

July 2013

This Tax Facts is designed to explain how sales and use tax applies to physicians, medical clinics, and for-profit hospitals. 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 CT, 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.

This Tax Fact Sheet will advise businesses in the health care field how sales tax applies to the sale of products and to services they offer to patients as well as supplies, materials, and equipment used in providing their services.

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## Exempt Health Services

Health services provided by the following practitioners, clinics, hospitals, and other facilities are exempt from state and municipal sales and use tax. ([Standard Industrial Classification Manual](#), 1987, Major Group 80)

### 1. Offices and Clinics of licensed practitioners:

- Doctors of Medicine (M.D.)
- Dentists (D.M.D., D.D.S., or D.D.Sc.)
- Doctors of Osteopathy (D.O.)
- Chiropractors (D.C.)
- Optometrists (O.D.)
- Podiatrists (D.P.)
- Audiologists
- Dental hygienists
- Dieticians
- Inhalation therapists, registered
- Midwives
- Nurses, registered and practical
- Nutritionists
- Occupational therapists
- Paramedics
- Physical therapists
- Physicians' assistants
- Psychiatric social workers
- Psychologists
- Speech clinicians
- Speech pathologists

### 2. Offices and clinics of health practitioners that do not have a licensing requirement in South Dakota:

- Acupuncturists
- Hypnotists
- Naturopaths
- Psychotherapists
- Christian Science Practitioners

### 3. Nursing and Personal Care Facilities engaged in providing in-patient nursing and health-related personal care:

- Skilled Nursing Care Facilities
- Intermediate Care Facilities
- Nursing and Personal Care Facilities

### 4. Hospitals:

- General medical and surgical hospitals
- Psychiatric hospitals
- Specialty hospitals

### 5. Medical and Dental Laboratories:

- a) Medical Laboratories providing analytic or diagnostic services to the medical profession or to the patient on prescription of a physician.

## Health Services, Drugs and Medical Devices

- b) Dental Laboratories engaged in making dentures, artificial teeth, and orthodontic appliances to order for the dental profession

### 6. Home Health Care Services providing skilled nursing or medical care in the home under supervision of a physician

### 7. Miscellaneous Health and Allied Services:

- a) Kidney Dialysis Centers
- b) Establishments primarily engaged in outpatient care of a specialized nature with permanent facilities and with medical staff to provide diagnosis, treatment, or both for patients and do not require inpatient care:
  - 1) Alcohol treatment, outpatient clinics
  - 2) Biofeedback centers
  - 3) Birth control clinics (family planning)
  - 4) Drug treatment, outpatient clinics
  - 5) Outpatient detoxification centers
  - 6) Outpatient mental health clinics
  - 7) Outpatient treatment clinics for alcoholism and drug addiction
  - 8) Rehabilitation centers, outpatient (medical treatment)
  - 9) Respiratory therapy clinics
- c) Establishments primarily engaged in providing health and allied services:
  - 1) Artists, medical
  - 2) Blood banks
  - 3) Blood donor stations
  - 4) Childbirth preparation clinics
  - 5) Health screening services
  - 6) Hearing testing services
  - 7) Insurance physical examination services (except by physicians)
  - 8) Medical photography and art
  - 9) Osteoporosis centers
  - 10) Oxygen tent services
  - 11) Physical examination services (except by physicians)
  - 12) Plasmapheresis centers
  - 13) Sperm banks

### Prescribed Health Services

The purchase of a health service pursuant to a prescription does not automatically exempt the service from sales or use tax. In order for a prescribed health service to be exempt, the service must be provided by a healthcare practitioner listed above.

#### **Examples**

1. Dr. Smith's patient has high cholesterol. Dr. Smith prescribes a consultation with a dietician. The dietician's services are not subject to sales or use tax because they are listed in the previous pages.
2. Dr. Brown prescribes aerobic exercise three times a week for a patient. The patient takes the prescription to an athletic facility and registers for aerobic classes. The athletic facility owes the 4% state sales tax, plus applicable municipal sales tax on the fees for the class. The athletic facility is not listed as a healthcare facility and the prescription does not exempt their fees.
3. Dr. Jones prescribes a weekly massage for his patient. The patient takes the prescription to Massage Stop. The Massage Stop owes the 4% state sales tax, plus applicable municipal sales tax on the fees for the massage. The Massage Stop is not listed as a healthcare facility and the prescription does not exempt their fees.

