



NORTH DAKOTA OFFICE OF STATE TAX COMMISSIONER GUIDELINE - SALES TAX: MOTOR VEHICLE EXCISE TAX

MOTOR VEHICLE EXCISE TAX

North Dakota Motor Vehicle Excise Tax is a tax on the purchase or transfer of a motor vehicle. All motor vehicles required to be registered in North Dakota for use on public roads in the state must pay motor vehicle excise tax unless an exemption applies. This tax is separate from the state sales tax and specifically applies to motor vehicles.

The 5% excise tax is calculated on the vehicle's taxable purchase price. The North Dakota Department of Transportation Motor Vehicle Division collects the tax, acting as an agent for the North Dakota Office of State Tax Commissioner. While many motor vehicle dealers remit the tax as a customer service, individuals have the option to go directly to the Motor Vehicle Division to register their vehicle and pay the motor vehicle excise tax.

No local tax applies to the purchase or transfer of a motor vehicle.

Motor Vehicles

Motor vehicles include cars, trucks, vans, trailers, semi-trailers, motorcycles, motor homes, travel trailers, off-highway vehicles, and snowmobiles for which a certificate of title is required.

Trailers, not used for commercial business activities, with a Gross Vehicle Weight Rating (GVWR) of under 1,500 pounds are subject to state and local sales and use tax, not motor vehicle excise tax. Examples include utility or recreational trailers used to haul boats, snowmobiles, or motorcycles.

If a motor vehicle is not required to be registered in North Dakota for use on public roads, like youth all-terrain vehicles (ATVs) or dirt bikes, state and local sales and use tax will be due.

Purchase Price

The taxable purchase price is the total selling price of the vehicle, including all charges for accessories, dealer preparation, freight, and delivery, less any qualified discounts, such as an auction fee, a manufacturer's rebate, or a trade-in allowance.

Title, registration, license, and document fees are not part of the taxable purchase price when calculating motor vehicle excise tax.

Purchase Price Discounts

Trade-in Credit

When a motor vehicle, or any tangible personal property subject to sales and use tax upon resale, is traded in to purchase a vehicle, the trade-in credit is subtracted from the selling price of the vehicle to determine the taxable purchase price.

A cash payment to an individual for their motor vehicle is not a trade-in credit for a subsequent motor vehicle purchase.

Manufacturer Discount or Rebate

A manufacturer's discount, incentive, or rebate applied at the time of the sale is subtracted from the selling price of the vehicle to determine the taxable purchase price.

Auction Fee or Buyer's Premium

A charge for auction services, sometimes referred to as a buyer's premium, is not included in the taxable purchase price.

Federal Excise Tax

The 12% Federal Excise Tax imposed on the first retail sale of a truck with a GVWR over 33,000 pounds is not included in the taxable purchase price.

Extended Warranty, Maintenance or Service Contracts

The charge for an extended warranty, maintenance, or service contract is not included in the taxable purchase price.

Statement of Loss

Insurance proceeds from a totaled vehicle may be used as a trade-in credit. To claim this credit, the purchaser must present the notarized statement of loss from their insurance company to either the motor vehicle dealer or the Motor Vehicle Division when registering a vehicle.

The statement of loss is valid for three years from its issuance date. If the replacement vehicle costs less than the statement of loss, the purchaser may apply the excess amount to another vehicle purchase.

Motor Vehicle Excise Tax Exemptions

Below is a list of some of the most commonly claimed motor vehicle excise tax exemptions. For a complete list of exemptions, please see North Dakota Century Code **(N.D.C.C.) § 57-40.3-04**.

Sales to Disabled Veterans and Prisoners of War

A sale or lease of a motor vehicle to a resident disabled veteran with a 100% service-connected disability as determined by the United States Department of Veterans Affairs is exempt from motor vehicle excise tax. The vehicle must be registered or be eligible to be registered with a distinct license plate (DAV) issued by the North Dakota Department of Transportation. The exemption is allowed for up to two vehicles at a time. A vehicle qualifying for the exemption may not exceed 26,000 pounds GVWR.

