

**FIRST ENGROSSMENT
with House Amendments
ENGROSSED SENATE BILL NO. 2089**

Introduced by

Finance and Taxation Committee

(At the request of the Tax Commissioner)

1 A BILL for an Act to create and enact a new subsection to section 57-39.4-35 of the North
2 Dakota Century Code, relating to certified automated system software requirements; to amend
3 and reenact sections 57-05-08, 57-06-05, 57-06-06, 57-06-09, 57-06-12, and 57-33.2-07,
4 subdivision d of subsection 26 of section 57-39.2-04, subsection 1 of section 57-39.2-12,
5 section 57-39.4-04, subsections 6 and 7 of section 57-39.4-06, section 57-39.4-19, subsection 1
6 of section 57-39.4-23, subsection 3 of section 57-39.4-28, subdivision d of subsection 12 of
7 section 57-40.2-04, and subsection 7 of section 57-40.2-07 of the North Dakota Century Code,
8 relating to reports from centrally assessed property companies, tentative assessments of
9 centrally assessed property, the annual meeting of the state board of equalization, the definition
10 of supplies used for bladder dysfunction, the filing of sales tax returns, seller registration, the
11 database of local taxing jurisdictions, uniform tax returns, notices of temporary exemption
12 periods, the library of definitions to be used in the tax administration practices of the sales and
13 use tax agreement, and the filing of use tax returns; and to provide an effective date.

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

15 **SECTION 1. AMENDMENT.** Section 57-05-08 of the North Dakota Century Code is
16 amended and reenacted as follows:

17 **57-05-08. Report by railroad corporation to state tax commissioner.**

18 Each railroad corporation required to be assessed under the provisions of this chapter
19 annually shall, on or before ~~April~~May first of each year, under oath of the presiding or other chief
20 executive officer, make and file ~~on the form and~~ in the manner as prescribed by the tax
21 commissioner ~~may prescribe~~, a report containing the following information:

- 22 1. The name of the company;

- 1 2. The laws of ~~what~~the state or country organized, the date of original organization, the
2 date of reorganization, consolidation, or merger, with specific reference to laws
3 authorizing the same;
- 4 3. Location of its principal office;
- 5 4. The name of the place where its books, papers, and accounts are kept;
- 6 5. The name and post-office address of the president, secretary, treasurer, auditor,
7 superintendent, general manager, and all other general officers;
- 8 6. The name and post-office address of the chief officer or managing agent of the
9 company in North Dakota and of all other general officers residing in this state;
- 10 7. The total number of shares of capital stock;
- 11 8. The par value of the shares of the capital stock for the whole system, showing
12 separately the amount authorized, amount issued, amount outstanding, and dividends
13 paid thereon;
- 14 9. If ~~such~~the capital stock has no market value, the actual value on the dates and for the
15 periods designated by the tax commissioner ~~of this state~~;
- 16 10. The funded debt of the company for the whole system and a detailed statement of all
17 series of bonds, debentures, or other securities, forming a part of the funded debt, at
18 par value, with the date of issue, maturity, rate of interest, and amount of interest for
19 the preceding year;
- 20 11. The market value of each series of funded debt securities for the whole system on the
21 dates and for the periods designated by the tax commissioner, and if the whole or a
22 part of the funded debt has no market value, then ~~the~~its actual value ~~thereof~~ for the
23 dates and periods as the tax commissioner may specify;
- 24 12. ~~Such~~The general description of the operative and nonoperative real estate of the
25 company in North Dakota as would be sufficient in a conveyance thereof, under a
26 judicial decree, to vest in the grantee all title and interest in and to the said property;
- 27 13. A description of the personal property of the company;
- 28 14. The number of miles [kilometers] of each main line of railroad, the number of miles
29 [kilometers] of each branch line and sidetracks ~~thereof~~ within ~~the state of~~ North
30 Dakota;

- 1 15. The entire gross earnings of the company from operation, expenses of operation, net
2 earnings and income from operation, and the income from other sources, for the whole
3 system, and in North Dakota, for the years or period the tax commissioner may
4 request or specify, not exceeding five years;
- 5 16. The location of the property of the company within this state by counties,
6 municipalities, and districts, in the manner and detail as the tax commissioner shall
7 prescribe; and
- 8 17. Other facts and information as the tax commissioner may require ~~in the form of returns~~
9 ~~prescribed by the tax commissioner~~ or which the company may deem material
10 upon relating to the question of taxation of its property in this state.

