

Sixty-second  
Legislative Assembly  
of North Dakota

**SENATE BILL NO. 2172**

Introduced by

Senators Oehlke, Hogue, Dotzenrod, Krebsbach

Representatives D. Johnson, Wrangham

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 tax exemption for receipts from coin-operated  
3 amusement or entertainment machines; to amend and reenact subsections 21, 22, and 23 of  
4 section 57-39.2-01 and subsection 1 of section 57-39.2-02.1 of the North Dakota Century Code,  
5 relating to a sales tax exemption for receipts from coin-operated amusement or entertainment  
6 machines; and to provide an effective date.

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

8 **SECTION 1. AMENDMENT.** Subsections 21, 22, and 23 of section 57-39.2-01 of the  
9 North Dakota Century Code are amended and reenacted as follows:

10 21. "Retail sale" or "sale at retail" means any sale, lease, or rental for any purpose other  
11 than for resale, sublease, or subrental. "Retail sale" or "sale at retail" includes the sale,  
12 including the leasing or renting, to a consumer or to any person for any purpose, other  
13 than for processing or for resale, of tangible personal property; the sale of steam, gas,  
14 and communication service to retail consumers or users; the sale of vulcanizing,  
15 recapping, and retreading services for tires; the ordering, selecting, or aiding a  
16 customer to select any goods, wares, or merchandise from any price list or catalog,  
17 which the customer might order, or be ordered for such customer to be shipped  
18 directly to such customer; the sale or furnishing of hotel, motel, or tourist court  
19 accommodations, tickets, or admissions to any place of amusement, athletic event, or  
20 place of entertainment, ~~including the playing of any machine for amusement or~~  
21 ~~entertainment in response to the use of a coin~~; and the sales of magazines and other  
22 periodicals. By the term "processing" is meant any tangible personal property including  
23 containers which it is intended, by means of fabrication, compounding, manufacturing,  
24 producing, or germination shall become an integral or an ingredient or component part

1 of other tangible personal property intended to be sold ultimately at retail. The sale of  
2 an item of tangible personal property for the purpose of incorporating it in or attaching  
3 it to real property must be considered as a sale of tangible personal property for a  
4 purpose other than for processing; the delivery of possession within the state of North  
5 Dakota of tangible personal property by a wholesaler or distributor to an out-of-state  
6 retailer who does not hold a North Dakota retail sales tax permit or to a person who by  
7 contract incorporates such tangible personal property into, or attaches it to, real  
8 property situated in another state may not be considered a taxable sale if such  
9 delivery of possession would not be treated as a taxable sale in that state. As used in  
10 this subsection, the word "consumer" includes any hospital, infirmary, sanatorium,  
11 nursing home, home for the aged, or similar institution that furnishes services to any  
12 patient or occupant. The sale of an item of tangible personal property to a person  
13 under a finance leasing agreement over the term of which the property will be  
14 substantially consumed must be considered a retail sale if the purchaser elects to treat  
15 it as such by paying or causing the transferor to pay the sales tax thereon to the  
16 commissioner on or before the last day on which payments may be made without  
17 penalty as provided in section 57-39.2-12.

- 18 22. "Retailer" or "seller" includes every person engaged in the business of leasing or  
19 renting hotel, motel, or tourist court accommodations, and every person engaged in  
20 the business of selling tangible goods, wares, or merchandise at retail, or furnishing of  
21 steam, gas, and communication services, or tickets or admissions to places of  
22 amusement, entertainment, and athletic events, ~~including the playing of any machine-~~  
23 ~~for amusement or entertainment in response to the use of a coin,~~ or magazines, or  
24 other periodicals; and includes any person as herein defined who by contract or  
25 otherwise agrees to furnish for a consideration a totally or partially finished product  
26 consisting in whole or in part of tangible personal property subject to the sales tax  
27 herein provided, and all items of tangible personal property entering into the  
28 performance of such contract as a component part of the product agreed to be  
29 furnished under said contract shall be subject to the sales tax herein provided and the  
30 sales tax thereon shall be collected by the contractor from the person for whom the  
31 contract has been performed in addition to the contract price agreed upon, and shall

be remitted to the state in the manner provided in this chapter; and shall include the state or any municipality furnishing steam, gas, or communication service to members of the public in its proprietary capacity. For the purpose of this chapter, retailer shall also include every clerk, auctioneer, agent, or factor selling tangible personal property owned by any other retailer. A retailer also includes every person who engages in regular or systematic solicitation of a consumer market in this state by the distribution of catalogs, periodicals, advertising fliers, or other advertising, or by means of print, radio or television media, by mail, telegraphy, telephone, computer database, cable, optic, microwave, or other communication system.

23. "Sale" means any transfer of title or possession, exchange or barter, conditional or otherwise, in any manner or by any means whatever, for a consideration, and includes the furnishing or service of steam, gas, or communication, the furnishing of hotel, motel, or tourist court accommodations, the furnishing of tickets or admissions to any place of amusement, athletic event, or place of entertainment, ~~including the playing of any machine for amusement or entertainment in response to the use of a coin,~~ and sales of magazines and other periodicals. Provided, the words "magazines and other periodicals" as used in this subsection do not include newspapers nor magazines or periodicals that are furnished free by a nonprofit corporation or organization to its members or because of payment by its members of membership fees or dues.

**SECTION 2. AMENDMENT.** Subsection 1 of section 57-39.2-02.1 of the North Dakota Century Code is amended and reenacted as follows:

1. Except as otherwise expressly provided in subsection 2 for sales of mobile homes used for residential or business purposes, and except as otherwise expressly provided in this chapter, there is imposed a tax of five percent upon the gross receipts of retailers from all sales at retail including the leasing or renting of tangible personal property as provided in this section, within this state of the following to consumers or users:
  - a. Tangible personal property, consisting of goods, wares, or merchandise, except mobile homes used for residential or business purposes and including bundled transactions consisting entirely of tangible personal property.

- b. The furnishing or service of communication services or steam other than steam used for processing agricultural products.
- c. Tickets or admissions to places of amusement or entertainment or athletic events, including amounts charged for participation in an amusement, entertainment, or athletic activity ~~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. 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

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

16 h. A mandatory computer software maintenance contract for prewritten computer  
17 software.

18 i. An optional computer software maintenance contract for prewritten computer software  
19 that provides only software upgrades or updates or an optional computer software  
20 maintenance contract for prewritten computer software that is a bundled transaction  
21 and provides software upgrades or updates and support services.

22 **SECTION 3.** A new subsection to section 57-39.2-04 of the North Dakota Century Code is  
23 created and enacted as follows:

24 Gross receipts from coin-operated amusement or entertainment machines.

25 **SECTION 4. EFFECTIVE DATE.** This Act is effective for taxable events occurring after  
26 June 30, 2011.