A surviving spouse who receives dependency and indemnity compensation from the United States Department of Veterans Affairs is also eligible for the exemption. If a veteran passes away before they become eligible for disability and indemnity compensation, the eligibility is presumed to have been made before the veteran's death. Proof of eligibility includes correspondence from the United States Department of Veterans Affairs indicating that the spouse is a survivor of a qualifying veteran and is receiving compensation.

An individual who was a prisoner of war also qualifies for an exemption from motor vehicle excise tax when purchasing or leasing a motor vehicle. The vehicle must be registered with a distinct license plate (POW) issued by the North Dakota Department of Transportation to be eligible. The exemption is allowed for up to two vehicles at a time. A vehicle qualifying for the exemption may not exceed 20,000 pounds GVWR.

Sales to an Enrolled Tribal Member

A motor vehicle acquired by an enrolled member of a federally recognized Indian tribe whose primary residence is within any North Dakota Indian reservation is exempt from motor vehicle excise tax. An enrolled tribal member whose primary residence is outside of a reservation does not qualify for the exemption.

Sales to a Physically Disabled Person

If a physically disabled, licensed driver who is restricted to operating a motor vehicle equipped with special controls to compensate for their disability, or who has surrendered or has been denied a driver's license, purchases or leases a motor vehicle not exceeding 10,000 pounds GVWR, then the sale or lease is exempt from the motor vehicle excise tax. To claim this exemption, the application for title must be accompanied by a statement from the North Dakota Department of Transportation regarding the need for a restricted driver's license, or that a driver's license has been surrendered or denied. This exemption is only allowed for one vehicle at a time.

Sales to Federal or State Government and Political Subdivisions

A sale or lease of a motor vehicle to a federal, state, or political subdivision entity is exempt from motor vehicle excise tax. This exemption also applies to nonprofit county and local historical societies designated as 501(c)(3) entities for federal income tax purposes.

Sales to Nonprofit Senior Citizens' or Disabled Persons' Corporations

A sale or lease of a motor vehicle to a nonprofit corporation for the transportation of elderly or disabled individuals is exempt from motor vehicle excise tax, provided the vehicle is not used for commercial activities.

Sales of Ambulances

A sale or lease of an ambulance is exempt from motor vehicle excise tax when purchased by an emergency service operator licensed under **N.D.C.C. Ch. 23-27**.

Sales to Public Transportation Providers

A sale or lease of a motor vehicle to a public transportation provider who receive funds from the North Dakota Department of Transportation under **N.D.C.C. § 39-04.2-04** to exclusively provide public transportation is exempt from motor vehicle excise tax.

Sale of a Motor Vehicle for Promotional Purposes

When a motor vehicle dealer sells a vehicle to a charitable organization, which will later be given away as a raffle prize, the charitable organization is not required to pay the motor vehicle excise tax if the tax will be paid by the eventual prize winner when they register the vehicle.

A motor vehicle purchased by or on behalf of the North Dakota lottery as a prize is not subject to motor vehicle excise tax. The eventual winner will be responsible to pay motor vehicle excise tax when they register the vehicle.

If a business or group, that is not a charitable organization or a political subdivision, buys a vehicle as a promotional prize, it must register it and pay motor vehicle excise tax based on the purchase price of the vehicle. The eventual winner will also have to report and pay motor vehicle excise tax on the fair market value of the vehicle when they register it.

Transfer of Title Without Payment

A transfer of a vehicle title without payment to or from someone who will enter the military within 30 days, is currently serving, or has been discharged within the last 30 days from a branch of the United States Armed Forces is exempt from motor vehicle excise tax. The individual must certify to the Motor Vehicle Division that the transfer is being made for one of these specific reasons.

