold by the retailer as a single product  
2                   or piece of merchandise.

3           b.   "Gross receipts" does not include.

4                   (1)   Discounts, including cash, term, or coupons that are not reimbursed by  
5                   a third party that are allowed by a retailer and taken by a purchaser on  
6                   a sale;

7                   (2)   Interest, financing, and carrying charges from credit extended on the  
8                   sale of tangible personal property or services, if the amount is  
9                   separately stated on the invoice, bill of sale, or similar document given  
10                  to the purchaser;

11                  (3)   Any taxes legally imposed directly on the consumer that are separately  
12                  stated on the invoice, bill of sale, or similar document given to the  
13                  purchaser;

14                  (4)   Any fees or other interest imposed by a retailer for late charges on  
15                  overdue accounts, no account, or nonsufficient funds checks;

16                  (5)   The sale price of property returned by customers, if the full sale price  
17                  thereof is refunded either in cash or by credit; and

18                  (6)   If any tangible personal property is taken in trade or in a series of trades  
19                  as a credit or part payment of a retail sale taxable under this chapter,  
20                  and the tangible personal property taken in trade is subject to the sales  
21                  tax imposed by this chapter when sold, the credit or trade-in value  
22                  allowed by the retailer may not be included as gross receipts.

23           6.   "Lease" or "rental" means any transfer of possession or control of tangible personal  
24                  property for a fixed or indeterminate term for consideration. A lease or rental may  
25                  include future options to purchase or extend. Lease or rental does not include:

26                  a.   A transfer of possession or control of property under a security agreement or  
27                  deferred payment plan that requires the transfer of title upon completion of the  
28                  required payments;

29                  b.   A transfer or possession or control of property under an agreement that  
30                  requires the transfer of title upon completion of required payments and

1                    payment of an option price does not exceed the greater of one hundred  
2                    dollars or one percent of the total required payments; or

3                    c. Providing tangible personal property along with an operator for a fixed or  
4                    indeterminate period of time. A condition of this exclusion is that the operator  
5                    is necessary for the equipment to perform as designed. For the purpose of  
6                    this subdivision, an operator shall do more than maintain, inspect, or set up  
7                    the tangible personal property.

8                    7. "Person" means any individual, firm, copartnership, joint venture, association,  
9                    limited liability company, corporation, municipal corporation, estate, trust, business  
10                   trust, receiver, the state of North Dakota and its political subdivisions, or any group  
11                   or combination acting as a unit.

12                   8. "Relief agency" means the state, and any political subdivision thereof, or any  
13                   agency, engaged in actual relief work.

14                   9. "Retail sale" or "sale at retail" means any sale, lease, or rental for any purpose  
15                   other than for resale, sublease, or subrent.

16                   10. "Retailer" means any person engaged in the business of selling tangible goods,  
17                   wares, or merchandise at retail, or the furnishing of gas, electricity, water, and  
18                   communication service, and tickets or admissions to places of amusement and  
19                   athletic events as provided in this chapter. The term also includes any person  
20                   subject to the tax imposed by sections 57-64-07 and 57-64-09. The isolated or  
21                   occasional sale of tangible personal property at retail by a person who does not  
22                   hold out as engaging in the business of selling such tangible personal property at  
23                   retail does not constitute such person a retailer.

24                   11. "Sale" means any transfer, exchange, or barter, conditional or otherwise, in any  
25                   manner or by any means whatsoever, for a consideration.

26                   12. "Service" means all activities engaged in for other persons for a fee, retainer,  
27                   commission, or other monetary charge, which activities involve predominantly the  
28                   performance of a service as distinguished from selling property. In determining  
29                   what is a service, the intended use, principal objective, or ultimate objective of the  
30                   contracting parties shall not be controlling. For the purposes of this chapter,  
31                   services rendered by an employee for the person's employer are not taxable.

1       13.   "Tangible personal property" means personal property that can be seen, weighed,  
2           measured, felt, or touched, or that is in any other manner perceptible to the  
3           senses. The term includes electricity, water, gas, steam, and prewritten computer  
4           software and includes coal mined in this state which has not been taxed under  
5           chapter 57-61 and which is used for heating buildings, except for coal used in  
6           agricultural processing or sugar beet refining plants.

7       **57-64-02. Tax on sale of tangible property.** There is hereby imposed upon the  
8       privilege of engaging in business as a retailer, a tax of five and seven-tenths percent upon the  
9       gross receipts of all sales of tangible personal property consisting of goods, wares, or  
10       merchandise, except as taxed by chapter 57-65 and except as otherwise provided in this  
11       chapter, sold at retail in this state to consumers or users.

12       **57-64-03. Tax on sales of sectional homes - Sectional homes defined.** Sales of  
13       sectional homes are subject to sales tax, which shall be based upon the fair market value of the  
14       raw materials used to construct each home.

15       For the purpose of this section, "sectional homes" means any home prebuilt in whole or  
16       in part for the purpose of permanent placement on a foundation. Mobile homes are not  
17       sectional homes.

18       **57-64-04. Materials incorporated in construction work - Restriction on application**  
19       **of rate increase.** No tax increase may be levied on materials incorporated in construction work  
20       pursuant to construction contracts bid or entered into on or before the effective date of the tax  
21       increase.

22       **57-64-05. Conditional or installment sales - Actual cash receipts subject to tax.**  
23       For purposes of the tax imposed by this chapter, on any sale made under a conditional sales  
24       contract, or under other forms of sale wherein the payment of the principal sum is extended  
25       over a period longer than sixty days from the date of sale, only the portion of the sale amount  
26       that has actually been received in cash by the retailer during each reporting period is subject to  
27       the tax imposed by this chapter.

28       **57-64-06. Exemption for sale of farm machinery and irrigation equipment.** There  
29       are hereby specifically exempted from the provisions of this chapter and from the computation  
30       of the amount of tax imposed by it the gross receipts from the sale or resale of farm machinery

1 and attachment units and repair parts, or irrigation equipment, used exclusively for agricultural  
2 purposes, by licensed North Dakota retailers.

3 **57-64-06.1. All-terrain vehicles as farm machinery.** For purposes of section  
4 57-64-06, farm machinery shall include all-terrain vehicles of three or more wheels used  
5 exclusively by the purchaser for agricultural purposes on agricultural land. The purchaser shall  
6 sign and deliver to the seller a statement that the all-terrain vehicle will be used exclusively for  
7 agricultural purposes.

8 **57-64-07. Tax on receipts from business services.** There is hereby imposed a tax at  
9 the same rate as that imposed upon sales of tangible personal property in this state upon the  
10 gross receipts of any person from the engaging or continuing in the practice of any business in  
11 which a service is rendered. Any service as defined by section 57-64-01 shall be taxable,  
12 unless the service is specifically exempt from the provisions of this chapter.

13 **57-64-08. Certain purchases considered for resale purposes.** Services purchased  
14 by an engineer, architect, or surveyor on behalf of a client in the performance of a contract for  
15 such client shall be considered purchases for resale purposes.

16 **57-64-09. Tax on receipts from specific enumerated businesses and services.**  
17 There is imposed a tax at the rate of five and seven-tenths percent upon the gross receipts of  
18 any person from engaging in the business of leasing farm machinery or irrigation equipment  
19 used for agricultural purposes and upon the gross receipts of any person from engaging or  
20 continuing in this state in the businesses or services of abstracters, accountants, architects,  
21 barbers, beauty shops, bill collection services, blacksmith shops, car washing, dry cleaning,  
22 dyeing, exterminators, garage and service stations, garment alteration, cleaning and pressing,  
23 janitorial services and supplies, specialty cleaners, laundry, linen and towel supply, membership  
24 or entrance fees for the use of a facility or for the right to purchase tangible personal property or  
25 services, photography, photo developing and enlarging, tire recapping, welding and all repair  
26 services, cable television, and rentals of tangible personal property except leases of tangible  
27 personal property between one telephone company and another telephone company, motor  
28 vehicles as defined by section 39-01-01 leased under a single contract for more than  
29 twenty-eight days, and mobile homes. However, the specific enumeration of businesses and  
30 professions made in this section does not, in any way, limit the scope and effect of section  
31 57-64-07.



**57-64-09.1. Services enumerated in Standard Industrial Classification Manual**

**subject to tax - Other services subject to tax.** The following services enumerated in the Standard Industrial Classification Manual, 1987, as prepared by the statistical policy division of the office of management and budget, office of the president, are specifically subject to the tax levied by this chapter: metal mining services (group no. 108); nonmetallic minerals (except fuels) services (group no. 148); service industries for the printing trade (group no. 279); coating, engraving, and allied services (group no. 347); communication, electric, and gas services (division E except group nos. 483, 494, and 495); hotels, motels, and tourist courts (group no. 701); rooming and boarding houses (group no. 702); camps and recreational vehicle parks (group no. 703); personal services (major group 72); business services (major group 73); automotive repair, services, and parking (major group 75); miscellaneous repair services (major group 76); amusement and recreation services (major group 79); legal services (major group 81); landscape and horticultural services (group no. 078); engineering, accounting, research, management, and related services (major group 87, except industry no. 8733); title abstract offices (group no. 654); consumer credit reporting agencies, mercantile reporting agencies, and adjustment and collection agencies (group no. 732); real estate agents and managers (group no. 653); funeral service and crematories (group no. 726), except that purchases of goods or services with money advanced as an accommodation are retail purchases and are not includable in gross receipts for funeral services and fees paid or donated for religious ceremonies are not includable in gross receipts for funeral services; loan brokers (industry no. 6163); repair shops and related services, not elsewhere classified (industry no. 7699) but only locksmiths and locksmith shops; and floor laying and other floor work not elsewhere classified (industry no. 1752). In addition, the following services are also specifically subject to the tax levied by this chapter: livestock slaughtering services; dog grooming services; airplane, helicopter, balloon, dirigible, and blimp rides for amusement or sightseeing; the collection and disposal of solid waste; and all appraiser's services. The services enumerated in this section may not be construed as a comprehensive list of taxable services but rather as a representative list of services intended to be taxable under this chapter.

**57-64-09.2. Tax on oil and gas field services.** There is imposed, at the rate of five and seven-tenths percent, an excise tax on the gross receipts of any person engaging in oil and gas field services (group no. 138) as enumerated in the Standard Industrial Classification

Manual, 1987, as prepared by the statistical policy division of the office of management and budget, office of the president.

**57-64-10. Coin-operated washers and dryers - License in lieu of tax - Failure to pay fee as misdemeanor - Interest - Collection.** The annual license fee for each coin-operated washer and dryer in this state is ten dollars. However, in municipalities having a population of one thousand or fewer persons, the annual license fee is eight dollars. The license fee is in lieu of any sales or gross receipts taxes from the operation or ownership of coin-operated washers and dryers. Any person who fails to pay the fee is guilty of a class B misdemeanor. Any person who fails to pay the fee prescribed on or before December thirty-first of the year prior to the year for which the fee is due is subject to an interest charge on the unpaid fee at the rate of two percent per month or part thereof. The interest charge commences immediately after the date the fee becomes due and is payable immediately. The tax commissioner shall adopt rules under chapter 28-32 concerning:

1. The procedure for license application;
2. The collection of the license fee;
3. The placement of the license or decalcomania; and
4. The transfer of a license to a new owner.

**57-64-10.1. Exemptions for charitable organization devoted exclusively to relief of poor, distressed, or underprivileged.** Any nonprofit charitable organization which devotes its resources exclusively to the relief of the poor, distressed, or underprivileged and has been recognized as an exempt organization under section 501(c)(3) of the Internal Revenue Code is specifically exempted from the license fee provided in section 57-64-10 and any sales, use, or gross receipts taxes imposed on the operation or ownership of coin-operated washers and dryers placed and used in living accommodations provided by such organization to the poor, distressed, or underprivileged.

**57-64-11. Rented property used or delivered in state.** The tax imposed upon persons engaging or continuing in the business of renting tangible personal property applies if the rented property is used in this state or is delivered to the lessee or sublessee in this state.

**57-64-12. Chemicals purchased for use by lawn and garden services considered purchases for resale.** Chemicals purchased for use by lawn and garden services (industry no. 0782) as enumerated in the Standard Industrial Classification Manual, 1987, as prepared by

1 the statistical policy division of the office of management and budget, office of the president,  
2 and used in such services shall be considered as purchases for resale.

3 **57-64-13. Tax on utility services.** There is hereby imposed a tax of five and  
4 seven-tenths percent upon the gross receipts from sales, furnishing, or service of gas,  
5 electricity, and water, including the gross receipts from such sales by any municipal corporation  
6 furnishing gas or electricity, or both, to the public in its proprietary capacity, except as otherwise  
7 provided in this chapter, when sold at retail in this state to consumers or users.

8 **57-64-14. Tax on telecommunication services - Exemptions.** Except as provided in  
9 section 57-64-14.1, there is hereby imposed a tax of five and seven-tenths percent upon the  
10 gross receipts from providing any telecommunications service that originates or terminates in  
11 this state and that is billed or charged to a service address in this state, or that both originates  
12 and terminates in this state. However, the tax imposed by this section does not apply to:

- 13 1. Any eight hundred or eight hundred-type service unless the service both originates  
14 and terminates in this state;
- 15 2. Any sale of a telecommunication service to a provider of telecommunications  
16 services, including access service, for use in providing any telecommunication  
17 service; or
- 18 3. Any sale of interstate telecommunications service provided to a call center that has  
19 been certified by the tax commissioner to meet the criterion established in section  
20 57-64-14.2 and the call center has provided to the telecommunications service  
21 provider an exemption certificate issued by the secretary indicating that it meets  
22 the criterion.

23 If a call center uses an exemption certificate to purchase services not meeting the  
24 criterion established in section 57-64-14.2, the call center is liable for the applicable tax,  
25 penalty, and interest.

26 For the purposes of this section, the term telecommunications service is the  
27 transmission of signs, signals, writings, images, sounds, messages, data, or other information  
28 of any nature by wire, radio, lightwaves, or electromagnetic means.

29 **57-64-14.1. Tax on certain mobile telecommunications services.** There is hereby  
30 imposed a tax of five and seven-tenths percent upon the gross receipts of mobile  
31 telecommunications services, as defined in 4 U.S.C. 124(7) as of January 1, 2002, that

originate and terminate in the same state and are billed to a customer with a place of primary use in this state or are deemed to have originated or been received in this state and to be billed or charged to a service address in this state if the customer's place of primary use is located in this state regardless of where the service actually originates or terminates. Notwithstanding any other provision of this chapter and for purposes of the tax imposed by this section, the tax imposed upon mobile telecommunications services shall be administered in accordance with 4 U.S.C. 116-126 as in effect on July 28, 2000.

**57-64-14.2. Call center defined - Exclusions.** As used in section 57-64-14, the term "call center" means any physical location where telephone calls are placed or received for the purpose of making sales, marketing, customer service, or technical support. The term does not include:

1. Any location where telephone calls are primarily placed to, or received from, the same taxpayer, or affiliates of the same taxpayer, that owns or operates the location; or
2. Any insurance, real estate, or brokerage company.

**57-64-14.3. Certain nontaxable portions of bundled telecommunications transactions subject to tax.** In the case of a bundled transaction of telecommunications services, if the charges are attributable to services that are taxable and services that are nontaxable, the portion of the price attributable to the nontaxable services shall be subject to tax unless the provider can reasonably identify such portion from its books and records kept in the regular course of business for other purposes.

**57-64-15. Tax on room or parking site rentals to transient guests.** There is hereby imposed a tax at the same rate as that imposed upon sales of tangible personal property in this state upon the gross receipts from rentals of rooms or parking sites by lodging establishments or campgrounds received from transient guests. A lodging establishment is any building, structure, property or premise kept, used, maintained, advertised, or held out to the public to be a place where sleeping accommodations are furnished to transient guests. A campground is any property or premise kept, used, maintained, advertised, or held out to the public to be a place where sites are available for the placing of tents, campers, trailers, mobile homes, or other mobile accommodations to transient guests. A transient guest is any person who resides in a lodging establishment or campground less than twenty-eight consecutive days. The

provisions of this section do not apply to the casual or occasional rental of a sleeping accommodation or camping site. For the purposes of this section, casual or occasional is the rental of a sleeping accommodation or camping site by any establishment or campground for ten or fewer days in a calendar year. Any establishment or campground which has a permit or license issued under this chapter is not offering the rental of sleeping accommodations or camping sites on a casual or occasional basis.

**57-64-16. Tax on admissions to amusements and athletic contests or events.**

There is imposed a tax of five and seven-tenths percent upon the gross receipts from all sales of tickets or admissions to places of amusement and athletic contests or events, except as otherwise provided in this chapter.

**57-64-17. Exemption for gross receipts pursuant to contract requiring retailer to display products or signage - Exception.** There are hereby exempted from the provisions of this chapter and the tax imposed by it, gross receipts received by a retailer from a manufacturer, wholesaler, or distributor pursuant to a written contract between the retailer and manufacturer, wholesaler, or distributor that requires the retailer to display the manufacturer's, wholesaler's, or distributor's product or signage in a specified manner or location. Any discount or deferred payment received by a retailer from a distributor, wholesaler, or manufacturer for purchasing a product for sale at retail does not constitute gross receipts subject to the tax imposed by this chapter.

**57-64-18. Exemption for lodging house or hotel membership fees.** There are hereby exempted from the provisions of this chapter and the computation of the tax imposed by it, gross receipts from membership fees paid to any lodging house and hotel membership organization operated for the benefit of its members. However, this exemption does not apply to any membership fee that represents payment for tangible personal property and services provided by the membership organization.

**57-64-19. Exemption of cigarette sales.** Section 57-64-16 does not apply to gross receipts derived from the sale of cigarettes through vending machines.

**57-64-20. Constitutional and statutory exemptions from taxation.** There are hereby specifically exempted from the provisions of this chapter and from the computation of the amount of tax imposed by it, the gross receipts from sales of tangible personal property

1 which this state is prohibited from taxing under the constitution or laws of the United States or  
2 under the constitution or laws of this state.

3 **57-64-21. Exemption of property sold for lease.** Gross receipts from the sale of  
4 tangible personal property to a person who intends to lease the property to persons in this state  
5 and actually does so are exempted from the provisions of this chapter and the tax imposed by  
6 it.