11 **SECTION 2. AMENDMENT.** Section 57-06-05 of the North Dakota Century Code is
12 amended and reenacted as follows:

13 **57-06-05. Annual assessment.**

14 The state board of equalization, at its annual meeting in ~~August~~July, shall assess the
15 franchises and all operative property of power, gas, pipeline, and other companies, covered by
16 this chapter, with reference to the value thereof on the first day of January of that year.

17 **SECTION 3. AMENDMENT.** Section 57-06-06 of the North Dakota Century Code is
18 amended and reenacted as follows:

19 **57-06-06. Reports of companies.**

20 Each company required to be assessed under the provisions of this chapter annually, on or
21 before the ~~fifteenth~~first day of ~~April~~May, under oath of the president or other chief executive
22 officer, and the secretary or treasurer or auditor or superintendent of ~~such~~the company, shall
23 make and file with the tax commissioner, in the ~~form~~manner prescribed by the tax commissioner
24 ~~may prescribe~~, a report containing the following information, so far as applicable to the
25 company making the report, as of January first of the year in which the report is furnished:

- 26 1. The name of the company.
- 27 2. The nature of the company, whether a person, association, corporation, or limited
28 liability company, and under the laws of ~~what~~the state or country organized, the date of
29 original organization, the date of reorganization, consolidation, or merger, with specific
30 reference to laws authorizing the same.
- 31 3. Location of its principal office.

Sixty-sixth
Legislative Assembly

- 1 4. The name of the place where its books, papers, and accounts are kept.
- 2 5. The name and post-office address of the president, secretary, treasurer, auditor,
- 3 superintendent, general manager, and all other general officers.
- 4 6. The name and post-office address of the chief officer or managing agent of the
- 5 company in North Dakota and of all other general officers residing in this state.
- 6 7. The total number of shares of capital stock.
- 7 8. The par value of the shares of the capital stock for the whole system, showing
- 8 separately the amount authorized, amount issued, amount outstanding, and dividends
- 9 paid thereon.
- 10 9. If the capital stock has no market value, the actual value on the dates and for the
- 11 periods designated by the tax commissioner ~~of this state~~.
- 12 10. The funded debt of the company for the whole system and a detailed statement of all
- 13 series of bonds, debentures, or other securities, forming a part of the funded debt, at
- 14 par value, with the date of issue, maturity, rate of interest, and amount of interest for
- 15 the preceding year.
- 16 11. The market value of each series of funded debt securities for the whole system on the
- 17 dates and for the periods designated by the tax commissioner, and if the whole or a
- 18 part of the funded debt has no market value, then ~~theirs~~ actual value ~~thereof~~ for the
- 19 dates and periods as the tax commissioner may specify.
- 20 12. The general description of the operative and nonoperative real estate of the company
- 21 in North Dakota as would be sufficient in a conveyance thereof, under a judicial
- 22 decree, to vest in the grantee all title and interest in and to the said property.
- 23 13. A description of the personal property of the company, including moneys and credits,
- 24 held by the company as a whole system, and the part ~~thereof~~ of the property
- 25 apportioned to the line in North Dakota.
- 26 14. The whole length of the lines of the system operated by the company and the length of
- 27 the lines in North Dakota, whether operated as owner, lessee, or otherwise. The length
- 28 of the line operated for the whole system and in North Dakota shall be separately
- 29 reported.
- 30 15. The entire gross earnings of the company from operation, expenses of operation, net
- 31 earnings and income from operation, and the income from other sources, for the whole

1 system, and in North Dakota, for the years or period the tax commissioner may
2 request or specify, not exceeding five years.

3 16. The location of the property of the company within this state by counties,
4 municipalities, and districts, in the manner and detail as the tax commissioner shall
5 prescribe.

