

Sixty-second
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1424

Introduced by

Representatives Pollert, Weisz, Mueller

Senators Klein, Miller, Wanzek

1 A BILL for an Act to amend and reenact subsection 2 of section 11-09.1-05, section 40-05.1-06,
 2 subsection 8 of section 57-39.2-04 ~~and, sections 57-39.2-12.1, 57-39.5-04, and 57-39.6-04,~~
 3 subsection 9 of section 57-40.2-04, and section 57-40.2-07.1 of the North Dakota Century
 4 Code, relating to compensation allowable to retailers for expenses associated with the
 5 collection, reporting, and remittance of state and local option sales, use, and gross receipts
 6 taxes and the sales and use tax exemption for chemicals used for agricultural purposes; and to
 7 provide an effective date; ~~and to declare an emergency.~~

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

9 **SECTION 1. AMENDMENT.** Subsection 2 of section 11-09.1-05 of the North Dakota
 10 Century Code is amended and reenacted as follows:

- 11 2. Control its finances and fiscal affairs; appropriate money for its purposes, and make
 12 payments of its debts and expenses; subject to the limitations of this section levy and
 13 collect property taxes, sales and use taxes, farm machinery gross receipts taxes,
 14 alcoholic beverage gross receipts taxes, motor vehicle fuels and special fuels taxes,
 15 motor vehicle registration fees, and special assessments for benefits conferred, for its
 16 public and proprietary functions, activities, operations, undertakings, and
 17 improvements; contract debts, borrow money, issue bonds, warrants, and other
 18 evidences of indebtedness; establish charges for any county or other services to the
 19 extent authorized by state law; and establish debt and mill levy limitations.
 20 Notwithstanding any authority granted under this chapter, all property must be
 21 assessed in a uniform manner as prescribed by the state board of equalization and the
 22 state supervisor of assessments and all taxable property must be taxed by the county
 23 at the same rate unless otherwise provided by law. A charter or ordinance or act of a
 24 governing body of a home rule county may not supersede any state law that

1 determines what property or acts are subject to, or exempt from, ad valorem taxes. A
2 charter or ordinance or act of the governing body of a home rule county may not
3 supersede section 11-11-55.1 relating to the sixty percent petition requirement for
4 improvements and of section 40-22-18 relating to the barring proceeding for
5 improvement projects. After December 31, 2005, sales and use taxes, farm machinery
6 gross receipts taxes, and alcoholic beverage gross receipts taxes levied under this
7 chapter:

- 8 a. Must conform in all respects with regard to the taxable or exempt status of items
9 under chapters 57-39.2, 57-39.5, 57-39.6, and 57-40.2 and may not be imposed
10 at multiple rates with the exception of sales of electricity, piped natural or artificial
11 gas, or other heating fuels delivered by the seller or the retail sale or transfer of
12 motor vehicles, aircraft, watercraft, modular homes, manufactured homes, or
13 mobile homes.
- 14 b. May not be newly imposed or changed except to be effective on the first day of a
15 calendar quarterly period after a minimum of ninety days' notice to the tax
16 commissioner or, for purchases from printed catalogs, on the first day of a
17 calendar quarter after a minimum of one hundred twenty days' notice to the
18 seller.
- 19 c. May not be limited to apply to less than the full value of the transaction or item as
20 determined for state sales and use tax, except for farm machinery gross receipts
21 tax purposes.
- 22 d. Must be subject to collection by the tax commissioner under an agreement under
23 section 57-01-02.1 and must be administered by the tax commissioner in
24 accordance with the relevant provisions of chapter 57-39.2, including reporting
25 and paying requirements, correction of errors, payment of refunds, and
26 application of penalty and interest.