7 **57-64-22. Exempt sales to states, political subdivisions, charities, and Indian**  
8 **tribes.** There are hereby specifically exempted from the provisions of this chapter and from the  
9 computation of the amount of tax imposed by it, the gross receipts from sales of tangible  
10 personal property and the sale, furnishing, or service of electrical energy, natural and artificial  
11 gas, and communication service to the United States, to the state of North Dakota or to any  
12 other state of the United States or the District of Columbia if the other state provides a  
13 reciprocal exemption for North Dakota, to political subdivisions of the state of North Dakota or of  
14 any other state of the United States or the District of Columbia if the other state provides a  
15 reciprocal exemption to North Dakota political subdivisions, to any nonprofit charitable  
16 organization which devotes its resources exclusively to the relief of the poor, distressed, or  
17 underprivileged, and has been recognized as an exempt organization under section 501(c)(3) of  
18 the Internal Revenue Code, or to any Indian tribe.

19 **57-64-23. Exemption of freeport merchandise and stocks of merchandise brought**  
20 **as foreign merchandise into foreign trade zone - Stocks of merchandise defined.** There  
21 is exempted from the provisions of this chapter and from the computation of the tax imposed by  
22 it, freeport merchandise and stocks of merchandise brought as foreign merchandise into a  
23 foreign trade zone. For the purposes of this section, stocks of merchandise is personal  
24 property which is held primarily for sale and not subject to annual depreciation.

25 **57-64-24. Exemption of sales otherwise taxed.** There are specifically exempted  
26 from the provisions of this chapter and from the computation of the amount of tax imposed by it,  
27 gross receipts from the sale of gasoline, motor fuel, and special fuel subject to tax under  
28 chapter 57-43.1, 57-43.2, or 57-43.3.

29 **57-64-25. Exemption of goods and services furnished to meet warranty obligation**  
30 **without charge.** There are hereby specifically exempted from the provisions of this chapter  
31 and from the computation of the amount of tax imposed by it, the gross receipts from furnishing

1 goods or services to the purchaser or the purchaser's successor in interest of tangible personal  
2 property to fulfill a warranty obligation of the manufacturer to the extent that such goods or  
3 services are not charged to such purchaser or the purchaser's successor in interest.

4 **57-64-26. Exemption of gross receipts from sale of motor vehicles exempt from**  
5 **excise tax - Exception.** There are specifically exempted from the provisions of this chapter  
6 and from the computation of the amount of tax imposed by it, gross receipts from the sale of  
7 motor vehicles exempt from the motor vehicle excise tax under section 57-40.3-04, with the  
8 exception of farm machinery, which shall be subject to the tax imposed by this chapter.

9 **57-64-27. Services specifically exempt from tax.** The following services enumerated  
10 in the Standard Industrial Classification Manual, 1987, as prepared by the statistical policy  
11 division of the office of management and budget, office of the president, are exempt from the  
12 provisions of this chapter: health services (major group 80); educational services (major  
13 group 82) except schools and educational services not elsewhere classified (industry no. 8299);  
14 social services (major group 83); agricultural services (major group 07) except veterinarian  
15 services (group no. 074) and animal specialty services, except veterinary (industry no. 0752);  
16 forestry services (group no. 085); radio and television broadcasting (group no. 483); railroad  
17 transportation (major group 40); local and suburban passenger transportation (group no. 411)  
18 except limousine services; schoolbuses (group no. 415); farm product warehousing and storage  
19 (industry no. 4221); establishments primarily engaged in transportation on rivers and canals  
20 (group no. 444); establishments primarily engaged in air transportation, certified carriers (group  
21 no. 451); establishments primarily engaged in air transportation, noncertified carriers (group  
22 no. 452) except chartered flights (industry no. 4522) and airplane, helicopter, balloon, dirigible,  
23 and blimp rides for amusement or sightseeing; pipelines, except natural gas (major group 46);  
24 arrangement of passenger transportation (group no. 472); arrangement of transportation of  
25 freight and cargo (group no. 473); rental of railroad cars (group no. 474); water supply (industry  
26 no. 4941); sewerage systems (industry no. 4952); security brokers, dealers, and flotation  
27 companies (group no. 621); commodity contracts brokers and dealers (group no. 622); credit  
28 counseling services provided by individual and family social services (industry no. 8322);  
29 construction services (division c) except industry no. 1752 and locksmiths and locksmith shops;  
30 and consumer credit reporting agencies, mercantile reporting agencies, and adjustment and  
31 collection agencies (group no. 732), if the debt was incurred out of state and the client does not

1 reside within the state. The following are also specifically exempt from the provisions of this  
2 chapter: financial services of institutions subject to tax under chapter 57-35.3, including loan  
3 origination fees, late payment charges, nonsufficient funds check charges, stop-payment  
4 charges, safe deposit box rent, exchange charges, commission on traveler's checks, charges  
5 for administration of trusts, interest charges, and points charged on loans; commissions earned  
6 or service fees paid by an insurance company to an agent or representative for the sale of a  
7 policy; services of dealers, agents, and others registered with the securities commissioner  
8 under chapter 10-04; the sale of trading stamps; rentals of motor vehicles leased under a single  
9 contract for more than twenty-eight days; advertising services; services provided by any  
10 corporation to another corporation which is centrally assessed having identical ownership and  
11 services provided by any corporation to a wholly owned subsidiary which is centrally assessed;  
12 continuing education programs; tutoring; vocational counseling, except rehabilitation  
13 counseling; and motion picture rentals to a commercially operated theater primarily engaged in  
14 the exhibition of motion pictures.

15 **57-64-28. Exemption of engineering, architectural, and surveying services.** There  
16 are specifically exempted from the provisions of this chapter and from the computation of the  
17 amount of tax imposed by sections 57-64-07 and 57-64-09, the gross receipts from  
18 engineering, architectural, and surveying services (group no. 871, Standard Industrial  
19 Classification Manual, 1987, as prepared by the statistical policy division of the office of  
20 management and budget, office of the president) rendered for a project entirely outside this  
21 state.

22 **57-64-29. Certain services provided to rural water system by wholly owned**  
23 **cooperative or nonprofit corporation exempt from tax.** There are specifically exempted  
24 from the provisions of this chapter and from the computation of the tax imposed by it, gross  
25 receipts from management, billing, bookkeeping, administrative, and related services provided  
26 to a rural water system by any cooperative or nonprofit corporation which is wholly owned by  
27 the water systems receiving such services.

28 **57-64-30. Exemption of certain sales commissions.** Unless otherwise specifically  
29 subject to tax, the gross receipts resulting from fees or commissions received for rendering a  
30 service which provides for the sale of tangible personal property or services is exempt from the  
31 tax imposed by this chapter.



1           **57-64-31. Exemption for credit services by credit bureaus to certain financial**  
2 **institutions.** There are specifically exempted from the provisions of this chapter and from the  
3 computation of the amount of tax imposed by it, gross receipts from the sale of credit services  
4 by credit bureaus to financial institutions that are paying taxes under chapter 57-35.3.

5           **57-64-32. Exemption of receipts used for civic and nonprofit associations and**  
6 **purposes.** There are specifically exempted from the provisions of this chapter and from the  
7 computation of the amount of tax imposed by it, the gross receipts from the following:

- 8           1. Sales of tickets or admissions to the grounds and grandstand attractions of state,  
9           county, district, regional, and local fairs;
- 10          2. Admissions to nonprofit historic sites and repertory theater performances operated  
11          by nonprofit organizations;
- 12          3. Admissions to community-operated celebrations and shows sponsored by a  
13          chamber of commerce or other similar nonprofit organization if the county or  
14          municipality in which the activity takes place officially sponsors the activity and no  
15          charge is made to the operators of the celebration or show for the use of county or  
16          city facilities or services;
- 17          4. Admissions to events or receipts from activities sponsored and operated by  
18          colleges or vocational schools or elementary or high schools or related clubs or  
19          supporting organizations approved or supervised by a school or college when the  
20          entire net proceeds are spent for educational purposes and any associations of  
21          them and receipts from tangible personal property sold at such events. However,  
22          receipts from tangible personal property sold at such events or activities are  
23          included in the measure of sales tax at the time of purchase by the college or  
24          school or related club or supporting organization;
- 25          5. Religious, benevolent, fraternal, youth association, or charitable activities, including  
26          any activity conducted by an eligible organization under chapter 53-06.1 or  
27          53-06.2, when the entire amount of net proceeds is expended for purposes allowed  
28          under section 53-06.1-11.1. However, receipts from tangible personal property or  
29          services purchased for use in the activity are included in the measure of sales tax;

- 1           6. Sales of tangible personal property when the net receipts therefrom are used  
2           primarily for the restoration or maintenance of the governor's mansion and capitol  
3           grounds;
- 4           7. Any charge or entry fee made to persons for engaging in participatory events  
5           limited to tournaments, contests, and league activities. However, receipts from  
6           tangible personal property or services purchased for use in tournaments, contests,  
7           and league activities shall be included in the measure of the tax imposed by this  
8           chapter;
- 9           8. Admissions to events or receipts from activities sponsored and operated by county  
10          or municipal historical societies or centennial committees when the entire net  
11          proceeds are spent for centennial celebration purposes. However, receipts from  
12          tangible personal property or services purchased for use in the activity are included  
13          in the measure of sales tax;
- 14          9. Religious, benevolent, fraternal, youth association, or charitable activities  
15          conducted at county fairs, if the entire amount of such receipts after deducting all  
16          costs directly related to the conduct of such activities is expended for religious,  
17          benevolent, fraternal, youth association, or charitable purposes, and the receipts  
18          are not the result of engaging in business for more than five consecutive days.  
19          However, receipts from tangible personal property or services purchased for use in  
20          the activity are included in the measure of sales tax;
- 21          10. Admissions to circus performances sponsored or operated by religious,  
22          benevolent, fraternal, or youth associations, if the entire amount of the receipts  
23          after deducting all costs directly related to the conduct of the circus performances  
24          is expended for religious, benevolent, fraternal, youth associations, or charitable  
25          purposes; and
- 26          11. Admissions to events or receipts from activities sponsored and operated by  
27          religious, benevolent, or charitable organizations for a period not to exceed thirty  
28          days in any calendar year, if the entire amount of the receipts after deducting all  
29          costs directly related to the conduct of the event or activity is expended for the  
30          benefit of homeless persons.

1           **57-64-33. Admissions to rodeos and rodeo-related activities taxable.**

2     Notwithstanding the provisions of section 57-64-32, admissions to rodeos and rodeo-related  
3     activities and events are subject to the tax imposed by section 57-64-16 and chapter 57-67.

4           **57-64-34. Exemption of membership organizations.** Membership organizations

5     (major group 86) as enumerated in the Standard Industrial Classification Manual, 1987, as  
6     prepared by the statistical policy division of the office of management and budget, office of the  
7     president, are exempt from the tax imposed by this chapter on receipts from sales of services  
8     by them and their membership fees. This exemption does not apply to the tax imposed upon  
9     the gross receipts of sales of tangible personal property by such organizations. This section  
10    does not exempt the gross receipts of a retailer which are the result of sales to organizations in  
11    major group 86 or exempt such organizations from payment of use tax on goods and services  
12    used in the conduct of their activities.

13          **57-64-35. Exemption of fair market value of personal property or service given**

14    **without charge to exempt organization.** There are specifically exempted from the provisions  
15    of this chapter and the computation of the tax imposed by it, the fair market value of any  
16    tangible personal property or service given without charge to an institution, organization, or  
17    group exempt from the tax imposed by this chapter.

18          **57-64-36. Exemption of lottery tickets.** There are specifically exempted from the

19    provisions of this chapter and from the computation of the tax imposed by it, the gross receipts  
20    from the sale of lottery tickets made as part of a lottery operated by this state.

21          **57-64-37. Exemption of gross receipts from library copying charges.** There are

22    specifically exempted from the provisions of this chapter and the computation of the tax  
23    imposed by it, gross receipts from library copying charges.

24          **57-64-38. Exemption of sales to educational institutions and hospitals -**

25    **Purchases for members or employees taxable - Motor vehicle registration fee - Lists**

26    **maintained by exempt institutions.** There are specifically exempted from the provisions of

27    this chapter and from the computation of the amount of tax imposed by it, the gross receipts

28    from sales of tangible personal property and the gross receipts from sales, furnishing, or service

29    of electrical energy, natural and artificial gas, water, and communication service to and for use

30    by religious educational institutions, private educational institutions currently recognized as

31    exempt under section 501(c)(3) of the Internal Revenue Code as in effect on January 1, 1983,

1 and nonprofit, charitable hospitals when purchases are made by authorized officials, payment  
2 made from the institution funds, and title to the property retained in the name of such institution.  
3 For the purposes of this section, a private educational institution shall be defined as an  
4 institution currently recognized as exempt under section 501(c)(3) of the Internal Revenue Code  
5 as in effect on January 1, 1995, maintaining a campus physically located within this state and  
6 accredited by the superintendent of public instruction or the north central association of colleges  
7 and schools.

8 This exemption does not extend to sales to or purchases of tangible personal property  
9 for the personal use of officials, members, or employees of such institutions or to sales to or  
10 purchases of tangible personal property used in the operation of a taxable retail business.

11 The exemption provided in this section does not, in any manner, relieve the institution  
12 from the payment of the additional and further license fee imposed on the registration of motor  
13 vehicles.

14 All institutions claiming this exemption shall prepare and maintain a list of all purchases  
15 on which exemption was claimed, fully itemized, showing name and address of vendors,  
16 description of property purchased, date or dates of purchase, purchase price, and brief  
17 explanation of use or intended use.

18 **57-64-39. Exemption of gross receipts from sale of nutritional supplements.**

19 There are specifically exempted from the provisions of this chapter and from the computation of  
20 the amount of tax imposed by it, gross receipts from the sale of nutritional supplements, as  
21 defined by rule adopted by the tax commissioner under chapter 28-32, if dispensed by a  
22 physician, chiropractor, optometrist, dentist, podiatrist, or audiologist.

23 **57-64-40. Newspapers, shoppers' guides, ink and newsprint - Shoppers' guides**

24 **defined.** Gross receipts from sales of newspapers or shoppers' guides and gross receipts from  
25 sales of ink and newsprint when used in the production of newspapers or shoppers' guides are  
26 hereby exempt from the tax imposed under this chapter.

27 For the purposes of this section, the term "shoppers' guide" includes for numerous  
28 advertisers advertising publications whose advertisements are solicited from the general public  
29 and whose publications are for free distribution to the general public and are published regularly  
30 at least once a month, consisting of printed sheets containing advertising, bearing a date of  
31 issue, and devoted to advertising of general interest.

1           **57-64-41. Exemption of ostomy care supplies.** The gross receipts from furnishing  
2 devices and supplies designed or intended for ostomy care and management are specifically  
3 exempt from the provisions of this chapter and from the computation of the amount of tax  
4 imposed by it. These devices and supplies include collection devices, colostomy irrigation  
5 equipment and supplies, skin barriers or skin protectors, and other supplies designed for use of  
6 ostomates.

7           **57-64-42. Exemption of raw material, parts, and newsprint for manufacture of**  
8 **products to be sold at retail - Packaging and container materials as tax-exempt raw**  
9 **material.** The use in this state of tangible personal property, including containers, labels, and  
10 shipping cases thereof, which is intended shall, by means of fabricating, compounding, or  
11 manufacturing become a part of other tangible personal property intended to be sold ultimately  
12 at retail within or without the state of North Dakota, is hereby specifically exempted from the tax  
13 imposed by this chapter. The term tangible personal property shall be construed to include raw  
14 material and newspaper print. Containers, labels, cartons, packing cases, wrapping paper,  
15 twine, glue, bags, bottles, shipping cases, wrapping film, strapping, rope, tape, cans, lids,  
16 boxes, pads, dividers, stockinettes, casings, and similar articles and receptacles used or  
17 consumed by manufacturers, processors, or fabricators are raw material and are not subject to  
18 sales or use tax.

19           **57-64-43. Packaging and container materials sold to retailers exempt.** There are  
20 specifically exempted from the provisions of this chapter and from the computation of tax  
21 imposed by it, gross receipts from the sale of paper and plastic bags, wrapping paper, twine,  
22 tape, and similar articles sold to retailers licensed under this chapter if the retailer uses the  
23 articles as wrappers or containers to hold other tangible personal property sold by the retailer  
24 and subject to sales or use tax and the articles are supplied free by the retailer as a  
25 convenience to the customer.

26           **57-64-44. Exemption of hospital meals paid for by public entity.** There are  
27 specifically exempted from the provisions of this chapter and the computation of the amount of  
28 tax imposed by it, the gross receipts from the sale of meals to inpatients of hospitals if such  
29 meals are paid for, by law or by contract, by the United States, this state, or a political  
30 subdivision, including meals provided to medicare, medicaid, champus, Indian health service, or  
31 county poor relief patients.

1       **57-64-45. Exemption of authorized purchases made with food stamps.** There are  
2 hereby specifically exempted from the tax imposed by this chapter the gross receipts resulting  
3 from authorized purchases made with food stamps under the provision of the Food Stamp Act  
4 of 1977 [Pub. L. 95-113].

5       **57-64-46. Exemption of authorized purchases of food.** There are hereby  
6 specifically exempted from the tax imposed by this chapter the gross receipts resulting from  
7 authorized purchases of food made under section 17(c) of the Child Nutrition Act of 1966  
8 [42 U.S.C. 1786(c)].

9       **57-64-47. Exemption of certain insulin sales.** There are specifically exempted from  
10 the provisions of this chapter and from the computation of the amount of tax imposed by it,  
11 gross receipts from the sale of insulin to the extent used by humans, that is not sold by  
12 prescription.

13       **57-64-48. Exemption of certain drugs.** There are specifically exempted from the  
14 provisions of this chapter and from the computation of the amount of tax imposed by it, gross  
15 receipts from the sale of drugs as defined by rule adopted by the tax commissioner under  
16 chapter 28-32, to the extent used by humans, if the drugs are prescribed by prescription,  
17 dispensed, or administered by a physician, chiropractor, optometrist, dentist, podiatrist, or  
18 audiologist.

19       **57-64-49. Exemption of certain durable medical equipment and prosthetic**  
20 **devices.** There are specifically exempted from the provisions of this chapter and from the  
21 computation of the amount of tax imposed by it, gross receipts from the sale of durable medical  
22 equipment, mobility-enhancing equipment, and prosthetic devices as defined by rule adopted  
23 by the tax commissioner under chapter 28-32 to the extent used by humans, if the durable  
24 medical equipment, mobility-enhancing equipment, and prosthetic devices are prescribed by  
25 prescription by a physician, chiropractor, optometrist, dentist, podiatrist, or audiologist.

