

**FIRST ENGROSSMENT
with Senate Amendments**

Sixtieth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1049

Introduced by

Representatives Carlson, Delzer, Dosch, Kasper, Thoreson, Weiler

1 A BILL for an Act to create and enact a new subsection to section 57-39.2-04 of the North
2 Dakota Century Code, relating to a sales and use tax exemption for sales of natural gas and
3 other fuels for heating purposes; to amend and reenact subsection 1 of section 57-39.2-02.1,
4 section 57-39.2-03.6, subsection 44 of section 57-39.2-04, and section 57-43.2-02.3 of the
5 North Dakota Century Code, relating to a sales and use tax rate reduction and exemption for
6 coal sold for use as heating fuel and a special fuels tax rate reduction and exemption for sales
7 of natural gas and for special fuels sold for use as heating fuel; to repeal section 57-39.2-03.6
8 of the North Dakota Century Code, relating to the imposition and rate of sales and use taxes on
9 sales of natural gas; and to provide an effective date.

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

11 **SECTION 1. AMENDMENT.** Subsection 1 of section 57-39.2-02.1 of the North Dakota
12 Century Code is amended and reenacted as follows:

- 13 1. Except as otherwise expressly provided in subsection 2 for sales of mobile homes
14 used for residential or business purposes, and except as otherwise expressly
15 provided in this chapter, there is imposed a tax of five percent upon the gross
16 receipts of retailers from all sales at retail including the leasing or renting of
17 tangible personal property as provided in this section, within this state of the
18 following to consumers or users:
- 19 a. Tangible personal property, consisting of goods, wares, or merchandise,
20 except mobile homes used for residential or business purposes.
- 21 b. The furnishing or service of communication services or steam other than
22 steam used for processing agricultural products.
- 23 c. Tickets or admissions to places of amusement or entertainment or athletic
24 events, including amounts charged for participation in an amusement,

entertainment, or athletic activity, and including the furnishing of bingo cards and the playing of any machine for amusement or entertainment in response to the use of a coin. The tax imposed by this section applies only to eighty percent of the gross receipts collected from coin-operated amusement devices.

d. Magazines and other periodicals.

e. The leasing or renting of a hotel or motel room or tourist court accommodations.

f. The leasing or renting of tangible personal property the transfer of title to which has not been subjected to a retail sales tax under this chapter or a use tax under chapter 57-40.2.

~~g. Coal mined in this state and used for heating buildings, except for coal used in agricultural processing or sugar beet refining plants.~~

~~h.~~ Sale, lease, or rental of a computer and prewritten computer software, including prewritten computer software delivered electronically or by load and leave. For purposes of this subdivision:

(1) "Computer" means an electronic device that accepts information in digital or similar form and manipulates it for a result based on a sequence of instructions.

(2) "Computer software" means a set of coded instructions designed to cause a computer or automatic data processing equipment to perform a task.

(3) "Delivered electronically" means delivered from the seller to the purchaser by means other than tangible storage media.

(4) "Electronic" means relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

(5) "Load and leave" means delivery to the purchaser by use of a tangible storage media when the tangible storage media is not physically transferred to the purchaser.

(6) "Prewritten computer software" means computer software, including prewritten upgrades, which is not designed and developed by the

author or other creator to the specifications of a specific purchaser.

The combining of two or more "prewritten computer software" programs or prewritten portions thereof does not cause the combination to be other than "prewritten computer software". "Prewritten computer software" includes software designed and developed by the author or other creator to the specifications of a specific purchaser when it is sold to a person other than the purchaser. If a person modifies or enhances "computer software" of which the person is not the author or creator, the person is deemed to be the author or creator only of such person's modifications or enhancements. "Prewritten computer software" or a prewritten portion thereof that is modified or enhanced to any degree, if such modification or enhancement is designed and developed to the specifications of a specific purchaser, remains "prewritten computer software". However, if there is a reasonable, separately stated charge or an invoice or other statement of the price given to the purchaser for such modification or enhancement, such modification or enhancement shall not constitute "prewritten computer software".