### Lab Testing and Drug Testing Services

Medical laboratory services are subject to the 4% state sales tax, plus applicable municipal sales tax unless the laboratory service is:

1. provided to a medical professional;
2. provided to a patient as prescribed by a physician; or
3. provided by a healthcare professional.

Drug testing services are subject to the 4% state sales tax, plus applicable municipal sales tax, unless provided by a healthcare practitioner.

Lab testing and drug testing services are subject to sales tax based on where the test results are received. Use tax is due where the testing is used, i.e., if for testing employees, use tax applies where the employees work.

Lab testing or drug testing services may be purchased for resale if the following criteria are met:

1. the service is purchased for a specific customer;
2. the service is not used by the purchaser; and
3. the results are passed on unchanged to the customer.

### Test Kits

Test kits are not subject to sales or use tax when sold to or prescribed by a physician, chiropractor, optometrist, dentist, or podiatrist for a single patient. All other test kits not prescribed for a single patient are subject to the 4% state sales/use tax plus applicable municipal sales or use tax.

#### **Examples**

1. ABC Testing performs drug tests for various companies. ABC is not an exempt health service provider. ABC uses test kits to obtain samples. ABC sends the samples to a lab and sends the lab results to the customer. ABC bills the customer for the test kit, lab service, and ABC's service. Tax applies as follows:

- ABC's total charge to the customer is subject to the 4% state sales tax, plus applicable municipal sales tax at the customer's location because that is where the customer receives the results.
  - ABC must pay sales or use tax on their purchase of the test kit because ABC is using the test kit in providing their service.
  - ABC can purchase the lab service for resale because the lab service is purchased for a specific customer, is not used by ABC, and the lab results are sent to the customer unchanged.
2. Ace Manufacturing tests employees for drug use. Ace purchases drug test kits and sends the kits to the lab to be analyzed. The kits and the lab services are subject to the 4% state sales tax, plus applicable municipal sales tax because the service is not prescribed by or done for a healthcare practitioner.
  3. Ace Manufacturing is monitoring three employees for potential drug use. Dr. Smith gives the three employees drug tests at Smith's Health Clinic. Because the test is provided by a healthcare practitioner, it is not subject to sales or use tax. Dr. Smith does not owe sales or use tax on the test kit or the lab fees.

### Medical Expert Consulting and Testimony

Except as provided below, medical expert consulting services and medical expert testimony associated with litigation are subject to the 4% state sales tax, plus applicable municipal sales tax.

#### Example

Dr. Smith is hired to testify in a malpractice suit as to the condition and appropriate treatment of the plaintiff, John Doe. John Doe is not Dr. Smith's patient. Although Dr. Smith reviewed the plaintiff's medical records and took the appropriate x-rays and tests, this information was used by Dr. Smith to form an opinion that was presented at the trial and was not used to treat the plaintiff. Dr. Smith is providing an expert witness service subject to sales tax. No deductions may be taken for the charges for x-rays or testing that are used by Dr. Smith in providing the service.

Medical expert consulting and testimony by a healthcare practitioner concerning the diagnosis or treatment of the practitioner's patient are not subject to sales or use tax.

#### Examples

1. Dr. Smith's patient, Jim, was in a car accident. Jim's attorney paid Dr. Smith to testify in a lawsuit concerning Jim's injuries from the accident. Dr. Smith does not owe sales tax on the receipts for testifying because the services were associated with the diagnosis or treatment of Jim.
2. Dr. Smith contracts with a health insurance company to review the insured's treatments to determine if the treatment is appropriate and within the coverage provided by the insurance company. This is a consulting service subject to the sales tax. This is not a service provided for Dr. Smith's patients.

Services concerning diagnosis or treatment that are incidental to consulting services associated with litigation constitute health services and are not subject to sales or use tax.

#### Example

Dr. Smith is hired to testify in a malpractice suit as to the condition and appropriate treatment of the plaintiff, John Doe. John Doe is not Dr. Smith's patient. Although Dr. Smith reviewed the plaintiff's medical records and took the appropriate x-rays and tests, this information was used by Dr. Smith to form an opinion that was presented at the trial and was not used to treat the plaintiff. Dr. Smith is providing an expert witness service subject to sales tax.

