



# NORTH DAKOTA OFFICE OF STATE TAX COMMISSIONER GUIDELINE - SALES TAX: COIN-OPERATED MACHINES

## COIN-OPERATED VENDING MACHINES

The gross receipts from coin-operated vending machines are subject to sales tax, whether payment for the merchandise is made with cash, credit card, or a specially designed card. This includes receipts from vending machines which dispense cigarettes, soft drinks, candy, gum, or other merchandise. Products dispensed through vending machines that cost 15 cents or less should not be included in gross receipts as they are exempt from sales tax.

Sales tax is included in the gross receipts from coin-operated vending machines and must be deducted before calculating gross receipts subject to sales tax to identify taxable sales. Taxable sales from coin-operated vending machines are calculated depending on the location of the machine. It is important to identify if city and county taxes apply. Refer to the *Local Taxes by Location* guideline for additional information.

To calculate taxable sales, divide the gross receipts by one plus the sales tax rate, based on the location of the machine.

➤  $Gross\ Receipts \div (1 + Sales\ Tax\ Rate) = Taxable\ Sales$

Example: Gross receipts for the month are \$1,500. The vending machine is in Mandan, ND. The sales tax rates in this location include the North Dakota 5% state rate, Mandan city rate 1.75%, and Morton County rate 0.50%. The total sales tax rate for state, city, and county is 7.25%. Refer to the table below to determine the amount to divide by based on the total sales tax rate.

- $Gross\ Receipts \div (1 + Sales\ Tax\ Rate) = Taxable\ Sales$
- $\$1,500.00 \div 1.0725 = \$1,398.60$
- Taxable sales to report for the vending machine would be \$1,398.60.

Tax Rate	Divide Gross Receipts By
5.00%	1.0500
5.25%	1.0525
5.50%	1.0550
5.75%	1.0575
6.00%	1.0600
6.25%	1.0625
6.50%	1.0650
6.75%	1.0675
7.00%	1.0700
7.25%	1.0725
7.50%	1.0750
7.75%	1.0775
8.00%	1.0800
8.25%	1.0825
8.50%	1.0850

## COIN-OPERATED AMUSEMENT MACHINES

The gross receipts from coin-operated amusement or entertainment machines are exempt from sales tax.

Examples of an amusement or entertainment machine include a pool table, foosball table, air hockey table, arcade game, shooting gallery game, dart board, pinball machine, and jukebox.

## PURCHASES SUBJECT TO USE TAX

Owners of coin-operated machines are required to pay sales or use tax on purchases of equipment, including the coin-operated machine and supplies for their own use.

- If items are purchased from a seller who charges North Dakota sales tax, the tax should be paid directly to the seller.
- If items are purchased from a seller who does not charge North Dakota sales or use tax, the purchaser should pay the tax directly to the Tax Commissioner on the cost of the purchases. The purchases should be identified on the *Items Subject to Use Tax line of the North Dakota Sales and Use Tax Return*.

### **Coin-Operated Vending Machines**

Merchandise sold through vending machines may be purchased tax free by providing a valid *Certificate of Resale* to the seller.

### **Coin-Operated Amusement Machines**

Purchases of prizes for coin-operated amusement or entertainment machines are subject to sales or use tax at the time of purchase.

## CONTACT INFORMATION

If you have questions regarding the information in this publication, please contact the Sales Tax Compliance Section at [salestax@nd.gov](mailto:salestax@nd.gov) or **701-328-1246**.

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