



# Guideline

## Refund of Fargo City Tax Involving Contracts Bid Prior to 1/1/09

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### Background

On April 6, 2009, the City of Fargo amended its sales tax ordinance regarding the city use tax rate on construction contracts bid prior to January 1, 2009. Materials used in construction contracts bid before January 1, 2009 will continue to be taxed at the 1 percent city tax rate instead of the 1½ percent rate that became effective January 1. Contractors that paid 1½ percent tax on materials that qualify for the 1 percent rate are eligible for a refund of the excess tax, (½% or a maximum of \$12.50). **Materials used on “change orders” issued after January 1, 2009 for contracts bid prior to January 1 are not eligible for the lower 1% tax rate.**

### How to Apply for a Refund

Contractors that hold a valid North Dakota sales tax permit may claim a credit for excess tax on their next sales tax return or may request a refund from the Tax Commissioner. Contractors that do not hold a permit must apply for a refund from the Tax Commissioner. **Refunds may not be requested from vendors.**

### Documentation Required for Refund

To apply for a refund of Fargo tax in excess of 1 percent, submit the following to the Office of State Tax Commissioner:

- A completed *Claim for Refund of City or County Sales and Use Tax* form
  - The form is available on-line at <http://www.nd.gov/tax/salesanduse/forms/>.
  - Notate “½ % Fargo City Tax Refund” on the top of the form.
  - This is the same form used to request refunds in excess of the maximum tax amount.
- A copy of the complete contract bid prior to January 1
  - For contracts signed after December 31, 2008, also provide documentation of bid date.
  - The contract may be submitted in paper format or as an e-mail attachment.
- Copies of all purchase invoices with 1½ percent Fargo tax
  - Invoices should reference the job name or number of the qualifying contract.

Contractors claiming a credit on a sales tax return must maintain the same documents listed above. All refunds and credits are subject to audit.

### Future Material Purchases

Contractors that hold a valid sales tax permit must purchase materials for qualifying contracts tax free by providing the vendor a properly completed *Contractor's Certificate*. Contractors must report these purchases and remit the 5 percent state and 1 percent Fargo tax on their sales and use tax returns. The *Contractor's Certificate* form is also available on-line at <http://www.nd.gov/tax/salesanduse/forms/>.

Contractors that do not hold a sales tax permit must pay the 1½ percent Fargo sales tax on qualifying contracts and apply for a refund of the ½ percent tax.

If you have questions regarding the available refund or credit of Fargo sales tax, please contact the Sales Tax Compliance Section at 701.328.1246 or e-mail [salestax@nd.gov](mailto:salestax@nd.gov).