While examining John Doe, Dr. Smith discovered another medical condition that he disclosed to John Doe. John Doe then pursued Dr. Smith's medical services in treating this condition. Dr. Smith's medical services to treat John Doe are not subject to sales or use tax.

### Temporary Help/Contract Services

Services provided by a temporary help agency are subject to the 4% state sales tax, plus applicable municipal sales tax. However, temporary healthcare services provided by a temporary help agency or an office or clinic of licensed healthcare practitioners on a contract or fee basis are not subject to sales tax. This includes doctors, nurses, medical lab technicians, pharmacists, and other service providers as listed in "Exempt Health Services" section of this document.

#### Examples

1. A temporary help agency employs nurses, medical secretaries, and lab technicians. The temporary help agency provides employees to for-profit hospitals and clinics when the for-profit hospital or clinic needs help. The for-profit hospital or clinic then controls the work done by these employees. Because the temporary help is that of people providing exempt health services, the temporary help agency does not owe sales tax on their receipts.
2. Dr. Smith contacts the local hospital to have one of their employees, Dr. Jones, work at Dr. Smith's clinic while Dr. Smith is on vacation. Dr. Smith pays the hospital directly, who then pays Dr. Jones. Because the services provided are healthcare services, the fees received by Dr. Jones are not subject to sales or use tax.
3. A group of registered nurses organize to contract their services to hospitals across the country. Because the nurses are licensed healthcare practitioners, the fees charged to the hospitals for healthcare services are not subject to sales or use tax.

### Ambulance Services

Gross receipts from air ambulance services are subject to 4% state sales tax. Municipal sales or use tax applies if the passenger is transported within the same city. Air ambulance services that pick the patient up outside South Dakota or transport the patient to a location outside South Dakota are exempt from sales tax. Ground services are not subject to sales tax.

If the air ambulance service invoices the customer for the transportation and separately invoices for the health care services, only the invoiced amount for transportation is subject to sales tax.

Equipment and supplies purchased by an ambulance service are subject to the 4% state sales tax, plus applicable municipal sales tax. Non-profit hospitals, governments, and volunteer ambulance departments are exempt from sales or use tax on items purchased for use by the ambulance service.

### Educational Classes

Classes such as childbirth classes, quit smoking clinics, and athletic injury classes are healthcare services exempt from sales tax when provided by a healthcare practitioner.

### Exempt Products

Sales of products and services to for-profit hospitals, clinics, nursing homes, surgical centers, and healthcare staff are subject to sales tax unless the product is exempt because it will be prescribed or resold. Sales of products to non-profit hospitals are exempt from sales tax.

A prescription means an order, formula or recipe issued in any form of oral, written, electronic, or other means of transmission by a duly licensed practitioner.

### Drugs

The sale of drugs for use by humans is not subject to sales or use tax if the drugs are prescribed by prescription, dispensed or administered by a physician, chiropractor, optometrist, dentist, podiatrist, or audiologist.

Drugs mean any compound, substance or preparation, and any component of a compound, substance or preparation, other than "food and food ingredients," "dietary supplements" or "alcoholic beverages" that is:

A. Recognized in the official United States Pharmacopoeia, official Homeopathic Pharmacopoeia of the United States, or official National Formulary, and supplement to any of them; or

B. Intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease; or

C. Intended to affect the structure or any function of the body.

### Insulin

The sale of insulin for use by humans is exempt from sales tax whether sold with or without a prescription.

### Nutritional Supplements

Nutritional supplements dispensed by a physician, chiropractor, optometrist, dentist, podiatrist, or audiologist are subject to sales and use tax.

### Drug Samples

Samples of drugs given to a physician, chiropractor, optometrist, dentist, podiatrist, audiologist, clinic, or hospital are exempt from sales tax because these drugs must be prescribed by a physician, chiropractor, optometrist, dentist, podiatrist, or audiologist.

### Over the Counter

Drugs or medicinal preparations sold without a prescription are subject to the 4% state sales tax, plus applicable municipal sales tax. If prescribed, the drugs are exempt from sales tax.

