



NORTH DAKOTA OFFICE OF STATE TAX COMMISSIONER GUIDELINE - SALES TAX: DISCOUNTS AND COUPONS

DISCOUNTS

North Dakota law imposes sales tax on the gross receipts of sales (both cash and credit) after discounts.

An example of the proper calculation of sales tax on discounted sales is shown below.

Sale amount	\$ 100.00
Less 10% discount	<u>(10.00)</u>
Net sale amount	\$ 90.00
Tax due (5%)	<u>4.50</u>
Discounted amount due	\$ 94.50

If a remittance reflects a lump sum amount for a discounted sale and sales tax due, you will need to calculate the actual discounted sale amount by dividing the payment by 1.05 (105%).

Remittance	\$ 94.50
Divide by 1.05	<u>1.05</u>
Actual discounted sale	\$ 90.00

COUPONS AND COUPON BOOKS

When a manufacturer, processor, or wholesaler issues a coupon entitling a purchaser credit on an item, tax is due on the "prediscount" price of the goods sold. An example of this situation is shown below.

Example:

Regular price	\$ 100.00
Plus sales tax at 5%	<u>5.00</u>
Subtotal	\$ 105.00
Credit for manufacturer's coupon	<u>(5.00)</u>
Amount due from customer	\$ 100.00

In this situation, tax is due on the full amount because the retailer is essentially selling the goods for \$100.00; \$95.00 from the purchaser and \$5.00 from the supplier of the coupon.

When a retailer issues a coupon, an actual cash discount results and sales tax is due on the discounted amount. An example of a retailer's coupon is shown below.

Example:

Regular price	\$ 100.00
Credit for retailer's coupon	<u>5.00</u>
Net Sales Price	\$ 95.00
Plus Sales tax at 5%	<u>4.75</u>
Amount due from customer	\$ 99.75

The retail selling price of a coupon book is not taxable. Generally, each coupon in a book is treated independently when tax is calculated by the seller.

BARTER

Barter is the exchange of goods or services between two or more parties for an agreed exchange value, or if not provided, by their fair market value. If the goods or services are subject to sales tax, the sales tax must be calculated as part of the exchange. The parties in the barter transaction function as both a buyer and a seller, and may have a responsibility for collecting sales tax depending on the goods or services exchanged.

For example, assume a clothing retailer and an accountant enter into an agreement where the retailer provides the accountant with clothing worth \$300 in exchange for accounting services. Accounting services are not subject to sales tax, but sales of clothing are taxable in North Dakota. In this example, the clothing retailer is required to charge sales tax to the accountant on the \$300 sale of clothing and must report the sale and remit the tax on its sales and use tax return.

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