

Sixty-first  
Legislative Assembly  
of North Dakota

## ENGROSSED SENATE BILL NO. 2365

Introduced by

Senator Oehlke

Representatives Hofstad, Martinson, Wrangham

1 A BILL for an Act to create and enact a new subsection to section 57-39.2-04 of the North  
2 Dakota Century Code, relating to an exemption from sales tax for receipts from coin-operated  
3 amusement or entertainment machines; to amend and reenact subsections 17, 18, and 19 of  
4 section 57-39.2-01 and subsection 1 of section 57-39.2-02.1 of the North Dakota Century  
5 Code, relating to an exemption from sales tax for receipts from coin-operated amusement or  
6 entertainment machines; and to provide an effective date.

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

8 **SECTION 1. AMENDMENT.** Subsections 17, 18, and 19 of section 57-39.2-01 of the  
9 North Dakota Century Code are amended and reenacted as follows:

10 17. "Retail sale" or "sale at retail" means any sale, lease, or rental for any purpose  
11 other than for resale, sublease, or subrental. "Retail sale" or "sale at retail"  
12 includes the sale, including the leasing or renting, to a consumer or to any person  
13 for any purpose, other than for processing or for resale, of tangible personal  
14 property; the sale of steam, gas, and communication service to retail consumers or  
15 users; the sale of vulcanizing, recapping, and retreading services for tires; the  
16 ordering, selecting, or aiding a customer to select any goods, wares, or  
17 merchandise from any price list or catalog, which the customer might order, or be  
18 ordered for such customer to be shipped directly to such customer; the sale or  
19 furnishing of hotel, motel, or tourist court accommodations, tickets, or admissions  
20 to any place of amusement, athletic event, or place of entertainment, ~~including the~~  
21 ~~playing of any machine for amusement or entertainment in response to the use of~~  
22 ~~a coin~~; and the sales of magazines and other periodicals. By the term  
23 "processing" is meant any tangible personal property including containers which it  
24 is intended, by means of fabrication, compounding, manufacturing, producing, or

1 germination shall become an integral or an ingredient or component part of other  
2 tangible personal property intended to be sold ultimately at retail. The sale of an  
3 item of tangible personal property for the purpose of incorporating it in or attaching  
4 it to real property must be considered as a sale of tangible personal property for a  
5 purpose other than for processing; the delivery of possession within the state of  
6 North Dakota of tangible personal property by a wholesaler or distributor to an  
7 out-of-state retailer who does not hold a North Dakota retail sales tax permit or to a  
8 person who by contract incorporates such tangible personal property into, or  
9 attaches it to, real property situated in another state may not be considered a  
10 taxable sale if such delivery of possession would not be treated as a taxable sale  
11 in that state. As used in this subsection, the word "consumer" includes any  
12 hospital, infirmary, sanatorium, nursing home, home for the aged, or similar  
13 institution that furnishes services to any patient or occupant. The sale of an item of  
14 tangible personal property to a person under a finance leasing agreement over the  
15 term of which the property will be substantially consumed must be considered a  
16 retail sale if the purchaser elects to treat it as such by paying or causing the  
17 transferor to pay the sales tax thereon to the commissioner on or before the last  
18 day on which payments may be made without penalty as provided in section  
19 57-39.2-12.

20 18. "Retailer" or "seller" includes every person engaged in the business of leasing or  
21 renting hotel, motel, or tourist court accommodations, and every person engaged  
22 in the business of selling tangible goods, wares, or merchandise at retail, or  
23 furnishing of steam, gas, and communication services, or tickets or admissions to  
24 places of amusement, entertainment, and athletic events, ~~including the playing of~~  
25 ~~any machine for amusement or entertainment in response to the use of a coin,~~ or  
26 magazines, or other periodicals; and includes any person as herein defined who by  
27 contract or otherwise agrees to furnish for a consideration a totally or partially  
28 finished product consisting in whole or in part of tangible personal property subject  
29 to the sales tax herein provided, and all items of tangible personal property  
30 entering into the performance of such contract as a component part of the product  
31 agreed to be furnished under said contract shall be subject to the sales tax herein

1 provided and the sales tax thereon shall be collected by the contractor from the  
2 person for whom the contract has been performed in addition to the contract price  
3 agreed upon, and shall be remitted to the state in the manner provided in this  
4 chapter; and shall include the state or any municipality furnishing steam, gas, or  
5 communication service to members of the public in its proprietary capacity. For  
6 the purpose of this chapter, retailer shall also include every clerk, auctioneer,  
7 agent, or factor selling tangible personal property owned by any other retailer. A  
8 retailer also includes every person who engages in regular or systematic  
9 solicitation of a consumer market in this state by the distribution of catalogs,  
10 periodicals, advertising fliers, or other advertising, or by means of print, radio or  
11 television media, by mail, telegraphy, telephone, computer data base, cable, optic,  
12 microwave, or other communication system.