27 After December 31, 2005, any portion of a charter or any portion of an ordinance or
28 act of a governing body of a home rule county passed pursuant to a charter which
29 does not conform to the requirements of this subsection or the retailer compensation
30 provisions of chapter 57-39.2 or 57-40.2 is invalid to the extent that it does not
31 conform. The invalidity of a portion of a charter or ordinance or act of a governing body

1 of a home rule county because it does not conform to this subsection does not affect
2 the validity of any other portion of the charter or ordinance or act of a governing body
3 of a home rule county or the eligibility for a refund under section 57-01-02.1. Any taxes
4 imposed under this chapter on farm machinery, farm irrigation equipment, and farm
5 machinery repair parts used exclusively for agricultural purposes, or on alcoholic
6 beverages, which were in effect on December 31, 2005, become gross receipts taxes
7 after December 31, 2005.

8 **SECTION 2. AMENDMENT.** Section 40-05.1-06 of the North Dakota Century Code is
9 amended and reenacted as follows:

10 **40-05.1-06. Powers.**

11 From and after the filing with the secretary of state of a charter framed and approved in
12 reasonable conformity with the provisions of this chapter, such city, and the citizens thereof,
13 shall, if included in the charter and implemented through ordinances, have the following powers
14 set out in this chapter:

- 15 1. To acquire, hold, operate, and dispose of property within or without the corporate
16 limits, and, subject to chapter 32-15, exercise the right of eminent domain for such
17 purposes.
- 18 2. To control its finances and fiscal affairs; to appropriate money for its purposes, and
19 make payment of its debts and expenses; to levy and collect taxes, excises, fees,
20 charges, and special assessments for benefits conferred, for its public and proprietary
21 functions, activities, operations, undertakings, and improvements; to contract debts,
22 borrow money, issue bonds, warrants, and other evidences of indebtedness; to
23 establish charges for any city or other services; and to establish debt and mill levy
24 limitations. Notwithstanding any authority granted under this chapter, all property must
25 be assessed in a uniform manner as prescribed by the state board of equalization and
26 the state supervisor of assessments and all taxable property must be taxed by the city
27 at the same rate unless otherwise provided by law. The authority to levy taxes under
28 this subsection does not include authority to impose income taxes.
- 29 3. To fix the fees, number, terms, conditions, duration, and manner of issuing and
30 revoking licenses in the exercise of its governmental police powers.

- 1 4. To provide for city officers, agencies, and employees, their selection, terms, powers,
2 duties, qualifications, and compensation. To provide for change, selection, or creation
3 of its form and structure of government, including its governing body, executive officer,
4 and city officers.
- 5 5. To provide for city courts, their jurisdiction and powers over ordinance violations,
6 duties, administration, and the selection, qualifications, and compensation of their
7 officers; however, the right of appeal from judgment of such courts shall not be in any
8 way affected.
- 9 6. To provide for all matters pertaining to city elections, except as to qualifications of
10 electors.
- 11 7. To provide for the adoption, amendment, and repeal of ordinances, resolutions, and
12 regulations to carry out its governmental and proprietary powers and to provide for
13 public health, safety, morals, and welfare, and penalties for a violation thereof.
- 14 8. To lay out or vacate streets, alleys, and public grounds, and to provide for the use,
15 operation, and regulation thereof.
- 16 9. To define offenses against private persons and property and the public health, safety,
17 morals, and welfare, and provide penalties for violations thereof.
- 18 10. To engage in any utility, business, or enterprise permitted by the constitution or not
19 prohibited by statute or to grant and regulate franchises therefor to a private person,
20 firm, corporation, or limited liability company.
- 21 11. To provide for zoning, planning, and subdivision of public or private property within the
22 city limits. To provide for such zoning, planning, and subdivision of public or private
23 property outside the city limits as may be permitted by state law.
- 24 12. To levy and collect franchise and license taxes for revenue purposes.
- 25 13. To exercise in the conduct of its affairs all powers usually exercised by a corporation.
- 26 14. To fix the boundary limits of said city and the annexation and deannexation of territory
27 adjacent to said city except that such power shall be subject to, and shall conform with
28 the state law made and provided.
- 29 15. To contract with and receive grants from any other governmental entity or agency, with
30 respect to any local, state, or federal program, project, or works.

