

SENATE BILL NO. 2351

Introduced by

Senators O'Connell, Fischer, Lyson

Representatives Ekstrom, Grosz, D. Johnson

1 A BILL for an Act to create and enact a new section to chapter 57-40.3 of the North Dakota
2 Century Code, relating to an option for the lessee of a motor vehicle under a long-term lease to
3 pay sales or use taxes on lease payments; to amend and reenact subsection 6 of section
4 57-40.3-04 and section 57-40.3-07 of the North Dakota Century Code, relating to payment of
5 sales or use taxes on motor vehicle leases; and to provide an effective date.

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

7 **SECTION 1. AMENDMENT.** Subsection 6 of section 57-40.3-04 of the North Dakota
8 Century Code is amended and reenacted as follows:

9 6. Motor vehicles transferred between a lessee and lessor; provided, that the lessee
10 has been in continuous possession of such vehicle for a period of one year or
11 longer, and further provided that the lessor has paid ~~either~~ the tax imposed under
12 this chapter at the time of titling or licensing the vehicle in this state ~~or~~, the use tax
13 imposed by chapter 57-40.2 on the full value of the motor vehicle, or has paid all
14 sales and use taxes due under the election under section 3 of this Act.

15 **SECTION 2. AMENDMENT.** Section 57-40.3-07 of the North Dakota Century Code is
16 amended and reenacted as follows:

17 **57-40.3-07. Title or license registration not to be issued unless tax paid.** No title or
18 license registration shall be issued by the director of the department of transportation for the
19 ownership or operation of any motor vehicle to any applicant for title or license registration
20 unless the tax imposed by this chapter shall be paid by the applicant to the director of the
21 department of transportation except:

22 1. For those vehicles which have been previously licensed and the applicant for
23 license registration is the same person in whose name the license registration had
24 previously been issued.

- 1 2. For those vehicles transferred by way of gift between a husband and wife, parent
2 and child, or brothers and sisters.
- 3 3. For those vehicles which have been previously licensed and the applicant for
4 license registration is the same business organization to which the license
5 registration had been issued but the name of which has been changed through
6 incorporation or other reorganization in business structure but the ownership of
7 which remains in the same person or persons as prior to the reorganization.
- 8 4. For vehicles which have been previously licensed and are transferred between a
9 member of a general or limited partnership and the partnership at the time the
10 partnership is established or terminated, between a stockholder of a corporation
11 and the corporation at the time the corporation is organized or liquidated, or
12 between a member of a limited liability company and the limited liability company at
13 the time the limited liability company is organized or terminated.
- 14 5. For vehicles for which the lessee has elected under section 3 of this Act to pay
15 sales or use taxes on lease payments.

16 **SECTION 3.** A new section to chapter 57-40.3 of the North Dakota Century Code is
17 created and enacted as follows:

18 **Lessee option to pay sales or use taxes on lease payments.** The lessee of a motor
19 vehicle under a lease for a term of twelve months or more may elect to pay sales or use taxes
20 on lease payments in lieu of the taxes due under this chapter. If this election is made, the
21 lessor shall notify the tax commissioner and the director of the department of transportation of
22 the election, the terms and consideration under the lease, the full description of the motor
23 vehicle, and the name, address, and any other information regarding the lessee or the lease
24 required by the commissioner. The commissioner shall provide forms to lessors of motor
25 vehicles for this purpose. If the election under this section is made, the lessee is subject to
26 sales or use taxes on all payments under the lease, including any down payment or buyout
27 payment, and the lessor must be the holder of a retail sales and use tax permit.

28 **SECTION 4. EFFECTIVE DATE.** This is Act is effective for taxable events occurring
29 after June 30, 2001.