26       **57-64-50. Exemption of certain medical devices.** There are specifically exempted  
27 from the provisions of this chapter and from the computation of the amount of tax imposed by it,  
28 gross receipts from the sale of any medical device to the extent used by humans, if the medical  
29 device is prescribed by prescription by a physician, chiropractor, optometrist, dentist, podiatrist,  
30 or audiologist. The term "medical device" means any instrument, apparatus, implement,

1 contrivance, or other similar or related article, including a component, part, or accessory, that is  
2 prescribed for use on a single patient and that is:

- 3       1. Recognized in the official national formulary or the United States pharmacopoeia,  
4       or any supplement to them;
- 5       2. Intended for use in the diagnosis of disease or other conditions or in the cure,  
6       mitigation, treatment, detection, or prevention of disease of the human body; or
- 7       3. Intended to affect the structure or any function of the human body and that does  
8       not achieve any of its primary intended purposes through chemical action within or  
9       on the human body and that is not dependent upon being metabolized for the  
10      achievement of any of its primary intended purposes.

11 A medical device is not durable medical equipment, mobility-enhancing equipment, or a  
12 prosthetic device.

13       **57-64-51. Exemption of seed used for agricultural purposes.** There are hereby  
14 specifically exempted from the provisions of this chapter and from the computation of the  
15 amount of tax imposed by it, gross receipts from the sale of seed legumes, seed grasses, and  
16 seed grains, when twenty-five pounds [11.34 kilograms] or more are sold in a single sale to be  
17 used exclusively for agricultural purposes.

18       **57-64-52. Exemption of commercial fertilizer used for agricultural purposes.**  
19 There are hereby specifically exempted from the provisions of this chapter and from the  
20 computation of the amount of tax imposed by it, gross receipts from the sale of commercial  
21 fertilizers, either liquid or solid, when five hundred pounds [226.80 kilograms] or more are sold  
22 in a single sale to be used exclusively for agricultural purposes.

23       **57-64-53. Exemption of pesticides used for agricultural purposes.** There are  
24 hereby specifically exempted from the provisions of this chapter and from the computation of  
25 the amount of tax imposed by it, gross receipts from the sale of insecticides, herbicides,  
26 pesticides, rodenticides, and fumigants to be used exclusively by the purchaser for agricultural  
27 purposes.

28       **57-64-54. Exemption of gross receipts from rental of certain devices used to**  
29 **apply agricultural chemicals.** There are specifically exempted from the tax imposed by this  
30 chapter, gross receipts from the rental of devices primarily used to apply fertilizers, pesticides,

herbicides, and insecticides for agricultural purposes, if sales tax or use tax was paid upon the original purchase of the device.

**57-64-55. Exemption of gross receipts from rental of agricultural devices owned by conservation district.** There are specifically exempted from the provisions of this chapter and from the computation of the tax imposed by it, gross receipts from the rental of devices used primarily for agricultural purposes if such devices are owned by a soil conservation district organized pursuant to chapter 4-22.

**57-64-56. Exemption of sales of livestock, poultry, ostriches, emus, or rheas other than ultimate retail sale.** No gross receipts from sales of livestock or live poultry, ostriches, emus, or rheas, if such sales are a part of a series of transactions incident to producing a finished product intended to be offered for an ultimate retail sale, are taxable under this chapter, except that an ultimate retail sale interrupting the series of transactions with an intended final use or consumption is taxable.

**57-64-57. Exemption of gross receipts from sale of live game birds by producer to certain nonprofit organizations.** There are specifically exempted from the provisions of this chapter and the computation of the tax imposed by it, the gross receipts from the sale of live game birds sold by the producer to nonprofit organizations which release such birds or to commercial hunting operators who charge fees to hunt such birds.

**57-64-58. Exemption of gross receipts from sales of certain animals.** There are hereby specifically exempted from the provisions of this chapter and from the computation of the amount of tax imposed by it, gross receipts from the sale of live cattle, buffalo, sheep, goats, swine, poultry, ostriches, emus, rheas, and domesticated fur-bearing animals, used or to be used as breeding or production stock, and horses and other animals within the family equidae. The term "poultry" does not include any fowl other than domestic fowl kept and raised for the market or the production of eggs for human consumption.

**57-64-59. Exemption of gross receipts from sale of feed for certain animals.** There are hereby specifically exempted from the provisions of this chapter and from the computation of the amount of tax imposed by it, gross receipts from the sale of feed for cattle, buffalo, sheep, goats, swine, poultry, ostriches, emus, rheas, and domesticated fur-bearing animals if such feed is used by farmers or ranchers who are regularly engaged in the business of raising and feeding such animals, or producing milk for sale for human consumption, and



1 horses and other animals within the family equidae. The term "poultry" does not include any  
2 fowl other than domestic fowl kept and raised for the market or the production of eggs for  
3 human consumption.

4 **57-64-60. Exemption for sale of certain live nontraditional livestock.** There are  
5 hereby specifically exempted from the provisions of this chapter and from the computation of  
6 the amount of tax imposed by it, gross receipts from the sale of any live nontraditional livestock  
7 regulated by the board of animal health under chapter 36-01, if the animal is to be used by a  
8 farmer or rancher who is regularly engaged in the breeding and raising of such animals.

9 **57-64-61. Exemption for sale of feed for certain nontraditional livestock.** There  
10 are hereby specifically exempted from the provisions of this chapter and from the computation  
11 of the amount of tax imposed by it, gross receipts from the sale of feed for any nontraditional  
12 livestock regulated by the board of animal health under chapter 36-01, if the feed is to be used  
13 by a farmer or rancher who is regularly engaged in the breeding and raising of such animals.

14 **57-64-62. Exemption of fuel used for agricultural or railroad purposes.** Motor fuel,  
15 including kerosene, tractor fuel, liquefied petroleum gas, natural and artificial gas, diesel fuels,  
16 and distillate, when used for agricultural or railroad purposes, is exempt from excise taxes  
17 imposed under this chapter.

18 For the purposes of this section, "agricultural purposes" includes hay grinding but does  
19 not include the lighting or heating of any farm residence.

20 For the purposes of this section, "railroad purposes" includes only locomotives or track  
21 motor cars being operated on railroad tracks in road service in this state.

22 **57-64-63. Power charges for irrigation pumps exempt.** There are hereby  
23 specifically exempted from the provisions of this chapter and from the amount of tax imposed  
24 by it, gross receipts from the sale of electricity used to power irrigation pumps and the gross  
25 receipts from the horsepower charge on electric motors powering irrigation pumps whenever  
26 the purchaser has made the purchase exclusively for agricultural purposes.

27 **57-64-64. Exemption of bulk water for domestic use.** There are specifically  
28 exempted from the provisions of this chapter and from the computation of tax imposed by it, the  
29 gross receipts from the sales of bulk water which are delivered for domestic use.

1       **57-64-65. Exemptions applied to taxable services.** The exemptions from sales tax  
2 relative to sales of tangible personal property shall apply to services included in sections  
3 57-64-07 and 57-64-09.

4       **57-64-66. Exemption of payments between members of controlled group.**  
5 Payments made by one member of the controlled group to another member of a controlled  
6 group which represent an allocation, reimbursement, or charge for services provided by or  
7 rendered by the members of the controlled group are specifically exempted from the provisions  
8 of this chapter and the computation of the tax imposed by it.

9       **57-64-67. Exemption of payments between members of controlled group -**  
10 **Reimbursement for third-party services to group.** Payments made by one member of a  
11 controlled group to another member of a controlled group which represent an allocation,  
12 reimbursement, or charge for third-party services rendered to the controlled group and upon  
13 which a sales or use tax has been paid may not be considered as gross receipts under this  
14 chapter.

15       **57-64-68. Exemption of gross receipts from sale or rendering of services -**  
16 **Related corporation defined.** There are specifically exempted from the provisions of this  
17 chapter and the computation of the tax imposed by it, gross receipts from the sale of services  
18 rendered by a related corporation for use by a financial institution or on any service rendered by  
19 a financial institution for use by a related corporation. For the purposes of this section, the term  
20 "related corporation" means a corporation associated with another as its parent or subsidiary or  
21 in a brother-sister relation and includes a corporation which together with the financial institution  
22 is part of a controlled group of corporations as defined in 26 U.S.C. 1563 as in effect on  
23 January 1, 1989, except that the eighty percent ownership requirements set forth in 26 U.S.C.  
24 1563(a)(2)(A) for a brother-sister controlled group are reduced to fifty-one percent.

25       **57-64-69. Exemption of gross receipts from sale of certain replacement parts.**  
26 There are exempted from the provisions of this chapter and from the computation of the tax  
27 imposed by it, the gross receipts from the sale of replacement parts that are sold to retailers  
28 and which will be installed in tangible personal property that will ultimately be for resale.

29       **57-64-70. Exemption of natural gas transportation services by pipeline.** The  
30 provision of natural gas transportation services by a pipeline is exempted from the provisions of  
31 this chapter and from the computation of the tax imposed by this chapter.

1           **57-64-71. Exemption for the sale of credit card processing services.** There are  
2 specifically exempted from the provisions of this chapter and from the computation of the  
3 amount of tax imposed by it, gross receipts from the sale of credit card processing services to  
4 retailers.

5           **57-64-72. Gross receipts from charge of interest exempted - Pawnbrokers not**  
6 **eligible for exemption.** There are exempted from the provisions of this chapter and from the  
7 computation of the amount of tax imposed by it, the gross receipts from the charge of interest  
8 as defined in section 47-14-04. This exemption does not apply to the gross receipts from  
9 interest paid any pawnbroker from the tax imposed by this chapter. For the purposes of this  
10 section, a pawnbroker means any person who is engaged in the business of lending money and  
11 who accepts the possession of tangible personal property as security for the loan.

12           **57-64-73. Fee or commission not subject to tax.** Any fee or commission received by  
13 a retailer for arranging or assisting in the arrangement of a loan for a customer to pay for  
14 tangible personal property sold by such retailer does not constitute gross receipts subject to the  
15 tax imposed by this chapter.

16           **57-64-74. Exemption for gross receipts from certain rodeo services.** There are  
17 exempted from the provisions of this chapter and from the computation of the amount of tax  
18 imposed by it, gross receipts resulting from services performed for rodeos by promoters, stock  
19 contractors, stock handlers, announcers, judges, and clowns.

20           **57-64-75. Exemption for gross receipts from international sale of agricultural and**  
21 **industrial equipment.** There are hereby exempted from the provisions of this chapter and the  
22 computation of the tax imposed by it, gross receipts resulting from the sale of agricultural and  
23 industrial production equipment in international commerce if, under the terms of the sales  
24 agreement, physical delivery of the goods takes place in this state. However, the exemption  
25 only applies if written evidence of the contract of sale is retained and such contract indicates  
26 that the goods are to be shipped in international commerce to a point outside the United States  
27 not to be returned to a point within the United States.

28           **57-64-76. Mailing service - Gross receipts.** There are hereby exempted from the  
29 provisions of this chapter and the computation of the tax imposed by it, the gross receipts  
30 received by a mailing service for the cost of United States postage paid by such mailing service

1 if the cost of postage is listed by the mailing service as a separate line item on the customer's  
2 bill and the cost of the postage is no greater than the cost of the postage to the mailing service.

3 For the purposes of this section, a mailing service is any business that uses the United  
4 States postal service to deliver items for another customer of the mail service in which said  
5 mailing service has no financial interest.

6 **57-64-77. Materials used for floor laying as purchases for resale.** Carpet, floor  
7 covering, tacks, glue, and other materials purchased for use for floor laying and other floor work  
8 not elsewhere classified (industry no. 1752) as enumerated in the Standard Industrial  
9 Classification Manual, 1987, as prepared by the statistical policy division of the office of  
10 management and budget, office of the president, and used for such work are purchases for  
11 resale.

12 **57-64-78. Materials purchased by locksmiths are purchases for resale.** Locks,  
13 lock parts, and other materials purchased for use by locksmiths as classified in repair shops  
14 and related services, not elsewhere classified (industry no. 7699) as enumerated in the  
15 Standard Industrial Classification Manual, 1987, as prepared by the statistical policy division of  
16 the office of management and budget, office of the president, and used for such work are  
17 purchases for resale.

18 **57-64-79. Computation of tax to third decimal place.** In computing the tax to be  
19 remitted under this chapter as the result of any transaction, the tax amount shall be carried to  
20 the third decimal place. Amounts of tax less than one-half of one cent shall be disregarded and  
21 amounts of tax of one-half cent or more shall be considered an additional cent.

22 **57-64-80. Schedule for collection of tax from consumer.** The schedules for  
23 collection of the tax imposed by this chapter and sales taxes imposed by cities or counties shall  
24 be established by rule by the tax commissioner under chapter 28-32. The schedules  
25 established by rule shall spread the tax proportionately on fractions of dollars.

26 **57-64-81. Tax additional to other occupation and privilege taxes.** The taxes  
27 imposed under this chapter shall be in addition to all other occupation or privilege taxes  
28 imposed by the state, or by any political subdivision of this state, unless otherwise specifically  
29 exempted by this chapter.

30 **57-64-82. Addition of tax to price of product or service.** Retailers may add the tax  
31 imposed by this chapter to the price of their product or service as provided by law. If no

1 provision is made, the average equivalent of the tax may be added. Any person or retailer  
2 subject to taxation under this chapter may add the tax under this chapter, or the average  
3 equivalent thereof, to the price or charge.

4 **57-64-83. Application for retailer permit - Contents and execution - Application**  
5 **for statewide permit - Exceptions.** Each retailer or person engaging in a business in this  
6 state whose receipts are subject to sales tax shall file with the tax commissioner an application  
7 for a permit. Each application shall be made on a form prescribed by the tax commissioner and  
8 shall require the name under which the applicant transacts or intends to transact business, the  
9 location of each business, and other information as the tax commissioner may require. The  
10 applicant shall have a permit for each place of business, unless the tax commissioner grants a  
11 request for a statewide permit. A statewide permit may be granted if the applicant  
12 demonstrates the ability to comply with the filing, auditing, and recordkeeping requirements  
13 specified in rules promulgated under section 57-64-101 for each location specified in the  
14 application.

15 Any seller registering under the streamlined sales tax agreement shall be registered in  
16 this state provided this state has entered into the agreement. Any seller who is registered  
17 under such agreement may cancel its registration at any time but is liable for remitting any sales  
18 taxes previously collected.

19 **57-64-84. Issuance of retailer permit - Limited to person and place designated -**  
20 **Display in place of business - Effective until canceled or revoked.** The tax commissioner  
21 shall grant and issue to each applicant a permit for each place of business within the state,  
22 unless a statewide permit is granted. If a statewide permit is granted, the tax commissioner  
23 shall issue a copy of the statewide permit for each place of business within the state. A permit  
24 is not assignable and shall be valid only for the person in whose name it is issued and for the  
25 transaction of business at the place designated therein. The permit shall at all times be  
26 conspicuously displayed at the place for which issued. Each permit is valid and effective  
27 without further payment of fees until canceled or revoked.

28 **57-64-85. Refusal of permit to delinquent taxpayer - Bond to secure payment of**  
29 **tax.** The tax commissioner may refuse to issue a permit to any person who is delinquent in the  
30 payment of occupation taxes levied by the state. The tax commissioner may also require an  
31 applicant to furnish a bond to the state, or other adequate security, as security for payment of

any sales tax that may become due, or require a bond or security as a condition precedent to remaining in business as a retailer.

**57-64-86. Return and remittance - Extension of time - Delinquency.** Any person who is the holder of a sales tax permit or is a retailer whose receipts are subject to sales tax in this state during the periods specified by this section shall make a return and remittance to the tax commissioner on forms prescribed and furnished by the tax commissioner in the following manner:

1. Any person whose tax liability is one thousand dollars or more annually shall file the return and remit the tax on or before the twentieth day of the month following each monthly period;

2. Any person whose tax liability is less than one thousand dollars annually shall file the return and remit the tax on or before the last day of the month following each two-month period; and

3. Any person whose tax liability is one thousand dollars or more annually and who remits the tax by electronic transfer to the state shall file the return by electronic means on or before the twenty-third day of the month following each monthly period and remit the tax on or before the second to the last day of the month following each monthly period.

The tax commissioner may grant an extension of not more than five days for filing a return and remittance. However, the tax commissioner may grant an extension for remitting the tax to a qualified business as provided in sections 57-64-126 through 57-64-134 for six months.

Unless an extension is granted, penalty or interest under section 57-64-87 shall be paid if a return or remittance is not made on time.

**57-64-87. Penalty for failure to file return - Penalty reduced or eliminated - Interest charged for late payment - Interest tolled during appeal - Maximum interest rate for mistake of law.** Any person required to file returns or reports under this chapter who fails to file a return or report which includes all taxable transactions within thirty days following the month the return or report is due is subject to an additional amount, assessed as a penalty, equal to ten percent of the tax or ten dollars whichever is greater. However, for reasonable cause shown, the tax commissioner may reduce or eliminate such penalty. Any person subject to tax under this chapter who fails to pay the tax within the time prescribed is subject to an

1 interest charge for each month or part thereof for which the payment is late, which interest shall  
2 be one and one-quarter percent or five dollars whichever is greater for the first month, and one  
3 and one-quarter percent per month thereafter. If the failure to pay tax was with the intent to  
4 intentionally avoid or delay the payment of tax, the person who fails to pay the tax within the  
5 time prescribed is subject to an interest charge for each month or part thereof for which the  
6 payment is late, which interest shall be one and one-half percent or five dollars, whichever is  
7 greater. Interest is tolled during any appeal taken by the department or during any period the  
8 hearing examiner extends the time in which to submit a proposed decision or during any period  
9 the secretary fails to rule within thirty days after receiving the proposed decision. Penalty and  
10 interest are considered the same as tax for the purposes of collection and enforcement  
11 including liens, distress warrants, and criminal violations. Any payment received for taxes,  
12 penalty, or interest is applied first to tax, beginning with the oldest delinquency, then to interest,  
13 and then to penalty.

14 The secretary may, upon application of the taxpayer, establish a maximum interest rate  
15 of thirty percent upon delinquent taxes if the tax commissioner determines that the delinquent  
16 payment was caused by a mistake of law and was not caused by an intent to evade the tax.

17 **57-64-88. Change of reporting periods.** The tax commissioner may require or allow  
18 some returns and remittances to be filed on a monthly, bimonthly, semiannual, or annual basis  
19 and the return and remittance is due the last day of the month following the reporting period.  
20 For persons issued a temporary or seasonal sales tax permit, the returns and remittances may  
21 be required at a time determined by the tax commissioner.

22 **57-64-89. Deduction allowed for sales refunds.** Refunds made by a retailer during  
23 the reporting period shall be allowed as a deduction in case the retailer included the receipts for  
24 which a refund is made in the net taxable sales or has previously paid the sales tax.