6 17. Other facts and information as the tax commissioner may require or which the
7 company may deem material relating to the taxation of its property in this state.

8 **SECTION 4. AMENDMENT.** Section 57-06-09 of the North Dakota Century Code is
9 amended and reenacted as follows:

10 **57-06-09. Penalty for failure to furnish report.**

11 If any company refuses or neglects to make the report required by this chapter, or refuses
12 or neglects to furnish any information requested, the tax commissioner shall obtain the best
13 information available on the facts necessary to be known in order to discharge the tax
14 commissioner's duties with respect to the valuation and assessment of the property of the
15 company. If any company fails to make the report required under this chapter on or before the
16 ~~fifteenth~~first day of ~~April~~May of any year, the state board of equalization shall add twenty
17 percent to the assessed value of the property of the company for that year, ~~but the tax-~~
18 ~~commissioner, upon written application received on or before the fifteenth day of April, may-~~
19 ~~grant an extension of time through the first day of May to file the required report.~~ If any company
20 fails to make the report required under this chapter on or before the first day of June of any
21 year, the state board of equalization shall add an additional ten percent to the assessed value of
22 the property of the company for that year. On or before the first day of June, for good cause
23 shown, the tax commissioner may waive all or any part of the penalty that attached under this
24 section.

25 **SECTION 5. AMENDMENT.** Section 57-06-12 of the North Dakota Century Code is
26 amended and reenacted as follows:

27 **57-06-12. Tentative assessment to be made and notice of hearing.**

28 The tax commissioner shall give ten days' notice ~~by mail~~in a manner determined by the tax
29 commissioner to each company, or its representative in North Dakota, of the amount of its
30 tentative assessment and the meeting of the state board of equalization on the second Tuesday

1 of July, at which meeting each company is entitled to present evidence before the state board of
2 equalization relating to the value of the property of the company.

3 **SECTION 6. AMENDMENT.** Section 57-33.2-07 of the North Dakota Century Code is
4 amended and reenacted as follows:

5 **57-33.2-07. Filing of reports with tax commissioner.**

6 By June first of each year, each wind farm, wind generator, and generator of electricity from
7 sources other than coal subject to the coal conversion tax and each transmission company,
8 distribution company, and each company that is both a transmission company and a distribution
9 company shall file with the tax commissioner ~~on a form, in a manner~~ prescribed by the tax
10 commissioner ~~any and all, a report containing the~~ information required by the tax commissioner.

11 The ~~form~~report must include a notice of a company's right to appeal its assessment to the state
12 board of equalization before or at the ~~August~~July meeting of the state board of equalization.

13 Required information includes:

- 14 1. a. The company name.
- 15 b. Whether the company is an individual, partnership, association, cooperative,
16 corporation, limited liability company, or other legal entity and the state or country
17 and date of original organization and any reorganization, consolidation, or merger
18 with references to specific laws authorizing ~~such~~those actions.
- 19 c. The location of its principal office.
- 20 d. The place where the company's books, papers, and accounts are kept.
- 21 e. The name and mailing address of the president, secretary, treasurer, auditor,
22 general manager, and all other general officers.
- 23 f. The name and mailing address of the chief officer or managing agent and any
24 general officers of the company who reside in this state.
- 25 2. A copy of each report filed with any county auditor under section 57-33.2-06.
- 26 3. A report on the megawatt-hours of electricity produced by wind generators and
27 generators of electricity from sources other than coal in each county in the state and a
28 map showing the location of each generator and its rated capacity, and all components
29 of the collector system, if any.
- 30 4. A report on the megawatt-hours of electricity delivered for retail sale to consumers in
31 each taxing district in each county during the most recently completed calendar year.

1 **SECTION 7. AMENDMENT.** Subdivision d of subsection 26 of section 57-39.2-04 of the
2 North Dakota Century Code is amended and reenacted as follows:

3 d. "Supplies for ostomy care or bladder dysfunction" includes:

4 (1) Supplies designed or intended for ostomy care and management, including
5 collection devices, colostomy irrigation equipment and supplies, skin
6 barriers or skin protectors, and other supplies especially designed for use of
7 ostomates.

