

**FIRST ENGROSSMENT  
with Conference Committee 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, subsection 3 of section  
5 57-40.2-02.1, and section 57-43.2-02.3 of the North Dakota Century Code, relating to a sales  
6 and use tax exemption for coal sold for use as heating fuel and a special fuels tax rate  
7 reduction and exemption for sales of natural gas and for special fuels sold for use as heating  
8 fuel; to repeal section 57-39.2-03.6 and subsection 3 of section 57-40.2-02.1 of the North  
9 Dakota Century Code, relating to the imposition and rate of sales and use taxes on sales of  
10 natural gas; and to provide an effective date.

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

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

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

- 1           c. Tickets or admissions to places of amusement or entertainment or athletic  
2           events, including amounts charged for participation in an amusement,  
3           entertainment, or athletic activity, and including the furnishing of bingo cards  
4           and the playing of any machine for amusement or entertainment in response  
5           to the use of a coin. The tax imposed by this section applies only to eighty  
6           percent of the gross receipts collected from coin-operated amusement  
7           devices.
- 8           d. Magazines and other periodicals.
- 9           e. The leasing or renting of a hotel or motel room or tourist court  
10          accommodations.
- 11          f. The leasing or renting of tangible personal property the transfer of title to  
12          which has not been subjected to a retail sales tax under this chapter or a use  
13          tax under chapter 57-40.2.
- 14          g. ~~Coal mined in this state and used for heating buildings, except for coal used  
15          in agricultural processing or sugar beet refining plants.~~
- 16          h. Sale, lease, or rental of a computer and prewritten computer software,  
17          including prewritten computer software delivered electronically or by load and  
18          leave. For purposes of this subdivision:
- 19           (1) "Computer" means an electronic device that accepts information in  
20           digital or similar form and manipulates it for a result based on a  
21           sequence of instructions.
- 22           (2) "Computer software" means a set of coded instructions designed to  
23           cause a computer or automatic data processing equipment to perform a  
24           task.
- 25           (3) "Delivered electronically" means delivered from the seller to the  
26           purchaser by means other than tangible storage media.
- 27           (4) "Electronic" means relating to technology having electrical, digital,  
28           magnetic, wireless, optical, electromagnetic, or similar capabilities.
- 29           (5) "Load and leave" means delivery to the purchaser by use of a tangible  
30           storage media when the tangible storage media is not physically  
31           transferred to the purchaser.

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

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

22                  **57-39.2-03.6. Sales tax rate on natural gas sales.** Notwithstanding any other  
23 provisions of this chapter, the rate of the tax imposed under this chapter upon the gross  
24 receipts of retailers from all sales at retail of natural gas to retail consumers or users is ~~four~~ one  
25 percent ~~from January 1, 1993, through December 31, 1993; three percent from January 1,~~  
26 ~~1994, through December 31, 1994; and two percent after December 31, 1994.~~

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

29                  44. Gross receipts from all sales of coal ~~used in agricultural processing or sugar beet~~  
30                  ~~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.** Subsection 3 of section 57-40.2-02.1 of the North Dakota  
6 Century Code is amended and reenacted as follows:

7           3. An excise tax is imposed on the storage, use, or consumption in this state of  
8 natural gas consumed by a final user at the rate of ~~four~~ one percent ~~from~~  
9 ~~January 1, 1993, through December 31, 1993; three percent from January 1, 1994,~~  
10 ~~through December 31, 1994; and two percent after December 31, 1994,~~ if sales  
11 tax has not been applied as provided by section 57-39.2-03.6.

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

14           **57-43.2-02.3. Exemptions.**

15           1. Special fuel commonly known as diesel fuel which is dyed for federal fuel tax  
16 exemption purposes and sold for ~~use as heating fuel or for~~ an agricultural,  
17 industrial, or railroad purpose is exempt from the special fuel tax imposed by  
18 section 57-43.2-02 at the time the fuel is sold to the consumer and is subject  
19 instead to the tax imposed by section 57-43.2-03. Special fuel known as diesel  
20 fuel which is dyed for federal fuel tax exemption purposes and sold for use as  
21 heating fuel is exempt from the special fuel tax imposed by section 57-43.2-02 and  
22 subject to a tax at a rate of two cents per gallon under section 57-43.2-03 from  
23 January 1, 2008, through June 30, 2009, and after that date is exempt from the  
24 special fuel tax imposed by sections 57-43.2-02 and 57-43.2-03. Fuel purchased  
25 for use in a licensed motor vehicle is not exempt from the tax imposed by section  
26 57-43.2-02.

27           2. Special fuel, other than diesel fuel, sold for ~~use as heating fuel or for~~ an  
28 agricultural, industrial, or railroad purpose is exempt from the special fuel tax  
29 imposed by section 57-43.2-02 at the time the fuel is sold to the consumer and is  
30 subject instead to the tax imposed by section 57-43.2-03. Propane sold for use as  
31 heating fuel is exempt from the special fuel tax imposed by section 57-43.2-02 and

1           subject to a tax at a rate of one percent under section 57-43.2-03 from January 1,  
2           2008, through June 30, 2009, and thereafter is exempt from the special fuel tax  
3           imposed by sections 57-43.2-02 and 57-43.2-03 at the time the fuel is sold to the  
4           consumer. Special fuel, other than diesel fuel and propane, sold for use as  
5           heating fuel is exempt from the special fuel tax imposed by section 57-43.2-02 and  
6           subject to a tax at a rate of two cents per gallon under section 57-43.2-03 from  
7           January 1, 2008, through June 30, 2009, and thereafter is exempt from the special  
8           fuel tax imposed by sections 57-43.2-02 and 57-43.2-03 at the time the fuel is sold  
9           to the consumer. Fuel purchased for use in a licensed motor vehicle is not exempt  
10           from the tax imposed by section 57-43.2-02.

11           3. A consumer purchasing special fuel for a use in which it becomes an ingredient or  
12           a component part of tangible personal property intended to be sold ultimately at  
13           retail is exempt from the tax imposed by section 57-43.2-02 and is not subject to  
14           the tax imposed by section 57-43.2-03.

15           **SECTION 7. REPEAL.** Section 57-39.2-03.6 and subsection 3 of section 57-40.2-02.1  
16 of the North Dakota Century Code are repealed.

17           **SECTION 8. EFFECTIVE DATE.** Sections 1, 2, 3, 5, and 6 of this Act are effective for  
18 taxable events occurring after December 31, 2007. Sections 4 and 7 of this Act are effective  
19 for taxable events occurring after June 30, 2009.