

July 2013

This fact sheet explains how South Dakota's 4% sales and use and 2% contractors' excise tax applies to the metal mining industry. Since it is impossible to cover every conceivable situation, specific questions should be directed to the department's toll-free helpline at 1-800-TAX-9188.

Information found in this document rescinds and replaces all previously 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 of Revenue.

## Metal Mining—General Information

South Dakota's 4% sales and use tax, plus applicable municipal tax applies to a wide variety of services and tangible personal property in the precious metal mining industry. Municipal tax applies to tangible personal property that will be used above or below ground if the buyer takes possession inside the municipality's limits.

Note: As of July 1, 2002, the city of Lead no longer exempts the sale of tangible personal property sold to mining companies for use outside the municipality's limits.

## The Sale of Drilling Rigs

The gross receipts from the sale of drilling rigs used to explore for precious metals are subject to the 4% state sales and use tax, plus applicable municipal tax. The amount of sales tax is based on the total amount of the sale, including delivery charges. Use tax is due by the purchaser of the drilling rigs if the vendor did not remit sales tax to the State of South Dakota.

Drilling rigs purchased for out-of-state use that are later used or stored in South Dakota and are **less than seven years old** are subject to use tax based on the cost or fair market value of the rig when brought into South Dakota, if sales tax has not been paid.

## **Examples of tangible personal property subject to the 4% South Dakota sales and use tax, plus applicable municipal tax:**

- Acid wash tanks
- Conveying systems not installed or secured to real property
- Cranes

- Crusher (primary and secondary)
- Drag lines and shovels
- Drilling rigs used to locate precious metals
- Drying ovens
- Electrwinning cells
- Fork lift
- Front end loader
- Laboratory equipment not affixed to a building
- Laboratory furniture not affixed to a building
- Machinery and tools
- Process vessels
- Pumps
- Reclamation Equipment
- Solution heaters
- Stacking equipment
- Strip vessels
- Tertiary crusher
- Trucks not used on the highway

## The Sale of Drilling Services

The gross receipts from the sale of drilling services used to explore for precious metals are subject to the 4% state sales and use tax, plus applicable municipal tax. If the sale of drilling services is made by a vendor without a South Dakota sales tax license, and no South Dakota sales tax is paid, 4% state use tax, plus applicable municipal tax is due by the purchaser of the service.

The drilling service company is also responsible for use tax on all equipment and supplies they use in performing their service.

## **Examples of services that are subject to the South Dakota 4% state sales tax, plus applicable municipal tax.**

### **Overall Mine Services**

- Environmental impact studies
- Designing buildings or other realty improvements if preformed without any realty improvement work.
- Mine feasibility studies

**Mine Exploration**

- Boring test holes
- Exploratory drilling
- Geophysical exploration
- Geophysical studies
- Lab testing and analysis
- Test drilling

**Mine Operations**

- Contract crushing
- Contract hauling
- Contract mining
- Contract security services
- Contract draining or pumping of mines

**Mine Development**

- Adits
- Developmental drilling
- Drifts
- Haul roads
- Overburden removal
- Pre-strip metal mining
- Sinking mine shafts

**Realty Improvements and the Contractors' Excise Tax**

Contractors engaged in realty improvement contracts in South Dakota are subject to the 2% contractors' excise tax. The contractors' excise tax is due on the total gross receipts from realty improvements in South Dakota. Sales or use tax must be paid on all materials used or consumed in completing the construction project. The following examples are subject to excise tax:

- Ball mills
- Concrete work
- Conveying systems if installed and secured to real property
- Design and erection of buildings
- Electrical work
- Excavation Work
- Furnaces
- Fences
- Laboratory equipment, furniture pumps, or cranes affixed to a building
- Land clearing
- Masonry and stonework
- Mill building and foundations
- Mine loading and discharging

- Mining appurtenances
  - Access roads
  - Buildings
  - Fences
  - Leach pads
  - Solution ponds
  - Stormwater ponds
  - Tailing impoundments
- Office Buildings and foundations
- Plumbing, heating and air conditioning
- Power lines
- Reclamation project construction
- Regeneration kilns
- Repairing buildings
- Rod mills
- Roofing, siding and sheet metal work
- Service roads
- Thickener tanks
- Vaults
- Water mains and wells
- Water well drilling

**Motor Vehicle Registration Fee**

The following are subject to the motor vehicle registration fee and not to the sales, use or contractors' excise tax:

- Motor vehicles, including trucks, that are required to be licensed for use on the highways.

**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/revenue](http://www.state.sd.us/revenue), email us at [bustax@state.sd.us](mailto:bustax@state.sd.us) or write us:

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