Tax Help That Works!

Find tax answers toll-free at 1-800-829-9188.

Email: bustax@state.sd.us

Website: http://dor.sd.gov

Talk to Us!
If you have a tax problem or question, call the South Dakota Department of Revenue toll-free at 1-800-829-9188.

Visit us on the web at http://dor.sd.gov, email us at bustax@state.sd.us, or write us:

Visit one of our Tax Offices:
South Dakota Department of Revenue
Business Tax Division | 445 East Capitol Avenue | Pierre, SD 57501

<table>
<thead>
<tr>
<th>Area Office</th>
<th>Address</th>
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</thead>
<tbody>
<tr>
<td>Aberdeen Area Office</td>
<td>14 S. Main St., Suite 1-C</td>
</tr>
<tr>
<td>Mitchell Area Office</td>
<td>417 N. Main, Suite 112</td>
</tr>
<tr>
<td>Rapid City Area Office</td>
<td>1520 Haines Ave., Suite 3</td>
</tr>
<tr>
<td>Sioux Falls Area Office</td>
<td>300 S. Sycamore, Suite 102</td>
</tr>
<tr>
<td>Watertown Area Office</td>
<td>715 S. Maple</td>
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<tr>
<td>Yankton Area Office</td>
<td>1900 Summit St.</td>
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Online resource provides tools and information to taxpayers

Our website is located at dor.sd.gov, and features:

**Tax License Application:** Apply online for the following types of tax licenses: Contractor’s Excise, Manufacturer, Sales, Use, Wholesaler, and all Motor Fuel tax types.

**EPath:** File and pay Sales, Use, and Contractor’s Excise Taxes, 911 Surcharges and certain Motor Fuel taxes.

**Tax Match:** A tool to look up state and municipal sales or use tax rates for any location within the State of South Dakota.

**Business Education:** Go to http://dor.sd.gov to register for an in-person seminar.

**Tax Facts:** Industry-specific to help you better understand the tax obligations for specific industries, we’ve created many online guides. Go to http://dor.sd.gov and click on the Publications heading.
Tax Basics

South Dakota does not have a corporate, unitary, or personal income tax. However, businesses may be subject to one or more of the following taxes:

1. **Sales Tax**: 4.5%
2. **Use Tax**: 4.5%
3. **Contractor’s Excise Tax**: 2%
4. **Amusement Machine Receipts**: 4.5%
5. **Farm Machinery and Irrigation Equipment**: 1.5%
6. **Municipal Sales and Use Tax**: 1-2%
7. **Municipal Gross Receipts Tax**: 1%
8. **Tourism Tax**: 1.5%
9. **Motor Vehicle Gross Receipts Tax**: 4.5%
10. **Wireless Gross Receipts Tax**: 4%
11. **Sioux Falls Lodging Tax**: 1%
12. **911 Emergency Surcharge**: $1.25 per user line per month
13. **911 Prepaid Wireless Emergency Surcharge**: 2%

The Department of Revenue administers these taxes. The following sections are basic descriptions of each tax and information on how to report the tax. This is general information only.

For explanations on specific laws and how they apply to your business, refer to South Dakota laws, administrative rules, and publications on our website at [http://dor.sd.gov](http://dor.sd.gov) or call 1-800-829-9188.

Sales Tax

The sales tax applies to the gross receipts of all retail sales, including the sale, lease, or rental of tangible personal property or any product transferred electronically, and the sale of services.

The state sales tax rate is 4.5%.

A business must report and pay sales tax on its gross receipts from the sale of a product or service unless:

A. They receive an exemption certificate from the buyer stating:
   a. the purchase is intended for resale;
   b. the purchase is intended for an exempt use; or
   c. the sale is to an exempt agency, such as South Dakota state or local governments;

B. The product or service is specifically exempt by law; or

C. The service is a construction service taxed in chapter 10-46A or 10-46B. See the Contractor’s Excise Tax Guide for information on tax on construction services.

South Dakota law allows the seller to add the tax to the price of the product or service. However, the seller is liable for the sales tax due, whether or not it is collected.

Determine the location of the sale

Sales tax applies where the customer receives the product or service.

1. Products picked up at the seller’s location are subject to sales tax at that location.

2. Products delivered are subject to sales tax where delivered. Delivery may be by the seller or by a transportation company hired by the customer.

3. If the product is delivered, but the delivery address is unknown, sales tax applies based on the customer’s address.

4. For products transferred electronically, if there is no delivery or customer address on file, sales tax applies based on where the product is first available for transmission by the seller.

