

South Dakota

Taxation News

Department of Revenue and Regulation

Gary Viken, Secretary

FEIN's Now Available Online

The IRS is allowing businesses to obtain employer identification numbers (EINs) directly from the IRS Web site. New business owners or their tax professional representative can go to www.irs.gov and apply for and obtain their EIN via the Internet, 24 hours a day, 7 days a week. Business owners or their tax professional representative can enter EIN as a keyword to begin the process. No registration is required to use the system and the EIN is issued immediately.

While the Internet is the preferred method for applying for EINs, business owners may still obtain EINs via telephone by calling 1-800-829-4933 from 7:30 a.m. to 5:30 p.m. in their local time zone, or by mailing or faxing Form SS-4, as provided in the form's instructions.

Insights...from the Secretary's Desk



On April 17, the new Department of Revenue & Regulation became a legal entity of state government under Governor Rounds' reorganization initiative. As you may know, the new department includes many of the regulatory functions previously administered by the former Department

of Commerce & Regulation as well as the tax administration functions provided by the former Department of Revenue. I bring this to your attention because you will soon begin seeing the new department's name on our publications, letterhead, forms, etc. Our local offices scattered across the state and our toll-free taxpayer assistance line will continue to be there to serve your needs, and we're working on an even better website aimed at assisting you with your regulatory as well as taxation questions, education and support.

One of the cornerstones of Governor Rounds administration is the promotion and development of business and jobs in our state. A re-occurring theme I hear when talking to business people is that one way growth in business and jobs is occurring is through marketing products over the Internet and thus availing millions of potential customers worldwide to the goods or services they are selling. Obviously, more sales and more jobs translate to increased tax revenues for the state, so I simply bring this subject to your attention as an opportunity you may wish to pursue if you have not already done so.

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Sourcing Retail Sales for South Dakota

During the 2002 and 2003 Legislative Sessions, South Dakota changed many laws to comply with the Streamlined Sales Tax Project. The sourcing law requires the retailer to tax sales of tangible personal property and services at the location where the customer receives the tangible personal property or service.

The new law uses the following terms "receive" and "receipt", which mean:

- Taking possession of tangible personal property,
- Making first use of services, or
- Taking possession or making first use of digital goods, whichever comes first.

The terms "receive" and "receipt" do not include possession by a shipping company on behalf of the purchaser.

The department has been reviewing this law to determine who is impacted by this change. On page 5 there is a brief description of where sales tax applies to products and services.

Dates to Remember

July

July 4 - Independence Day, Department Offices Closed.

July 16-17 - Two Day Business Workshop, Yankton, SD.

July 21 - Paper returns and payments due for monthly and seasonal monthly filers.

July 23 - SD QUEST returns due.

July 30 - SD QUEST electronic payments due.

July 31 - Paper returns and payments due for bi-monthly, seasonal bi-monthly, semi-annual and summer annual filers.

August

August 6 - Basic Tax Seminar, Sioux Falls, SD.

August 20 - Paper returns and payments due for monthly and seasonal monthly filers.

August 23 - SD QUEST returns due.

August 28 - SD QUEST electronic payments due.

September

September 1 - Labor Day, Department Offices Closed.

September 10-11 - Two Day Business Workshop, Mitchell, SD.

September 17-18 - Tri-State Seminar, Sioux Falls, SD.

September 20 - Paper returns and payments due for monthly and seasonal monthly filers.

September 23 - SD QUEST returns due.

September 23 - Autumn Begins.

September 24-25 - Two Day Business Workshop, Rapid City, SD.

September 29 - SD QUEST electronic payments due.

September 30 - Basic Tax Seminar, Rapid City, SD.

September 30 - Paper returns and payments due for bi-monthly, seasonal bi-monthly, and fall annual filers.

Business Education Program

Come join our Business Education Program at one of the workshops or seminars in your area. The department offers a number of educational opportunities that cover different tax issues facing new and existing business owners. For the most current list of seminars or to register, log on to our website at www.state.sd.us/drr. All seminars and workshops are free of charge.

2-Day Business Tax Workshop

This workshop is excellent for new business owners or as a refresher course. Information regarding the IRS, Dept. of Revenue & Regulation, Dept. of Labor, Social Security and OSHA will be covered.

