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Boat Sales, Purchases, Rentals, Repair, and Services

The purpose of this Tax Fact is to provide general guidelines on how South Dakota taxes apply to items and services purchased and sold. It is not intended to answer all questions that may arise. The information contained in this fact sheet is current as of the date of publication.

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Required Records

- Boat dealers must have a South Dakota boat dealer’s license and a sales tax license, if applicable, for each place of business within the state.
- For large boat dealers, records, such as purchase and sales invoices, bills of lading, books of all receipts and sales, cash register receipts, and other important papers and documents must be kept for at least three years and be available for inspection during business hours.

Sales Tax and Use Tax

Sales tax is assessed on products and services at the time of purchase, lease, or rental. Use tax is due on purchases if no sales tax has been applied.

- To learn more about use tax, see the [Use Tax Tax Fact](#).
 - ⇒ To submit a use tax payment online, click [here](#).

Municipal Tax

Applicable municipal sales and use tax rates are based on the location the product or service is received.

- To lookup the sales and use tax rate for a given address, visit the Department of Revenue’s [TaxMatch tool](#).

South Dakota Taxes and Rates

Motor Vehicle Excise Tax – Applies to the purchase of most motor vehicles.	4%
Boat Excise Tax – Applies to the purchase of most boats.	3%
State Sales Tax or Use Tax – Applies to all sales or purchases of taxable products and services.	4.5%
The following tax may apply <i>in addition</i> to the state sales tax:	
Municipal Sales Tax or Use Tax – Applies to all sales of products and services that are subject to the state sales tax or use tax if the purchaser receives or uses the product or service in a municipality that imposes a sales tax or use tax.	1 to 2%
Tourism Tax — applies to the rental of certain motor vehicles. Tourism tax does not apply when remitting use tax.	1.5%

Sales Tax Exempt Entities

Accredited schools, non-profit hospitals, approved relief agencies, and government entities are exempt from boat excise tax and sales and use tax.

- To learn more about exempt entities, see the [Exempt Entities Tax Fact](#).

Boat Sales or Purchases Tax, Titling, Licensing, and Registration

	Sales or Use Tax	Excise Tax	Titling	License and Registration	Description
Large Boats	No	Yes - 3%	Required	Required	A large boat is any boat over twelve feet in length or a motorboat, used or capable of being used as a means of transportation on water. SDCL 32-3A-2
Personal Watercraft	No	Yes - 3%	Required	Required	This includes jet skis, wave runners, and water scooters.
Seaplanes	No	No - State Aeronautics Tax	No	No	Contact the South Dakota Department of Transportation for more information.
Boat Trailers	No	Yes - 4%	Required	Required	
U.S. Coast Guard Documented Boats	No	Yes - 3%	No	Yes	
Other Watercraft	Yes	No	No	Yes (if over 12 feet in length)	This includes canoes, inflatable boats, kayaks, sailboards, and paddleboards.
Boat Accessories and Equipment	Varies	Varies	No	No	Boat accessories and equipment are subject to state and applicable municipal sales or use taxes when acquired after the initial purchase of the boat. If installed on the boat at initial purchase, boat excise tax applies.

Resale Purchases

Boat dealers must give an exemption certificate to their suppliers in order to purchase services and supplies exempt from sales tax.

- State law requires exemption certificates to be complete and accurate. The buyer will be held responsible for properly completing an exemption certificate.
 - ⇒ To complete the Exemption Certificate, click [here](#).
- Dealers may sublet repairs to body shops, electrical repair shops, upholstery shops, etc.
 - ⇒ When sublet repair services are performed, the repair shop should obtain an exemption of resale.

Sales for Resale

A boat dealer may sell his or her services or products for resale if the buyer provides an exemption certificate.

- It is the buyer's responsibility to know when a service or product qualifies as a sale for resale.
- The boat dealer is responsible for maintaining a complete exemption certificate.