25 **57-64-90. Deduction allowed attorneys and accountants for amounts spent on**  
26 **behalf of clients.** In determining the amount of tax due under this chapter, attorneys and  
27 accountants licensed in this state may deduct from gross receipts amounts which represent  
28 charges to clients for tangible personal property or services purchased by the attorney or  
29 accountant on behalf of a client. However, the sale of the property or service to the attorney or  
30 accountant is not a sale for resale if this deduction is taken. This deduction may only be taken  
31 if the amount to be deducted represents an expense specifically incurred for a particular client

1 and the amount is itemized and separately billed as a reimbursable expense by the attorney or  
2 accountant.

3 **57-64-91. Bad debts - Deduction from amount upon which tax is calculated - Time**  
4 **for deduction.** For purposes of this chapter, a bad debt is any portion of the purchase price of  
5 a transaction that a seller has reported as taxable and for which the seller or any party related  
6 to the seller within the meaning of section 267 or 707 of the Internal Revenue Code (related  
7 party), as of January 1, 2003, or any disregarded entity for federal income tax purposes that is  
8 owned by the seller or a related party, legally claims as a bad debt deduction for federal income  
9 tax purposes. In computing the amount of tax due, a seller may deduct bad debts from the total  
10 amount upon which the tax is calculated for any return. Any deduction taken or refund paid  
11 which is attributed to bad debts may not include interest. Bad debts include worthless checks,  
12 worthless credit card payments, and uncollectible credit accounts. Bad debts do not include  
13 financing charges or interest, sales or use taxes charged on the purchase price, uncollectible  
14 amounts on property that remain in the possession of the seller until the full purchase price is  
15 paid, expenses incurred in attempting to collect any debt, debts sold, or assigned to unrelated  
16 third parties for collection, and repossessed property. No bad debt deduction may be claimed  
17 by any person who has purchased accounts receivable for collection unless the person is a  
18 successor who has acquired the entire business of the seller that incurred the bad debt, the  
19 person is a related party, or the person is a disregarded entity for federal income tax purposes  
20 that is owned by the seller or a related party.

21 Bad debts shall be deducted within twelve months following the month in which the bad  
22 debt has been charged off for federal income tax purposes. If a deduction is taken for a bad  
23 debt and the seller subsequently collects the debt in whole or in part, the tax on the amount so  
24 collected shall be paid and reported on the next return due after the collection.

25 A seller may obtain a refund of tax on any amount of bad debt that exceeds the amount  
26 of taxable sales within the twelve-month period defined by that bad debt. A refund under this  
27 section may not include interest.

28 If a seller's filing responsibilities have been assumed by a certified service provider, the  
29 service provider may claim, on behalf of the seller, any bad debt allowance provided by this  
30 section. The service provider shall credit or refund the full amount of any bad debt allowance or  
31 refund received to the seller.



1       **57-64-92. Cash basis reporting and payment.** Notwithstanding other provisions of  
2 this chapter, the tax commissioner shall allow retailers to report and pay sales tax measured by  
3 gross receipts upon a cash basis if:

- 4       1. The retailer has not changed the retailer's basis in the previous calendar year;
- 5       2. The retailer's records are kept in a manner which may be audited to determine  
6 whether sales tax is paid upon all taxable sales;
- 7       3. The retailer has made a written request to the tax commissioner for authority to pay  
8 tax on the cash basis; and
- 9       4. Authority to pay tax on the cash basis applies only to sales made after the authority  
10 is granted.

11       **57-64-93. Accrual basis reporting and payment.** If the tax commissioner has  
12 granted a retailer the authority to report and pay sales tax on the cash basis and a retailer  
13 requests in writing for the authority to report and pay sales tax upon the accrual basis, the tax  
14 commissioner may grant such authority if assessment and collection of taxes are not  
15 jeopardized.

16       **57-64-94. Receipts not issued for taxes remitted.** The tax commissioner is not  
17 required to issue receipts for sales tax remitted to the office of the tax commissioner.

18       **57-64-95. Revocation of retailer's license for failure to file return or pay tax -**  
19 **Continuation in business a misdemeanor.** Every person who is the holder of a sales tax  
20 license and who has failed to file a return, or who has filed a return and has failed to pay the tax  
21 due the state under this law on or before the fifteenth of the second month following the quarter,  
22 or any other reporting period authorized, shall no longer continue as a retailer and that person's  
23 sales tax license is hereby revoked and canceled. Any person who shall continue in a taxable  
24 business after that person's license has been revoked or canceled, as herein provided, is guilty  
25 of a class A misdemeanor.

26       **57-64-96. Appeals from decisions of tax commissioner.** Appeals from decisions of  
27 the tax commissioner in contested cases may be taken in accordance with chapter 28-32.

28       **57-64-97. Reinstatement of revoked retailer's license - Fee.** The license of a retailer  
29 which has been canceled or revoked shall not be reinstated by the tax commissioner until all  
30 the sales tax due the state and a ten dollar reinstatement fee has been paid.

1           **57-64-98. Jeopardy assessment of sales tax - Lien and distress warrant - Bond to**  
2 **pay tax.** If the tax commissioner believes that the assessment or collection of taxes will be  
3 jeopardized by delay, the tax commissioner may immediately make an assessment of the  
4 estimated tax and penalty and demand payment thereof from the taxpayer. If such payment is  
5 not made, a lien may be filed and a distress warrant issued. The tax commissioner shall be  
6 permitted to accept a bond from the taxpayer to satisfy collection until the amount of tax legally  
7 due shall be determined and paid.

8           **57-64-99. Endorsement and return of uncollectible warrant - Liability of officer for**  
9 **failure to issue or execute warrant.** When the sheriff is unable to find property of the  
10 taxpayer which may be seized and sold, within thirty days after receipt of the warrant, the sheriff  
11 shall endorse upon the case of the warrant the word "uncollectible" and return the warrant to  
12 the county treasurer. Failure or refusal of the county treasurer to issue a distress warrant when  
13 requested to do so, or of the sheriff to attempt to execute the same, shall make the officer  
14 failing to perform that officer's duty personally liable for the delinquent tax, and said tax may be  
15 recovered in an action brought against that officer and that officer's sureties by the tax  
16 commissioner.

17           **57-64-100. Records preserved by persons subject to tax - Inspection by**  
18 **department.** Every person subject to tax under this chapter shall keep records and books of all  
19 receipts and sales, together with invoices, bills of lading, copies of bills of sale, and other  
20 pertinent papers and documents. At all times during business hours of the day, such books and  
21 records and other papers and documents shall be subject to inspection by the tax  
22 commissioner or the tax commissioner's duly authorized agents and employees to determine  
23 the amount of tax due. Such books and records shall be preserved for a period of three years  
24 unless the tax commissioner, in writing, authorized their destruction or disposal at an earlier  
25 date.

26           **57-64-101. Rules.** The tax commissioner may adopt rules under chapter 28-32  
27 concerning:

- 28           1. Licensing, including bonding and filing license applications;
- 29           2. The filing of returns and payment of the tax;
- 30           3. Determining the application of the tax and exemptions;
- 31           4. Taxpayer recordkeeping requirements; and

5. Determining auditing methods.

**57-64-102. Violations as criminal offenses - Classification.** Any person who:

1. Makes any false or fraudulent return in attempting to defeat or evade the tax imposed by this chapter is guilty of a class A misdemeanor;
2. Fails to pay tax due under this chapter within thirty days from the date the tax becomes due is guilty of a class A misdemeanor;
3. Fails to keep the records and books required by this chapter or refuses to exhibit these records to the tax commissioner or the tax commissioner's agents for the purpose of examination is guilty of a class A misdemeanor;
4. Fails to file a return required by this chapter within thirty days from the date the return is due is guilty of a class A misdemeanor;
5. Engages in business as a retailer under this chapter without obtaining a sales tax license is guilty of a class A misdemeanor;
6. Engages in business as a retailer under this chapter after that person's sales tax license has been revoked by the tax commissioner is guilty of a class A misdemeanor;
7. Willfully violates any rule of the tax commissioner for the administration and enforcement of the provisions of this chapter is guilty of a class A misdemeanor;
8. Violates either subsection 2 or subsection 4 two or more times in any twelve-month period is guilty of a class C felony; or
9. Engages in business as a retailer under this chapter without obtaining a sales tax license after having been notified in writing by the tax commissioner that the person is a retailer subject to the provisions of the sales and use tax laws is guilty of a class A misdemeanor. It is not a violation of this subsection if the person engaging in business as a retailer files an application for a sales tax license and meets all lawful prerequisites for obtaining such license within three days from receipt of written notice from the tax commissioner.

For purposes of this section, "person" includes corporate officers having control or supervision of or charged with the responsibility for making tax returns or payments pursuant to this chapter.

1           **57-64-103. Allocation to state general fund and political subdivisions.** All taxes  
2 and license fees collected by the tax commissioner pursuant to this chapter shall immediately  
3 be turned over to the state treasurer and credited to the state general fund, except five percent  
4 of net sales, use, and motor vehicle excise tax collections under chapters 57-64 through 57-67  
5 and 57-40.3 must be deposited by the state treasurer in the state aid distribution fund. The  
6 state tax commissioner shall certify to the state treasurer the portion of sales, use, and motor  
7 vehicle excise tax net revenues that must be deposited in the state aid distribution fund as  
8 determined under this section. Revenues deposited in the state aid distribution fund are  
9 provided as a standing and continuing appropriation and must be allocated as follows:

10           1. Fifty-three and seven-tenths percent of the revenues must be allocated to counties  
11 in the first month after each quarterly period as provided in this subsection.

12           a. Sixty-four percent of the amount must be allocated among the seventeen  
13 counties with the greatest population in the following manner:

14                   (1) Thirty-two percent of the amount must be allocated equally among the  
15 counties; and

16                   (2) The remaining amount must be allocated based upon the proportion  
17 each such county's population bears to the total population of all such  
18 counties.

19           b. Thirty-six percent of the amount must be allocated among all counties,  
20 excluding the seventeen counties with the greatest population in the following  
21 manner:

22                   (1) Forty percent of the amount must be allocated equally among the  
23 counties; and

24                   (2) The remaining amount must be allocated based upon the proportion  
25 each such county's population bears to the total population of all such  
26 counties.

27           A county shall deposit all revenues received under this subsection in the county  
28 general fund. Each county shall reserve a portion of its allocation under this  
29 subsection for further distribution to, or expenditure on behalf of, townships, rural  
30 fire protection districts, rural ambulance districts, soil conservation districts, county  
31 recreation service districts, county hospital districts, the Garrison Diversion

Conservancy District, the southwest water authority, and other taxing districts within the county, excluding school districts, cities, and taxing districts within cities. The share of the county allocation under this subsection to be distributed to a township must be equal to the percentage of the county share of state aid distribution fund allocations that township received during calendar year 1996. The governing boards of the county and township may agree to a different distribution.

2. Forty-six and three-tenths percent of the revenues must be allocated to cities in the first month after each quarterly period as provided in this subsection.

a. Nineteen and four-tenths percent of the amount must be allocated among cities with a population of eighty thousand or more based upon the proportion each city's population bears to the total population of all such cities.

b. Thirty-four and five-tenths percent of the amount must be allocated among cities with a population of twenty thousand or more but fewer than eighty thousand based upon the proportion each such city's population bears to the total population of all such cities.

c. Sixteen percent of the amount must be allocated among cities with a population of ten thousand or more but fewer than twenty thousand based upon the proportion each such city's population bears to the total population of all such cities.

d. Four and nine-tenths percent of the amount must be allocated among cities with a population of five thousand or more but fewer than ten thousand based upon the proportion each such city's population bears to the total population of all such cities.

e. Thirteen and one-tenth percent of the amount must be allocated among cities with a population of one thousand or more but fewer than five thousand based upon the proportion each such city's population bears to the total population of all such cities.

f. Six and one-tenth percent of the amount must be allocated among cities with a population of five hundred or more but fewer than one thousand based upon the proportion each such city's population bears to the total population of all such cities.

g. Three and four-tenths percent of the amount must be allocated among cities with a population of two hundred or more but fewer than five hundred based upon the proportion each such city's population bears to the total population of all such cities.

h. Two and six-tenths percent of the amount must be allocated among cities with a population of fewer than two hundred based upon the proportion each such city's population bears to the total population of all such cities.

A city shall deposit all revenues received under this subsection in the city general fund. Each city shall reserve a portion of its allocation under this subsection for further distribution to, or expenditure on behalf of, park districts and other taxing districts within the city, excluding school districts. The share of the city allocation under this subsection to be distributed to a park district must be equal to the percentage of the city share of state aid distribution fund allocations that park district received during calendar year 1996, up to a maximum of thirty percent. The governing boards of the city and park district may agree to a different distribution.

**57-64-104. Personal liability of officers of corporation failing to file returns or pay tax - Security in lieu of liability - Bonded municipal officials exempt.** If a corporation subject to tax under this chapter fails for any reason to file the required returns or to pay the tax due, any of its officers having control, or supervision of, or charged with the responsibility for making such returns and payments shall be personally liable for such failure. The dissolution of a corporation shall not discharge an officer's liability for a prior failure of the corporation to make a return or remit the tax due. The sum due for such a liability may be assessed and collected as provided by law.

If the corporate officers elect not to be personally liable for the failure to file the required returns or to pay the tax due, the corporation shall provide the tax commissioner with a surety bond or certificate of deposit as security for payment of any tax that may become due. The bond or certificate of deposit provided for in this section shall be in an amount equal to the estimated annual gross receipts multiplied by the applicable sales or excise tax rate. This section does not apply to elected or appointed officials of a municipality if they are bonded.

**57-64-105. Exemption certificate - Responsibilities of seller taking certificate - Responsibilities of purchaser - Violation as misdemeanor - Retention of certificate -**

1 **Rules and forms.** A seller, who possesses an exemption certificate from a purchaser of  
2 tangible personal property or services which indicates the items or services being purchased  
3 are exempt, may rely on the exemption certificate and not charge sales tax to the provider of  
4 the exemption certificate until the provider of the exemption certificate gives notice that the  
5 items or services being purchased are no longer exempt by filing a new exemption certificate  
6 with the seller.

7 The exemption certificate shall be signed by the purchaser, provide the purchaser's  
8 name, address, and valid state tax license number, if applicable, and shall describe the types of  
9 tangible personal property and services being purchased exempt by the purchaser. However,  
10 any person filing an electronic exemption certificate is not required to sign the exemption  
11 certificate.

12 The purchaser claiming the protection of an exemption certificate is responsible for  
13 assuring that the goods and services delivered thereafter are of a type covered by the  
14 exemption certificate. If there are items covered under the exemption certificate which are not  
15 being purchased exempt, it is the responsibility of the purchaser when ordering goods from a  
16 seller to indicate if any of the items purchased are not exempt, and the appropriate sales tax  
17 shall be charged on the portion of the sale that is not exempt. A seller of property or services  
18 which are generally described under the exemption certificate is not responsible for the  
19 collection of the tax unless otherwise directed by the purchaser.

20 If the purchaser later determines there is any tax due and owing, the purchaser shall  
21 remit the tax owed by the purchaser to the state. If the purchaser makes an exempt purchase  
22 and later determines that the goods or services purchased are not exempt, the purchaser shall  
23 report the transaction and pay the use tax on the next filing of the purchaser's return.

24 Any purchaser who knowingly and intentionally lists on an exemption certificate  
25 personal property or services which the purchaser knows, at the time the exemption certificate  
26 is filed with the seller, are not exempt, or provides an invalid exemption certificate with the intent  
27 to evade payment of the tax, and fails to timely report the same with the tax commissioner is  
28 guilty of a class A misdemeanor. The tax commissioner may assess a penalty of up to fifty  
29 percent of the tax owed in addition to the tax owed. No interest may be charged on the penalty.

1       The seller shall retain the exemption certificate for a period of three years from the date  
2 it is filed by the purchaser and provide the exemption certificate to the tax commissioner upon  
3 request.

4       The tax commissioner may adopt rules under chapter 28-32 to adopt forms for  
5 exemption certificates.

6       **57-64-106. Tangible property transportation gross receipts tax imposed -**  
7 **Transportation to be within state.** There is imposed a tax of five and seven-tenths percent  
8 on the gross receipts from the transportation of tangible personal property. The tax imposed by  
9 this section shall apply to any transportation of tangible personal property if both the origin and  
10 destination of the tangible personal property are within this state.

11       **57-64-107. Passenger transportation gross receipts tax imposed - Transportation**  
12 **to be within state.** There is imposed a tax of five and seven-tenths percent on the gross  
13 receipts from the transportation of passengers. The tax imposed by this section shall apply to  
14 any transportation of passengers if the passenger boards and exits the mode of transportation  
15 within this state.

16       **57-64-108. Inapplicability of tax.** The tax imposed by sections 57-64-106 through  
17 57-64-115 does not apply to any transportation service which the state is prohibited from taxing  
18 by federal law or the United States constitution.

19       **57-64-109. Agricultural products transportation by producer exempt.** The  
20 transportation of agricultural products by the agricultural producer thereof is exempt from the  
21 tax imposed by sections 57-64-106 through 57-64-115 if the producer transports such products  
22 in a mode of transportation which is owned, leased, or rented by the producer. However, if an  
23 agricultural producer transports another person's products for hire, such transportation is  
24 subject to the tax imposed by sections 57-64-106 through 57-64-115.

25       **57-64-110. Transportation services sold for resale.** Transportation services may  
26 only be sold for resale under the following circumstances:

- 27       1. A transportation company may sell its services for resale to another transportation  
28       company; or
- 29       2. A retailer that regularly delivers a majority of the tangible personal property which it  
30       sells to its customers by truck or other mode of transportation owned, leased, or



rented by such retailer may purchase for resale the services of a transportation company for the delivery of such retailer's tangible personal property.

**57-64-111. Definition of terms.** As used in sections 57-64-112 through 57-64-114:

1. "Cargo vessel" means a single transport truck;
2. "Fuel" means gasoline, ethanol, methanol, liquefied petroleum gas, petroleum distillates, lubricating oils and greases, glycol-based antifreezes, fuels used for off-highway racing, solvents such as petroleum naphtha, mineral spirits, or stoddard solvents, and any other petroleum product delivered to a terminal by pipeline, truck, or rail, any other motor vehicle fuel as defined in section 57-43.1-01 and special fuels as defined in section 57-43.2-01;
3. "Fuel terminal transportation" means the transportation of fuel from a terminal to a location in this state at which the fuel is unloaded. Fuel terminal transportation does not include the transportation of fuel from a location other than a terminal;
4. "Terminal" means as defined in section 57-43.2-01; and
5. "Trip" means the distance in road miles traveled by a cargo vessel from the fuel terminal at which it was loaded with fuel to the most distant location in this state at which the fuel is unloaded, excluding miles not traveled within this state.