July 16-17, 2003
Yankton Community Library
Yankton, SD

September 10-11, 2003
First Dakota Bank
Mitchell, SD

September 24-25, 2003
Colorado Technical University
Rapid City, SD

October 8-9, 2003
SD Department Of Labor
Aberdeen, SD

October 16-17, 2003
City School Administration Building
Sioux Falls, SD

Basic Tax Seminars

Our Basic Business Tax Seminars cover sales, use and contractors' excise tax issues. These seminars are free and designed for new business owners or as a refresher course. The sales tax seminar will be held from 9am-12pm while the contractors' excise seminar will be from 1pm-4pm.

Sales and Contractors' Excise Tax Seminar

August 6, 2003
Sioux Falls, SD

September 30, 2003
Rapid City, SD

Border Issues Seminars

Border Issue Seminars cover the differences in the tax application and reporting processes between South Dakota and our neighboring states of Iowa, Minnesota, Nebraska and North Dakota.

Tri-State (SD/IA/NE) Sales & CET Seminars

September 17-18, 2003
Sioux Falls, SD

Did You Know...

Cigarette Buydowns

Manufacturers occasionally make a payment to cigarette retailers, known as a buydown. This is a payment made to the retailer that is based on the retail sale of the cigarettes. Under South Dakota law, the buydown payment is gross receipts to the retailer from the sale of the cigarettes. As such, buydown payments are a part of the retailers' taxable receipts.

State law sets the minimum price that a retailer must charge for cigarettes (SDCL 37-10). The minimum price is determined by adding 8% to the invoice price (purchase price). The retailer may set a higher price. The amount charged to the customer plus the buydown received from the manufacturer must be equal or greater than the minimum price required by law.

There have been instances when a retailer violates the minimum pricing law when they did not add the buydown payment on to the price of the cigarettes for sales tax purposes.

Retailers should add the buydown payment to the price of the cigarettes and collect sales tax on that price even though the buyer pays the price without the buydown payment (similar to a manufacturer's coupon).

Medical Devices

Effective July 1, 2003, there are new definitions of durable medical equipment and mobility enhancing equipment, which are exempt from sales tax when prescribed by a physician, chiropractor, optometrist, dentist, or podiatrist.

Hot tubs and exercise equipment are no longer exempt from sales tax when prescribed. They do not meet the state's definition of durable medical equipment and mobility enhancing equipment because hot tubs and exercise equipment are useful to a person in the absence of illness or injury.

For more information on the new definitions of drugs, durable medical equipment, mobility enhancing equipment, prosthetic devices, and medical devices view Tax Facts # 225, Health Services, Drugs, and Medical Devices, July, 2003, on our website at www.state.sd.us/drr or request a copy by calling the department toll free at 1-800-TAX-9188.

Telecommunications Gross Receipts Tax

Effective July 1, 2003, a gross receipts tax applies to wireless personal communications services, wireless local loop services, enhanced special mobile radio services, fixed wireless services, and cellular services that provide two-way communication. This is a 4% tax on the gross receipts on the retail sale of intrastate and interstate telecommunications services if the customer's place of primary use is located in South Dakota regardless of where the service actually originates or terminates. If you provide any of the above services please contact the department at 1-800-TAX-9188 to obtain an application.

2003 Property Taxes at a Glance

By Colleen Skinner

The 2003 legislative session saw numerous bills dealing with property taxes. A couple of the major bills which passed and were signed by the Governor are:

HB 1064 is the annual bill to adjust property tax rates for school general fund. This legislation reduced all four categories for school general fund taxation. For taxes payable in 2004, the levy for agricultural property will be reduced from \$3.74 per thousand to \$3.49 per thousand. For taxes payable in 2004, the levy for non-agricultural acreage property will be reduced from \$4.74 per thousand to \$4.49 per thousand. For taxes payable in 2004, the levy for owner-occupied property will be reduced from \$6.02 per thousand to \$5.62 per thousand. And for taxes payable in 2004, the levy for other property will be reduced from \$12.90 per thousand to \$12.04 per thousand. These levies are adjusted each year to keep the state share vs. local share of funding for general education in the same proportion.