1 16. To impose registration fees on motor vehicles, farm machinery gross receipts taxes,
2 alcoholic beverage gross receipts taxes, or sales and use taxes in addition to any
3 other taxes imposed by law. After December 31, 2005, sales and use taxes and gross
4 receipts taxes levied under this chapter:

- 5 a. Must conform in all respects with regard to the taxable or exempt status of items
6 under chapters 57-39.2, 57-39.5, 57-39.6, and 57-40.2 and may not be imposed
7 at multiple rates with the exception of sales of electricity, piped natural or artificial
8 gas, or other heating fuels delivered by the seller or the retail sale or transfer of
9 motor vehicles, aircraft, watercraft, modular homes, manufactured homes, or
10 mobile homes.
- 11 b. May not be newly imposed or changed except to be effective on the first day of a
12 calendar quarterly period after a minimum of ninety days' notice to the tax
13 commissioner or, for purchases from printed catalogs, on the first day of a
14 calendar quarter after a minimum of one hundred twenty days' notice to the
15 seller.
- 16 c. May not be limited to apply to less than the full value of the transaction or item as
17 determined for state sales and use tax purposes, except for farm machinery
18 gross receipts tax.
- 19 d. Must be subject to collection by the tax commissioner under an agreement under
20 section 57-01-02.1 and must be administered by the tax commissioner in
21 accordance with the relevant provisions of chapter 57-39.2, including reporting
22 and paying requirements, correction of errors, payment of refunds, and
23 application of penalty and interest.

24 It is the intention of this chapter to grant and confirm to the people of all cities coming within
25 its provisions the full right of self-government in both local and city matters within the powers
26 enumerated herein. The statutes of the state of North Dakota, so far as applicable, shall
27 continue to apply to home rule cities, except insofar as superseded by the charters of such
28 cities or by ordinance passed pursuant to such charters.

29 After December 31, 2005, any portion of a charter or any portion of an ordinance passed
30 pursuant to a charter which does not conform to the requirements of subsection 16 or the
31 retailer compensation provisions of chapter 57-39.2 or 57-40.2 is invalid to the extent that it

1 does not conform. The invalidity of a portion of a charter or ordinance because it does not
2 conform to subsection 16 does not affect the validity of any other portion of the charter or
3 ordinance or the eligibility for a refund under section 57-01-02.1. Any taxes imposed under this
4 chapter on farm machinery, farm irrigation equipment, and farm machinery repair parts used
5 exclusively for agricultural purposes, or on alcoholic beverages, which were in effect on
6 December 31, 2005, become gross receipts taxes after December 31, 2005.

7 **SECTION 3. AMENDMENT.** Subsection 8 of section 57-39.2-04 of the North Dakota
8 Century Code is amended and reenacted as follows:

- 9 8. Gross receipts from sales of adjuvants ~~required by the chemical label for application of~~
10 ~~a product warranty, agricultural tank cleaners and foam markers, commercial~~
11 ~~fertilizers, fungicides, seed treatments, inoculants and fumigants, herbicides, and~~
12 ~~insecticides to agricultural or commercial vegetable producers and commercial~~
13 ~~applicators; chemicals used to preserve agricultural crops being stored; and seeds,~~
14 ~~roots, bulbs, and small plants to commercial users or consumers for planting or~~
15 ~~transplanting for commercial vegetable gardens or agricultural purposes.~~

16 **SECTION 4. AMENDMENT.** Section 57-39.2-12.1 of the North Dakota Century Code is
17 amended and reenacted as follows:

18 **57-39.2-12.1. Deduction to reimburse retailer for administrative expenses.**