8 (2) Supplies to be used exclusively by a person with bladder dysfunction,
9 including catheters, collection devices, incontinent pads and pants, adult
10 diapers, and other items used for the care and management of bladder
11 dysfunction. For the purposes of this paragraph:

12 (a) "Adult diapers" means diapers other than children's diapers.

13 (b) "Children's diapers" means diapers marketed to be worn by children.

14 (c) "Diaper" means an absorbent garment worn by humans who are
15 incapable of, or have difficulty, controlling their bladder or bowel
16 movements.

17 **SECTION 8. AMENDMENT.** Subsection 1 of section 57-39.2-12 of the North Dakota
18 Century Code is amended and reenacted as follows:

- 19 1. The tax levied under this chapter is due and payable in quarterly installments on or
20 before the last day of the month next succeeding each calendar quarterly period,
21 except that if total sales subject to sales and use taxes for the preceding calendar year
22 for any business which has been issued a sales tax permit equal or exceed three
23 hundred thirty-three thousand dollars, the tax levied under this chapter is payable
24 monthly on or before the last day of the next succeeding month. The tax commissioner
25 may, upon request and for good cause shown, waive the requirement to file and remit
26 monthly. The retailer shall pay the total tax due in the manner prescribed by the tax
27 commissioner. Penalties and interest for failure to file a return, for filing an incorrect
28 return, or for failure to pay the tax due are those prescribed in section 57-39.2-18. If
29 the total of sales subject to the tax decreases below three hundred thirty-three
30 thousand dollars for any succeeding year, the retailer may return to quarterly filing and
31 payments. When there is a sale of any business by any retailer or when any business

1 is discontinued by a retailer, the tax becomes due immediately prior to the sale or
2 discontinuance of the business and if not paid within fifteen days thereafter it becomes
3 delinquent and subject to the penalties provided in section 57-39.2-18. In the event of
4 a business reorganization in which the ownership of the business organization
5 remains in the same person or persons as prior to the reorganization, the total sales
6 subject to sales and use taxes for the preceding calendar year for the business that
7 was reorganized must be used to determine whether the tax is payable monthly under
8 this subsection.

9 **SECTION 9. AMENDMENT.** Section 57-39.4-04 of the North Dakota Century Code is
10 amended and reenacted as follows:

11 **57-39.4-04. (303) Seller registration.**

12 Each member state shall participate in an online sales and use tax registration system in
13 cooperation with the other member states. Under this system:

- 14 1. A seller registering under the agreement ~~shall be registered~~may register in each ~~one or~~
15 more of the member states utilizing the central registration system provided in article
16 IV of the agreement.
- 17 2. A ~~model 2, model 3, or model 4~~ seller may elect to be registered in one or more states
18 ~~as a seller which anticipates making no sales into the state or states if it has not had~~
19 ~~sales into the state or states for the preceding twelve months. This election does not~~
20 ~~relieve the seller of its agreement under section 401(B) to collect taxes on all sales~~
21 ~~into the states or its liability for remitting to the proper states any taxes~~
22 ~~collected~~certified service provider may require a seller registering under the
23 agreement to register in all of the full-member states as a condition of receiving
24 certified service provider services.
- 25 3. The member states agree not to require the payment of any registration fees or other
26 charges for a seller ~~to register~~registering through the central registration system in a
27 state in which the seller has no legal requirement to register.
- 28 4. A written signature from the seller is not required.
- 29 5. An agent may register a seller under uniform procedures adopted by the member
30 states.