HB 1235 classifies commercial wind power production facilities for property tax purposes. These properties are to be assessed and taxed in the same manner as other real property and will be assessed by the local county director of equalization. The real property does not include the wind turbine or the blades attached thereto.

Ask Dr. Revenue

Dear Dr. Revenue:

Is the Department of Revenue and Regulation still suspending the alcohol licenses of businesses that get caught selling alcohol to an underage person?

Sincerely,
Liquor Lyle

Dear Liquor Lyle:

I had to consult with my colleague, Dr. Regulation, to answer your question. Dr. Regulation told me that a new penalty scheme for underage alcohol sale violations goes into effect on July 1, 2003.

The new penalty scheme looks at how many violations the business has had within the last 24 months. The business gets a \$500 fine for the first violation and a fine of \$1,000 for the second violation. However, the fines are doubled if the business has not sent the employee who made the illegal sale through a training course approved by the Department of Revenue and Regulation. For third and subsequent violations, the Secretary of Revenue and Regulation still has the authority to revoke or suspend the alcohol license of the business.

Like the previous penalty scheme, the new scheme only applies when the employees or agents of the licensee make the illegal sale. If the actual licensee makes the illegal sale, his or her license is still subject to suspension or revocation.

Sincerely,
Dr. Revenue

July 2003 Municipal Tax Rates

City	Codes	%Rate	City	Codes	%Rate	City	Codes	%Rate	City	Codes	%Rate	City	Codes	%Rate
Aberdeen	001-1	1.0	Davis	091-1	1.0	Howard	172-1	1.0	Murdo	250-7	1.0	Tripp	350-3	1.0
Aberdeen*	001-3	2.0	Davis*	091-2	2.0	Howard*	172-2	2.0	Murdo*	250-2	2.0	Tripp*	350-2	2.0
Aberdeen	001-5	3.0	Deadwood	093-8	1.0	Humboldt	175-4	1.0	Murdo	250-3	3.0	Tulare*	351-1	1.0
Alcester*	006-1	1.0	Deadwood*	093-2	2.0	Humboldt*	175-2	2.0	New			Tyndall*	355-1	1.0
Alexandria	007-4	1.0	Deadwood	093-3	3.0	Humboldt	175-5	3.0	Underwood*	254-1	2.0	Valley		
Alexandria*	007-2	2.0	Dell Rapids	094-4	1.0	Hurley	176-4	1.0	Newell	255-1	1.0	Springs*	359-1	1.0
Alpena*	009-1	1.0	Dell Rapids*	094-2	2.0	Hurley*	176-2	2.0	Newell*	255-2	2.0	Veblen*	360-1	1.0
Arlington	013-3	1.0	Dell Rapids	094-5	3.0	Huron	177-6	1.0	Nisland	256-3	1.0	Vermillion	362-1	1.0
Arlington*	013-2	2.0	Delmont	095-3	1.0	Huron*	177-2	2.0	Nisland*	256-2	2.0	Vermillion*	362-2	2.0
Amour	014-3	1.0	Delmont*	095-2	2.0	Huron	177-3	3.0	North Sioux			Vermillion	362-3	3.0
Armour*	014-2	2.0	DeSmet	092-4	1.0	Interior	179-1	1.0	City	258-1	1.0	Viborg	363-1	1.0
Artesian	015-1	1.0	DeSmet*	092-2	2.0	Interior*	179-2	2.0	North Sioux			Viborg*	363-2	2.0
Artesian*	015-2	2.0	Doland*	098-1	1.0	Ipswich	181-5	1.0	City*	258-2	2.0	Volga*	367-1	1.0
Avon	020-3	1.0	Dupree*	101-1	1.0	Ipswich*	181-6	2.0	Oacoma	261-4	1.0	Volin*	368-1	1.0
Avon*	020-2	2.0	Eden*	103-1	1.0	Irene	182-1	1.0	Oacoma*	261-3	2.0	Wagner	369-1	1.0
Baltic	022-3	1.0	Edgemont	104-4	1.0	Irene*	182-2	2.0	Oacoma	261-5	3.0	Wagner*	369-2	2.0