**57-64-112. Tax of fuel terminal transportation services.** In lieu of the tax imposed by sections 57-64-106 and 57-67-86 on the transportation of fuel, a transportation company may elect to be taxed on the fuel terminal transportation services under sections 57-64-111 through 57-64-114.

**57-64-113. Tax on gross receipts of transportation company engaged in fuel terminal transportation - Calculation of imputed gross receipts.** There is imposed a tax on the imputed gross receipts of any transportation company engaged in fuel terminal transportation who elects to be taxed under this section. The tax imposed by this section shall be on the imputed gross receipts as provided in this section. The imputed gross receipts from fuel terminal transportation shall be calculated on the basis of the number of cargo vessels and distance traveled on each trip as follows:

<u>Length of Trip</u>	<u>Number of Cargo Vessels</u>	<u>Imputed Gross</u>
<u>(in miles)</u>	<u>Per Trip Transportation</u>	<u>Receipts From</u>
<u>50 or less</u>	<u>1</u>	<u>\$64.00</u>

1	<u>50 or less</u>	<u>2 or more</u>	<u>\$88.00</u>
2	<u>More than 50, but less than 100</u>	<u>1</u>	<u>\$120.00</u>
3	<u>More than 50, but less than 100</u>	<u>2 or more</u>	<u>\$165.00</u>
4	<u>100 or more, but less than 150</u>	<u>1</u>	<u>\$176.00</u>
5	<u>100 or more, but less than 150</u>	<u>2 or more</u>	<u>\$242.00</u>
6	<u>150 or more, but less than 200</u>	<u>1</u>	<u>\$224.00</u>
7	<u>150 or more, but less than 200</u>	<u>2 or more</u>	<u>\$308.00</u>
8	<u>200 or more</u>	<u>1</u>	<u>\$280.00</u>
9	<u>200 or more</u>	<u>2 or more</u>	<u>\$385.00</u>

10       **57-64-114. Exemption of tax on subsequent transportation of fuel.** For the fuel  
11 terminal transportation subject to tax under sections 57-64-111 through 57-64-113, all  
12 subsequent transportation of that fuel is exempt from the tax imposed under this chapter.

13       **57-64-115. Effect of special reporting election.** The provisions of section 57-64-82  
14 also apply to any taxes imposed by sections 57-64-111 through 57-64-113 on transportation  
15 services regardless of any special reporting election the taxpayer may have made.

16       **57-64-116. Temporary vendor to maintain inventory records.** A temporary vendor  
17 shall maintain, for a minimum of three years, inventory records, including a beginning inventory  
18 of merchandise. The vendor shall provide such records for immediate inspection and review to  
19 any agent or representative of the tax commissioner upon request. Failure to comply with this  
20 section is a class A misdemeanor.

21       **57-64-117. Temporary vendor to maintain sales receipts - Requests for**  
22 **inspection.** A temporary vendor shall maintain daily sales receipts, such as cash register  
23 tapes, handwritten receipts, credit card receipts, or other receipts, for a minimum of three years.  
24 The vendor shall provide such receipts for immediate inspection and review to any agent or  
25 representative of the tax commissioner upon request. Failure to comply with this section is a  
26 class A misdemeanor.

27       **57-64-118. Temporary vendor to furnish list of supplies.** A temporary vendor shall  
28 maintain for a minimum of three years a complete list of suppliers, including names and  
29 addresses. The vendor shall provide for immediate inspection and review of such list to any  
30 agent or representative of the tax commissioner upon request. Failure to comply with this  
31 section is a class A misdemeanor.

1           **57-64-119. Review and audit of temporary vendors.** A temporary vendor operating  
2 in this state may be subjected to reviews and audits without notice.

3           **57-64-120. Failure to maintain records - Revocation of temporary license.** The  
4 secretary shall revoke the temporary license of any person that fails to comply with the  
5 provisions of sections 57-64-116 through 57-64-120.

6           **57-64-121. Allowable deductions for auctioneers.** In determining the amount of tax  
7 due under this chapter, auctioneers may deduct from gross receipts amounts which represent  
8 direct expense charges for clients for tangible personal property or services purchased by the  
9 auctioneer on behalf of a client. However, the sale of the property or service to the auctioneer  
10 is not a sale for resale if this deduction is taken. This deduction may only be taken if the  
11 amount to be deducted represents an expense specifically incurred for a particular client and  
12 the amount is itemized and paid from the client's auction proceeds by the auctioneer or closing  
13 agent. The deduction shall be disallowed if the auctioneer receives any profit or remuneration  
14 directly or indirectly from the client's expense.

15           **57-64-122. Auction clerk to file return and remit sales tax - Responsibilities of**  
16 **auctioneer - Records.** All auction sales and consignment sales of tangible personal property  
17 and services are sales at retail. The auction clerk shall file the return and remit the tax imposed  
18 by this chapter on the gross receipts from each auction after applying the deductions provided  
19 by section 57-64-121. However, the auctioneer is responsible for the payment of the tax  
20 imposed by this chapter if the auction clerk is an employee of the auctioneer or if the auction  
21 clerk does not have a permit as required by this chapter. In addition to any other information  
22 required to be kept by this chapter, each auction clerk shall keep records that identify the owner  
23 of the property sold at auction and the auctioneer who conducts the sale of such property.

24           **57-64-123. Tax on gross receipts of professional employer organization -**  
25 **Deduction available.** The gross receipts of a professional employer organization are  
26 specifically subject to the tax imposed by this chapter. However, a professional employer  
27 organization may deduct from its taxable gross receipts its actual disbursements, including  
28 appropriate reserves, for the wages, salaries, payroll taxes, payroll deductions, workers'  
29 compensation costs, insurance premiums, welfare benefits, retirement benefits, and other  
30 employee benefits of its co-employees.

1       **57-64-124. Professional employer organization defined.** For the purposes of  
2       section 57-64-123, the term "professional employer organization" means a firm which:

- 3           1.   Enters into a contractual agreement with a client company to create a  
4               co-employment relationship for the provision of payroll, benefits, and other human  
5               resources functions;
- 6           2.   Covers at least seventy-five percent of the client company's full-time or full-time  
7               equivalent employees domiciled in North Dakota; and
- 8           3.   Maintains separate books and records of account for each client company.

9       **57-64-125. Temporary help services not professional employer organization.** The  
10       provisions of sections 57-64-123 and 57-64-124 do not apply to the providing of temporary help  
11       services or to any other arrangement whereby a firm temporarily assigns employees of the firm  
12       to support or supplement a client company's regular workforce in special situations such as  
13       employee absences, temporary skill shortages, seasonal workloads, and special assignments  
14       or projects.

15       **57-64-126. Definitions.** As used in section 57-64-86 and sections 57-64-126 through  
16       57-64-134:

- 17           1.   "Business" means a business that has purchased and is installing tangible  
18               personal property in the form of equipment or machinery for direct use in a  
19               manufacturing, fabricating, or processing business, which is subject to sales or use  
20               tax pursuant to this chapter or chapter 57-67;
- 21           2.   "Department" means the office of the tax commissioner;
- 22           3.   "Project" means the purchase and installation of equipment or machinery; and
- 23           4.   "Project cost" means the amount paid in money for a project.

24       **57-64-127. Extension for remitting sales and use tax on manufacturing**  
25       **equipment.** Any manufacturing, fabricating, or processing business may apply for and obtain  
26       an extension for remitting the sales and use tax imposed and due under the provisions of this  
27       chapter for equipment or machinery that will be for direct use in a manufacturing, fabricating, or  
28       processing business. The extension shall end after six months.

29       **57-64-128. Requirements for extension.** The extension pertains only to equipment  
30       and machinery purchased and installed. No extension may be made unless:

- 31           1.   The project cost exceeds twenty thousand dollars; and

2. The business applying for the extension obtains a permit from the tax commissioner as set forth in section 57-64-130.

**57-64-129. Extension applies to full costs and installation fees.** The amount of the tax extension shall apply to one hundred percent of the equipment and machinery costs and installation fees.

**57-64-130. Application for extension permit - Permit nontransferable.** Any business desiring an extension pursuant to section 57-64-86 and sections 57-64-126 through 57-64-134 shall apply for a permit from the tax commissioner at least thirty days prior to commencement of the project. The application for a permit shall be submitted on a form prescribed by the tax commissioner. A separate application shall be made and submitted for each project. Upon approval of the application, the tax commissioner shall issue a permit entitling the applicant to an extension as provided by section 57-64-86 and sections 57-64-126 through 57-64-134. The permit or extension is not assignable or transferable.

**57-64-131. Tax commissioner to prescribe form and documentation requirements.** Any extension shall be submitted on forms prescribed by the tax commissioner and shall be supported by such documentation as the tax commissioner may require. The tax commissioner may deny any extension if the business has failed to provide information or documentation requested or considered necessary by the tax commissioner to determine the validity of the extension.

**57-64-132. Fraudulent claim - Tax due constitutes lien in favor of state.** If any extension has been fraudulently presented or supported as to any item in the claim, or if the business fails to meet all the conditions of section 57-64-86 and sections 57-64-126 through 57-64-134, then the business may be rejected in its entirety and any tax due from the business shall constitute a debt to the state and a lien in favor of the state upon all property and rights to property whether real or personal belonging to the business and may be recovered in an action of debt.

**57-64-133. Right to hearing on denial of extension request.** Any business aggrieved by the denial in whole or in part of an extension requested under section 57-64-86 and sections 57-64-126 through 57-64-134 within thirty days after service of the notice of a denial by the tax commissioner, may demand and is entitled to a hearing, upon notice, before the tax commissioner. The hearing shall be conducted pursuant to chapter 28-32.

1       **57-64-134. Rules.** The tax commissioner may adopt rules, under chapter 28-32,  
2 concerning the procedures for filing extensions and the requirements necessary to qualify for an  
3 extension.

4       **57-64-135. Sourcing of sales and services.** For purposes of the tax imposed by this  
5 chapter, a retailer shall source sales of tangible personal property and services to the location  
6 where the tangible personal property or service is received. The tax commissioner shall adopt  
7 rules, pursuant to chapter 28-32, defining the location of receipt. The rules adopted pursuant to  
8 this section may provide an alternative method of sourcing telecommunications services.

9       **57-64-136. Registration and tax collection does not create nexus for other taxes.**  
10 Registration under the agreement and collection of tax imposed under this chapter or chapter  
11 57-69 does not in and of itself create nexus for other taxes or fees imposed by this state.

12       **SECTION 44.** Chapter 57-65 of the North Dakota Century Code is created and enacted  
13 as follows:

14       **57-65-01. Definitions.** Terms as used in this chapter, unless the context otherwise  
15 requires:

- 16       1. "Commissioner" means the tax commissioner.
- 17       2. "Department" means the office of the tax commissioner.
- 18       3. "Disabled" means a person receiving or having qualified to receive monetary  
19 payments, pursuant to title II, X, or XVI of the Social Security Act, as amended, and  
20 in effect on January 1, 1974, for all or part of the year for which a refund is claimed.
- 21       4. "Household" means the association of persons who live in the same dwelling,  
22 share its furnishings, facilities, and accommodations, but not including bona fide  
23 lessees, tenants, or roomers and boarders on contract.
- 24       5. "Household income" means all income received by all persons of a household  
25 while members of the household.
- 26       6. "Income" means the sum of adjusted gross income as defined in the United States  
27 Internal Revenue Code, as amended, and in effect on January 1, 2003, and all  
28 nontaxable income, including the amount of capital gains excluded from adjusted  
29 gross income, alimony, support money, nontaxable strike benefits, cash public  
30 assistance and relief, not including relief granted under this chapter, the gross  
31 amount of any pension or annuity, including Railroad Retirement Act benefits and

veterans' disability pensions, all payments received under the federal social security and state unemployment insurance laws, nontaxable interest received from the federal government or any of its instrumentalities, workers' compensation, and the gross amount of loss of time insurance, but not including gifts from nongovernmental sources, food stamps, or surplus foods, or other relief in kind provided by a public agency, less real estate taxes payable or ten percent of rent paid on the applicant's principal residence for the year in which application is made. However, the reduction in the individual's income may not exceed four hundred dollars.

7. "Single-family dwelling" means a house, condominium, apartment, or manufactured home as defined in section 41-09-02 which is assessed and taxed as a separate unit, including the platted lot upon which the structure is situated or one acre [.405 hectare], whichever is less, and the garage, whether attached or unattached.

8. "Tax year" or "taxable year" means the calendar year or the fiscal year ending during a calendar year used for computing household income under this chapter. A claimant's tax year is the same period as is covered by the claimant's federal income tax return.

**57-65-02. Reduction in income allowed for taxes paid - Determination of amount.**

The amount of the reduction in income allowed for taxes paid pursuant to subsection 6 of section 57-65-01 shall be equal to the real property taxes paid on the principal residence of the claimant. If the residence is a single family dwelling, then the amount of the reduction shall equal the taxes paid on the residence structure, the platted lot upon which the structure is located or one acre [.405 hectare], whichever is less, and the garage, whether attached or unattached. If the residence is not a single family dwelling, then the reduction shall be equal to the amount of the tax paid on or allocated to the structure and the platted lot upon which the structure is situated or one acre [.405 hectare], whichever is less, used as a residence by the claimant, including the garage, whether attached or unattached.

**57-65-03. Refund of sales and service taxes to elderly and disabled persons.** Any person sixty-five years of age or older prior to January first in the year for which a claim for refund is made, and any disabled person, and resident of this state for that entire calendar year,

shall be reimbursed and repaid as a refund for retail sales and service taxes paid, within sixty days after the deadline, as prescribed in section 57-65-09, for the filing of a claim with the commissioner, according to the schedules in sections 57-65-06 through 57-65-08.

**57-65-04. Right to file lost on death - Filing by guardian or attorney.** The right to file a claim under this chapter is personal to the claimant and does not survive the claimant's death, but such right may be exercised on behalf of a claimant by the claimant's guardian or attorney-in-fact.

**57-65-05. Relief limited to one claimant per household - Commissioner to resolve disputes.** Only one claimant per household per year is entitled to relief under this chapter. When two or more individuals of a household are able to meet the qualifications for a claimant, they may determine among them as to who shall be the claimant. If they are unable to agree, the matter shall be referred to the commissioner and the commissioner's decision is final.

**57-65-06. Refund amounts for single member households.** The amount of any claim made under this chapter by a claimant from a household consisting solely of one individual shall be determined as follows:

1. If the claimant's income is three thousand five hundred dollars or less, a sum of two hundred fifty-eight dollars;
2. If the claimant's income is three thousand five hundred one dollars and not more than nine thousand seven hundred fifty dollars, a sum of forty-six dollars plus three and four-tenths percent of the difference between nine thousand seven hundred fifty dollars and the income of the claimant; and
3. If the claimant's income is more than nine thousand seven hundred fifty dollars, no refund.

**57-65-07. Refund schedule for multiple member households.** The amount of any claim made pursuant to this chapter by a claimant from a household consisting of more than one individual shall be determined as follows:

1. If household income is six thousand two hundred fifty dollars or less, the sum of five hundred eighty-one dollars;
2. If household income is six thousand two hundred fifty-one dollars and not more than twelve thousand seven hundred fifty dollars, a sum of seventy-four dollars



1           plus seven and eight-tenths percent of the difference between twelve thousand  
2           seven hundred fifty dollars and total household income; and

3           3.   If household income is more than twelve thousand seven hundred fifty dollars, no  
4           refund.

5           **57-65-08. Commissioner to prepare table.** The commissioner shall prepare a table  
6           under which claims shall be determined. The amount of the claim as shown in the table for  
7           each bracket shall be computer only to the nearest dollar.

8           **57-65-09. Deadline for claims - Forms and assistance from county treasurers -**  
9           **Extension of deadline.** A claim for refund under section 57-65-03 shall be made annually on  
10          or before July first upon forms prescribed by the commissioner. Forms shall be made available  
11          to county treasurers who shall, upon request of a claimant, assist the claimant in completing the  
12          application and shall forward the same to the department. In case of sickness, absence, or  
13          other disability of the claimant, or if other good cause exists, the commissioner may extend for a  
14          period not to exceed six months the time for filing a claim.

15          **57-65-10. Claim computed by department at election of claimant.** The claimant is  
16          not required to record on the claim the amount claimed. The claim allowable to persons making  
17          this election shall be computed by the department.

18          **57-65-11. Documentary evidence with claim.** A claim for refund shall include such  
19          documentary evidence as the commissioner deems necessary to assure validity of the claim.

20          **57-65-12. Commissioner to determine disability claims.** The commissioner shall  
21          make the final determination as to whether a claimant seeking a refund as a disabled person is  
22          qualified.

23          **57-65-13. Death of claimant - Disposition of claim.** If a claimant dies after having  
24          filed a timely claim, the amount thereof shall be disbursed to another member of the household  
25          as determined by the commissioner. If the claimant was the only member of the household, the  
26          claim may be paid to the claimant's personal representative, but if none is appointed and  
27          qualified within two years of the filing of the claim, the amount of the claim shall escheat to the  
28          state.

29          **57-65-14. Proration of funds insufficient to pay all claims.** In the event that funds  
30          appropriated are not sufficient to pay all claims authorized by this chapter, funds so  
31          appropriated shall be prorated to such claimants as have timely filed.

1       **57-65-15. Denial of claim - Hearing before commissioner - Appeals.** Any person  
2 aggrieved by the denial in whole or in part of relief claimed under this chapter, may within thirty  
3 days after receiving notice of such denial by the commissioner, demand and shall be entitled to  
4 a hearing, upon notice, before the commissioner on the question. The procedures therein shall  
5 be conducted and appeals allowed and perfected pursuant to chapter 28-32.

6       **57-65-16. Fraudulent claims - Recovery of excess payment - Filing as petty**  
7 **offense.** If it is determined that a claim is excessive and was filed with fraudulent intent, the  
8 claim shall be disallowed in full, and, if the claim has been paid, the department may initiate  
9 appropriate legal actions to recover the amount paid. Fraudulently filing an excessive claim is  
10 an infraction.

11       **57-65-17. Rules.** The commissioner shall adopt rules under chapter 28-32 concerning:

- 12       1. The procedure for filing a refund claim;
- 13       2. The requirements necessary to qualify for a refund; and
- 14       3. The definition of income.

