

June 2016

This fact sheet is designed to provide general guidelines and examples for garbage and solid waste companies. If this Tax Facts does not answer your specific question, please call the department's toll-free helpline at 1-800-829-9188 between 8:00 AM - 5:00 PM CST, Monday through Friday.

Information found in this document rescinds and replaces all previous written information on this subject. All readers and users of this publication are responsible for keeping informed about changes in tax laws and regulations by reading the department's newsletters, press releases, Tax Facts, and other documents published by the Department of Revenue.

The gross receipts from all garbage and solid waste services are subject to the 4.5% state plus municipal sales tax based on where the garbage and solid waste is picked up from the customer. Private carriers, cities, or any entity charging for garbage or solid waste disposal services are subject to the 4.5% state plus applicable municipal sales tax on their entire gross receipts. The collection of recyclable and hazardous waste is also a sales taxable waste disposal service.

Tipping fees or charges for dumping at a landfill, MFR, transfer station, recycling station, rubble site, etc. are subject to the 4.5% state plus applicable municipal sales tax. No deduction is allowed for tipping fees or any other fees or expenses passed on to the customer. Tipping fees charged to garbage and solid waste carriers may be sold for resale if the carrier provides a valid exemption certificate.

Solid waste carriers are required to pay sales or use tax on all items they use or consume in the operation of their business. Tax is due on supplies such as containers, office equipment, repair parts, etc. Late charges on past due accounts are not subject to sales tax and are not to be reported as gross receipts.

Sales tax is not due on solid waste services performed for exempt entities, including schools, state agencies, federal agencies, tribal entities and non-profit hospitals.

Definitions

Garbage/Solid Waste: Anything to be disposed of or recycled.

Blue Bag System: A mixed waste collection system with solid waste for disposal and recyclables for resale.

Material Recovery Facility (MRF): A mixed waste facility used to process the mixed waste collection (blue bags) from the waste stream. The materials in blue bags are processed for shipment to recycling markets in South Dakota and out of state. The materials not in the blue bag are sorted, and materials that can be reclaimed for recycling or compost are diverted, with the residuals and sent through the system for final disposal in the landfill.

Transfer Station: A facility used to collect, compact and process

solid waste from a municipality or service area that does not have a municipal solid waste landfill. The solid waste is tipped either onto a floor for sorting or directly transferred to a trailer to be hauled to a landfill. Transfer stations may be city, county, or privately owned.

Tipping fee: A fee charged for use of a landfill, dump, disposal, rubble site, transfer station, or material recovery facility.

Rubble Site: A site holding a permit for the disposal of non-household waste items such as construction debris, tires, lumber and other non-perishable items.

Sales of Recyclable Waste

Solid waste carriers who collect and then sell recyclable material may owe sales tax on the sale depending on the buyer. If the purchaser intends to resell the materials (such as a nursery buying, repacking and then reselling compost) sales tax is not due and the buyer should provide an exemption certificate. If the buyer intends to use the material for their own use, (livestock producers buying newspaper for bedding) sales tax is due.

Examples

1. A city hires a private contractor to perform solid waste removal services for the community. Since the municipality is an exempt entity, the contractor does not charge tax on his services. When the city bills its customers for the waste removal services, it must collect state sales tax plus municipal sales tax on the charges.

2. A South Dakota solid waste carrier collects waste in neighboring states as well. Since tax is imposed at the point of collection, no South Dakota sales tax is due on collections outside South Dakota. The carrier should check with the Department of Revenue of the neighboring states to verify tax obligations in those states.

3. A solid waste carrier picks up medical waste from hospitals, clinics and doctors' offices and transports it to a facility located out of South Dakota. Sales tax applies to services provide to taxable entities, i.e. for-profit hospitals and clinics.

Land Farms

Land Farming is a bioremediation technology. The landfarm operator will owe sales tax on all charges billed to their customer for the remediation services, including placement of soil in the land farm, tilling or turning charges, and lab testing. Any soil sold after it is uncontaminated is subject to sales tax. The landfarm operator will owe sales or use tax on all equipment and services they purchase, such as lab testing, tilling equipment, and chemicals.

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:

**South Dakota
Department of Revenue
445 East Capitol Ave.
Pierre, SD 57501**

Aberdeen
14 S Main, Suite 1-C
Aberdeen, SD 57401

Sioux Falls
300 S. Sycamore, Suite 102
Sioux Falls, SD 57110

Mitchell
417 N. Main, Suite 112
Mitchell, SD 57301

Watertown
715 S Maple
Watertown, SD 57201

Rapid City
1520 Haines Ave, Suite 3
Rapid City, SD 57701

Yankton
1900 Summit Street
Yankton, SD 57078