Baltic*	022-2	2.0	Edgemont*	104-2	2.0	Iroquois*	183-1	1.0	Olivet*	267-1	1.0	Wakonda*	370-1	1.0
Belle Fourche	027-1	1.0	Egan	105-3	1.0	Isabel*	184-1	1.0	Onida	269-3	1.0	Wall	372-1	1.0
Belle Fourche*	027-2	2.0	Egan*	105-2	2.0	Java*	185-1	1.0	Onida*	269-2	2.0	Wall*	372-2	2.0
Belle Fourche	027-3	3.0	Elk Point	106-3	1.0	Jefferson	186-3	1.0	Parker	276-1	1.0	Wall	372-3	3.0
Belvidere	028-4	1.0	Elk Point*	106-4	2.0	Jefferson*	186-2	2.0	Parker*	276-2	2.0	Warner	376-1	1.0
Belvidere*	028-2	2.0	Elkton	107-3	1.0	Kadoka	187-3	1.0	Parkston	277-1	1.0	Warner*	376-2	2.0
Beresford	029-3	1.0	Elkton*	107-2	2.0	Kadoka*	187-4	2.0	Parkston*	277-2	2.0	Wasta*	377-1	1.0
Beresford*	029-2	2.0	Emery	110-4	1.0	Kadoka	187-5	3.0	Parkston	277-3	3.0	Watertown	379-1	1.0
Blunt*	034-3	1.0	Emery*	110-2	2.0	Kennebec	190-4	1.0	Philip	280-3	1.0	Watertown*	379-2	2.0
Blunt	034-2	2.0	Estelline*	113-1	1.0	Kennebec*	190-2	2.0	Philip*	280-2	2.0	Watertown	379-3	3.0
Bonesteel*	035-1	1.0	Ethan	114-3	1.0	Kennebec	190-3	3.0	Pickstown*	281-1	1.0	Waubay	380-3	1.0
Bowdle*	036-1	1.0	Ethan*	114-2	2.0	Keystone*	192-1	2.0	Pierre*	284-6	2.0	Waubay*	380-2	2.0
Box Elder	037-4	1.0	Eureka	115-1	1.0	Keystone	192-2	3.0	Pierre	284-7	3.0	Webster	382-1	1.0
Box Elder*	037-2	2.0	Eureka*	115-2	2.0	Kimball	193-4	1.0	Plankinton	286-1	1.0	Webster*	382-2	2.0
Box Elder	037-5	3.0	Faith	119-4	1.0	Kimball*	193-2	2.0	Plankinton*	286-2	2.0	Wentworth*	383-1	1.0
Brandon	039-4	1.0	Faith*	119-2	2.0	Kimball	193-5	3.0	Platte	287-1	1.0	Wessington*	384-1	1.0
Brandon*	039-2	2.0	Faith	119-3	3.0	Lake Andes	197-7	1.0	Platte*	287-2	2.0	Wessington		
Brandon	039-5	3.0	Faulkton	121-3	1.0	Lake Andes*	197-2	2.0	Platte	287-7	3.0	Springs	385-1	1.0
Brandt*	040-1	1.0	Faulkton*	121-2	2.0	Lake			Pollock*	288-1	1.0	Wessington		
Bridgewater	042-3	1.0	Flandreau	125-4	1.0	Norden*	199-1	1.0	Presho*	291-1	1.0	Springs*	385-2	2.0
Bridgewater*	042-2	2.0	Flandreau*	125-2	2.0	Lake Preston	200-1	1.0	Quinn*	295-1	1.0	White Lake	389-3	1.0
Bristol*	043-1	1.0	Flandreau	125-3	3.0	Lake			Quinn	295-2	2.0	White Lake*	389-2	2.0
Britton	044-1	1.0	Florence*	126-1	1.0	Preston*	200-2	2.0	Ramona*	297-1	1.0	White River	391-1	1.0
Britton*	044-2	2.0	Ft. Pierre	129-6	1.0	Langford*	202-1	1.0	Rapid City*	298-2	2.0	White River*	391-2	2.0
Brookings	045-3	1.0	Ft. Pierre*	129-2	2.0	Lead	204-5	1.0	Rapid City	298-3	3.0	Whitewood	393-1	1.0
Brookings*	045-4	2.0	Ft. Pierre	129-3	3.0	Lead*	204-6	2.0	Redfield	301-1	1.0	Whitewood*	393-2	2.0
Brookings	045-5	3.0	Freeman	133-3	1.0	Lead	204-3	3.0	Redfield*	301-2	2.0	Willow Lake	394-1	1.0
Bryant*	047-1	1.0	Freeman*	133-2	2.0	Lemmon	206-1	1.0	Redfield	301-7	3.0	Willow Lake*	394-2	2.0
Buffalo*	048-1	1.0	Garretson	138-3	1.0	Lemmon*	206-4	2.0	Reliance	305-3	1.0	Wilmot	395-3	1.0
Burke	053-3	1.0	Garretson*	138-2	2.0	Lennox	207-4	1.0	Reliance*	305-2	2.0	Wilmot*	395-2	2.0
Burke*	053-2	2.0	Gary*	139-1	1.0	Lennox*	207-2	2.0	Roscoe*	312-1	1.0	Winner	397-1	1.0
Canistota	055-4	1.0	Gayville	140-1	1.0	Leola*	208-3	1.0	Rosholt*	314-1	1.0	Winner*	397-2	2.0
Canistota*	055-2	2.0	Gayville*	140-2	2.0	Leola*	208-2	2.0	Roslyn	315-3	1.0	Witten*	398-1	1.0
Canova	056-3	1.0	Geddes	141-3	1.0	Letcher	210-1	1.0	Roslyn*	315-2	2.0	Woonsocket	401-3	1.0