- 1 6. A seller may cancel its registration under the system at any time under uniform
2 procedures adopted by the governing board. Cancellation does not relieve the seller of
3 its liability for remitting to the proper states any taxes collected.
- 4 7. Nothing in this section shall be construed to relieve a seller of any legal obligation it
5 may have under a state's laws to register in that state or its obligation to collect and
6 remit taxes for at least thirty-six months in a state and meet all other requirements for
7 amnesty set out in section 402 of the agreement in order to be eligible for amnesty in
8 the state.
- 9 8. Whenever a state joins the agreement, sellers already registered under the agreement
10 shall be registered in the new notified by the governing board and the sellers may elect
11 to also be registered in the new state as follows:
- 12 a. ~~Model 1 sellers will be automatically registered in such state.~~
- 13 b. ~~Model 2, model 3, and model 4 sellers will be automatically registered in the new~~
14 ~~state but may elect to be registered as a seller which anticipates making no sales~~
15 ~~into the new state.~~
- 16 9. ~~Upon registration, the~~The governing board shall provide to the sellermake information
17 available regarding the requirements and options for filing a simplified electronic return
18 and for filing remittances in any member state. ~~Member states~~A member state may
19 provide information to sellers concerning other tax return filing options in that state.
- 20 10. The governing board shall cause the system for registering under the agreement to
21 include a feature that allows sellers registered under the agreement to update relevant
22 registration data in the system and have such updated data provided to all
23 ~~member~~affected states utilizing the system. The governing board shall establish
24 conditions and procedures to allow states which are not members of the agreement to
25 participate in the registration system.

26 **SECTION 10. AMENDMENT.** Subsections 6 and 7 of section 57-39.4-06 of the North
27 Dakota Century Code are amended and reenacted as follows:

- 28 6. Provide and maintain a database that assigns the proper tax rates and jurisdictions to
29 each five-digit and nine-digit zip code within a member state ~~to the proper tax rates~~
30 ~~and jurisdictions~~. The state must apply the lowest combined tax rate imposed in the
31 zip code area if the area includes more than one tax rate in any level of taxing

1 jurisdictions. If a nine-digit zip code designation is not available for a street address or
2 if a seller or certified service provider is unable to determine the nine-digit zip code
3 designation applicable to a ~~purchase~~transaction after exercising due diligence to
4 determine the designation, the seller or certified service provider may apply the rate
5 for the five-digit zip code area. For the purposes of this section, there is a rebuttable
6 presumption that a seller or certified service provider has exercised due diligence if the
7 seller has attempted to determine the ~~nine-digit zip code designation~~tax rate and
8 jurisdiction by ~~utilizing~~using software approved by the governing board that makes this
9 ~~designation~~assignment from the street address and the ~~five-digit zip code~~ information
10 applicable to a ~~purchase~~the transaction.

- 11 7. Have the option of providing address-based boundary database records for assigning
12 taxing jurisdictions and their associated rates which shall be in addition to the
13 requirements of subsection 6. The database records must be in the same approved
14 format as the database records under subsection 6 and must meet the requirements
15 developed pursuant to the federal Mobile Telecommunications Sourcing Act [4 U.S.C.
16 119(a)]. The governing board may allow a member state to require sellers that register
17 under this agreement to use an address-based database provided by that member
18 state. If any member state develops address-based assignment database records
19 pursuant to the agreement, a seller or certified service provider may use those
20 database records in place of the five-digit and nine-digit zip code database records
21 provided for in subsection 6. If a seller or certified service provider is unable to
22 determine the applicable rate and jurisdiction using an address-based database record
23 after exercising due diligence, the seller or certified service provider may apply the
24 nine-digit zip code designation applicable to a ~~purchase~~transaction. If a nine-digit zip
25 code designation is not available for a street address or if a seller or certified service
26 provider is unable to determine the nine-digit zip code designation applicable to a
27 ~~purchase~~transaction after exercising due diligence to determine the designation, the
28 seller or certified service provider may apply the rate for the five-digit zip code area.
29 For the purposes of this section, there is a rebuttable presumption that a seller or
30 certified service provider has exercised due diligence if the seller or certified service
31 provider has attempted to determine the tax rate and jurisdiction by ~~utilizing~~using

1 software approved by the governing board that makes this assignment from the
2 address and zip code information applicable to the purchase transaction.