Sales delivered to a location outside South Dakota are not subject to South Dakota sales tax, but may be subject to that state’s tax.

Sales to non-residents are taxable if possession is taken in South Dakota.

- Personal care services are taxed at the location the service is performed, which is the same location where the purchaser receives the service. This includes any service performed on the physical human body, such as haircuts or massages.

- Services performed on products are taxed at the location the product is delivered to the customer. This includes services such as repair services.

- Lease or rental of products is taxed where the customer receives the product. However, if the product is moved to another location, sales tax on future payments applies at that location.
**Use Tax**

State use tax applies to all products and services when the applicable sales tax is not collected.

The use tax rate is the same as the sales tax rate. The use tax is due on the purchase price, including freight and handling charges.

Use tax is due in the filing period in which you receive the product or service. Use tax is also due on supplies taken out of retail inventory for the business’s use. The tax rate is based on the location where the product or service is used.

When you purchase a product or service out-of-state, the supplier may legally charge the state’s sales tax. You will receive credit for tax legally due in another state when you bring the product or service back to South Dakota. If the other state’s sales tax is the same or more than South Dakota’s tax, there is no South Dakota use tax owed. If it is less than South Dakota’s, the difference must be paid to South Dakota.

Situations occur when South Dakota sales tax may not have been charged and use tax is due, including:

- When items are purchased from an out-of-state vendor
- When untaxed retail inventory is removed for your use
- When items are purchased over the internet
- When items are purchased through catalogs
- When a product purchased from an out-of-state vendor is delivered in South Dakota, but the other state’s tax is incorrectly charged
- When a purchase is made in another state then brought into South Dakota and the product was not taxed or was taxed at a lower tax rate than applies in South Dakota, you owe use tax.

Examples of items often assessed use tax include:

- Computers
- Demonstration and sample items
- Donations
- Equipment brought into South Dakota from another state
- Farm Equipment
- Office supplies
- Leases of equipment
- Manufacturing equipment
- Meals furnished for employees
- Promotional Gifts
- Services
- Software & Support
- Snow removal
- Tools

**Gross Receipts**

Gross receipts means the total amount of money or other consideration the retailer receives for products or services sold, leased, or rented. Consideration may include cash, credit, property, or services.

A retailer may not deduct the following from their gross receipts:

1. The retailer’s cost of the product or service sold;
2. The retailer’s expenses such as the cost of materials, labor, interest, losses, transportation to the retailer, or taxes imposed on the retailer; and
3. Charges by the retailer for services necessary to complete the sale, including delivery charges. Construction services taxed in chapter 10-46A or 10-46B are not subject to sales tax.

Gross receipts include consideration received from third parties if the following four criteria are met:

1. The retailer actually receives consideration from a third party that is directly related to a discount on the sale;
2. The retailer has an obligation to pass the discount through to the purchaser;
3. The amount of consideration on the sale is set by the retailer at the time of the sale to the purchaser; and
4. One of the following criteria is met:
   a. The purchaser provides a coupon, certificate, or other document to the retailer to claim the discount and the document is authorized, distributed, or granted by a third party with the understanding the third party will reimburse the retailer for the coupon.
   b. The purchaser provides documentation that he is a member of a group entitled to a discount; or
   c. The discount is identified as a third party discount on the invoice given to the purchaser or on the documentation presented by the purchaser.

Gross Receipts do not include:

1. Discounts that are not reimbursed by a third party. This may include cash discounts, early payment discounts, or store coupons;
2. The sale price of property returned by customers if the full sale price is refunded in cash or by credit; and
3. Credit allowed for products taken in trade as a part payment of a taxable retail sale when the product taken in trade is subject to sales tax.

The following are not included in the gross receipts when separately stated on the invoice or documentation provided to the purchaser:

1. Interest, financing, and carrying charges from credit extended on the sale of products or services;
2. Any taxes legally imposed directly on the consumer; and
3. Any fees or other interest imposed for late charges on overdue accounts, no account, or insufficient funds checks.
Municipal Tax

Cities may impose a municipal sales and use tax up to 2% that applies to all products and services that are subject to the state sales or use tax.

Municipal sales tax applies when the consumer receives the products or services within a city that imposes a tax. Municipal use tax applies to all products and services when the applicable sales tax is not collected within a city that imposes a tax. The municipal use tax rate is based on the location where the product or service is used. Additional municipal tax may be due if a product or service is used in a different city that imposes a higher rate of tax than was previously paid.