15       **SECTION 45.** Chapter 57-66 of the North Dakota Century Code is created and enacted  
16 as follows:

17       **57-66-01. Definitions.** As used in this chapter, unless the context or subject matter  
18 otherwise requires:

- 19       1. "Commissioner" means the tax commissioner.
- 20       2. "Department" means the office of the tax commissioner.
- 21       3. "New agricultural processing facility" means a new building or structure, the  
22 construction of which is subject to sales or use taxes. A new agricultural  
23 processing facility is any new building or structure constructed for the initial or  
24 subsequent processing of any form of agricultural commodity, product, or  
25 byproduct. A new agricultural processing facility does not include any building or  
26 structure constructed for raising or feeding of livestock or the expansion of an  
27 existing agricultural processing facility.
- 28       4. "Person" means any individual, firm, copartnership, joint venture, association,  
29 limited liability company, corporation, estate, trust, business trust, receiver, or any  
30 group or combination acting as a unit.

1       5.   "Project" means the construction of a new agricultural processing facility at a single  
2       site.

3       6.   "Project cost" means the amount paid in money, credits, property, or other money's  
4       worth for a project.

5       **57-66-02. Refund for sales or use taxes.** Any person may apply for and obtain a  
6       refund or credit for taxes imposed and paid under the provisions of chapters 57-64 and 57-67  
7       for the purchase or use of agricultural processing equipment.

8       **57-66-03. Requirements for refunds.** The refund pertains only to project costs  
9       incurred and paid after June 30, 2005, and within thirty-six months of the approval of the  
10      application required by section 57-66-05. No refund may be made unless:

- 11       1.   The project cost exceeds the sum of four million five hundred thousand dollars; and  
12       2.   The person applying for the refund obtains a permit from the commissioner as set  
13       forth in section 57-66-05.

14      **57-66-04. Calculation of refund.** If the project cost exceeds four million five hundred  
15      thousand dollars, the refund shall be one hundred percent of the taxes attributed to purchase or  
16      use of agricultural processing equipment in the project cost.

17      **57-66-05. Application for permit - Approval.** Any person desiring to claim a refund  
18      pursuant to section 57-66-02 shall apply for a permit from the commissioner at least thirty days  
19      prior to commencement of the project. The application for a permit shall be submitted on a form  
20      prescribed by the commissioner. A separate application shall be made and submitted for each  
21      project. Upon approval of the application, the commissioner shall issue a permit entitling the  
22      applicant to submit refund claims as provided by sections 57-66-06 and 57-66-07. Such permit  
23      or refund claims are not assignable or transferable.

24      **57-66-06. Claim for refund - Documentation.** Any claim for refund shall be submitted  
25      on forms prescribed by the commissioner and shall be supported by such documentation as the  
26      commissioner may require. The commissioner may deny any claim when the claimant has  
27      failed to provide information or documentation requested or considered necessary by the  
28      commissioner to determine the validity of the claim.

29      **57-66-07. Time limit to submit claim - Payment - Portion withheld - No interest.**  
30      Any person issued a permit pursuant to this chapter shall submit a return to the department on  
31      or before the last day of the month following each quarterly period. The commissioner shall

1 determine the amount of the tax refund. Ninety percent of the amount of the refund shall be  
2 paid to the claimant and ten percent shall be withheld by the department. No interest shall be  
3 paid on the refund amount.

4 **57-66-08. Payment of withheld portion of refund.** The amounts withheld by the  
5 department in accordance with section 57-66-07 shall be retained until the project has been  
6 completed and the claimant has met all the conditions of this chapter, at which time all sums  
7 retained shall be paid to the claimant.

8 **57-66-09. Rejection of fraudulent claim.** If any claim has been fraudulently  
9 presented or supported as to any item in the claim or if the claimant fails to meet all the  
10 conditions of this chapter, then such claim may be rejected in its entirety and all sums  
11 previously refunded to the claimant shall constitute a debt to the state and a lien in favor of the  
12 state upon all property and rights to property whether real or personal belonging to the claimant  
13 and may be recovered in an action of debt.

14 **57-66-10. Hearing upon denial of refund.** Any person aggrieved by the denial in  
15 whole or in part of a refund claimed under this chapter may within thirty days after service of the  
16 notice of such denial by the commissioner, demand and is entitled to a hearing, upon notice,  
17 before the commissioner. The hearing shall be conducted pursuant to chapter 28-32.

18 **57-66-11. Rules.** The commissioner shall adopt rules, pursuant to chapter 28-32,  
19 concerning the procedures for filing refund claims and the requirements necessary to qualify for  
20 a refund.

21 **SECTION 46.** Chapter 57-67 of the North Dakota Century Code is created and enacted  
22 as follows:

23 **57-67-01. Definitions.** As used in this chapter, unless the context or subject matter  
24 otherwise requires:

- 25 1. "Business" means any activity engaged in by any person or caused to be engaged  
26 in by such person with the object of gain, benefit, or advantage either direct or  
27 indirect.
- 28 2. "Commissioner" means the tax commissioner or any duly authorized and  
29 appointed assistant, deputy, or agent of the commissioner charged with the  
30 administration or enforcement of this chapter.

- 1           3. "Delivery charges" means charges by the retailer for preparation and delivery to a  
2           location designated by the purchaser of tangible personal property or services  
3           including transportation, shipping, postage, handling, crating, and packing.
- 4           4. "Fair market value" means the price at which a willing seller and willing buyer will  
5           trade. Fair market value shall be determined at the time of purchase. If a public  
6           corporation is supplying tangible personal property that will be used in the  
7           performance of a contract, fair market value is the purchase price or fair market  
8           value, whichever is greater. This definition also applies to chapter 10-45.
- 9           5. "In this state" or "in the state" means within the exterior limits of North Dakota and  
10          includes all territory within such limits owned by or ceded to the United States of  
11          America.
- 12          6. "Included in the measure of tax" means the tangible personal property or the  
13          service was purchased from a retailer licensed under chapter 57-64 and that  
14          retailer has included the tax in the amount received from the sale.
- 15          7. "Lease" or "rental" means any transfer of possession or control of tangible personal  
16          property for a fixed or indeterminate term for consideration. A lease or rental may  
17          include future options to purchase or extend. Lease or rental does not include:
- 18           a. A transfer of possession or control of property under a security agreement or  
19           deferred payment plan that requires the transfer of title upon completion of the  
20           required payments;
- 21           b. A transfer of possession or control of property under an agreement that  
22           requires the transfer of title upon completion of required payments and  
23           payment of an option price does not exceed the greater of one hundred  
24           dollars or one percent of the total required payments; or
- 25           c. Providing tangible personal property along with an operator for a fixed or  
26           indeterminate period of time. A condition of this exclusion is that the operator  
27           is necessary for the equipment to perform as designed. For the purpose of  
28           this subdivision, an operator shall do more than maintain, inspect, or set up  
29           the tangible personal property.
- 30          8. "Purchase" means any transfer, exchange, or barter, conditional or otherwise, in  
31          any manner or by any means whatsoever, for a consideration. A transaction,

whereby the possession of property is transferred but the seller retains the title as security for the payment of the price, is a purchase.

9. "Purchase price" has the same meaning as gross receipts defined in section 57-64-01.

10. "Retailer" means any person performing services in this state or engaged in the business of selling tangible personal property for use, storage, or other consumption within the meaning of this chapter. However, if in the opinion of the tax commissioner, it is necessary for the efficient administration of this chapter to regard any salesperson, representative, trucker, peddler, or canvasser as an agent of the dealer, distributor, supervisor, employer, or person under whom they operate or from whom they obtain the tangible personal property sold by them irrespective of whether they are making sales on their own behalf or on behalf of such dealer, distributor, supervisor, employer, or person, the tax commissioner may so regard them and may regard the dealer, distributor, supervisor, employer, or person as a retailer for purposes of this chapter.

11. "Retailer maintaining a place of business in the state" means any retailer having or maintaining within this state, directly or by a subsidiary, an office, distribution house, sales house, warehouse, or other place of business, or any agents operating within the state under the authority of the retailer or its subsidiary, irrespective of whether such place of business or agent is located in this state permanently or temporarily or whether such retailer or subsidiary is admitted to do business within this state pursuant to the laws of the state granting the rights of foreign corporations to do business in this state.

12. "Storage" means any keeping or retention in this state for use or other consumption in this state for any purpose except sale in the regular course of business.

13. "Tangible personal property" means personal property that can be seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to the senses if furnished or delivered to consumers or users within this state. The term includes electricity, water, gas, steam, and prewritten computer software.

1       14.   "Use" means the exercise of right or power over tangible personal property  
2           incidental to the ownership of that property, except that it does not include the sale  
3           of that property in the regular course of business. Use also includes the use of the  
4           types of services, the gross receipts from the sale of which are to be included in  
5           the measure of the tax imposed by chapter 57-64, and the delivery or causing  
6           delivery into this state of tangible personal property intended to advertise products  
7           or services or promote or facilitate sales to North Dakota residents.

8           **57-67-02. Tax on tangible personal property purchased for use in state - Rate**  
9   **based on purchase price.** An excise tax is hereby imposed on the privilege of the use,  
10 storage, and consumption in this state of tangible personal property purchased for use in this  
11 state at the same rate of percentage of the purchase price of said property as is imposed  
12 pursuant to chapter 57-64.

13          **57-67-03. Tax imposed on use of services - Exemptions - Related corporation**  
14 **defined.** For the privilege of using services in North Dakota, there is imposed on the person  
15 using the service an excise tax equal to five and sixty-five hundredths percent of the value of  
16 the services at the time they are rendered. However, this tax may not be imposed on any  
17 service rendered by a related corporation as defined in section 57-64-68 for use by a financial  
18 institution or on any service rendered by a financial institution for use by a related corporation.  
19 For the purposes of this section, the term related corporation includes a corporation which  
20 together with the financial institution is part of a controlled group of corporations as defined in  
21 26 U.S.C. 1563 as in effect on January 1, 1989, except that the eighty percent ownership  
22 requirements set forth in 26 U.S.C. 563(a)(2)(A) for a brother-sister controlled group are  
23 reduced to fifty-one percent. For the purpose of this chapter, services rendered by an  
24 employee for the use of the person's employer are not taxable.

25          **57-67-04. Tax on use of rented property.** An excise tax is imposed upon the  
26 privilege of the use of rented tangible personal property in this state at the rate of five and  
27 sixty-five hundredths percent of the rental payments upon the property.

28          **57-67-05. Exemption of use of property leased.** The use, storage, or consumption  
29 of tangible personal property actually leased to persons in this state is exempted from the  
30 provisions of this chapter and the tax imposed by it.

1           **57-67-06. Certain purchases considered for resale purposes.** Services purchased  
2 by an engineer, architect, or surveyor on behalf of a client in the performance of a contract for  
3 such client shall be considered purchases for resale purposes.

4           **57-67-07. Chemicals purchased for use by lawn and garden services considered**  
5 **purchases for resale.** Chemicals purchased for use by lawn and garden services (industry  
6 no. 0782) as enumerated in the Standard Industrial Classification Manual, 1987, as prepared by  
7 the statistical policy division of the office of management and budget, office of the president,  
8 and used in such services shall be considered as purchases for resale.

9           **57-67-08. Materials purchased for floor laying service considered purchases for**  
10 **resale.** Carpet, floor covering, tacks, glue, and other materials purchased for use by floor  
11 laying and other floor work not elsewhere classified (industry no. 1752) as enumerated in the  
12 Standard Industrial Classification Manual, 1987, as prepared by the statistical policy division of  
13 the office of management and budget, office of the president, and used for such work are  
14 purchases for resale.

15           **57-67-09. Exemption for gross receipts pursuant to contract requiring retailer to**  
16 **display products or signage - Exception.** There are hereby exempted from the provisions of  
17 this chapter and the tax imposed by it, gross receipts received by a retailer from a  
18 manufacturer, wholesaler, or distributor pursuant to a written contract between the retailer and  
19 manufacturer, wholesaler, or distributor that requires the retailer to display the manufacturer,  
20 wholesaler, or distributor's product or signage in a specified manner or location. Any discount  
21 or deferred payment received by a retailer from a distributor, wholesaler, or manufacturer for  
22 purchasing a product for sale at retail does not constitute gross receipts subject to the tax  
23 imposed by this chapter.

24           **57-67-10. Tax on tangible personal property not purchased for use in state - Rate**  
25 **based on fair market value - Property more than seven years old.** An excise tax is  
26 imposed on the privilege of the use, storage, or consumption in this state of tangible personal  
27 property not originally purchased for use in this state, but thereafter used, stored, or consumed  
28 in this state, at the same rate of percent of the fair market value of the property at the time it is  
29 brought into this state as is imposed by section 57-64-02. The use, storage, or consumption of  
30 tangible personal property more than seven years old at the time it is brought into the state by  
31 the person who purchased such property for use in another state is exempt from the tax



1 imposed herein. The commissioner may adopt rules under chapter 28-32 relating to the  
2 determination of the age and value of the tangible personal property brought into this state.

3 **57-67-11. Tax imposed on person using property.** The tax under section 57-67-10  
4 is also imposed upon every person using, storing, or otherwise consuming such property within  
5 this state until such tax has been paid directly to a retailer or the commissioner as hereinafter  
6 provided.

7 **57-67-12. Contractors and subcontractors taxed on property used in performance**  
8 **of contract - Fabrication costs excluded.** If a contractor or subcontractor uses tangible  
9 personal property in the performance of that person's contract or to fulfill contract or subcontract  
10 obligations, whether the title to the property is in the name of the contractor, subcontractor,  
11 contractee, subcontractee, or any other person, or whether the titleholder of the property would  
12 be subject to pay the sales or use tax, the contractor or subcontractor shall pay a tax at the rate  
13 prescribed by section 57-64-02, measured by the purchase price or fair market value of the  
14 property, whichever is greater, unless the property has been previously subjected to a sales or  
15 use tax in this state and the tax due thereon has been paid. However, if the contractor or  
16 subcontractor fabricates tangible personal property for use in the performance of that person's  
17 contract, fair market value excludes the value of the contractor's or subcontractor's fabrication  
18 costs.

19 **57-67-13. Sectional homes not vehicles - Contractors taxed on materials used in**  
20 **construction - Sectional homes defined.** If a sectional home is permanently affixed to real  
21 property, it is not a vehicle subject to registration and shall be classified as real property. A  
22 contractor who erects such a home shall hold a sales tax or use tax license and pay use tax  
23 based upon the fair market value of the raw materials used to construct and erect the home.

24 For the purpose of this section, sectional home means any home prebuilt in part or in  
25 whole for the purpose of permanent placement on a foundation. A mobile home is not a  
26 sectional home.

27 **57-67-14. Materials incorporated in construction work - Restriction on application**  
28 **of rate increase.** No tax increase may be levied on materials incorporated in construction work  
29 pursuant to construction contracts bid or entered into on or before the effective date of the tax  
30 increase.

1       **57-67-15. Value of molds and dies.** The value of molds and dies produced in  
2 connection with the fabrication or manufacture of other tangible personal property is limited to  
3 the cost of materials incorporated in the molds or dies to the extent the cost of such materials  
4 have not previously been subjected to sales or use tax.

5       **57-67-16. Exemption of materials becoming part of out-of-state signage or**  
6 **advertising.** Notwithstanding the provisions of section 57-67-12, the use in this state of  
7 tangible personal property that becomes an integral and component part of a final product  
8 manufactured by a business classified in signs and advertising specialties (industry no. 3993) in  
9 the Standard Industrial Classification Manual, 1987, as prepared by the statistical policy division  
10 of the office of management and budget, office of the president, that is installed by such  
11 manufacturer outside of this state is exempt from the tax imposed by this chapter.

12       **57-67-17. Exemption of property and services subject to sales tax.** The use in this  
13 state of tangible personal property or services, the gross receipts from the sale of which are to  
14 be included in the measure of the tax imposed by chapter 57-64, is hereby specifically  
15 exempted from the tax imposed by this chapter.

16       **57-67-18. Credit for sales or use tax paid to another state - Reciprocity required.**  
17 The amount of any use tax imposed with respect to tangible personal property or services shall  
18 be reduced by the amount of any sales or use tax previously paid by the taxpayer with respect  
19 to the property on account of liability to another state or its political subdivisions. Provided,  
20 however, no credit shall be given under this section if taxes paid on tangible personal property  
21 or services in another state or its political subdivisions of that state does not reciprocally grant a  
22 credit for taxes paid on similar tangible personal property.

23       **57-67-19. Exemption for credit services by credit bureaus to certain financial**  
24 **institutions.** There are specifically exempted from the provisions of this chapter and from the  
25 computation of the amount of tax imposed by it the use of credit services provided by credit  
26 bureaus to financial institutions that are paying taxes pursuant to chapter 57-35.3.

27       **57-67-20. Constitutional exemptions from tax - Property of public agencies.**  
28 Tangible personal property, the storage, use, or other consumption of which this state is  
29 prohibited from taxing under the constitution or laws of the United States or under the  
30 constitution of this state, or tangible personal property sold to the United States, the state of  
31 North Dakota, or any public or municipal corporation of the state, which is for the use, storage,

1 or consumption of such public corporations is hereby specifically exempt from the tax imposed  
2 by this chapter.

3 **57-67-21. Exemption of property brought in for personal use of nonresident.** The  
4 use in this state of all articles of tangible personal property brought into the state by a  
5 nonresident individual thereof for personal use or enjoyment while within the state is hereby  
6 specifically exempted from the tax imposed by this chapter.

7 **57-67-22. Exemption of raw material, parts, and newsprint for manufacture of**  
8 **products to be sold at retail.** The use in this state of tangible personal property, including  
9 containers, labels, and shipping case thereof which is intended shall by means of fabrication,  
10 compounding, or manufacture become a part of other tangible personal property intended to be  
11 sold ultimately at retail within or without this state, is specifically exempted from the tax imposed  
12 by this chapter. The term tangible personal property includes raw material and newsprint.  
13 Containers, labels, cartons, packing cases, wrapping paper, twine, glue, bags, bottles, shipping  
14 cases, wrapping film, strapping, rope, tape, cans, lids, boxes, pads, dividers, stockinettes,  
15 casings, and similar articles and receptacles used or consumed by manufacturers, processors,  
16 or fabricators are raw material.

17 **57-67-23. Ink and newsprint used to produce shoppers' guides exempt -**  
18 **Shoppers' guides defined.** Ink and newsprint when used in the production of shoppers'  
19 guides are hereby exempt from the tax imposed under this chapter.

20 For the purposes of this section, "shoppers' guide" includes advertising publications  
21 whose advertisements are solicited from the general public and whose publications are for free  
22 distribution to the general public and are published regularly at least once a month, consisting  
23 of printed sheets containing advertising, bearing a date of issue, and devoted to advertising of  
24 general interest.

25 **57-67-24. Brokers' and agents' services exempt from tax.** The tax imposed by this  
26 chapter shall not apply to services of brokers and agents registered with the securities  
27 commissioner under chapter 10-04.

