

**HOUSE BILL NO. 1201**

Introduced by

Representatives Damschen, Owens, Kilichowski

Senators Klein, Olafson

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 an exempt entity; and to provide an effective date.

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

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

7 **Exemption for materials acquired by a contractor on behalf of an exempt entity.**

- 8 1. A contractor, subcontractor, or builder that acquires materials, supplies, or equipment  
9 for use in the performance of a contract with an exempt entity is entitled to a sales and  
10 use tax exemption for the acquisition of those items of tangible personal property. To  
11 qualify for the exemption under this section, the contractor, subcontractor, or builder  
12 shall present to the retailer a purchasing agent authorization letter and an exemption  
13 certificate or exemption number from the exempt entity. Acquisition of building  
14 materials, supplies, or equipment is exempt under this exemption only to the extent  
15 the building materials, supplies, or equipment is installed or completely consumed in  
16 the performance of the contract with the exempt entity.
- 17 2. If the contractor, subcontractor, or builder is also a retailer holding a retail sales tax  
18 permit under this chapter and transacting retail sales of materials, supplies, or  
19 equipment, the exemption under this section applies to building materials, supplies, or  
20 equipment withdrawn from inventory for use in a contract with an exempt entity if the  
21 person possesses a purchasing agent authorization letter and exemption certificate or  
22 exemption number from the exempt entity.

1       3. For purposes of this section, "exempt entity" means an entity that, if it acquired  
2           tangible personal property on its own behalf, would be entitled to a sales or use tax  
3           exemption for that acquisition.

4       **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable events occurring after  
5       June 30, 2011.