

Sixty-second  
Legislative Assembly  
of North Dakota

**ENGROSSED SENATE BILL NO. 2159**

Introduced by

Senators Klein, Miller, Murphy

Representatives Weisz, Pollert, Damschen

1 A BILL for an Act to create and enact a new section to chapter 57-39.2 of the North Dakota  
2 Century Code, relating to a sales and use tax exemption for purchases made by a contractor,  
3 subcontractor, or builder on behalf of a nonprofit hospital; to amend and reenact section  
4 57-40.2-03.3 of the North Dakota Century Code, relating to a use tax exemption for untaxed  
5 materials used by a contractor under contract with a nonprofit hospital; and to provide an  
6 effective date.

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

8 **SECTION 1.** A new section to chapter 57-39.2 of the North Dakota Century Code is created  
9 and enacted as follows:

10 **Exemption for materials acquired by a contractor on behalf of a nonprofit**  
11 **hospital.**

12 1. A contractor, subcontractor, or builder that acquires materials, supplies, or equipment  
13 for use in the performance of a contract with a nonprofit hospital is entitled to a sales  
14 and use tax exemption for the acquisition of those items of tangible personal property.  
15 The exemption under this section and section 57-40.2-03.3 may not exceed a total  
16 exemption of more than five thousand dollars of sales and use taxes per year for each  
17 nonprofit hospital's contractors, subcontractors, or builders. To qualify for the  
18 exemption under this section, the contractor, subcontractor, or builder shall present to  
19 the retailer a purchasing agent authorization letter and an exemption certificate or  
20 exemption number from the nonprofit hospital. Acquisition of building materials,  
21 supplies, or equipment is exempt under this exemption only to the extent the building  
22 materials, supplies, or equipment is installed or completely consumed in the  
23 performance of the contract with the nonprofit hospital.

2. If the contractor, subcontractor, or builder is also a retailer holding a retail sales tax permit under this chapter and transacting retail sales of materials, supplies, or equipment, the exemption under this section applies to building materials, supplies, or equipment withdrawn from inventory for use in a contract with a nonprofit hospital if the person possesses a purchasing agent authorization letter and exemption certificate or exemption number from the nonprofit hospital.
3. For purposes of this section, "nonprofit hospital" means a hospital licensed by the state department of health and exempt from federal taxation under section 501(c)(3) of the Internal Revenue Code [26 U.S.C. 501(c)(3)].

**SECTION 2. AMENDMENT.** Section 57-40.2-03.3 of the North Dakota Century Code is amended and reenacted as follows:

**57-40.2-03.3. Use tax on contractors.**

1. When a contractor or subcontractor uses tangible personal property in the performance of that person's contract, or to fulfill contract or subcontract obligations, whether the title to such property be in the contractor, subcontractor, contractee, subcontractee, or any other person, or whether the titleholder of such property would be subject to pay the sales or use tax, such contractor or subcontractor shall pay a use tax at the rate prescribed by section 57-40.2-02.1 measured by the purchase price or fair market value of such property, whichever is greater, unless such property has been previously subjected to a sales tax or use tax by this state, and the tax due thereon has been paid.
2. The provisions of this chapter pertaining to the administration of the tax imposed by section 57-40.2-02.1, not in conflict with the provisions of this section, govern the administration of the tax levied by this section.
3. The tax imposed by this section does not apply to medical equipment purchased as tangible personal property ~~by a hospital or by a long-term care facility as defined in section 50-10.1-01 and subsequently installed by a contractor into such hospital or facility~~ or to tangible personal property completely consumed or installed by a contractor into a nonprofit hospital licensed by the state department of health and exempt from federal taxation under section 501(c)(3) of the Internal Revenue Code

1           ~~[26 U.S.C. 501(c)(3)]~~ under a contract between the contractor and the nonprofit  
2           hospital.

3           4. The tax imposed by this section does not apply to:

4           a. Production equipment or tangible personal property as authorized or approved  
5           for exemption by the commissioner under section 57-39.2-04.2; or

6           b. Machinery, equipment, or other tangible personal property used to construct an  
7           agricultural commodity processing facility as authorized or approved for  
8           exemption by the commissioner under section 57-39.2-04.3 or 57-39.2-04.4.

9           **SECTION 3. EFFECTIVE DATE.** This Act is effective for taxable events occurring after  
10   June 30, 2011.