Exceptions:
- Transportation of passengers is subject to municipal tax only if the trip begins and ends in the same city.
- Farm machinery and irrigation equipment for exclusive agricultural use are subject to 4.5% state tax - no municipal tax.
- Receipts from amusement devices are subject to 4.5% state tax - no municipal tax.

Municipal Gross Receipts Tax

Cities may impose a 1% municipal gross receipts tax that is in addition to their sales tax rate on the sale of all or any of the following:
- Alcoholic beverages
- Eating establishments
- Lodging accommodations
- Ticket sales or admissions to places of amusement, athletic, and cultural events

Tourism Tax

The tourism tax on certain lodging and amusement services is for tourism promotion.

Tourism tax is 1.5%.

Report the tourism tax in the City and Special Jurisdiction Section on the state sales tax return using the code 700-1.

Tourism tax applies to the gross receipts of:
- Hotels and Lodging Establishments
- Campgrounds
- Motor Vehicle Rentals
- Recreational Equipment Rentals
- Recreational Services
- Spectator Events
- Visitor Attractions
- Visitor-Intensive Businesses

For listings of specific products and services subject to tourism tax, review the Tourism Tax Fact.
Example: An Aberdeen motel has $10,000 in receipts from room rentals. Motel rooms rented in July 2017 in Aberdeen are subject to 4.5% state sales tax, 2% municipal sales tax, 1% municipal gross receipts tax and 1.5% tourism tax. The municipal and tourism taxes are reported under the City and Special Jurisdiction Section of the tax return.

### Motor Vehicles Lease and Rentals

The rental receipts from **motorcycles, licensed under 32-5-9, and automobiles, pickups, or vans**, licensed under SDCL 32-5-6, which are rented for 28 days or less, are subject to the following taxes:
- State sales tax
- Municipal sales tax
- Motor vehicle gross receipts tax
- Tourism tax

The rental receipts from trailers with a trailer ID plate under 32-5-8.1 with an unladen weight of 9,000 pounds or more are subject to the following taxes:

1. If rented for 28 days or less:
   - State sales tax
   - Municipal tax
   - Motor vehicle gross receipts tax
2. If rented for more than 28 days but less than 6 months:
   - Motor vehicle gross receipts tax

Tourism tax does not apply to the rental of trailers.

Report the motor vehicle gross receipts tax in the City and Special Jurisdiction section on the state sales tax return using code 600-1.

The rental receipts from the following **recreational vehicles, which are also motor vehicles**, rented or leased under a single contract for 28 days or less, are subject to state sales tax, municipal tax, and tourism tax.

- ATVs
- Motor coaches
- Campers
- Snowmobiles
- Camping trailers
- Trailers
- Mopeds
- Watercraft trailers

The rental receipts from **motor vehicles, other than the above categories**, rented or leased under a single contract for 28 days or less, are subject to the state sales tax and municipal sales tax. These are not subject to tourism tax.

The lease or rental of motor vehicles are not subject to sales tax or tourism tax when rented under a single contract for more than 28 days.

The lease or rental of the following recreational equipment is subject to the state sales tax and municipal sales tax, regardless of the length of the contract. Tourism tax will also apply if these vehicles are leased or rented under a single contract for 28 days or less.

- Go-carts
- Recreational water equipment
- Snowmobiles
- Watercraft

For listings of all recreational equipment subject to tourism tax, review the Tourism Tax Fact.
Motor Vehicle Leasing
Leases of motor vehicles without an operator or driver for more than 28 days are not subject to sales tax, gross receipts tax, or tourism tax. These motor vehicles are subject to the motor vehicle excise tax that is assessed at the time of registration based on the purchase price of the vehicle.

For more information, review the Motor Vehicles Tax Facts.

Wireless Gross Receipts Tax
The 4% telecommunications gross receipts tax applies to the retail sale of wireless intrastate and interstate telecommunications services if the customer’s place of primary use is in South Dakota.

Wireless telecommunications services include wireless personal communications services, wireless local loop services, enhanced special mobile radio services, fixed wireless services, and cellular services that provide two-way communication.

Wireless gross receipts tax is 4%.

Report the wireless gross receipts tax in the City and Special Jurisdiction Section on the state sales tax return using code 900-1.

911 Emergency Surcharge
All telecommunications service providers, wireless service providers, and Interconnected Voice over Internet Protocol service providers are responsible for collecting and remitting the 911 Emergency Surcharge.