To learn more about sales for resale, click [here](#) to see the Exemption Certificate Tax Fact.

Repair Services and Repair of Inventory

Services such as boat repair, body repair, and customizing are subject to sales and use taxes.

- Repair services are taxed where the customer takes possession of the vehicle.
 - ⇒ If the item is picked up by the customer at the repair shop, the tax applies at the repair shop.
 - ⇒ If the repaired item is delivered to the customer's location, the tax applies at the customer's location.

Sales tax does not apply to repairs or replacement parts on boats or trailers for sale in a dealer's inventory.

- Replacement parts are defined as parts that will remain with the property for an indefinite period of time and include items such as: tires, lights, bodywork, hoses, belts, spark plugs, and batteries.
- A dealer may take replacement parts from their inventory to repair dealer-owned inventory without reporting use tax on these items.

A dealer may sublet repairs to body shops, electrical repair shops, upholstery shops, etc.

- When sublet repair services are performed on dealer owned inventory, the repair shop should obtain an exemption certificate.
- Parts used to repair boats or trailers the dealer rents or leases to others, or uses for themselves, are subject to state and applicable municipal use tax.

The use tax exemption does not include routine maintenance items such as oil, windshield washer fluid, antifreeze, filters, detailing, or cleaning services.

- Items taken from the dealer's inventory for routine maintenance are subject to use tax, even though the boat or trailer is held for sale.
- Routine maintenance products or services purchased from other shops are subject to sales tax and cannot be purchased for resale.

Rental of Boats

The rental of a boat or watercraft is subject to South Dakota state sales tax, applicable municipal tax, and tourism tax.

- The rental of a trailer for less than 28 consecutive days is subject to state and applicable municipal sales tax and tourism tax. The owner must title and register leased trailers.
- A leasing or rental company that operates within the principal place of business of a boat dealer must title, license, and tax any leased or rental boat in a name that is distinct and separate from that of the dealership.
- Report the tourism tax in the city and special jurisdiction tax section of the sales tax return with the code 700-1.

Warranties, Service Contracts, and Insurance

* *Manufacturer's Warranty*

Parts and labor furnished to fulfill a warranty obligation of the manufacturer are not subject to sales tax. Your receipts from the manufacturer for warranty work are not taxable. You do not owe use tax on parts taken from inventory to complete work under a manufacturer's warranty, this does not include warranty software.

Receipts from the customer or manufacturer for items not covered by the warranty are subject to sales tax.

If the manufacturer's warranty states:	Sales Tax or Use Tax Due
No cost to customer for parts	No sales tax or use tax due on the parts
Customer is responsible for a percentage of parts and labor	Sales tax due on the amount charged the customer
Customer pays a deductible for parts or labor	Sales tax due on the amount charged the customer
Customer is responsible for the repair labor	Sales tax due on the amount charged the customer
The manufacturer furnishes you the repair part at no charge	No sales tax or use tax due on the repair part
The manufacturer pays you for the repair part	No sales tax or use tax due on the repair part
The manufacturer pays you for the repair labor	No sales tax or use tax due on the repair labor

* *Mechanical Breakdown Insurance*

Insurance policies are not considered warranty or service contracts. Insurance premiums are not subject to sales tax; however, the premiums are subject to insurance premiums tax. All charges made to the insurance company for parts and labor are subject to sales tax.

If you do not know if a service contract is insurance or not, you may contact the [South Dakota Department of Labor, Insurance Division](#) and ask if the company that sells the contract is a licensed insurance company, or call the Department of Revenue at 1.800.829.9188.

* *Implied Warranty*

If you do not charge for repairs made to a customer's motor vehicle after the sale and those repairs are not covered by a written warranty, you owe use tax on the cost of all parts installed in the customer's vehicle. You do not owe use tax on your employee's labor.

Contact Us

If you have any questions, please contact the **South Dakota Department of Revenue.**

Call toll-free: 1-800-829-9188

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