- 13 19. "Sale" means any transfer of title or possession, exchange or barter, conditional or  
14 otherwise, in any manner or by any means whatever, for a consideration, and  
15 includes the furnishing or service of steam, gas, or communication, the furnishing  
16 of hotel, motel, or tourist court accommodations, the furnishing of tickets or  
17 admissions to any place of amusement, athletic event, or place of entertainment,  
18 ~~including the playing of any machine for amusement or entertainment in response~~  
19 ~~to the use of a coin~~, and sales of magazines and other periodicals. Provided, the  
20 words "magazines and other periodicals" as used in this subsection do not include  
21 newspapers nor magazines or periodicals that are furnished free by a nonprofit  
22 corporation or organization to its members or because of payment by its members  
23 of membership fees or dues.

24 **SECTION 2. AMENDMENT.** Subsection 1 of section 57-39.2-02.1 of the North Dakota  
25 Century Code is amended and reenacted as follows:

- 26 1. Except as otherwise expressly provided in subsection 2 for sales of mobile homes  
27 used for residential or business purposes, and except as otherwise expressly  
28 provided in this chapter, there is imposed a tax of five percent upon the gross  
29 receipts of retailers from all sales at retail including the leasing or renting of  
30 tangible personal property as provided in this section, within this state of the  
31 following to consumers or users:

- 1 a. Tangible personal property, consisting of goods, wares, or merchandise,  
2 except mobile homes used for residential or business purposes and including  
3 bundled transactions consisting entirely of tangible personal property.
- 4 b. The furnishing or service of communication services or steam other than  
5 steam used for processing agricultural products.
- 6 c. Tickets or admissions to places of amusement or entertainment or athletic  
7 events, including amounts charged for participation in an amusement,  
8 entertainment, or athletic activity ~~and the playing of any machine for~~  
9 ~~amusement or entertainment in response to the use of a coin. The tax~~  
10 ~~imposed by this section applies only to eighty percent of the gross receipts~~  
11 ~~collected from coin-operated amusement devices.~~
- 12 d. Magazines and other periodicals.
- 13 e. The leasing or renting of a hotel or motel room or tourist court  
14 accommodations.
- 15 f. The leasing or renting of tangible personal property the transfer of title to  
16 which has not been subjected to a retail sales tax under this chapter or a use  
17 tax under chapter 57-40.2.
- 18 g. Sale, lease, or rental of a computer and prewritten computer software,  
19 including prewritten computer software delivered electronically or by load and  
20 leave. For purposes of this subdivision:
- 21 (1) "Computer" means an electronic device that accepts information in  
22 digital or similar form and manipulates it for a result based on a  
23 sequence of instructions.
- 24 (2) "Computer software" means a set of coded instructions designed to  
25 cause a computer or automatic data processing equipment to perform a  
26 task.
- 27 (3) "Delivered electronically" means delivered from the seller to the  
28 purchaser by means other than tangible storage media.
- 29 (4) "Electronic" means relating to technology having electrical, digital,  
30 magnetic, wireless, optical, electromagnetic, or similar capabilities.

- 1 (5) "Load and leave" means delivery to the purchaser by use of a tangible  
2 storage media when the tangible storage media is not physically  
3 transferred to the purchaser.
- 4 (6) "Prewritten computer software" means computer software, including  
5 prewritten upgrades, which is not designed and developed by the  
6 author or other creator to the specifications of a specific purchaser.  
7 The combining of two or more "prewritten computer software" programs  
8 or prewritten portions thereof does not cause the combination to be  
9 other than "prewritten computer software". "Prewritten computer  
10 software" includes software designed and developed by the author or  
11 other creator to the specifications of a specific purchaser when it is sold  
12 to a person other than the purchaser. If a person modifies or enhances  
13 "computer software" of which the person is not the author or creator,  
14 the person is deemed to be the author or creator only of such person's  
15 modifications or enhancements. "Prewritten computer software" or a  
16 prewritten portion thereof that is modified or enhanced to any degree, if  
17 such modification or enhancement is designed and developed to the  
18 specifications of a specific purchaser, remains "prewritten computer  
19 software". However, if there is a reasonable, separately stated charge  
20 or an invoice or other statement of the price given to the purchaser for  
21 such modification or enhancement, such modification or enhancement  
22 shall not constitute "prewritten computer software".

23 **SECTION 3.** A new subsection to section 57-39.2-04 of the North Dakota Century  
24 Code is created and enacted as follows:

25 Gross receipts from coin-operated amusement or entertainment machines.

26 **SECTION 4. EFFECTIVE DATE.** This Act is effective for taxable events occurring after  
27 June 30, 2009.