

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 To qualify for the exemption under this section, the contractor, subcontractor, or builder
16 shall present to the retailer a purchasing agent authorization letter and an exemption
17 certificate or exemption number from the nonprofit hospital. Acquisition of building
18 materials, supplies, or equipment is exempt under this exemption only to the extent
19 the building materials, supplies, or equipment is installed or completely consumed in
20 the performance of the contract with the nonprofit hospital.
- 21 2. If the contractor, subcontractor, or builder is also a retailer holding a retail sales tax
22 permit under this chapter and transacting retail sales of materials, supplies, or
23 equipment, the exemption under this section applies to building materials, supplies, or
24 equipment withdrawn from inventory for use in a contract with a nonprofit hospital if

- 1 the person possesses a purchasing agent authorization letter and exemption
2 certificate or exemption number from the nonprofit hospital.
3 3. For purposes of this section, "nonprofit hospital" means a hospital licensed by the
4 state department of health and exempt from federal taxation under section 501(c)(3) of
5 the Internal Revenue Code [26 U.S.C. 501(c)(3)].

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

8 **57-40.2-03.3. Use tax on contractors.**

- 9 1. When a contractor or subcontractor uses tangible personal property in the
10 performance of that person's contract, or to fulfill contract or subcontract obligations,
11 whether the title to such property be in the contractor, subcontractor, contractee,
12 subcontractee, or any other person, or whether the titleholder of such property would
13 be subject to pay the sales or use tax, such contractor or subcontractor shall pay a
14 use tax at the rate prescribed by section 57-40.2-02.1 measured by the purchase price
15 or fair market value of such property, whichever is greater, unless such property has
16 been previously subjected to a sales tax or use tax by this state, and the tax due
17 thereon has been paid.
- 18 2. The provisions of this chapter pertaining to the administration of the tax imposed by
19 section 57-40.2-02.1, not in conflict with the provisions of this section, govern the
20 administration of the tax levied by this section.
- 21 3. The tax imposed by this section does not apply to **medical equipment purchased as**
22 **tangible personal property by a hospital or by a long-term care facility as defined in**
23 **section 50-10.1-01 and subsequently installed by a contractor into ~~such a nonprofit~~**
24 **~~hospital or facility; or to tangible personal property completely consumed or installed~~**
25 **by a contractor into a nonprofit hospital licensed by the state department of health and**
26 **exempt from federal taxation under section 501(c)(3) of the Internal Revenue Code**
27 **[26 U.S.C. 501(c)(3)]- under a contract between the contractor and the nonprofit**
28 **hospital.**
- 29 4. The tax imposed by this section does not apply to:
30 a. Production equipment or tangible personal property as authorized or approved
31 for exemption by the commissioner under section 57-39.2-04.2; or

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

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