

Sixty-first  
Legislative Assembly  
of North Dakota

**SENATE BILL NO. 2197**

Introduced by

Senators Wanzek, O'Connell

Representatives Froelich, Keiser, Schatz, Weiler

1 A BILL for an Act to amend and reenact sections 57-36-01, 57-36-09, 57-36-25, 57-36-26,  
2 57-36-28, 57-36-29, and 57-36-33 of the North Dakota Century Code, relating to the tobacco  
3 products tax; and to provide an effective date.

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

5 **SECTION 1. AMENDMENT.** Section 57-36-01 of the North Dakota Century Code is  
6 amended and reenacted as follows:

7 **57-36-01. Definitions.** As used in this chapter, unless the context or subject matter  
8 otherwise requires:

- 9 1. "Chewing tobacco" means any leaf tobacco that is intended to be placed in the  
10 mouth.
- 11 2. "Cigar" means any roll of tobacco wrapped in tobacco.
- 12 3. "Cigarette" means any roll for smoking made wholly or in part of tobacco and  
13 encased in any material except tobacco.
- 14 4. "Consumer" means any person who has title to or possession of cigarettes, cigars,  
15 pipe tobacco, snuff, or other tobacco products in storage, for use or other  
16 consumption in this state.
- 17 5. "Dealer" includes any person other than a distributor who is engaged in the  
18 business of selling cigarettes, cigarette papers, cigars, pipe tobacco, snuff, or other  
19 tobacco products.
- 20 6. "Distributor" includes any person engaged in the business of producing or  
21 manufacturing cigarettes, cigarette papers, cigars, pipe tobacco, snuff, or other  
22 tobacco products, or importing into this state cigarettes, cigarette papers, cigars,  
23 pipe tobacco, snuff, or other tobacco products, for the purpose of distribution and  
24 sale thereof to dealers and retailers.

- 1           7. "Licensed dealer" means a dealer licensed under the provisions of this chapter.
- 2           8. "Licensed distributor" means a distributor licensed under the provisions of this
- 3 chapter.
- 4           9. "Other tobacco products" means ~~snuff and chewing tobacco~~ any product except
- 5 cigarettes and roll-your-own tobacco, including cigars, snuff, cigarette papers or
- 6 rolling tubes, hookah pipe tobacco, blunt wraps, or any product that is made up or
- 7 composed of tobacco, in whole or in part.
- 8           10. "Person" means any individual, firm, fiduciary, partnership, corporation, limited
- 9 liability company, trust, or association however formed.
- 10          11. "Pipe tobacco" means any tobacco that, because of its appearance, type,
- 11 packaging, or labeling, is suitable for use and likely to be offered to, or purchased
- 12 by, consumers as tobacco to be smoked in a pipe.
- 13          12. "Sale" or "sell" applies to gifts, exchanges, and barter.
- 14          13. "Snuff" means any finely cut, ground, or powdered tobacco that is intended to be
- 15 placed in the mouth.
- 16          14. "Storage" means any keeping or retention of cigarettes, cigars, pipe tobacco, snuff,
- 17 or other tobacco products for use or consumption in this state.
- 18          15. "Use" means the exercise of any right or power incidental to the ownership or
- 19 possession of cigarettes, cigars, pipe tobacco, snuff, or other tobacco products.

20           **SECTION 2. AMENDMENT.** Section 57-36-09 of the North Dakota Century Code is

21 amended and reenacted as follows:

22           **57-36-09. Records to be kept by distributors and reports made - Penalty.**

23 Distributors shall keep records and make reports relating to purchases and sales of cigarettes,

24 cigarette papers, cigars, pipe tobacco, snuff, or other tobacco products made by them, and

25 must be punished for failure so to do, as follows:

- 26           1. Each distributor who shall dispose of cigarettes, cigarette papers, cigars, pipe
- 27 tobacco, snuff, or other tobacco products shall keep and preserve for one year all
- 28 invoices of cigarettes, cigarette papers, cigars, pipe tobacco, snuff, or other
- 29 tobacco products purchased by the distributor and shall permit the state tax
- 30 commissioner, and assistants, authorized agents, or representatives of the state
- 31 tax commissioner, to inspect and examine all taxable merchandise, invoices,

receipts, books, papers, and memoranda as may be deemed necessary by the state tax commissioner, and assistants, authorized agents, or representatives of the state tax commissioner in determining the amount of the tax as may be yet due. Each person selling or otherwise disposing of cigarettes, cigarette papers, cigars, pipe tobacco, snuff, or other tobacco products as a distributor shall keep a record of all sales made within the state showing the name and address of the purchaser and the date of sale. ~~For sales of other tobacco products, the records must also include the net weight in ounces, as listed by the manufacturer.~~

2. On or before the fifteenth day of each month, each licensed distributor, on such form as the state tax commissioner shall prescribe, shall report to the tax commissioner all purchases and sales of cigarettes, cigarette papers, cigars, pipe tobacco, snuff, or other tobacco products made from or to any persons either within or without this state during the preceding month. ~~For sales of other tobacco products, each licensed distributor shall also report to the tax commissioner the net weight in ounces, as listed by the manufacturer.~~ The tax levied by this chapter is payable monthly and must be remitted to the tax commissioner by each licensed distributor on or before the fifteenth day of the month following the monthly period.
3. Any person failing to file any prescribed form or return or to pay any tax within the time required or permitted by this section is subject to a penalty of five percent of the amount of tax due or five dollars, whichever is greater, plus interest of one percent of the tax per month or fraction of a month of delay except the first month after the return or the tax became due. The tax commissioner, if satisfied that the delay was excusable, may waive all or any part of the penalty. The penalty must be paid to the tax commissioner and disposed of in the same manner as are other receipts under this chapter.