28 **57-67-25. Packaging and container materials sold to retailers exempt.** There are  
29 specifically exempted from the provisions of this chapter, and from the computation of tax  
30 imposed by it, gross receipts from the sale of paper bags and plastic bags, wrapping paper,  
31 twine, tape, and similar articles sold to retailers licensed under this chapter if the retailer uses

1 the articles as wrappers or containers to hold other tangible personal property sold by the  
2 retailer and subject to sales or use tax and the articles are supplied free by the retailer as a  
3 convenience to the customer.

4 **57-67-26. Exemption of certain sales commissions.** Unless otherwise specifically  
5 subject to tax, the gross receipts resulting from fees or commissions received for rendering a  
6 service which provides for the sale of tangible personal property or services is exempt from the  
7 tax imposed by this chapter.

8 **57-67-27. Exemption of gross receipts from sale of certain replacement parts.**  
9 There are exempted from the provisions of this chapter and from the computation of the tax  
10 imposed by it, the gross receipts from the sale of replacement parts that are sold to retailers  
11 and which will be installed in tangible personal property that will ultimately be for resale.

12 **57-67-28. Exemption of motor vehicles exempt from excise tax - Exception.** The  
13 use in this state of motor vehicles exempt from the motor vehicle excise tax under section  
14 57-40.3-04 is specifically exempted from the tax imposed by this chapter, with the exception of  
15 farm machinery, which shall be subject to the tax imposed by this chapter.

16 **57-67-29. Exemption of commodities otherwise taxed.** The use in this state of  
17 gasoline, motor fuel, and special fuel subject to tax under chapter 57-43.1, 57-43.2, or 57-43.3  
18 is specifically exempted from the tax imposed by this chapter.

19 **57-67-30. Exemption of property of educational institutions and hospitals - Use of**  
20 **property by individuals taxable - Registration of motor vehicles - Quarterly report by**  
21 **exempt institution.** The gross receipts from sales of tangible personal property and the gross  
22 receipts from sales, furnishing, or service of electrical energy, natural and artificial gas, water  
23 and communication service to and for use by religious educational institutions and private  
24 educational institutions currently recognized as exempt under section 501(c)(3) of the Internal  
25 Revenue Code as in effect on January 1, 1983, and nonprofit, charitable hospitals when  
26 purchases are made by authorized officials, payment made from the institution's funds and title  
27 to the property retained in the name of the institutions are specifically exempted from the tax  
28 imposed by this chapter. For purposes of this section, a private educational institution shall be  
29 defined as an institution currently recognized as exempt under section 501(c)(3) of the Internal  
30 Revenue Code as in effect on January 1, 1995, maintaining a campus physically located within  
31 this state, and accredited by the north central association of colleges and schools.

1        This exemption does not extend to sales to or purchases of tangible personal property  
2 for the personal use of officials, members, or employees of such institutions or to sales to or  
3 purchases of tangible personal property used in the operation of a taxable retail business. The  
4 exemption provided in this section does not relieve the institution from the payment of the  
5 additional and further license fee imposed on the registration of motor vehicles. At the end of  
6 each quarter of each calendar year, all institutions claiming this exemption shall file with the  
7 commissioner a list of all purchases on which exemption was claimed, fully itemized, showing  
8 the name and address of vendors, description of property purchased, purchase price, and brief  
9 explanation of use or intended use.

10        **57-67-31. Exemption of insulin for human use.** The use in this state of insulin, to the  
11 extent used by humans, that is not sold by prescription is specifically exempt from the tax  
12 imposed by this chapter.

13        **57-67-32. Exemption of authorized purchases made with food stamps.** There are  
14 hereby specifically exempted from the tax imposed by this chapter the gross receipts resulting  
15 from authorized purchases made with food stamps under the provisions of the Food Stamp Act  
16 of 1977 [Pub. L. 95-113; 7 U.S.C. 2012(g); as amended through January 1, 2001].

17        **57-67-33. Exemption of authorized purchases of food.** There are hereby  
18 specifically exempted from the tax imposed by this chapter the gross receipts resulting from  
19 authorized purchases of food made under section 17(c) of the Child Nutrition Act of 1966  
20 [42 U.S.C. 1786(c)].

21        **57-67-34. Exemption of fair market value of personal property or service given**  
22 **without charge to exempt organization.** There are specifically exempted from the provisions  
23 of this chapter and the computation of the tax imposed by it, the fair market value of any  
24 tangible personal property or service given without charge to an institution, organization, or  
25 group exempt from the tax imposed by this chapter.

26        **57-67-35. Exemption of prescribed drugs used by humans.** The use in this state of  
27 drugs as defined by rule adopted by the commissioner under chapter 28-32 to the extent used  
28 by humans, if the drugs are prescribed by prescription, dispensed, or administered by a  
29 physician, chiropractor, optometrist, dentist, podiatrist, or audiologist, is specifically exempt from  
30 the tax imposed by this chapter.

1           **57-67-36. Exemption of prescribed medical equipment or prosthetic devices used**  
2 **by humans.** The use in this state of durable medical equipment, mobility-enhancing  
3 equipment, and prosthetic devices as defined by rule adopted by the commissioner under  
4 chapter 28-32 to the extent used by humans, if the durable medical equipment,  
5 mobility-enhancing equipment, and prosthetic devices are prescribed by prescription by a  
6 physician, chiropractor, optometrist, dentist, podiatrist, or audiologist, is specifically exempt from  
7 the tax imposed by this chapter.

8           **57-67-37. Exemption of prescribed medical devices used by humans.** There are  
9 specifically exempted from the provisions of this chapter and from the computation of the  
10 amount of tax imposed by it, the use of any medical device, as that term is defined in this  
11 section, to the extent used by humans, if the medical device is prescribed by prescription by a  
12 physician, chiropractor, optometrist, dentist, podiatrist, or audiologist. The term "medical  
13 device" means any instrument, apparatus, implement, contrivance, or other similar or related  
14 article, including a component, part, or accessory, that is prescribed for use on a single patient  
15 and that is:

- 16           1. Recognized in the official national formulary or the United States pharmacopoeia,  
17 or any supplement to them;
- 18           2. Intended for use in the diagnosis of disease or other conditions or in the cure,  
19 mitigation, treatment, detection, or prevention of disease of the human body; or
- 20           3. Intended to affect the structure or any function of the human body and that does  
21 not achieve any of its primary intended purposes through chemical action within or  
22 on the human body and that is not dependent upon being metabolized for the  
23 achievement of any of its primary intended purposes.

24 A medical device is not durable medical equipment, mobility-enhancing equipment, or a  
25 prosthetic device.

26           **57-67-38. Exemption of livestock, poultry, ostriches, emus, or rheas used in**  
27 **producing taxable final product.** Gross receipts from sales of livestock or live poultry,  
28 ostriches, emus, or rheas, if such sales are part of a series of transactions incident to producing  
29 a finished product intended to be offered for an ultimate retail sale, are not taxable under this  
30 chapter, except that an ultimate retail sale interrupting the series of transactions with an  
31 intended final use or consumption is taxable.

1           **57-67-39. Exemption of gross receipts from sale of live game birds by producer**  
2 **to certain nonprofit organizations.** There are specifically exempted from the provisions of  
3 this chapter and the computation of the tax imposed by it, gross receipts from the sale of live  
4 game birds sold by the producer to nonprofit organizations which release such birds or to  
5 commercial hunting operators who charge fees to hunt such birds.

6           **57-67-40. Exemption of gross receipts from sales of certain animals.** There are  
7 hereby specifically exempted from the provisions of this chapter and from the computation of  
8 the amount of tax imposed by it, gross receipts from the sale of live cattle, buffalo, sheep,  
9 goats, swine, poultry, ostriches, emus, rheas, and domesticated fur-bearing animals, used or to  
10 be used as breeding or production stock, and horses and other animals within the family  
11 equidae. The term "poultry" does not include any fowl other than domestic fowl kept and raised  
12 for the market or the production of eggs for human consumption.

13           **57-67-41. Exemption of gross receipts from sale of feed for certain animals.**  
14 There are hereby specifically exempted from the provisions of this chapter and from the  
15 computation of the amount of tax imposed by it, gross receipts from the sale of feed for cattle,  
16 buffalo, sheep, goats, swine, poultry, ostriches, emus, rheas, and domesticated fur-bearing  
17 animals, if such feed is used by farmers or ranchers who are regularly engaged in the business  
18 of raising and feeding such animals, or producing milk for sale for human consumption, and  
19 horses and other animals within the family equidae. The term "poultry" does not include any  
20 fowl other than domestic fowl kept and raised for the market or the production of eggs for  
21 human consumption.

22           **57-67-42. Exemption for sale of certain live nontraditional livestock.** There are  
23 hereby specifically exempted from the provisions of this chapter and from the computation of  
24 the amount of tax imposed by it, gross receipts from the sale of any live nontraditional livestock  
25 regulated by the state board of animal health under chapter 36-01 if the animal is to be used by  
26 a farmer or rancher who is regularly engaged in the breeding and raising of such animals.

27           **57-67-43. Exemption for sale of feed for certain live nontraditional livestock.**  
28 There are hereby specifically exempted from the provisions of this chapter and from the  
29 computation of the amount of tax imposed by it, gross receipts from the sale of feed for any live  
30 nontraditional livestock regulated by the state board of animal health under chapter 36-01 if the

1 feed is to be used by a farmer or rancher who is regularly engaged in the breeding and raising  
2 of such animals.

3 **57-67-44. Exemption of motor fuel used for agricultural purposes.** Motor fuel,  
4 including kerosene, tractor fuel, natural and artificial gas, liquefied petroleum gas, and distillate,  
5 when used for agricultural purposes, is exempt from excise taxes imposed under this chapter.

6 For the purposes of this section, agricultural purposes includes hay grinding but does  
7 not include the lighting or heating of any farm residence.

8 **57-67-45. Power for irrigation pumps exempt from tax.** There are hereby  
9 specifically exempted for the provisions of this chapter and from the amount of tax imposed by  
10 it, gross receipts from the sale of electricity used to power irrigation pumps and the gross  
11 receipts from the horsepower charge on electric motors powering irrigation pumps whenever  
12 the purchaser has made the purchase exclusively for agricultural purposes.

13 **57-67-46. Exemption of goods and services furnished to meet warranty obligation**  
14 **- Services enumerated in Standard Industrial Classification Manual and power changes**  
15 **for irrigation pumps exempt.** The use in this state of the types of services specifically exempt  
16 under section 57-64-25, 57-64-27, or 57-64-63 from the tax imposed by chapter 57-64 is  
17 exempt from the tax imposed by this chapter.

18 **57-67-47. Exemption of freeport merchandise and stocks of merchandise brought**  
19 **as foreign merchandise into foreign trade zone - Stocks of merchandise defined.** There  
20 is exempted from the provisions of this chapter and from the computation of the tax imposed by  
21 it, freeport merchandise and stocks of merchandise brought as foreign merchandise into a  
22 foreign trade zone. For the purposes of this section, "stocks of merchandise" means personal  
23 property held primarily for sale and not subject to annual depreciation.

24 **57-67-48. Exemption of pesticides used for agricultural purposes.** The use in this  
25 state of insecticides, herbicides, pesticides, rodenticides, and fumigants to be used exclusively  
26 for agricultural purposes is specifically exempted from the tax imposed by this chapter.

27 **57-67-49. Exemption of use of certain parts or repairs on agricultural or irrigation**  
28 **equipment.** There are exempted from the provisions of this chapter and the tax imposed by it,  
29 the use of parts or repairs on machinery or equipment which are clearly identifiable as used  
30 primarily for agricultural purposes, including irrigation equipment, if the part replaces a farm



1 machinery or irrigation equipment part assigned a specific or generic part number by the  
2 manufacturer of the farm machinery or irrigation equipment.

3 **57-67-50. Delivery in state as prima facie evidence of sale for use in state.** For the  
4 purpose of the proper administration of this chapter and to prevent the evasion of the tax,  
5 evidence that tangible personal property was sold by any person for delivery in this state shall  
6 be prima facie evidence that such tangible personal property was sold for use in this state.

7 **57-67-51. Use of service in state prima facie evidence of taxability.** For the  
8 purposes of proper administration of this chapter and to prevent evasion of tax, evidence that a  
9 service is used in this state shall be prima facie evidence that the service is subject to tax.

10 **57-67-52. Money paid as evidence of value of service - Reasonable value**  
11 **governs.** In determining the amount of tax due on the use of a service it is presumed, in the  
12 absence of preponderant evidence of another value, that the value means the total amount of  
13 money or the reasonable value of other consideration paid for the service exclusive of any type  
14 of time and price differential. However, in an exchange in which the amount paid does not  
15 represent the value of the service purchased, the tax shall be imposed on the reasonable value  
16 of the service purchased.

17 **57-67-53. List of sales property or services to residents - Cost.** Any person selling  
18 property or services to residents of this state, when the property is delivered to this state or the  
19 beneficial use of the service occurs in this state, shall provide a list of such sales to the  
20 commissioner. The list shall include the names and addresses of the purchasers and the  
21 amount of the sale. The commissioner shall pay to any person furnishing a list under this  
22 section an amount equal to the reasonable cost of reproducing the list.

23 **57-67-54. Collection of tax by retailer maintaining place of business in state -**  
24 **Receipt given to purchaser - Agents and places of business listed with commissioner.**  
25 Any retailer maintaining a place of business in this state and making sales of tangible personal  
26 property or services for storage, use, or other consumption in this state, not exempted under  
27 this chapter, at the time of making such sale, whether within or without the state, shall collect  
28 the tax imposed by this chapter from the purchaser and give to the purchaser a receipt therefor  
29 in the manner and form prescribed by the commissioner, if the commissioner by rule adopted  
30 under chapter 28-32, shall require such receipt. Such retailer shall list with the commissioner  
31 the name and address of all of the retailer's agents operating in this state and the location of

1 any and all of the retailer's distribution or sales houses or offices or other places of business in  
2 this state.

3 **57-67-55. Semiannual report of sales by retailer maintaining place of business in**  
4 **state - Contents.** Every retailer maintaining a place of business in this state and making sales  
5 of tangible personal property for storage, use, or other consumption in this state, twice annually  
6 shall furnish the commissioner with a list, covering the six-month period just preceding the  
7 submission of such list, which shall contain the names and addresses of all persons within the  
8 state who have made purchases of tangible personal property from said retailer for use,  
9 storage, or consumption, and which list shall contain the total amount of the purchase price of  
10 all such personal property so purchased during said period by such persons. Said list required  
11 to be submitted as above stated need not contain any information on the sale of tangible  
12 personal property when exempt under this chapter.

13 **57-67-56. Permit for collection of tax by retailer not maintaining place of business**  
14 **in state - Security for collection and payment - Cancellation of permit.** Upon application,  
15 the commissioner may authorize the collection of the tax imposed by this chapter by any retailer  
16 not maintaining a place of business within this state, who, to the satisfaction of the  
17 commissioner furnishes adequate security to ensure collection and payment of the tax. Such  
18 retailer shall be issued, without charge, a permit to collect such tax in such manner, and subject  
19 to such requirements as the commissioner may prescribe by rule adopted under chapter 28-32.  
20 If so authorized, the retailer shall collect the tax upon all tangible personal property sold to the  
21 retailer's knowledge for use, storage, or other consumption within this state, in the same  
22 manner and subject to the same requirements as a retailer maintaining a place of business  
23 within this state. Such authority and permit may be canceled when, at any time, the  
24 commissioner considers the security inadequate, or that such tax can more effectively be  
25 collected from the person using such property in this state.

26 **57-67-57. Collection and remittance of tax by retailer.** The tax upon the use,  
27 storage, or other consumption of all tangible personal property which is sold by a retailer  
28 maintaining a place of business in this state, or by such other retailer as the commissioner shall  
29 authorize pursuant to section 57-67-56, shall be collected by such retailer and remitted to the  
30 commissioner pursuant to sections 57-67-59 through 57-67-66.

1           **57-67-58. Surety bond filed by retailer.** To ensure the collection of the tax levied  
2 under this chapter, the commissioner may authorize any person subject to such tax, and any  
3 retailer required or authorized to collect such tax pursuant to sections 57-67-54 through  
4 57-67-56 to file with the commissioner a bond issued by a surety company authorized to  
5 transact business in this state and approved by the commissioner, in such amount as the  
6 commissioner may fix, to secure the payment of any tax or penalties due or which may become  
7 due from such person.

8           **57-67-59. Securities deposited by retailer in lieu of bond.** In lieu of a bond under  
9 section 57-67-58, securities approved by the commissioner, in such amount as the  
10 commissioner may prescribe, may be deposited with the commissioner, which securities shall  
11 be kept in the custody of the commissioner and may be sold by the commissioner at public or  
12 private sale, without notice to the depositor thereof, if it becomes necessary to do so in order to  
13 recover any tax or penalties due. Upon any such sale, the surplus, if any, above the amounts  
14 due under this chapter shall be returned to the person who deposited the securities.

15           **57-67-60. Tax collected as debt of retailer.** The tax required to be collected by any  
16 retailer pursuant to sections 57-67-54 through 57-67-56 and any tax collected by any retailer  
17 pursuant to said sections, shall constitute a debt owed by the retailer to this state.

18           **57-67-61. Payment of tax collected by retailer.** Every retailer required or authorized,  
19 pursuant to sections 57-67-54 through 57-67-56, to collect the tax herein imposed, shall pay to  
20 the commissioner the amount of such tax as provided in sections 57-64-85 and 57-64-87.

21           **57-67-62. Report by retailer collecting tax - Filing - Contents - Payment.** At the  
22 time specified in section 57-67-61, the retailer shall file with the commissioner a return for the  
23 preceding reporting period in such form as may be prescribed by the commissioner showing the  
24 sales price of any or all tangible personal property or services sold by the retailer during such  
25 preceding reporting period, the use, storage, or consumption of which is subject to the tax  
26 imposed by this chapter, and such other information as the commissioner may deem necessary  
27 for the proper administration of this chapter. Returns shall be accompanied by a remittance of  
28 the amount of such tax for the period covered by the return.

29           **57-67-63. Retailers' returns and payments on other than quarterly basis -**  
30 **Extension of time.** The commissioner, if necessary to ensure payment to the state of the  
31 amount of such tax, may require returns and payments of such amounts to be made other than

by the quarter. Upon request and a proper showing of the necessity therefor, the commissioner may grant an extension of not more than five days for making any return and payment.

**57-67-64. Execution of retailers' returns.** Returns shall be signed and certified to be correct by the retailer or the retailer's duly authorized agent.