Canova*	056-2	2.0	Geddes*	141-2	2.0	Letcher*	210-2	2.0	Salem	322-1	1.0	Woonsocket*	401-2	2.0
Canton	057-6	1.0	Gettysburg	142-1	1.0	Letcher	210-3	3.0	Salem*	322-2	2.0	Worthing	402-3	1.0
Canton*	057-5	2.0	Gettysburg*	142-2	2.0	McCook Lake	258-1	1.0	Scotland	324-3	1.0	Worthing*	402-2	2.0
Carthage*	061-1	1.0	Gettysburg	142-3	3.0	McCook			Scotland*	324-2	2.0	Worthing	402-4	3.0
Castlewood	062-3	1.0	Glenham	145-1	1.0	Lake*	258-2	2.0	Selby*	325-1	1.0	Yankton	405-1	1.0
Castlewood*	062-2	2.0	Glenham*	145-2	2.0	McIntosh*	219-1	1.0	Sherman*	328-1	1.0	Yankton*	405-2	2.0
Centerville	065-1	1.0	Gregory	147-1	1.0	McLaughlin*	220-1	1.0	Sioux Falls	330-8	1.0	Yankton	405-3	3.0
Centerville*	065-2	2.0	Gregory*	147-2	2.0	Madison	221-3	1.0	Sioux Falls*	330-2	2.0			
Central City	066-1	1.0	Groton	149-1	1.0	Madison*	221-2	2.0	Sioux Falls	330-3	3.0	Telecommunication Tax		
Central City*	066-2	2.0	Groton*	149-2	2.0	Madison	221-6	3.0	Sioux Falls	800-1	1.0	Telecom	900-1	4.0
Chamberlain	067-1	1.0	Groton	149-5	3.0	Marion	226-3	1.0	Sisseton	331-3	1.0			
Chamberlain*	067-2	2.0	Harrisburg	151-1	1.0	Marion*	226-2	2.0	Sisseton*	331-2	2.0	Tourism Tax		
Chamberlain	067-3	3.0	Harrisburg*	151-2	2.0	Martin	227-1	1.0	Spearfish*	334-2	2.0	Tourism	700-1	1.0
Chancellor	068-4	1.0	Harold*	153-1	1.0	Martin*	227-2	2.0	Spearfish	334-3	3.0			
Chancellor*	068-2	2.0	Hartford	154-4	1.0	Martin	227-3	3.0	Spencer	335-3	1.0	Motor Vehicle		
Chancellor	068-5	3.0	Hartford*	154-2	2.0	Menno*	233-1	1.0	Spencer*	335-2	2.0	MVLR	600-1	4.5
Clark	073-3	1.0	Hartford	154-5	3.0	Midland	234-3	1.0	Springfield*	336-1	1.0			
Clark*	073-2	2.0	Hayti*	156-1	1.0	Midland*	234-2	2.0	Stickney	337-3	1.0	Tribal Tax		
Clear Lake	075-4	1.0	Henry*	159-1	1.0	Milbank	235-3	1.0	Stickney*	337-2	2.0	Cheyenne*	408-4	4.0
Clear Lake*	075-2	2.0	Hermosa	160-3	1.0	Milbank*	235-2	2.0	Stratford*	340-1	1.0	Cheyenne	408-3	3.0
Colman	076-3	1.0	Hermosa*	160-2	2.0	Milbank	235-4	3.0	Sturgis	341-6	1.0	Cheyenne		
Colman*	076-2	2.0	Herried*	161-1	1.0	Miller	237-1	1.0	Sturgis*	341-2	2.0	Excise	408-2	2.0
Colome	077-1	1.0	Highmore	164-3	1.0	Miller*	237-2	2.0	Sturgis	341-3	3.0	Pine Ridge*	411-4	4.0
Colome*	077-2	2.0	Highmore*	164-2	2.0	Mission	239-1	1.0	Summit*	342-1	1.0	Pine Ridge	411-3	3.0
Colton	078-4	1.0	Hill City	165-5	1.0	Mission*	239-2	2.0	Tabor*	343-1	1.0	Pine Ridge		
Colton*	078-2	2.0	Hill City*	165-2	2.0	Mitchell*	242-2	2.0	Tea	344-4	1.0	Excise	411-2	2.0
Colton	078-3	3.0	Hill City	165-3	3.0	Mitchell	242-3	3.0	Tea*	344-2	2.0	Rosebud*	412-4	4.0
Corsica	082-1	1.0	Hitchcock*	166-1	1.0	Mobridge	243-4	1.0	Tea	344-5	3.0	Rosebud	412-3	3.0
Corsica*	082-2	2.0	Hosmer*	168-1	1.0	Mobridge*	243-3	2.0	Timber Lake	345-3	1.0	Rosebud		
Crooks	087-3	1.0	Hot Springs	169-9	1.0	Monroe*	244-1	1.0	Timber			Excise	412-2	2.0
Crooks*	087-2	2.0	Hot Springs*	169-4	2.0	Montrose	245-4	1.0	Lake*	345-2	2.0	Stand. Rock*	413-4	4.0
Custer*	088-1	2.0	Hot Springs	169-5	3.0	Montrose*	245-2	2.0	Toronto*	347-1	1.0	Stand. Rock	413-3	3.0
Custer	088-2	3.0	Hoven	171-3	1.0	Mt. Vernon	248-1	1.0	Trent*	349-1	1.0	Stand. Rock		
Dallas*	089-1	1.0	Hoven*	171-2	2.0	Mt. Vernon*	248-2	2.0				Excise	413-2	2.0
						Mt. Vernon	248-3	3.0						