3 **SECTION 11. AMENDMENT.** Section 57-39.4-19 of the North Dakota Century Code is
4 amended and reenacted as follows:

5 **57-39.4-19. (318) Uniform tax returns.**

6 Each member state shall:

- 7 1. Require that only a single tax return for each taxing period for each seller be filed for
8 the member state to include all the taxing jurisdictions within the member state.
- 9 2. a. Require that returns be due no sooner than the twentieth day of the month
10 following the month in which the transaction occurred.
- 11 b. When the due date for a return falls on a Saturday or Sunday or legal holiday in
12 the subject member state, the return shall be due on the next succeeding
13 business day. If the return is filed in conjunction with a remittance and the
14 remittance cannot be made under subdivision b of subsection 5 of section
15 57-39.4-20, the return shall be accepted as timely filed on the same day as the
16 remittance under that subsection.
- 17 3. Make available to all sellers, whether or not registered under the agreement, except
18 sellers of products qualifying for exclusion from the provisions of section 57-39.4-09 of
19 this agreement, a simplified return that is filed electronically as follows:
- 20 a. The simplified electronic return hereinafter SER shall be in a form approved by
21 the governing board and shall contain only those fields approved by the
22 governing board. The SER shall contain two parts. Part 1 shall contain
23 information relating to remittances and allocations and part 2 shall contain
24 information relating to exempt sales.
- 25 b. Each member state must notify the governing board if it requires the submission
26 of the part 2 information provided no state may require the submission of part 2
27 information from a model 4 seller which has no legal requirement to register in
28 the state.
- 29 c. Returns shall be required as follows:
- 30 (1) Certified service providers must file an SER in all member states in which
31 the model 1 seller is registered under the agreement, on behalf of model 1

1 sellers. Certified service providers, on behalf of these sellers, shall file the
2 audit reports provided for in article V of the rules and procedures of the
3 agreement for the states, and in addition, shall be required to file part 1 of
4 the SER each month for each member state in which the model 1 seller is
5 registered under the agreement. A state shall allow a model 1 seller to file
6 both part 1 and part 2 of the SER. A model 1 seller which chooses to file
7 both part 1 and part 2 of the SER shall still be required to file the audit
8 reports provided for in article V of the rules and procedures of the
9 agreement.

10 (2) Model 2 and model 3 sellers must file an SER in all member states ~~other-~~
11 ~~than states for which they have indicated that they anticipate making no-~~
12 ~~sales in which they are registered under the agreement~~. These sellers shall
13 file part 1 of the SER every month for all states in which they ~~anticipate-~~
14 ~~making sales are registered under the agreement~~. These sellers need not
15 file part 2 information until January 1, 2012. After this date, they shall have
16 the following options for meeting their obligation to furnish part 2
17 information:

- 18 (a) File part 2 of the SER together with part 1 of the SER every month; or
19 (b) File part 2 of the SER at the same time part 1 of the SER for the
20 month of December is due. Part 2 information filed under this option
21 shall cover the month of December and all previous months of the
22 same calendar year and shall only require annual and not monthly
23 totals. The sellers shall only be required to file part 2 of the SER for
24 any state which has notified the governing board that it will require the
25 submission of the part 2 information under subdivision b.

26 (3) Every member state shall allow model 4 sellers to file an SER. The sellers
27 shall file part 1 of the SER every month unless a state allows less frequent
28 filing. Model 4 sellers which have a legal requirement to register in the state
29 shall have the following options for meeting their obligation to furnish part 2
30 information:

- 31 (a) File part 2 of the SER together with part 1 of the SER; or

1 (b) File part 2 of the SER at the same time part 1 of the SER for the
2 month of December is due. Part 2 information filed under this option
3 shall cover the month of December and all previous months of the
4 same calendar year and shall only require annual and not monthly
5 totals.

6 These sellers shall only be required to file part 2 of the SER for any
7 state which has notified the governing board that it will require the
8 submission of the part 2 information under subdivision b.

9 Model 4 sellers which elect not to file an SER shall file returns in the
10 form under schedules afforded to sellers not registered under the
11 agreement according to the requirements of each member state.

12 (4) ~~No later than January 1, 2013, every~~Every member state shall allow sellers
13 not registered under the agreement that are registered in the state to file an
14 SER. These sellers shall file part 1 of the SER every month unless a state
15 allows less frequent filing and shall have the following options for meeting
16 their obligation to furnish part 2 information:

17 (a) File part 2 of the SER together with part 1 of the SER; or

18 (b) File part 2 of the SER at the same time part 1 of the SER for the
19 month of December is due. Part 2 information filed under this option
20 shall cover the month of December and all previous months of the
21 same calendar year and shall only require annual and not monthly
22 totals.