1. The surcharge is $1.25 per service user line per month.
2. The $1.25 per service user line surcharge does not apply to prepaid wireless telecommunications service.

Prepaid Wireless 911 Emergency Surcharge
All sellers and wireless service providers that sell prepaid wireless service are responsible for collecting and remitting the 2% Prepaid Wireless 911 Emergency Surcharge. Prepaid wireless service includes:
• prepaid wireless airtime cards
• prepaid wireless plans
• prepaid wireless minutes

1. The surcharge is 2% on the gross receipts from retail sales of prepaid wireless service made in South Dakota, delivered to customers in South Dakota, or sold to online customers with a South Dakota address.

2. The surcharge applies to the sale of all prepaid wireless services; however, a seller may elect not to collect the 2% surcharge on any sale of a prepaid wireless device (a prepaid wireless phone) that is bundled with prepaid wireless service denominated as 10 minutes or less or as five dollars or less.

911 Emergency Surcharges itemized on the customer’s invoice are not subject to sales tax.

Registration: All sellers and providers that collect and remit the 911 Emergency Surcharges are required to register with the Department of Revenue, even if the provider has a sales tax license.

Reporting: All 911 surcharges are electronically reported and paid to the Department of Revenue using EPath.

Administrative Fee: All providers and sellers may keep 2% or $25, whichever amount is greater, of the total surcharge collected each month as an allowance for the cost of collecting and remitting the 911 Emergency Surcharge. The administrative fee cannot exceed the amount of surcharge collected. Returns and payments must be filed and paid timely by electronic means to receive the administrative fee.

For more information, review the 911 Emergency Surcharge Tax Fact.

Sales and Use Tax on Indian Country
Five Indian tribes in South Dakota have tax collection agreements with the State that include sales, use, and contractor’s excise taxes. Two Indian tribes have limited tax collection agreements that include contractor’s excise tax and use tax.

Tourism tax applies on the Cheyenne River, Crow Creek, Rosebud, Oglala, and Standing Rock Special Jurisdictions.

The tax collection agreements ensure that all retail transactions or construction services on property included in a tax collection agreement are subject to the same taxes, tax rates, and exemptions as set forth in the agreement. All businesses, including those owned by tribal members, are responsible for remitting tax.

Indian country that is part of a tax collection agreement is considered a Special Jurisdiction.
A seller does not have to collect sales tax when a purchaser gives a seller a completed exemption certificate at the time of sale.

The exemption certificate is used to:
1. Claim exemption for:
   a. Products or services intended to be resold; or
   b. Products or services used for an exempt purpose.
2. Provide documentation the purchaser is an exempt entity.

The purchaser can give a “single purchase” certificate for just one transaction or a blanket certificate that applies to future purchases of qualifying exempt items.

Exemption certificates do not expire unless the information on the certificate changes; however, we recommend updating exemption certificates every three to four years.

A purchaser from a state that does not issue sales tax permits may use their FEIN, driver’s license number, or state-issued ID number on the exemption certificate.

South Dakota businesses with permit numbers containing UT (use tax) or ET (contractor’s excise tax) cannot buy products or services for resale.

A business that purchases an item for resale, but later uses that item is responsible for reporting and paying use tax on that item.

Any purchaser that provides an invalid exemption certificate with the intent to evade payment of the tax is guilty of a Class I misdemeanor and may be fined up to 50% of the tax in addition to the tax.

Exemption certificates may be obtained on our website at http://dor.sd.gov or by calling 1-800-829-9188.

For more information, review the Exemption Certificate Tax Fact.

The Special Jurisdictions for the limited tax collection agreements for use and contractor’s excise tax are as follows:
- Sisseton Wahpeton Special Jurisdiction
- Yankton Special Jurisdiction

If you have any questions concerning whether a business or customer is located in a Special Jurisdiction set forth above, please contact the department at 1-800-829-9188.

For information on tax rates and reporting of taxes for Special Jurisdictions and Indian country not included in agreements, review the Tribal Tax Fact.

Direct Payment Permit
A direct payment permit allows the holder to purchase products and services without sales tax. The holder reports and pays the use tax on their purchases directly to the department.

Only taxpayers with a sales, use, manufacturer, or wholesaler tax license may qualify for a direct payment permit.

For further information, review the direct payment permit application.

When completing a tax return, include receipts from exempt sales on line 1 of the tax return “Gross Sales.” Then deduct these sales on the non-taxable sales line of the tax return.

Sales for Resale
A business that purchases items to sell, rent, or lease to others in the normal course of its business may purchase those items exempt from sales tax.

