

July 2013

If sales are to a government or exempt agency per SDCL 10-45-10, sales tax is not due. Proof of payment from the exempt entity should be kept for documentation. If this tax facts does not answer your specific question, please call the department's toll-free helpline at 1-800-TAX-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 of Revenue newsletters, press releases, Tax Facts, and other documents published by the department.

Sales of tangible personal property and services are exempt from sales tax when sold to:

- United States Government
- State of South Dakota
- Cities, Counties and Townships
- The Government of any other state IF that state has the same exemption
- School Districts
- Public or Municipal Corporations
- Indian Tribes

Governments like the state, city, counties, etc., are required to charge sales tax on items or services that are not a regulatory function of that government.

The following items or services are subject to sales tax if a charge is made:

- Copies, faxes, and notary services
- Vending machine items
- County maps, property descriptions, and neighborhood cost analysis, copy charges to title companies
- Voter registration lists, if not authorized under SDCL 12-4-24 and 12-4-24.1
- Fee charges for administering hunting and fishing licenses
- Informational pamphlets and books
- Non-ag pesticides/rodenticides
- Alarm monitoring services and sale of 911 tapes or transcripts and audio tape reproduction
- Charges for dispatch services to private ambulance companies
- Sales of data information to private research companies
- Fingerprinting fees
- Garbage collection

- Mowing & non-ag weed spraying
- Auctions for sale of surplus items
- Campsites Rentals (subject to tourism tax)

The following construction services are subject to the contractors' excise tax:

- Charges for repairs to damaged signs and other structures due to accidents or vandalism
- Private contributions to repair minimum maintenance roads and driveways
- Road repairs performed for townships or road districts

The following items or services are exempt from sales tax by law or as a regulatory function of county government:

- Advertising fee reimbursements for actions that must be publicly advertised. (i.e. beer license)
- Air quality permits, paved parking lot permits, and building permits
- Occasional rental of meeting rooms
- Work release fees collected from inmates (SDCL 24-11-32. 1)
- Commissions received from pay phones
- Dental and medical bills to inmates
- Fees charged to parents for children incarcerated at juvenile detention centers (SDCL 267A-94&98)
- Charges at Detox center for testing and mandatory DWI classes
- Legal fees collected by Public Defenders office or by the county, on behalf of the Public Defenders Office.
- Ownership lists for rezoning or that must be purchased by persons taking out building permits
- Copies of deeds prepared by the Register of Deeds which is required to be performed by law
- Sale of scrap metal if sold for resale
- Voter registration list (authorized under SDCL 12-4-24 and 12-4-24.1)
- Sale of hunting and fishing licenses (except the administrative fee)
- Background checks - Record searches (SDCL 16-2-29.5)

**Management of Revolving Loan Fund**

Beginning July 1, 2005, the receipts received by the State of South Dakota and any of its political subdivisions including multi-county planning and development districts established pursuant to Executive Order 70-7, or its successor, from management services provided to a revolving loan fund operated by a nonprofit entity will be exempt from sales and use tax.

**Unlicensed Contractors**

Public corporations may not award contracts for the construction of any public improvement to unlicensed contractors. Please contact the department at 1-800-TAX-9188 to verify the contractor’s license prior to letting bids.

Contractors must provide documentation to the public corporation that these licensing requirements are met before the public corporation can do business with them.

Contractors may obtain an application for a tax permit from our website at [www.state.sd.us/drr](http://www.state.sd.us/drr) or by calling 1-800-TAX-9188.

**Contractors Tax Liability**

If a county hires a contractor to perform construction services or realty improvement work for the municipality, the contractor will owe excise tax on the gross receipts from that work. In addition, the contractor will owe sales or use tax on all materials they use in the project. The contractor must pay use tax and contractors’ excise tax on materials supplied by the municipality for use in their work.

**A government entity may NOT issue an exemption certificate to a contractor that is performing construction services or realty improvements for that entity.**

State law allows contractors to list their tax expense as a separate line item on all contracts and bills. The contractors’ excise tax and the contractor’s use taxes are part of the contractor’s total bill and are collectible from all entities, both public and private.

**Conservation Districts**

Conservation districts are government agencies. Purchases made by conservation districts are exempt from sales tax.

Sales of products by a conservation district are subject to the state sales tax plus applicable municipal tax based on where the product is delivered. This does not include products that are planted or installed by the seller on agricultural land.

Examples of taxable products are:

- Trees
- Tree mats
- Fabric – ground cover
- Flags

- Staples
- Wiltpruf
- Tree tubes

Receipts from certain services performed on agricultural land are exempt from sales tax. This includes products that are sold and planted or installed on agricultural land. Agricultural land includes the shelterbelt around farm residences.

These services include:

- Planting trees in shelterbelts
- Cultivating shelterbelts
- Spraying trees
- Installing tree tubes
- Installing ground cover

Receipts from these services performed in town or on an acreage that is not used for agricultural purposes are subject to sales tax.

The conservation district does not owe use tax on the trees planted or other material they use because they are a government entity. If someone other than an exempt entity, e.g., Conservation Districts, plants the trees they will owe use tax on the trees and material used.

The rental or lease of equipment owned by a conservation district that is used for agricultural purposes is exempt from sales tax. This includes all agricultural devices such as drills, cultivators or land rollers.

**Talk to Us!**

If you have a tax problem or question, call the South Dakota Department of Revenue toll-free at 1-800-TAX-9188. Visit us on the web at [www.state.sd.us/drr](http://www.state.sd.us/drr), email us at [bustax@state.sd.us](mailto:bustax@state.sd.us) or write us:

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