2003 Legislative Session News

July 2003 Municipal Tax Rate Update

The following municipal tax rate changes go into effect July 1, 2003. Note the new tax rate and new reporting codes if you report municipal tax in these municipalities.

Bristol will exempt construction materials delivered to a truck of a construction company for use outside city limits.

Kennebec (*190-2) is increasing its general sales and use tax rate from 1% to 2%. Food as defined by the Food Stamp Act will be taxed at 1% (190-4). A 3% tax rate is being imposed on alcoholic beverages, eating establishments and lodging accommodations (190-3). Construction materials delivered to a truck of a construction company for use outside city limits will be exempt.

Kimball is imposing a 3% tax on alcoholic beverages, eating establishments, lodging accommodations, and ticket sales or admissions to places of amusement, athletic and cultural events (193-5).

Leola (*208-2) is increasing its general sales and use tax rate from 1% to 2%. Food as defined by the Food Stamp Act will be taxed at 1% (208-3). Construction materials delivered to a truck of a construction company for use outside city limits will be exempt.

Letcher is imposing a 3% tax on alcoholic beverages, eating establishments and lodging accommodations (210-3).

Quinn (*295-1) is implementing a 1% general sales and use tax rate. A 2% tax rate is being imposed on alcoholic beverages, eating establishments, lodging accommodations, and ticket sales or admissions to places of amusement, athletic and cultural events (295-2). Construction materials delivered to a truck of a construction company for use outside city limits will be exempt.