Specific criteria must be met before a business can purchase services for resale. For information on services that can be purchased for resale, review the Exemption Certificate Tax Fact, the tax fact(s) for that service, or call 1-800-829-9188.

Exempt Entities
State law exempts certain entities from paying South Dakota sales tax or use tax on their purchases. These entities include:
- Indian tribes
- United States government agencies
- State of South Dakota
- Public or municipal corporations of the State of South Dakota
- Municipal or volunteer fire or ambulance departments
- Public schools, including K-12, universities and technical institutes that are supported by the State of South Dakota or public or municipal corporations of South Dakota.
- Non-profit hospitals
- Relief agencies
- SD religious and private schools

Relief agencies and religious and private schools must apply to
the department and be approved for exempt status. Their exemption number must be included on the exemption certificate. The exemption numbers for relief agencies include an “RA”; private schools include an “RS”.

Government entities must provide an exemption certificate to the vendor, or the vendor must keep documentation to show the purchase was paid with government funds.

Some government entities are issued exemption numbers that include the letters “RG”. These agencies may include their exemption number on the exemption certificate.

The governments from other states or the District of Columbia are exempt from sales tax if the law in that state provides a similar exemption for South Dakota governments or does not impose a sales tax.

The following state governments are exempt from South Dakota sales tax:
- *Alaska*
- *Colorado*
- *Delaware*
- *Indiana*
- *Montana*
- *New Hampshire*
- *North Dakota*
- *Ohio*
- *Oregon*
- *West Virginia*
- *Iowa* (motels and hotels are not exempt)
- *Minnesota* (motels and hotels are not exempt)

**Employee Purchases**
The purchase of products or services for the personal use of officials, members, or employees of exempt entities is subject to sales tax.

Employees or representatives of an exempt entity cannot buy products or services without paying sales tax if they use a personal check or personal credit card. This is true even if the exempt entity later reimburses the employee. The exempt entity must pay the vendor from the exempt entity's funds using that entity's check or credit card.

**Exempt Products and Services**
State law exempts certain products or services from sales or use tax. Documentation is not required to support these exemptions. However, if there is any doubt as to the intended use of these items, the purchaser should provide an exemption certificate to the seller.

Some services specifically exempt from sales tax include:
- *Health services*
- *Educational services*
- *Social services*
- *Agricultural services*
- *Forestry services*
- *Services provided by certain membership organizations*
- *Financial services performed by institutions registered under bank franchise*
- *Commissions paid by an insurance company to an agent for the sale of a policy*

**Other Exempt Transactions or Products**

**Coin-Operated Washers and Dryers** – Receipts from coin-operated washers and dryers are not subject to sales tax. There is an annual license fee paid in lieu of a sales tax on receipts. Fee amounts are: $20 for each coin-operated washer and dryer located in municipalities having populations greater than 1,000 and a $16 fee for each machine located in municipalities with populations of 1,000 or less.

*The sale of coin-operated washers and dryers is taxable.*

**Controlled Group** - Services between controlled group members are not subject to sales tax if sales tax was paid on the original purchase.

A controlled group is defined as any corporations or other entities eligible to file a consolidated federal income tax return, or entitled to only a single surtax exemption for federal corporate income tax purposes, and includes a controlled group of corporations as defined at 26 U.S.C. § 1563, as of July 1, 2002.

A controlled group also consists of any subchapter S corporation, limited liability company, limited liability partnership, general partnership, or limited partnership with at least eighty percent common ownership as if the entity was converted to or taxed as a subchapter C corporation under the Internal Revenue Code as in effect on January 1, 2002.

Sole proprietors are not part of a controlled group.

Controlled group exemptions do not apply to contractor’s excise tax.

**Food Stamp Purchases** - All food stamp purchases (SNAP) are not subject to sales tax.

**Gasoline** - Sales of gasoline, diesel fuels, gasohol, alcohol fuels, propane, kerosene, aviation fuel, jet fuel, and other similar combustible fuels are not subject to sales tax as they are subject to South Dakota fuel tax.
Dyed diesel fuel used for agricultural purposes are not subject to sales tax. 

Off road use of dyed diesel fuel may be subject to sales tax.

Lottery Sales - South Dakota lottery tickets and video lottery receipts are not subject to sales tax. A $12 amusement device decal must be purchased for each machine and renewed by June 30th of each year. 
The sale of video lottery machines is subject to state sales tax but not municipal tax.