23 These sellers shall only be required to file part 2 of the SER for any state
24 which has notified the governing board that it will require the submission of
25 the part 2 information under subdivision b.

26 d. A state which requires the submission of part 2 information under paragraph 2
27 may provide an exemption from this requirement to a seller under terms and
28 conditions set out by the state.

29 e. A state may require a seller which elects to file an SER to give at least three
30 months' notice of the seller's intent to discontinue filing an SER.

1 4. ~~Not require the filing of a return from a seller registered under the agreement which~~
2 ~~has indicated at the time of registration that it anticipates making no sales which would~~
3 ~~be sourced to the state under the agreement. A seller shall lose this exemption upon~~
4 ~~making any taxable sales into the state and shall file a return in the month following~~
5 ~~the sale. A state may, but is not required to, allow a seller to regain such filing~~
6 ~~exemption upon such terms and conditions as the state may impose.~~

7 5. Adopt web services as the standardized transmission process that allows for receipt of
8 uniform tax returns and other formatted information as approved by the governing
9 board. The process must provide for the filing of separate returns for multiple legal
10 entities in a single transmission for each state and will not include any requirement for
11 manual entry or input by the seller of any of the aforementioned information. This
12 process will allow a certified service provider, tax preparer, or any other authorized
13 person to file returns for more than one seller in a single electronic transmission.
14 However, sellers filing returns for multiple legal entities may only do so for affiliated
15 legal entities.

16 6.5. Give notice to a seller registered under this agreement which has no legal requirement
17 to register in the state, of a failure to file a required return and a minimum of thirty days
18 to file thereafter prior to establishing a liability amount for taxes based solely on the
19 seller's failure to timely file a return provided a member state may establish a liability
20 amount for taxes based solely on the seller's failure to timely file a return if such seller
21 has a history of nonfiling or late filing.

22 7.6. Nothing in this section shall prohibit a state from allowing additional return options or
23 the filing of returns less frequently.

24 **SECTION 12. AMENDMENT.** Subsection 1 of section 57-39.4-23 of the North Dakota
25 Century Code is amended and reenacted as follows:

26 1. If a member state allows for temporary exemption periods, commonly referred to as
27 sales tax holidays, the member state shall:
28 a. Not apply an exemption unless the items to be exempted are specifically defined
29 in part II or part III(B) of the library of definitions and the exemptions are uniformly
30 applied to state and local sales and use taxes.

- 1 b. Provide notice of the exemption period at least sixty days prior to the first day of
2 the calendar ~~quarter~~month in which the exemption period will begin.
- 3 c. Not apply an entity-based or use-based exemption except a member state may
4 limit a product-based exemption to items purchased for personal or nonbusiness
5 use.
- 6 d. Not require a seller to obtain an exemption certificate or other certification from a
7 purchaser for items to be exempted during a sales tax holiday.

8 **SECTION 13. AMENDMENT.** Subsection 3 of section 57-39.4-28 of the North Dakota
9 Century Code is amended and reenacted as follows:

- 10 3. Except as specifically provided in sections 57-39.4-17 and 57-39.4-33.1, and the
11 library of definitions, a member state shall impose a sales or use tax on all products or
12 services included within each part II or part III(B) definition or exempt from sales or
13 use tax all products or services within each definition, including all products and
14 services listed in the rules, appendices, and interpretive opinions adopted by the
15 governing board. The requirements of this section shall only apply to part III(B)
16 definitions to the extent such definitions are used in the administration of a sales tax
17 holiday. A member state is not in compliance with the agreement if the member state
18 excludes any product or service that is included within a product definition or includes
19 a product or service that is excluded from a product definition.

20 **SECTION 14.** A new subsection to section 57-39.4-35 of the North Dakota Century Code is
21 created and enacted as follows:

22 For purposes of this section:

- 23 a. "Certify a product category" means the state reviews the product category and
24 determines that the taxability of a product properly included in that product
25 category is consistent with that state's laws. The state certifies that the taxability
26 is based only on:
- 27 (1) The product-based exemptions or impositions provided by state law;
28 (2) The specific description provided by the seller or certified service provider;
29 and
30 (3) Not requiring either the purchaser or seller to produce documentation to
31 claim the exemption.