A transfer of a vehicle title due to inheritance, bequest, or a trust established by the deceased owner of the vehicle is exempt from motor vehicle excise tax.

A transfer of vehicle title as a gift between spouses, parents and children, grandparents and grandchildren, or siblings is exempt from motor vehicle excise tax.

A transfer of vehicle title from an individual to a former spouse is exempt from motor vehicle excise tax if the transfer results from a divorce decree and the transfer occurs within one year after the divorce is finalized.

Canceled Sales

North Dakota law allows for a refund of motor vehicle excise tax paid by the owner of a defective passenger vehicle that has been returned to the manufacturer (as defined under **N.D.C.C. § 57-40.4-01.1**). Similarly, if the motor vehicle dealer cancels the purchase of a motor vehicle, the purchaser is eligible for a tax refund.

To receive a refund of motor vehicle excise tax, the purchaser must provide the Motor Vehicle Division with satisfactory proof that the sale was canceled. If a licensed motor vehicle dealer cancels the sale, the purchaser should provide proof that they have received a refund of all the money initially paid to the dealer. These documents may include a copy of the canceled purchase agreement, tax receipts, and other relevant documentation to prove that the refund is warranted.

An application for a tax refund must be made within three years from the date the tax was paid.

Lease and Rental Of Motor Vehicles

Motor vehicle leases and rentals are subject to North Dakota tax. Please see our **Guideline - Sales Tax: Lease or Rental of Motor Vehicles** for more information.

MOTOR VEHICLE EXCISE TAX AND MOTOR VEHICLE DEALERS

Motor Vehicle Dealers - Sales

North Dakota's new and used motor vehicle dealers play an essential role in ensuring the accurate collection, remittance, and reporting of motor vehicle excise tax.

Motor vehicle dealers collect the tax from their customers at the time of sale or initiation of a lease, based on the taxable purchase price or the taxable lease consideration, and remit it to the Motor Vehicle Division as a customer service.

Sales of Non-franchised Motor Vehicles

A motor vehicle dealer acquiring a new vehicle, for which they do not hold a valid manufacturer or distributor contract, or franchise, must register, title, and pay motor vehicle excise tax on the vehicle prior to entering it into their inventory. Motor vehicle excise tax will also be due when a customer purchases the vehicle.

Likewise, a used motor vehicle dealer may only sell a new vehicle if motor vehicle excise tax has been paid on it.

If a customer wants to lease a new vehicle from a dealer who does not hold the appropriate franchise contract, the dealer must pay the motor vehicle excise tax when the vehicle enters its inventory. Motor vehicle excise tax will also be due when the customer leases the vehicle.

Dealer Service Vehicles

All service vehicles owned by the dealer must be titled and licensed, and the motor vehicle excise tax must be paid when the service vehicle is removed from the dealer's resale inventory and put into use. Examples include parts trucks, wreckers, courtesy cars, and vans.

These vehicles should not be titled for resale or carry dealer plates.

Dealer Trade-in

When a motor vehicle dealer takes a vehicle out of their resale inventory to use as a replacement for a dealership service vehicle, the reasonable value of the vehicle being replaced may be considered a trade-in discount provided motor vehicle excise tax has been paid on it, and the new vehicle is properly registered, licensed, and taxed.

Dealer Plates

Dealer plates are special license plates that motor vehicle dealers may use to demonstrate, buy, or sell vehicles.

Dealer plates may not be used for the following:

- Dealer-owned parts trucks, wreckers, or courtesy cars.
- Vehicles sold and in a customer's possession.
- Vehicles driven by family members not residing at the dealer's residence, including children attending college away from home.
- Vehicles driven by a person not directly involved in the dealer's operation.

If the motor vehicle dealer uses parts or tires purchased or removed from inventory for dealer-owned vehicles, they are subject to sales and use tax.

