



# NORTH DAKOTA OFFICE OF STATE TAX COMMISSIONER

## GUIDELINE - SALES TAX: EXEMPTION FOR TELECOMMUNICATIONS AND COMPUTER EQUIPMENT PURCHASED BY A PRIMARY SECTOR BUSINESS

North Dakota has a sales and use tax exemption that allows a qualifying entity to purchase computer and telecommunications equipment. To qualify for the exemption, the entity must meet all the following criteria:

1. Be certified as a primary sector business by the North Dakota Department of Commerce,
2. Be a new primary sector business or an existing business creating a physical or economic expansion, and
3. The equipment must be integral to the new business or the expansion.

### CERTIFIED PRIMARY SECTOR BUSINESS

The Department of Commerce certifies if a company is a primary sector business. This exemption is only available to the entity certified by the Department of Commerce. It does not extend to a parent company, subsidiary, or other related entity.

For more information about primary sector certification, visit [www.commerce.nd.gov/economic-development-finance/finance-and-incentives/finance-and-incentive-forms](http://www.commerce.nd.gov/economic-development-finance/finance-and-incentives/finance-and-incentive-forms).

### PHYSICAL OR ECONOMIC EXPANSION

A physical expansion means increasing the size of the building or adding another location.

An economic expansion means creating new jobs, new products, new services, or increasing production volumes.

### COMPUTER AND TELECOMMUNICATIONS EQUIPMENT

Qualifying tangible personal property must be computer and telecommunications equipment that is integral to the product or service provided by the new business or integral to the physical or economic expansion. Examples include computers and related software, monitors, printers, optical readers, modems, routers, and certain wireless devices.

Replacement items, including software contract renewals, do not qualify for exemption.

If a contractor paid sales or use tax on qualifying tangible personal property that is installed into real property, the qualifying primary sector business may request a refund directly from the North Dakota Office of State Tax Commissioner for the tax paid by the contractor.

### APPLICATION PROCESS

An entity applying for this exemption must do the following:

- Receive certification as a Primary Sector Business from the Department of Commerce. Then, either:
  - o Apply for an exemption letter from the Office of State Tax Commissioner **prior** to purchasing qualifying equipment. The letter must be presented to sellers at the time the qualifying equipment is being purchased. Keep in mind that the exemption letter is valid for a specific period; or

- o Request a refund directly from the Office of State Tax Commissioner of tax paid on purchases of qualifying equipment made by the primary sector business or tax paid by the contractor installing qualifying equipment into real property.

If the primary sector business is requesting a tax exemption prior to the purchase of the equipment or if the business is seeking a refund of tax paid, the primary sector business must provide the following information to the Office of State Tax Commissioner.

1. The name and mailing address of certified primary sector business.
2. The location of the new business or expansion project.
3. The contact for any additional information requests.
4. The entity's North Dakota sales and use tax permit number, if applicable.
5. A copy of the Department of Commerce primary sector certification.
6. A description of what the primary sector business does. (What products or services are provided?)
7. A description of the project or equipment.
  - Whether the project or equipment is for a new business or an expansion of an existing business.
  - If the exemption request is related to an existing business expansion, describe how the project or equipment meets the requirement of a physical or economic expansion.
  - Provide the project timeline.
8. A list of what computer and telecommunications equipment is being purchased and a description of how it qualifies for the exemption.
9. An estimate of the cost of the project and the cost of the items qualifying for exemption.
10. Property Tax Clearance Record as required under § 57-01-15.1.

**If requesting a refund**, you will also need to complete the spreadsheet required by the Office of State Tax Commissioner and submit copies of invoices for all qualifying purchases. Please contact **salestax@nd.gov** for the spreadsheet.

All requests for an exemption letter or refund of tax must be submitted to the Office of State Tax Commissioner by email at **salestax@nd.gov** or mail:

Sales Tax Compliance Section  
Office of State Tax Commissioner  
600 E. Boulevard Ave., Dept. 127  
Bismarck, ND 58505-0599

## CONTACT INFORMATION

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