- aspirin
- cough suppressants
- dressings
- tonics

### Mobility Enhancing Equipment

Mobility enhancing equipment used by humans is exempt from sales tax if it is prescribed by prescription from a physician, chiropractor, optometrist, dentist, podiatrist, or audiologist.

Mobility enhancing equipment means equipment which:

- A. Is primarily and customarily used to provide or increase the ability to move from one place to another and which is appropriate for use either in a home or a motor vehicle; and
- B. Is not generally used by persons with normal mobility; and;
- C. Does not include any motor vehicle or equipment on a motor vehicle normally provided by a motor vehicle manufacturer.

Mobility enhancing equipment includes repair and replacement parts to the equipment.

Mobility enhancing equipment does not include durable medical equipment.

The following examples of mobility enhancing equipment are exempt when prescribed by a physician, chiropractor, optometrist, dentist, podiatrist, or audiologist for use by humans:

- bath aid - tub and shower stools
- canes
- crutches
- motorized carts
- stair lifts
- walkers
- wheelchairs
- lift and controls specifically added to motor vehicles

### **Durable Medical Equipment**

Durable medical equipment used by humans is exempt from sales tax if it is prescribed by prescription by a physician, chiropractor, optometrist, dentist, podiatrist, or audiologist.

Durable medical equipment means equipment which:

- A. Can withstand repeated use; and
- B. Is primarily and customarily used to serve a medical purpose; and
- C. Generally is not useful to a person in the absence of illness or injury; and
- D. Is not worn in or on the body.

Durable medical equipment includes repair and replacement parts for the equipment.

Durable medical equipment does not include mobility enhancing equipment.

**NOTE: Exercise equipment and hot tubs are not durable medical equipment and are subject to sales tax even when prescribed.**

The following examples of durable medical equipment are exempt when prescribed by prescription by a physician, chiropractor, optometrist, dentist, podiatrist, or audiologist for human use:

- bath and shower chairs
- blood pressure gauges
- feeding pumps
- glucose meters
- hospital beds (prescribed for specific patient)
- portable breathing machines

Examples of durable medical equipment that are taxable:

- x-ray machines
- cat (CT) scans

- dialysis machines
- MRI machines
- hospital beds
- exam instruments (examples are):
  - (a) stethoscopes
  - (b) thermometers
  - (c) blood pressure gauges
- surgical instruments (examples are):
  - (a) retractors
  - (b) forceps
  - (c) scissors
  - (d) surgical needles
  - (e) surgical knife handles
  - (f) clamps
  - (g) needle holders

Repairs and replacement parts to taxable durable medical equipment are subject to sales tax. However, replacement parts for taxable durable medical equipment that are for single patient use only are considered medical devices and are exempt from sales tax when prescribed.

Examples: oxygen supply tubing, hemodialysis tubing, and x-ray film.

Bathroom safety equipment such as tub and shower grab bars, showers seats, commodes and handicapped seating are durable medical equipment exempt from sales and use tax when prescribed by a physician, chiropractor, optometrist, dentist, or podiatrist. The installation of these items may be subject to contractors' excise tax when installed by a contractor. The contractor is liable for contractors' excise tax on the contract price and for use tax on the items installed.

### **Prosthetic Devices**

Prosthetic devices used by humans are exempt from sales tax when prescribed by prescription by a physician, chiropractor, optometrist, dentist, podiatrist, or audiologist.

Prosthetic device means a replacement, corrective, or supportive device worn on or in the body to:

- A. Artificially replace a missing portion of the body;
- B. Prevent or correct physical deformity or malfunction;
- or
- C. Support a weak or deformed portion of the body.

Prosthetic devices include the repair and replacement parts for the devices.

Examples are:

- artificial arms and legs
- artificial eyes
- braces
- corrective eyeglasses
- contact lenses (corrective)
- dental prosthesis
- hearing aids
- heart valves
- living skin substitute
- pace makers
- stents
- stockings - compression
- sutures and staples

### Hearing Aid Batteries

Batteries labeled as “hearing aid batteries” that are sold to operate a hearing aid are exempt from sales tax. Batteries that have multiple uses continue to be taxable. If there is any question as to the use of the batteries, an exemption certificate should be obtained from the purchaser.