**SECTION 3. AMENDMENT.** Section 57-36-25 of the North Dakota Century Code is amended and reenacted as follows:

**57-36-25. Cigars and, pipe tobacco, snuff, chewing tobacco, and other tobacco products - Excise tax on wholesale purchase price - ~~Other tobacco products - Excise tax on weight~~ - Penalty - Reports - Collection - Allocation of revenue.**

1           1. There is hereby levied and assessed upon all cigars ~~and~~, pipe tobacco, snuff, and  
2           other tobacco products sold in this state an excise tax at the rate of twenty-eight  
3           percent of the wholesale purchase price at which such cigars ~~and~~, pipe tobacco,  
4           snuff, and other tobacco products are purchased by distributors. For the purposes  
5           of this section, the term "wholesale purchase price" shall mean the established  
6           price for which a manufacturer sells cigars ~~or~~, pipe tobacco, snuff, or other tobacco  
7           products to a distributor exclusive of any discount or other reduction.

8           ~~2. There is levied and assessed upon all other tobacco products sold in this state an~~  
9           ~~excise tax at the following rates:~~

10          ~~a. Upon each can or package of snuff, sixty cents per ounce and a proportionate~~  
11          ~~tax at the like rate on all fractional parts of an ounce.~~

12          ~~b. On chewing tobacco, sixteen cents per ounce and a proportionate tax at the~~  
13          ~~like rate on all fractional parts of an ounce.~~

14          ~~For purposes of this subsection, the tax on other tobacco products is computed~~  
15          ~~based on the net weight as listed by the manufacturer.~~

16          ~~3.~~ The proceeds of the taxes imposed under this section, together with such forms of  
17          return and in accordance with such rules and regulations as the tax commissioner  
18          may prescribe, shall be remitted to the tax commissioner by the distributor on a  
19          calendar quarterly basis on or before the fifteenth day of the month following the  
20          quarterly period for which paid. The tax commissioner shall, however, have  
21          authority to prescribe monthly returns upon the request of the licensee distributor  
22          and such returns accompanied with remittance shall be filed before the fifteenth  
23          day of the month following the month for which the returns are filed.

24          ~~4.~~ 3. Any person failing to file any prescribed form or return or to pay any tax within the  
25          time required or permitted by this section is subject to a penalty of five percent of  
26          the amount of tax due or five dollars, whichever is greater, plus interest of one  
27          percent of the tax per month or fraction of a month of delay except the first month  
28          after the return or the tax became due. The tax commissioner, if satisfied that the  
29          delay was excusable, may waive all or any part of the penalty. The penalty must  
30          be paid to the tax commissioner and disposed of in the same manner as are other  
31          receipts under this chapter.

- 1        ~~5-~~ 4. All moneys received by the tax commissioner under the provisions of this section  
2                shall be transmitted to the state treasurer at the end of each month and deposited  
3                in the state treasury to the credit of the general fund.

4                **SECTION 4. AMENDMENT.** Section 57-36-26 of the North Dakota Century Code is  
5 amended and reenacted as follows:

6                **57-36-26. Cigars, pipe tobacco, snuff, and ~~other~~ chewing tobacco products -**  
7 **Excise tax payable by dealers - Reports - Penalties - Collection - Allocation of revenue.**

- 8                1. There is levied and assessed, upon all cigars ~~and~~, pipe tobacco, snuff, and other  
9                tobacco products purchased in another state and brought into this state by a dealer  
10                for the purpose of sale at retail, an excise tax at the rate of twenty-eight percent of  
11                the wholesale purchase price ~~and, upon all other tobacco products purchased in~~  
12                ~~another state and brought into this state by a dealer for the purpose of sale at~~  
13                ~~retail, an excise tax at the rates indicated in section 57-36-25,~~ at the time the  
14                products were brought into this state. For the purposes of this section, the term  
15                "wholesale purchase price" means the established price for which a manufacturer  
16                sells cigars ~~or~~, pipe tobacco, snuff, or other tobacco products to a distributor  
17                exclusive of any discount or other reduction. However, the dealer may elect to  
18                report and remit the tax on the cost price of the products to the dealer rather than  
19                on the wholesale purchase price. The proceeds of the tax, together with the forms  
20                of return and in accordance with any rules and regulations the tax commissioner  
21                may prescribe, must be remitted to the tax commissioner by the dealer on a  
22                monthly basis on or before the fifteenth day of the month following the monthly  
23                period for which it is paid. The tax commissioner shall have the authority to place  
24                any dealer on an annual remittance basis when in the judgment of the tax  
25                commissioner the operations of the dealer merit that remittance period. In addition,  
26                the tax commissioner shall have the authority to permit the consolidation of the  
27                filing of a dealer's return when the dealer has more than one location and thereby  
28                would be required to file more than one return.
- 29                2. If cigars, pipe tobacco, snuff, or other tobacco products have been subjected  
30                already to a tax by any other state in respect to their sale in an amount less than  
31                the tax imposed by this section, the provisions of this section apply, but at a rate