Rental and Courtesy Vehicles

If a motor vehicle dealer charges a customer for using a motor vehicle, the dealer must collect a 5% sales tax and a 3% rental surcharge on the rental fee from the customer. No tax or surcharge is due if the customer is not charged for using the vehicle.

If a third party is charged for the vehicle rental, such as a vehicle being provided under an extended warranty or service contract, the third party must pay the 5% sales tax and 3% rental surcharge on the rental fee.

Sales tax and the rental surcharge will not apply to charges for a vehicle rental being provided under the manufacturer's original warranty.

For more information, please refer to the **Guideline - Sales Tax: Lease or Rental of Motor Vehicles**.

Motor Vehicle Dealers - Additional Sales and Services

Many motor vehicle dealers also provide repair services and sell accessories and replacement parts. Please see our **Guideline - Sales Tax: Sales, Use, and Gross Receipts Tax Requirements**, **Guideline - Sales Tax: Repair Services**, and **Guideline - Sales Tax: Service Stations and Garages** for more information.

Motor Vehicle Dealers - Purchases

Motor vehicle dealers may purchase auto parts, shop equipment, and supplies for resale and items for their own use.

Resale Items

Motor vehicle dealers buying items to sell to customers or other retailers should provide their supplier or vendor with a completed **Certificate of Resale** to exempt the purchase from sales tax.

Examples include:

Auto repair parts	Key fobs
Auto wax and cleaners	Replacement bulbs and LEDs
Batteries and cables	Roof racks and accessories
Car alarms	Seat covers
Headlights	Window tinting

Dealer's Use Items

Sales or use tax must be paid on items purchased for use by the motor vehicle dealer.

Examples include:

Air equipment, tire gauges, and hoses	Hand tools
Bathroom and cleaning supplies	Garage equipment, hoists, etc.
Battery charging equipment	Office equipment and supplies
Car wash equipment, soap, and wax	Soap/hand cleaner
Car diagnostic equipment	Soft drinks or snacks for customers

Inventory Removal

Use tax must be paid on items taken out of inventory for personal or business use. As an example, parts and tires removed from inventory for use on a dealer service vehicle are subject to use tax.

Use tax is remitted to the Office of State Tax Commissioner by entering the value of the items removed from inventory on the Sales, Use, and Gross Receipts Tax Return.

Promotional and Gift Items

Motor vehicle dealers must pay sales or use tax on items intended to be given away for advertising or promotional purposes. However, if the promotional items are provided to the customer as a condition of a sale, the purchase of the items would be for resale.

Example 1:

ABC Motor Company provides t-shirts, decals, and calendars to their customers at no charge. ABC Motor Company must pay sales or use tax when they purchase these items because they are using the items to promote and advertise the company.

Example 2:

ABC Motor Company includes a TV with each vehicle sold. ABC factors the cost of the TV into the selling price of the Vehicle. ABC should not pay sales or use tax on the TVs because they are purchased to resell.

Additional Resources to Review:

- **Guideline - Sales Tax: Auto Parts and Supply Stores**
- **Guideline - Sales Tax: Lease or Rental of Motor Vehicles**
- **Guideline - Sales Tax: Local Option Taxes by Location**
- **Guideline - Sales Tax: Repair Services**
- **Guideline - Sales Tax: Sales, Use, and Gross Receipts Tax Requirements**
- **Guideline - Sales Tax: Service Stations and Garages**
- **Guideline - Sales Tax: Snowmobiles and ATVs**
- **Guideline - Sales Tax: Welding and Machine Shops**
- **North Dakota Department of Transportation Motor Vehicle Registration Manual**

North Dakota Century Code

- **Ch. 23-27**
- **Ch. 39-04**
- **Ch. 39-05**
- **Ch. 39-22**
- **Ch. 57-39.2**
- **Ch. 57-40.2**
- **Ch. 57-40.3**
- **Ch. 57-40.4**
- **Ch. 57-55**

North Dakota Administrative Code

- **Ch. 81-04.1**
- **Ch. 81-05.1**