Repairs – Repairs to products in inventory to be sold are not subject to sales tax.

Taxable Transactions

The following are examples of taxable transactions (list is not all inclusive)

Sales to:
• Churches
• Membership organizations such as YMCA, YWCA, Boys and Girls Scouts, Lions Club or Jaycees
• Civic and Nonprofit Organizations
• Schools, Colleges, and Religious, Benevolent, Fraternal, and Charitable Organizations for fund raisers

Sales of:
• Gifts and Premiums
• Prepared Food, Meals, or Drink
• Repair and Service of Products
• Products Sold at Auction

A change in ownership or legal organization, such as from one sole proprietor to another, from sole proprietor to a partnership, a change from sole proprietor to a corporation, or a merger, requires a new tax license.

Partnerships: Information on any change in partners must be sent in writing to the department and must be signed by all partners, including those leaving, entering, and staying in the partnership. Information must include:
• The name, social security number, personal address, phone number, and effective date of change for any new partner.
• The name and effective date of separation for any partner leaving.

Corporations, LLC, or LLP: Information on any change in corporate officers or members must be sent to the department. A change in corporate officers or members does not require a new tax license.
Your business must file a tax return each reporting period even if you did not conduct business or receive income.

**Paper Returns**

Businesses filing paper returns are sent a tax return and worksheet for each reporting period.

It is your responsibility to contact the department if you do not receive a return.

If you file electronically, you will not receive a paper return.

**Filing an Amended Return**

If you have an EPath account, you may amend your returns one time through EPath. If you file by paper or are not able to amend the return through EPath, please call 1-800-829-9188 for amended return information.

**Late Filing and Paying**

**Penalty:** A penalty of 10% (.10) of the tax liability is assessed if a return is not received within 30 days following the month the return is due. The minimum penalty is $10 and is assessed even if no tax is due.

**Interest:** 1% (.01) interest will be assessed each month on any past due tax until the tax is paid in full. (A minimum of $5.00 interest is due the first month).


Receive a collection allowance of 1.5% of the tax due, not to exceed $70, each reporting period, by filing and paying your sales taxes electronically and on time. No allowance given on contractor’s excise tax returns or if you have past tax due.

This option allows you to make a single ACH debit or credit card payment on an account without an EPath account or without logging into your EPath account.

Visa, MasterCard, and Discover credit cards may now be used to pay your taxes. A nonrefundable convenience fee of 2.45% of the payment amount is charged on each credit card payment. The convenience fee is automatically calculated and added to your payment amount.

**Pay Online:** Pay by ACH Debit or Credit Card

Use your EPath account or Make a Payment if you do not have an EPath account.

**Pay by Phone:** Call 1-800-829-9188 to make a payment by ACH Debit or Credit Card.

**ACH Credit:** Contact your bank to have a payment sent electronically to the department.

**Pay by Check:** Send payment to Department of Revenue, Remittance Center, PO Box 5055, Sioux Falls, SD 57117.

**Collection Allowance**

If you file and pay your sales tax return electronically and on time, you will receive a collection allowance. The allowance will be 1.5% of the tax due on the sales tax return, not to exceed $70 for each reporting period. No allowance is provided for contractor’s excise tax returns, returns filed or paid by paper, or for licensees that have any past due return or amount due on a license issued by the Department of Revenue including but not limited to: sales tax, contractor’s excise tax, motor fuel tax, 911 surcharge account, bank franchise, and alcohol licenses.
Record keeping is a responsibility of not only those paying sales tax or contractor’s excise tax but also individuals paying use tax and any person purchasing products or services for storage, use, or other consumption in the state.

Keeping accurate and complete records makes the job easier when it is time to fill out tax returns and other reports. It also helps us correctly determine your tax liabilities during an audit of business income, purchases, exemptions, and deductions. We may use the records to determine if you reported and paid your taxes correctly.

You must keep your records for a minimum of three years or longer if you are depreciating capital assets. This includes both paper and electronic records.

Records supporting the following are to be kept and presented upon request of the Department of Revenue:
1. The amount of gross receipts and sales from all sources, including barter.
2. The amount of all deductions, exemptions, or credits claimed.

Businesses should keep the following books and records:
• South Dakota sales, use, and contractor’s excise tax returns and work papers
• Federal income tax returns for the business
• Summary accounting records and source journals, such as the check register, general ledger, sales journal, general journal, cash receipts journal, and any other records you use to record income and expenses
• Sales invoices
• Purchase invoices (accounts payable, receipts)
• Beginning and ending inventories
• Bills of lading
• Canceled checks
• Contracts
• Depreciation schedules listing all assets acquired or disposed of during the audit period along with purchase or sales invoices for those assets
• Exemption certificates for any sales for resale, sales to exempt entities, or other exemptions claimed
• Prime Contractor exemption certificates
• Supporting documentation for all deductions and exemptions.