- 19 1. a. A retailer ~~required~~registered to report and ~~pay monthly~~remit sales, use, or gross
20 receipts tax imposed under ~~section 57-39.2-12~~chapter 57-39.2, 57-39.5, 57-39.6,
21 or 57-40.2 may deduct and retain ~~one and one-half percent of the tax due. The~~
22 ~~aggregate of deductions allowed by this section and section 57-40.2-07.1 may~~
23 ~~not exceed eighty-five dollars per month. Retailers that receive compensation~~
24 ~~under this subsection may not receive additional compensation under~~
25 ~~subsection 2 or 3 for the same period~~from the tax remitted to the tax
26 commissioner compensation or a monetary allowance as provided in this
27 subsection.
28 b. The following two rates of compensation apply to the combined state and local
29 option sales, use, and gross receipts taxes remitted for each month of activity
30 included in a sales, use, or gross receipts tax return:

1 (1) One and one-half percent of the first six thousand two hundred fifty dollars
2 of tax.

3 (2) Thirty-three one-hundredths of one percent of tax amounts greater than six
4 thousand two hundred fifty dollars but less than seven hundred fifty
5 thousand dollars of tax.

- 6 2. A certified service provider that contracts with retailers to calculate, collect, and remit
7 tax due on behalf of retailers may deduct and retain from the tax remitted to the tax
8 commissioner compensation or a monetary allowance up to the amount approved by
9 the streamlined sales and use tax governing board effective June 1, 2006. The
10 compensation provided in this subsection applies only to tax remitted by certified
11 service providers on behalf of retailers that are remote sellers registered to collect
12 sales and use tax in this state under chapter 57-39.4. Certified service providers that
13 receive compensation under this subsection may not receive additional compensation
14 under subsection 1 or 3 for the same period.
- 15 3. A retailer that is a remote seller registered to collect sales and use tax under
16 chapter 57-39.4 and that uses a certified automated system to calculate, report, and
17 remit tax due under chapters 57-39.2, 57-39.4, and 57-40.2 may deduct and retain
18 compensation or a monetary allowance up to the amount approved by the streamlined
19 sales and use tax governing board during its December 2006 meeting. Retailers that
20 receive compensation under this subsection may not receive additional compensation
21 under subsection 1 or 2 for the same period.
- 22 4. For purposes of this section, "remote seller" means a retailer that does not have an
23 adequate physical presence to establish nexus in this state for sales and use tax
24 purposes.
- 25 5. Compensation may not be deducted and retained under this section unless the tax
26 due is paid within the time limitations under section 57-39.2-12 or 57-40.2-07 or
27 chapter 57-39.4.
- 28 6. The deduction allowed retailers or certified service providers by this section is to
29 reimburse retailers directly or indirectly for expenses incurred in keeping records,
30 preparing and filing returns, remitting the tax, and supplying information to the tax
31 commissioner upon request.

1 **SECTION 5. AMENDMENT.** Section 57-39.5-04 of the North Dakota Century Code is
2 amended and reenacted as follows:

3 **57-39.5-04. Administration.**

4 The provisions of chapter 57-39.2 pertaining to administration of the retail sales tax,
5 including provisions for refund, credits, retailer compensation, or adoption of rules, not in
6 ~~compliance~~conflict with this chapter or federal law, govern the administration of the gross
7 receipts tax imposed in this chapter.

8 **SECTION 6. AMENDMENT.** Section 57-39.6-04 of the North Dakota Century Code is
9 amended and reenacted as follows:

10 **57-39.6-04. Administration.**

11 The provisions of chapter 57-39.2, pertaining to administration of the retail sales tax,
12 including provisions for refund, credits, retailer compensation, or adoption of rules, not in conflict
13 with this chapter or federal law, govern the administration of the gross receipts tax imposed in
14 this chapter.