Wall will no longer exempt gas, electricity and communications.

Sourcing Retail Sales... CONTINUED FROM COVER

Products

Sales tax applies where the customer receives the product.

1. Products picked up by the customer at the retailer's business are subject to sales tax at that location.
2. Products that are delivered by the store or by a delivery company hired by the customer are subject to sales tax at the delivery address.
3. If the product is delivered, but the retailer does not have access to the delivery address, the sales tax applies at the customer's address.
4. If no address is available, sales tax will apply at the retailer's business location.

Services

In many cases the customer takes receipt of the service at the location the service is performed. Sales tax applies to these services based on where they are performed. Examples are motels and hotels, janitorial services, veterinarian services, beauty shops, or seminars.

However, there are services that may be received at a location other than where the actual work is done. Services that create a report or product are taxed where the report or product is received. Examples are testing services, photography, taxidermy, consulting, and accounting.

To determine the correct tax, ask where the product or the service is received by the customer. For example: Accountants need to ask where the customer receives the tax returns. If this is at the accountant's office, sales tax applies there. If the returns are delivered to the customer, sales tax applies at the delivery address.

Leases or Rentals

A lease or rental that requires recurring periodic payments is subject to sales tax as follows:

1. The first periodic payment is subject to state and municipal sales tax where the lessee receives the product.
2. If the product is moved to a new location and the lessor has been notified of the new location, the lessor will tax subsequent payments based on the new location. If lessor does not receive notice of a change of location, sales tax will continue to apply based on where the lessee received the product. The property location is not altered by intermittent use at different locations, such as use of business property that accompanies employees on business trips and service calls.

For more information on new definition of lease and rentals view Tax Facts # 210, Lease and Rental, July, 2003, on our website at www.state.sd.us/drr.

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445 East Capitol Avenue
Pierre, SD 57501-3100
www.state.sd.us/drr
bustax@state.sd.us or call 1-800-TAX-9188

Forwarding Service Requested

Sourcing Retail Sales... CONTINUED FROM PAGE 5

Direct Mailing Service

If a mailing service is hired to print a product and provide a mailing service for the product, tax applies as follows:

- A. If the purchaser provides the seller a Direct Mail Form, the seller does not owe sales tax. The purchaser owes state and municipal use tax where the items are delivered.
- B. If the purchaser provides the seller with delivery locations, the seller owes state and municipal sales tax where the items are delivered.
- C. If a Direct Mail Form or delivery locations are not provided, the seller owes state and municipal sales tax based on where they provide the service. This does not remove the purchaser's obligation for sales or use tax to any state to which the direct mail is delivered.

Repair Services

Services such as repair, refurbishment, cleaning, adjusting and calibration are subject to state and municipal sales tax where the customer takes receipt of the service. If the customer picks the repaired item up at the repair shop, sales tax applies at the repair shop. If the repaired item is delivered to the customer's location, sales tax applies at the delivery location.

Newspaper Subscriptions

Effective July 1, 2003, newspaper subscriptions delivered by mail are subject to the 4% state sales tax, plus applicable municipal tax based on where the newspaper is delivered. Newspapers published at locations outside South Dakota and delivered by mail to South Dakota locations are subject to the state and municipal tax.

Get To Know Your Transient Vendors

By Robert Witte

South Dakota's fifth season is officially here: Tourism. This splendid time of year brings thousands of people to our state to take in the many wonderful experiences that South Dakota has to offer.

Many entrepreneurs also travel to South Dakota during the tourism season in order to sell their goods and services; they are called Transient Vendors. These vendors sell items like fruit, seafood, meat packages, paintings, magazine subscriptions, rugs, t-shirts, sunglasses, household cleaners, furniture, stuffed animals, and asphaltting and roofing services.

Asking the right questions when approached by these vendors can help you avoid making a purchase you may regret:

- Question the salesperson about the product, warranties, guarantees, etc.
- Get something in writing with the company's name, address and phone number.
- Ask to see their current South Dakota tax license. State law requires all persons selling products or services to have a current South Dakota sales or contractors' excise tax license.

If you have doubts about the vendor or think you may have been the victim of a scam, call your local police department or county sheriff's office immediately. For more information on transient vendors, contact the department at 1-800-TAX-9188.