Any business, whether licensed or unlicensed, may be selected for an audit or review. Audits and reviews are a routine procedure used to determine if taxes were correctly reported and paid.

Our auditors and agents will do their best to minimize any disruption of your business during the audit or review.

Prior to the audit or review, an auditor or agent will contact you to set up a time to check your books and records. You will need records to allow the auditor or agent to confirm the accuracy of your tax returns.

If, after reviewing your books, an auditor determines that taxes are due, you will be assessed the additional tax and interest. The auditor will discuss both the procedures used and the differences identified. You will have an opportunity to review the results and discuss them with the auditor before any assessment is issued.

In occasional cases where the errors in filing a return were fraudulent, returns were not filed, no taxes were paid, or the law was otherwise broken, criminal charges may be filed in addition to the interest and penalties assessed.

Accounting Methods

When using the accrual method, taxes must be paid on all sales made during the reporting period, even if you have not received payment.

An exception is a conditional sale. When payments for the principal sum are extended over a period longer than 60 days from the date of the sale, only the payment received during each reporting period is subject to sales tax.

When you report using the accrual method, you may take credit for bad debts during the reporting period in which you write the bad debt off as uncollectible in your books and records and it is eligible to be deducted for federal income tax purposes.

When you use the cash method of accounting, you report gross receipts and pay tax as you receive payments. No bad debts are allowed on the cash basis.

Changes in accounting methods must be requested in writing.

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Changes in accounting methods must be requested in writing.

Accounting Methods

When using the accrual method, taxes must be paid on all sales made during the reporting period, even if you have not received payment.

An exception is a conditional sale. When payments for the principal sum are extended over a period longer than 60 days from the date of the sale, only the payment received during each reporting period is subject to sales tax.

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Collections

What happens if you do not file returns due or pay the amount due?

1. Penalty applies to returns filed late.
2. Interest applies to the unpaid tax each month until paid in full.
3. A revenue agent will attempt to contact you to resolve the delinquency.
4. The department may:
   • Issue an assessment of the estimated tax, penalty, or interest.
   • File a notice of the tax lien with the register of deeds in any county. Any tax, penalty, or interest due from a taxpayer is a lien in favor of the state on all real or personal property and rights to property belonging to the taxpayer.
   • Issue a distress warrant directing the sheriff to seize your property to pay the debt.
   • Revoke your tax license. It is a Class 6 felony to engage in business after the Secretary of Revenue has revoked a tax license.
   • File a criminal complaint. Failing to file and/or pay one return within sixty days of the due date is a Class 1 misdemeanor. Failing to do so twice within a twelve-month period is a Class 6 felony.
     The sentence for a Class 6 felony may be up to two years in prison and/or a $2,000 fine.
   • Refer any amount due to the State’s collection agency for collection.

*If the business ownership is a corporation, limited liability company, limited partnership, limited liability partnership, or limited liability limited partnership, the department may take these actions against any of the corporate officers, member-managers or managers of limited liability companies, or partners of partnerships.

What can you do to avoid becoming delinquent?

• Know your tax responsibilities and plan for them.
• File electronically. Electronic filing reduces errors, saving you time and money.
• Pay careful attention to the due date on your tax return.
• Respond promptly to any Notice of Balance Due or Delinquency Notice sent to you.
• Open and read Department of Revenue correspondence sent to you; it may contain reporting instructions, due dates, changes in laws or tax rates, or other important information that may affect your tax responsibilities.
• Set up a separate bank account and regularly deposit collected retail sales tax or other taxes you may owe. Withdraw the funds only when you pay the taxes.
• Promptly notify the Department of Revenue if your address and/or phone number changes.