SECTION 2. AMENDMENT. Section 57-39.2-03.6 of the North Dakota Century Code is amended and reenacted as follows:

57-39.2-03.6. Sales tax rate on natural gas and coal sales. Notwithstanding any other provisions of this chapter, the rate of the tax imposed under this chapter upon the gross receipts of retailers from all sales at retail of natural gas to retail consumers or users is four one percent ~~from January 1, 1993, through December 31, 1993; three percent from January 1, 1994, through December 31, 1994; and two percent after December 31, 1994.~~ Notwithstanding any other provisions of this chapter, the rate of the tax imposed under this chapter upon the gross receipts of retailers from all sales at retail of coal that is exempt from the coal severance tax is two percent.

SECTION 3. AMENDMENT. Subsection 44 of section 57-39.2-04 of the North Dakota Century Code is amended and reenacted as follows:

44. Gross receipts from all sales of coal ~~used in agricultural processing or sugar beet refining plants located within this state~~ that is exempt from the coal severance tax.

1 **SECTION 4.** A new subsection to section 57-39.2-04 of the North Dakota Century
2 Code is created and enacted as follows:

3 Gross receipts from sales of natural gas or sales of fuels used for heating
4 purposes.

5 **SECTION 5. AMENDMENT.** Section 57-43.2-02.3 of the North Dakota Century Code
6 is amended and reenacted as follows:

7 **57-43.2-02.3. Exemptions.**

- 8 1. Special fuel commonly known as diesel fuel which is dyed for federal fuel tax
9 exemption purposes and sold for ~~use as heating fuel or for~~ an agricultural,
10 industrial, or railroad purpose is exempt from the special fuel tax imposed by
11 section 57-43.2-02 at the time the fuel is sold to the consumer and is subject
12 instead to the tax imposed by section 57-43.2-03. Special fuel known as diesel
13 fuel which is dyed for federal fuel tax exemption purposes and sold for use as
14 heating fuel is exempt from the special fuel tax imposed by section 57-43.2-02 and
15 subject to a tax at a rate of one percent under section 57-43.2-03 from July 1,
16 2008, through June 30, 2009, and after that date is exempt from the special fuel
17 tax imposed by sections 57-43.2-02 and 57-43.2-03. Fuel purchased for use in a
18 licensed motor vehicle is not exempt from the tax imposed by section 57-43.2-02.
- 19 2. Special fuel, other than diesel fuel, sold for ~~use as heating fuel or for~~ an
20 agricultural, industrial, or railroad purpose is exempt from the special fuel tax
21 imposed by section 57-43.2-02 at the time the fuel is sold to the consumer and is
22 subject instead to the tax imposed by section 57-43.2-03. Special fuel, other than
23 diesel fuel, sold for use as heating fuel is exempt from the special fuel tax imposed
24 by section 57-43.2-02 and subject to a tax at a rate of one percent under section
25 57-43.2-03 from July 1, 2008, through June 30, 2009, and thereafter is exempt
26 from the special fuel tax imposed by sections 57-43.2-02 and 57-43.2-03 at the
27 time the fuel is sold to the consumer. Fuel purchased for use in a licensed motor
28 vehicle is not exempt from the tax imposed by section 57-43.2-02.
- 29 3. A consumer purchasing special fuel for a use in which it becomes an ingredient or
30 a component part of tangible personal property intended to be sold ultimately at

1 retail is exempt from the tax imposed by section 57-43.2-02 and is not subject to
2 the tax imposed by section 57-43.2-03.

3 **SECTION 6. REPEAL.** Section 57-39.2-03.6 of the North Dakota Century Code is
4 repealed.

5 **SECTION 7. EFFECTIVE DATE.** Sections 2 and 5 of this Act are effective for taxable
6 events occurring after June 30, 2008. Sections 1, 3, 4, and 6 of this Act are effective for
7 taxable events occurring after June 30, 2009.