- 1 b. (1) "Product category" means:
- 2 (a) Terms specifically defined in appendix C, part II or part III of the
- 3 agreement, such as clothing, durable medical equipment, food, drugs,
- 4 soft drinks, and disaster preparedness supplies;
- 5 (b) Subcategories of terms specifically defined in subparagraph a that
- 6 may be taxed differently than the product category as a whole, such
- 7 as oxygen delivery equipment, kidney dialysis equipment, prewritten
- 8 computer software delivered electronically, and prepared food that
- 9 requires additional cooking by the consumer;
- 10 (c) Terms representing groups of like products that do not fall within
- 11 subparagraphs a or b, such as other digital products, building
- 12 materials, furniture, or motor vehicles; and
- 13 (d) Subcategories of subparagraph c that are taxed differently than the
- 14 product category as a whole, such as printed materials, newspapers,
- 15 and catalogs.
- 16 (2) The term does not include any individual product that properly falls within
- 17 any product category in a state, such as shirts, reusable thermometers,
- 18 ultrasound machines, bread, tables, chairs, automobiles, or motorcycles,
- 19 unless the individual product is taxed differently than any other products
- 20 within that product category; or "tangible personal property".

21 **SECTION 15. AMENDMENT.** Subdivision d of subsection 12 of section 57-40.2-04 of the
22 North Dakota Century Code is amended and reenacted as follows:

- 23 d. "Supplies for ostomy care or bladder dysfunction" includes:
- 24 (1) Supplies designed or intended for ostomy care and management, including
- 25 collection devices, colostomy irrigation equipment and supplies, skin
- 26 barriers or skin protectors, and other supplies especially designed for use of
- 27 ostomates.
- 28 (2) Supplies to be used exclusively by a person with bladder dysfunction,
- 29 including catheters, collection devices, incontinence pads and pants, adult
- 30 diapers, and other items used for the care and management of bladder
- 31 dysfunction. For the purposes of this paragraph:

- 1 (a) "Adult diapers" means diapers other than children's diapers.
2 (b) "Children's diapers" means diapers marketed to be worn by children.
3 (c) "Diaper" means an absorbent garment worn by humans who are
4 incapable of, or have difficulty, controlling their bladder or bowel
5 movements.

6 **SECTION 16. AMENDMENT.** Subsection 7 of section 57-40.2-07 of the North Dakota
7 Century Code is amended and reenacted as follows:

- 8 7. If total sales and purchases subject to sales and use taxes for the preceding calendar
9 year equal or exceed three hundred thirty-three thousand dollars, the tax levied by this
10 chapter is payable monthly on or before the last day of the next succeeding month.
11 The tax commissioner may, upon request and for good cause shown, waive the
12 requirement to file and remit monthly. The amount of monthly tax payable, manner of
13 payment, filing of the return, penalty, and waiver of penalty must be that prescribed in
14 subsection 1 of section 57-39.2-12. Penalty and interest for failure to file a return or
15 corrected return or to pay the tax imposed must be that prescribed in section
16 57-40.2-15. If a person is required to file more than one return pursuant to this section,
17 the monthly payment requirement applies separately to each return. If total sales and
18 purchases subject to sales and use taxes for any succeeding calendar year decrease
19 below three hundred thirty-three thousand dollars, a person may return to quarterly
20 installments. In the event of a business reorganization in which the ownership of the
21 business organization remains in the same person or persons as prior to the
22 reorganization, the total sales subject to sales and use taxes for the preceding
23 calendar year for the business that was reorganized must be used to determine
24 whether the tax is payable monthly under this section.

25 **SECTION 17. EFFECTIVE DATE.** Sections 1, 2, 3, 4, 5, and 6 of this Act are effective for
26 taxable years beginning after December 31, 2018.

27 **SECTION 18. EFFECTIVE DATE.** Sections 8 and 16 of this Act are effective for sales and
28 use tax returns due after July 31, 2019.