15 **SECTION 7. AMENDMENT.** Subsection 9 of section 57-40.2-04 of the North Dakota
16 Century Code is amended and reenacted as follows:

- 17 9. ~~Adjuvants required by the chemical label for application of a product warranty,~~
18 agricultural tank cleaners and foam markers, commercial fertilizers, fungicides, seed
19 treatments, inoculants and fumigants, herbicides and insecticides used by agricultural
20 or commercial vegetable producers and commercial applicators; chemicals used to
21 preserve agricultural crops being stored; and seeds, roots, bulbs, and small plants
22 used by commercial users or consumers for planting or transplanting for commercial
23 vegetable gardens or agricultural purposes.

24 **SECTION 8. AMENDMENT.** Section 57-40.2-07.1 of the North Dakota Century Code is
25 amended and reenacted as follows:

26 **57-40.2-07.1. Deduction to reimburse retailer for administrative expenses.**

- 27 1. a. A retailer ~~required~~registered to report and ~~pay monthly~~remit sales, use, or gross
28 receipts tax imposed under ~~section 57-40.2-07~~chapter 57-39.2, 57-39.5, 57-39.6,
29 or 57-40.2 may deduct and retain ~~one and one-half percent of the tax due. The~~
30 ~~aggregate of deductions allowed by this section and section 57-39.2-12.1 may~~
31 ~~not exceed eighty-five dollars per month. Retailers that receive compensation~~

1 ~~under this subsection may not receive additional compensation under~~
2 ~~subsection 2 or 3 for the same period~~from the tax remitted to the tax
3 commissioner compensation or a monetary allowance as provided in this
4 subsection.

5 b. The following two rates of compensation apply to the combined state and local
6 option sales, use, and gross receipts taxes remitted for each month of activity
7 included in a sales, use, or gross receipts tax return:

8 (1) One and one-half percent of the first six thousand two hundred fifty dollars
9 of tax.

10 (2) Thirty-three one-hundredths of one percent of tax amounts greater than six
11 thousand two hundred fifty dollars but less than seven hundred fifty
12 thousand dollars of tax.

- 13 2. A certified service provider that contracts with retailers to calculate, collect, and remit
14 tax due on behalf of retailers may deduct and retain from the tax remitted to the tax
15 commissioner compensation or a monetary allowance up to the amount approved by
16 the streamlined sales and use tax governing board effective June 1, 2006. The
17 compensation provided in this subsection applies only to tax remitted by certified
18 service providers on behalf of retailers that are remote sellers registered to collect
19 sales and use tax in this state under chapter 57-39.4. Certified service providers that
20 receive compensation under this subsection may not receive additional compensation
21 under subsection 1 or 3 for the same period.
- 22 3. A retailer that is a remote seller registered to collect sales and use tax under
23 chapter 57-39.4 and that uses a certified automated system to calculate, report, and
24 remit tax due under chapters 57-39.2, 57-39.4, and 57-40.2 may deduct and retain
25 compensation or a monetary allowance up to the amount approved by the streamlined
26 sales and use tax governing board during its December 2006 meeting. Retailers that
27 receive compensation under this subsection may not receive additional compensation
28 under subsection 1 or 2 for the same period.
- 29 4. For purposes of this section, "remote seller" means a retailer that does not have an
30 adequate physical presence to establish nexus in this state for sales and use tax
31 purposes.

- 1 5. Compensation may not be deducted and retained under this section unless the tax
2 due is paid within the time limitations under section 57-39.2-12 or 57-40.2-07 or
3 chapter 57-39.4.
- 4 6. The deduction allowed retailers or certified service providers by this section is to
5 reimburse retailers directly or indirectly for expenses incurred in keeping records,
6 preparing and filing returns, remitting the tax, and supplying information to the tax
7 commissioner upon request.

8 **SECTION 9. EFFECTIVE DATE.** This Act is effective for taxable events beginning after
9 ~~June 30~~December 31, 2011.

10 ~~**SECTION 10. EMERGENCY.** This Act is declared to be an emergency measure.~~