Taxpayer’s Bill of Rights

1. You have the right to confidentiality.
2. You have the right to tax information written in plain language.
3. You have the right of appeal.
4. You have the right to courteous, prompt, and accurate answers to your questions.
5. You have the right to be certain that performance goals or quotas do not influence collection procedures or assessments.
6. You have the right to rely on the written advice given to you by the Department of Revenue.
7. You have the right to be notified before the department audits your records unless the Secretary of Revenue determines that a delay will jeopardize the collection of tax.
8. You have the right to clear and consistent policy regarding the deadlines for filing tax returns and making payments.
9. You have the right to seek a refund of any taxes you believe that you have overpaid within the last three years.
10. You have the right to a process requiring a person no lower in authority than the division director approve the seizure of your property for taxes.
11. You have the right to expect that a good-faith effort to comply with tax laws will be given consideration in disputed cases.
12. You have the right to a tax credit of interest or penalties that are determined to have been inappropriately levied.
13. You have the right to the removal of a lien on your property within 30 days after you have paid all tax, penalty and interest due.
14. You have the right to have the South Dakota Department of Revenue correct the public record.
SALES AND USE TAX RETURN

Reporting Period__________________________
Return _________________________________
Return Due ______________________________

If your address changed, please update below:
Mailing Address: ____________________________________________
Physical Address: __________________________________________
Out of business? Last day of business: __________________________
Please send your license card in with your return.

License #

<table>
<thead>
<tr>
<th>SALES TAX CALCULATIONS</th>
<th>GROSS</th>
<th>TAXABLE</th>
<th>RATE</th>
<th>TAX DUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Gross Sales</td>
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<td>2. Use Taxable</td>
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<tr>
<td>3. Non-Taxable Sales</td>
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<tr>
<td>4. Special Jurisdiction Sales (Detail in City Section)</td>
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<tr>
<td>5. Net State Sales Taxable (Line 1 plus Line 2, minus Line 3, minus Line 4)</td>
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<td>x 4.5%</td>
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<td>6. City &amp; Special Jurisdiction Tax Calculation Detail:</td>
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<td>7. City/Special Jurisdiction Name</td>
<td>Code</td>
<td>Taxable</td>
<td>Rate</td>
<td>Tax Due</td>
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<td>22. Total City/Special Jurisdiction Tax (Add Lines 8 through 21)</td>
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<td>23. Total Tax Due (Line 5 plus Line 22)</td>
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<td>24. Penalty/Interest</td>
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<td>25. Adjustment (Previous Credit/Balance Due)</td>
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<td>26. Total Due (Line 23 plus Line 24 plus Line 25)</td>
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<td>27. Amount Remitted</td>
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I declare under the penalties of perjury this return has been examined by me and to the best of my knowledge and belief is a true, correct and complete return.

Date ___________________________ Preparer ___________________________
Date ___________________________ Licensee ___________________________
South Dakota Streamlined Sales Tax Agreement
Certificate of Exemption

Warning to purchaser:
This is a multi-state form. Not all states allow all exemptions listed on this form. Purchasers are responsible for knowing if they qualify to claim exemption from tax in the state that is due tax on this sale. The state that is due tax on this sale may be notified that you claimed exemption from sales tax.

The purchaser will be held liable for any tax and interest, and possible civil and criminal penalties imposed by the member state, if the purchaser is not eligible to claim this exemption.

1. [ ] Check if you are attaching the Multistate Supplemental form.

If not, enter the two-letter abbreviation for the state under whose laws you are claiming exemption.

2. [ ] Check if this certificate is for a Single Purchase Certificate. Invoice/purchase order #__________________________.

3. A. Name of purchaser

B. Business address

C. Purchaser’s tax ID number

D. If no tax ID number, enter FEIN

E. If no ID number or FEIN, enter Driver’s License Number/State Issued ID number

F. Foreign diplomat number

G. Name of seller from whom you are purchasing, leasing or renting

H. Seller’s address

4. Purchaser’s Type of business. Circle the number that best describes your business.

01 Accommodation and food services

02 Agriculture, forestry, fishing, hunting

03 Construction

04 Finance and insurance

05 Information, publishing and communications

06 Manufacturing

07 Mining

08 Real estate

09 Rental and leasing

10 Retail trade

11 Transportation and warehousing

12 Utilities

13 Wholesale trade

14 Business services

15 Professional services

16 Education and health-care services

17 Nonprofit organization

18 Government

19 Not a business

20 Other (explain)

5. Reason for exemption. Circle the letter that identifies the reason for the exemption.

A Federal government (Department)

B State or local government (Agency)

C Tribal government

D Foreign diplomat

E Charitable organization

F Religious or educational organization

G Resale

H Agricultural

I Industrial production/manufacturing Does not apply in SD

J Direct pay permit

K Direct mail

L Other (Explain)

6. I declare that the information on this certificate is correct and complete to the best of my knowledge and belief.

Signature of authorized purchaser

Print name here

Title

Date