**57-67-65. Amounts of tax paid on conditional sales or installment contract receipts.** If tangible personal property is sold under a conditional sales contract or under any other form of sale wherein the payment of the principal sum, or a part thereof, is extended over a period longer than sixty days from the date of the sale thereof, the retailer may collect and remit for each month that portion of the tax equal to the rate of tax as provided for in this chapter of that portion of the purchase price actually received during such month.

**57-67-66. Direct payment of tax by user.** The tax upon the use, storage, or consumption of all tangible personal property not paid under section 57-67-57 shall be paid to the commissioner directly by any person using such property within this state, under section 57-67-67.

**57-67-67. Liability of user for tax - Returns and payments.** Any person who uses, stores, or otherwise consumes any property or services subject to tax hereunder upon which the tax herein imposed has not been paid, either to a retailer or direct to the commissioner as herein provided, is liable therefor, and shall on or before the time specified in sections 57-64-85 and 57-64-87 pay the tax herein imposed upon all such property used by that person during the preceding month in such manner and accompanied by such returns as the commissioner shall prescribe. Sections 57-67-61 through 57-67-65, with reference to such returns and payments, are applicable to the returns and payments herein required.

**57-67-68. Credit for sales or use tax paid to another state - Reciprocal grant of credit required.** The amount of use tax imposed with respect to tangible personal property in the form of equipment brought into this state on a permanent basis for direct use in a manufacturing, fabricating, or processing business shall be reduced by the amount of any sales or use tax previously paid by the taxpayer with respect to the property on account of liability to another state or its political subdivisions to the extent that such tax equals or exceeds the rate of the tax in this state. If the sales or use tax of the other state is less than the tax of this state, the taxpayer shall be subject to the payment of the balance to this state. No credit shall be given under this section for taxes paid on tangible personal property subject to the credit of this

1 section in another state or its political subdivisions if that state does not reciprocally grant a  
2 credit for taxes paid on similar tangible personal property in this state.

3 **57-67-69. Rules.** The commissioner may adopt rules under chapter 28-32 concerning:

4 1. Licensing, including bonding and filing license applications;

5 2. The filing of returns and payment of the tax;

6 3. Determining the application of the tax and exemptions;

7 4. Taxpayer recordkeeping requirements; and

8 5. Determining auditing methods.

9 **57-67-70. False or fraudulent return in attempt to evade tax as misdemeanor.** Any  
10 person required to make, render, sign, or certify any return or supplementary return who makes  
11 any false or fraudulent return in attempt to defeat or evade the tax imposed by this chapter is  
12 guilty of a class A misdemeanor.

13 **57-67-71. Failure to file return as misdemeanor.** Any retailer or other person failing  
14 or refusing to furnish any return by this chapter required to be made or failing or refusing to  
15 furnish a supplemental return or other data required by the commissioner is guilty of a class A  
16 misdemeanor.

17 **57-67-72. Administration and enforcement - Sales tax procedural and collection**  
18 **provisions applicable.** The commissioner shall enforce and administer this chapter in the  
19 same manner and subject to all of the provisions contained in chapter 57-64. Sections  
20 57-64-81, 57-64-88, 57-64-90, 57-64-97, 57-64-98, and 57-64-99 are by reference incorporated  
21 as part of this chapter.

22 **57-67-73. Rules for administration - Uniformity of application.** The commissioner  
23 may adopt rules under chapter 28-32 for the administration and enforcement of this chapter and  
24 for adding such tax, or the average equivalent thereof, providing this method applies uniformly  
25 to retailers within the same general classification for the purpose of enabling such retailers to  
26 add and collect, as far as practicable, the amount of such tax.

27 **57-67-74. Determination of tax by commissioner in absence of correct return -**  
28 **Sales tax provisions applicable.** If any return required by this chapter is not filed, or if any  
29 return when filed is incorrect or insufficient, and the maker or person from whom it is due fails to  
30 file a corrected or sufficient return within ten days after the same is required by notice from the

1 commissioner, the commissioner shall have the same power to determine the amount due as is  
2 vested in the commissioner by sections 57-64-85 and 57-64-87.

3 **57-67-75. Certificate as prima facie evidence of failure to file return or pay tax.**

4 The certificate of the commissioner to the effect that a tax or amount required to be paid by this  
5 chapter has not been paid, that a return has not been filed, or that information has not been  
6 supplied pursuant to the provisions of this chapter shall be prima facie evidence thereof.

7 **57-67-76. Records maintained by retailers and users - Examination and**  
8 **investigations by commissioner - Access to records.** Every retailer required or authorized  
9 to collect taxes imposed by this chapter and every person using, storing, or otherwise  
10 consuming in this state tangible personal property shall keep such records, receipts, invoices,  
11 and other pertinent papers as the commissioner requires, in such form as the commissioner  
12 requires. The commissioner and any of the commissioner's duly authorized agents are hereby  
13 authorized to examine the books, papers, records, and equipment of any person either selling  
14 tangible personal property or liable for the tax imposed by this chapter and investigate the  
15 character of the business of any such person in order to verify the accuracy of any return made,  
16 or if such return was made by such person, to ascertain and determine the amount due under  
17 this chapter. Any such books, papers, and records shall be made available within this state for  
18 such examination upon reasonable notice when ordered by the commissioner.

19 **57-67-77. Revocation of retailer's sales tax permit on failure to comply -**  
20 **Revocation of corporate authority to do business.** If any retailer maintaining a place of  
21 business in this state, who is authorized to collect the tax under section 57-67-56, fails to  
22 comply with any of the provisions of this chapter or any orders or rules of the commissioner  
23 adopted under this chapter, the commissioner may, upon notice and hearing as hereinafter  
24 provided, by order revoke the permit, if any, issued to such retailer under section 57-64-83, or if  
25 such retailer is a corporation authorized to do business in this state, may certify to the secretary  
26 of state a copy of an order finding that such retailer has failed to comply with certain specified  
27 provisions, orders, or rules. Upon receipt of such certified copy, the secretary of state shall  
28 revoke the permit authorizing said corporation to do business in this state and shall issue a new  
29 permit only when such corporation has obtained from the commissioner an order finding that  
30 said corporation has complied with its obligations under this chapter.

**57-67-78. Notice and hearing on revocation of permit or authority to do business.**

No order authorized in section 57-67-77 shall be made until the retailer is given an opportunity to be heard and show cause why such order should not be made and shall be given ten days' notice of the time, place, and purpose of such hearing. Such notice shall be served in the manner provided for service of summons in civil actions.

**57-67-79. Restoration of revoked sales tax permit.** The commissioner may restore revoked licenses.

**57-67-80. Liens.** Section 57-40.3-07.1, providing for creation, notice, recording, and enforcement of liens, applies to and is available for collection of the tax imposed by this chapter and chapter 57-64.

**57-67-81. Personal liability of officers of corporation failing to file returns or pay tax - Security in lieu of liability - Bonded municipal officials exempt.** If a corporation subject to tax under this chapter fails for any reason to file the required returns or to pay the tax due, any of its officers having control, or supervision of, or charged with the responsibility for making such returns and payments shall be personally liable for such failure. The dissolution of a corporation shall not discharge an officer's liability for a prior failure of the corporation to make a return or remit the tax due. The sum due for such a liability may be assessed and collected as provided by law.

If the corporate officers elect not to be personally liable for the failure to file the required returns or to pay the tax due, the corporation shall provide the commissioner with a surety bond or certificate of deposit as security for payment of any tax that may become due. The bond or certificate of deposit provided for in this section shall be in an amount equal to the estimated annual gross receipts multiplied by the applicable sales or excise tax rate. This section does not apply to elected or appointed officials if they are bonded.

**57-67-82. Revenue credited to general fund.** All revenue arising under the operation of this chapter shall immediately be turned over to the state treasurer and credited to the general fund.

**57-67-83. Floor laying service subject to tax.** The service enumerated in the Standard Industrial Classification Manual, 1987, as prepared by the statistical policy division of the office of management of budget, office of the president, as industry no. 1752 floor laying and other floor work, not elsewhere classified, is subject to the tax levied by this chapter.

1       **57-67-84. Exemption of natural gas transportation services by pipeline.** The  
2       provision of natural gas transportation services by a pipeline is exempt from the provisions of  
3       this chapter and from the computation of the tax imposed by this chapter.

4       **57-67-85. Exemption for the use of credit card processing services.** There are  
5       specifically exempted from the provisions of this chapter and from the computation of the  
6       amount of tax imposed by it, the use of credit card processing services by retailers.

7       **57-67-86. Tangible property transportation gross receipts tax imposed -**  
8       **Transportation to be within state.** There is imposed a tax of five and sixty-five hundredths  
9       percent on the privilege of the use of any transportation of tangible personal property. The tax  
10       imposed by this section shall apply to any transportation of tangible personal property if both  
11       the origin and destination of the tangible personal property are within this state.

12       **57-67-87. Passenger transportation tax imposed - Transportation to be within**  
13       **state.** There is imposed a tax of five and sixty-five hundredths percent on the privilege of the  
14       use of any transportation of passengers. The tax imposed by this section shall apply to any  
15       transportation of passengers if the passenger boards and exits the mode of transportation  
16       within this state.

17       **57-67-88. Inapplicability of tax.** The tax imposed by sections 57-67-86 through  
18       57-67-89 does not apply to any transportation service which the state is prohibited from taxing  
19       by federal law or the United States constitution.

20       **57-67-89. Agricultural products transportation by producer exempt from tax -**  
21       **Exemptions.** The transportation of agricultural products by the agricultural producer thereof is  
22       exempt from the tax imposed by sections 57-67-86 through 57-67-88 if the producer transports  
23       such products in a mode of transportation which is owned, leased, or rented by the producer.  
24       However, if an agricultural producer transports another person's products for hire, such  
25       transportation is subject to the tax imposed by sections 57-67-86 through 57-67-88.

26       **57-67-90. Gross receipts from charge of interest exempted.** There are exempted  
27       from the provisions of this chapter and from the computation of the amount of tax imposed by it,  
28       the gross receipts from the charge of interest.

29       **57-67-91. Exemption for use of certain rodeo services.** There are exempted from  
30       the provisions of this chapter and from the computation of the amount of tax imposed by it, the



1 use of services provided by promoters, stock contractors, stock handlers, announcers, judges,  
2 and clowns.

3 **57-67-92. Exemption of repair shops, locksmiths, locksmith shops, and lock**  
4 **parts.** The following services enumerated in the Standard Industrial Classification Manual,  
5 1987, as prepared by the statistical policy division of the office of management and budget,  
6 office of the president, are subject to the tax levied by this chapter: repair shops and related  
7 services, not elsewhere classified (industry no. 7699) but only locksmiths, locksmith shops, and  
8 lock parts made to individual order.

9 **57-67-93. Exemptions.** There are hereby exempted from the provisions of this chapter  
10 and the computation of the tax imposed by it, the use of United States postage.

11 **57-67-94. Auction clerk to file return and remit sales tax - Responsibilities of**  
12 **auctioneer - Records.** All auction sales and consignment sales of tangible personal property  
13 and services are sales at retail. The auction clerk shall file the return and remit the tax imposed  
14 by this chapter on the gross receipts from each auction after applying the deductions provided  
15 by section 57-64-121. However, the auctioneer is responsible for the payment of the tax  
16 imposed by this chapter if the auction clerk is an employee of the auctioneer or if the auction  
17 clerk does not have a permit as required by this chapter. In addition to any other information  
18 required to be kept by this chapter, each auction clerk shall keep records that identify the owner  
19 of the property sold at auction and the auctioneer who conducts the sale of such property.

20 **57-67-95. Department authorized to issue direct payment permits to certain**  
21 **retailers - Application procedure - Direct payment permit defined - Liability for sales tax**  
22 **on sale to permitholder - Rules.** The commissioner may authorize a retailer to use a direct  
23 payment permit if the retailer purchases goods or services subject to the tax imposed by  
24 chapter 57-64. Applicants for a direct payment permit shall apply in writing to the  
25 commissioner. A retailer may appeal the denial of a direct payment permit or contest a  
26 revocation of a direct payment permit pursuant to chapter 28-32. For purposes of this section,  
27 the term "direct payment permit" means a permit issued by the department that allows a holder  
28 of the permit to accrue and pay the taxes imposed by chapter 57-64 directly to the department.  
29 A retailer that makes a sale to a direct payment permitholder has no liability for sales tax on  
30 such sale if the retailer has written evidence of the sale. Such written evidence shall clearly  
31 indicate the name of the buyer, the product or service purchased, and the amount of the

1 purchase. The commissioner may adopt rules under chapter 28-32 concerning the  
2 administration and use of a direct payment permit.

3 **57-67-96. Exemption for lodging house or hotel membership fees.** There are  
4 hereby exempted from the provisions of this chapter and the computation of the tax imposed by  
5 it, gross receipts from membership fees paid to any lodging house and hotel membership  
6 organization operated for the benefit of its members. However, this exemption does not apply  
7 to any membership fee that represents payment for tangible personal property and services  
8 provided by the membership organization.

9 **57-67-97. Tax on use of certain mobile telecommunications services.** There is  
10 hereby imposed a tax of four percent upon the privilege of the use of mobile  
11 telecommunications services, as defined in 4 U.S.C. 124(7) as of January 1, 2002, that  
12 originate and terminate in the same state and are billed to a customer with a place of primary  
13 use in this state. Notwithstanding any other provision of this chapter and for purposes of the tax  
14 imposed by this section, the tax imposed upon mobile telecommunication services shall be  
15 administered in accordance with 4 U.S.C. 116-126 as in effect on July 28, 2000.

16 **SECTION 47.** Chapter 57-68 of the North Dakota Century Code is created and enacted  
17 as follows:

18 **59-68-01. Definitions.** Words used in this chapter have the same meaning as  
19 provided in chapters 57-64 through 57-67. As used in this chapter:

- 20 1. "Attachment unit" means any part or combination of parts having an independent  
21 function, other than farm machinery repair parts, which when attached or affixed to  
22 farm machinery is used exclusively for agricultural purposes.
- 23 2. "Farm machinery" means all vehicular implements and attachment units, designed  
24 and sold for direct use in planting, cultivating, or harvesting farm products or used  
25 in connection with the production of agricultural produce or products, livestock, or  
26 poultry on farms, which are operated, drawn, or propelled by motor or animal  
27 power. "Farm machinery" does not include vehicular implements operated wholly  
28 by hand or a motor vehicle required to be registered under chapter 57-40.3. "Farm  
29 machinery" does not include machinery that may be used for other than agricultural  
30 purposes, including tires, farm machinery repair parts, tools, shop equipment, grain  
31 bins, feed bunks, fencing materials, and other farm supplies and equipment.

1       **57-68-01.1. Trade-in deduction.** When tangible personal property is taken in trade or  
2 in a series of trades as a credit or partial payment of a retail sale taxable under this chapter, if  
3 the tangible personal property traded in will be subject to gross receipts taxes imposed by this  
4 chapter, sales taxes, or motor vehicle excise taxes, the credit or trade-in value allowed by the  
5 retailer is not gross receipts.

6       **57-68-02. Imposition - Exemptions.** There is imposed a tax of four percent upon the  
7 gross receipts of retailers from all sales at retail, including the leasing or renting, of farm  
8 machinery or irrigation equipment used exclusively for agricultural purposes. Gross receipts  
9 from sales at retail of farm machinery or irrigation equipment are exempted from the tax  
10 imposed by this chapter when the sale, lease, or rental is made to a purchaser or lessor who is  
11 entitled to a sales and use tax exemption on otherwise taxable sales at retail.

12       **57-68-03. Replacement of insured machinery credit.** When new farm machinery is  
13 purchased as a replacement for machinery on which the insured has previously paid the gross  
14 receipts, sales, or use tax and which was stolen or totally destroyed, a credit or trade-in credit is  
15 allowed in an amount equal to the compensation received for the loss from the insurance  
16 company. The purchaser shall provide the seller with a notarized statement from the insurance  
17 company verifying that the original farm machinery was a total loss and indicating the amount of  
18 compensation. The notarized statement must be retained by the seller to verify the amount of  
19 credit or trade-in credit allowed.

20       **57-68-04. Administration.** The provisions of chapters 57-64 through 57-67 pertaining  
21 to administration of the retail sales tax, including provisions for refund, credits, or adoption of  
22 rules, not in compliance with this chapter or federal law, govern the administration of the gross  
23 receipts tax imposed in this chapter.

24       **SECTION 48. AMENDMENT.** Section 65-04-26 of the North Dakota Century Code is  
25 amended and reenacted as follows:

26       **65-04-26. Lien priority and filing - Remedies available in action for delinquent**  
27 **premiums - Exemptions restricted.** The claim of the organization in bankruptcy, probate,  
28 insolvency, and receivership proceedings for premiums in default and penalties is a lien with the  
29 same priority as prior income tax liens, except that this lien is not enforceable against a  
30 purchaser (including a lien creditor) of real estate or personal property for valuable  
31 consideration without notice. Notice of this lien must be filed in the place and manner provided

1 for in section ~~57-38-49~~ 57-01-19. A certificate of the organization that premiums and penalties  
2 are due for the period stated in the certificate is prima facie evidence of this fact. In any action  
3 brought for the recovery of premiums in default and penalties, the remedies of garnishment or  
4 attachment, or both, are available. No exemptions except absolute exemptions under section  
5 28-22-02 may be allowed against any levy under execution pursuant to judgment recovered in  
6 the action.

7 **SECTION 49. REPEAL.** Chapter 10-30.1, sections 10-33-124 and 40-63-09, chapters  
8 52-02.1, 57-38, 57-38.1, 57-38.3, 57-38.4, 57-38.5, and 57-38.6, and section 57-59-02 of the  
9 North Dakota Century Code are repealed.

10 **SECTION 50. REPEAL.** Chapters 57-39.2, 57-39.3, 57-39.5, 57-39.6, and 57-40.2 of  
11 the North Dakota Century Code are repealed.

12 **SECTION 51. CONTINGENT EFFECTIVE DATE.** If Senate Concurrent Resolution  
13 No. 4004, as adopted by the fifty-ninth legislative assembly, is approved by the voters, sections  
14 3, 6, 7, 9, 10, 11, 15, 16, 17, 18, 20, 22, 27, 30, 31, 32, 33, 34, 35, 36, 48, and 49 of this Act are  
15 effective for taxable years beginning after December 31, 2006; sections 1, 2, 4, 5, 8, 12, 13, 14,  
16 19, 21, 23, 24, 26, 28, 29, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, and 50 of this Act are  
17 effective for taxable events occurring after June 30, 2007; and section 25 of this Act is effective  
18 for tax liability accruing after December 31, 2006.