measured by the difference only between the rate fixed in this section and the rate by which the previous tax upon the sale was computed. If the tax imposed in the other state is twenty percent of the wholesale purchase price or more, then no tax is due on the article. The provisions of this subsection apply only if the other state allows a tax credit with respect to the excise tax on cigars, pipe tobacco, snuff, or other tobacco products imposed by this state which is substantially similar in effect to the credit allowed by this subsection.

3. Any person failing to file any prescribed forms of return or to pay any tax within the time required by this section is subject to a penalty of five dollars or a sum equal to five percent of the tax due, whichever is greater, plus one percent of the tax for each month of delay or fraction thereof excepting the month within which the return was required to be filed or the tax became due. The tax commissioner, if satisfied that the delay was excusable, may waive all or any part of the penalty. The penalty must be paid to the tax commissioner and disposed of in the same manner as are other receipts under this chapter.

4. All moneys received by the tax commissioner under the provisions of this section must be transmitted to the state treasurer at the end of each month and deposited in the state treasury to the credit of the general fund.

**SECTION 5. AMENDMENT.** Section 57-36-28 of the North Dakota Century Code is amended and reenacted as follows:

**57-36-28. Consumer's use tax - Cigars, pipe tobacco, snuff, and ~~other chewing tobacco products~~ - Reports - Remittances.**

1. A tax is imposed upon the use or storage by consumers of cigars, pipe tobacco, snuff, and other tobacco products in this state, and upon those consumers, at the ~~rates indicated in section 57-36-25~~ rate of twenty-eight percent of the cost to the consumer of those products.

2. This tax does not apply if the tax imposed by section 57-36-25 or 57-36-26 has been paid and it does not apply to cigars, pipe tobacco, snuff, or other tobacco products exempt under section 57-36-24.

3. On or before the tenth day of each calendar quarter, every consumer who, during the preceding calendar quarter, has acquired title to or possession of cigars, pipe

1 tobacco, snuff, or other tobacco products for use or storage in this state, upon  
2 which products the tax imposed by either section 57-36-25 or 57-36-26 has not  
3 been paid, shall file a return with the tax commissioner showing the quantity of  
4 such products so acquired. ~~For sales of other tobacco products, the return must~~  
5 ~~also include the net weight in ounces, as listed by the manufacturer.~~ The return  
6 must be made upon a form furnished and prescribed by the tax commissioner and  
7 must contain such other information as the tax commissioner may require. The  
8 return must be accompanied by a remittance for the full unpaid tax liability shown  
9 by it.

10 4. As soon as practicable after any return is filed, the tax commissioner shall examine  
11 the return and correct it, if necessary, according to the tax commissioner's best  
12 judgment and information.

13 5. If any consumer required to pay the tax levied by this section fails to file a return or  
14 remit the tax as required, the tax commissioner shall make an assessment of tax  
15 against the consumer according to the tax commissioner's best judgment and  
16 information.

17 6. All of the provisions of this chapter relating to corrections of returns, deficiency  
18 assessments, protests, hearings, interest and penalties, and collections of taxes  
19 apply to consumers under this section.

20 **SECTION 6. AMENDMENT.** Section 57-36-29 of the North Dakota Century Code is  
21 amended and reenacted as follows:

22 **57-36-29. Correction of errors.**

23 1. If it appears that as a result of a mistake an amount of tax, penalty, or interest has  
24 been paid which was not due under the provisions of this chapter, then such  
25 amount becomes due under this chapter, and the amount must be credited or  
26 refunded to such person or firm by the tax commissioner.

27 2. Whenever a distributor destroys cigarettes, cigars, pipe tobacco, snuff, or other  
28 tobacco products accidentally, or intentionally, because of staleness or other  
29 unfitness for sale, a credit or refund must be given to the wholesaler under the  
30 terms and conditions prescribed by the tax commissioner.

1           **SECTION 7. AMENDMENT.** Section 57-36-33 of the North Dakota Century Code is  
2 amended and reenacted as follows:

3           **57-36-33. Penalties for violation of chapter.** Except as otherwise provided in this  
4 chapter, any person who violates any provision of this chapter is guilty of a class A  
5 misdemeanor. All cigarettes, cigarette papers, cigars, pipe tobacco, snuff, or other tobacco  
6 products in the possession of the person or in the place of business of the person must be  
7 confiscated and forfeited to the state.

8           **SECTION 8. EFFECTIVE DATE.** This Act is effective for taxable events occurring after  
9 June 30, 2009.