### Medical Device

The sale of any medical device is exempt from sales tax when the medical device is prescribed by prescription by a physician, chiropractor, optometrist, dentist, podiatrist, or audiologist for use on a single patient.

A medical device is any instrument, apparatus, implement, contrivance, or other similar or related article, including a component, part, or accessory, that is for use on a single patient and that is:

1. Recognized in the official National Formulary, or the United States Pharmacopoeia, or any supplement to them;
2. Intended for use in the diagnosis of disease or other conditions, or in the cure, mitigation, treatment, detection, or prevention of disease, of the human body; or
3. Intended to affect the structure or any function of the human body, and that does not achieve any of its primary intended purposes through chemical action within or on the human body and that is not dependent upon being metabolized for the achievement of any of its primary intended purposes. A medical device is not durable medical equipment, mobility enhancing equipment, or a prosthetic device.

**Medical devices that are usable on multiple patients or that are used for purposes other than on a single patient are subject to the 4% state sales tax, plus applicable municipal tax.**

Repairs and replacement parts for medical devices sold under a prescription are exempt from sales and use tax. If there is not a prescription for the original item sold or for the repairs or replacement parts, the repairs or replacement parts will be subject to 4% state sales tax, plus applicable municipal tax.

Replacement parts for durable medical equipment that are for use on a single patient are considered medical devices and are exempt when prescribed.

Replacement parts for durable medical equipment that are usable on multiple patients are subject to the 4% state sales tax, plus applicable municipal tax.

### Exempt Medical Devices

Medical devices purchased by individuals are exempt if the individual has a prescription for the medical device.

Examples of medical devices that are exempt when prescribed by prescription and can only be used on a single patient are:

- adhesive bandages
- alcohol wipes, pads, and swipes
- cast materials
- chem strips
- cotton swabs
- disposable clamp covers
- disposable curettes
- disposable drapes, sheets, towels
- disposable electrodes
- disposable patient gowns (exam and surgical)
- disposable surgical instruments (examples are):
  - (a) knife blades
  - (b) saw blades
  - (c) staple guns and syringes
- disposable syringes
- dyes
- gauze
- heelcups
- in vitro reagents
- preformed cuffs
- probe covers
- surgical kits (prepackaged). If the clinic or surgical unit prepares the kits, each item is taxed according to its taxability.
- tongue depressors
- disposable tubing (examples are):

- (a) cannula
- (b) chest drainage tubing
- (c) heating tubing
- (d) hemodialysis tubing sets
- (e) oxygen supply tubing
- (f) perfusion pack
- (g) suction tubes
- test kits
- xylene and liquid nitrogen used to freeze and process specimens
- x-ray film

### Ostomy Care Supplies

Devices and supplies designed or intended for ostomy care and management are exempt from sales and use tax with a prescription. These devices and supplies include collection devices, colostomy irrigation equipment and supplies, skin barriers or skin protectors, and other supplies designed for use of ostomates.

### Taxable Medical Devices, Supplies and Equipment

Medical devices, supplies, and equipment used by healthcare practitioners, health clinics, and for-profit hospitals that are not prescribed for use on a single patient are subject to the 4% state sales tax, plus applicable municipal tax when purchased. Gloves, gowns, and other protective gear worn by healthcare staff are subject to sales tax.

Some medical devices purchased in bulk may be used by staff or prescribed for use on a single patient. If documentation is kept to identify the items prescribed for use on a single patient then those items are exempt from sales or use tax. Items used by staff are subject to sales or use tax.

Examples of taxable medical devices, supplies, and equipment are:

- comfort kits
- drapes
- exam tables, chairs, stools, etc.
- felt tip markers
- gloves, gowns and other protective gear used by healthcare staff.
- lab equipment and chemicals
- lubricating jellies
- medical equipment (not for a single patient only)
- nonprescription glasses or sunglasses
- operating equipment
- personal hygiene items such as shampoo, toothpaste, mouthwash, and anti-perspirants
- rubbing alcohol
- scrubs and uniforms
- sodium chloride used as a cleaning solution (not used on

- a person)
- stickers and labels for x-rays and tests
- wrist bands
- x-ray equipment and chemicals

### General Equipment and Supplies

Equipment and supplies used by healthcare practitioners, health clinics, and for-profit hospitals that are not medical devices are subject to the 4% state sales tax, plus applicable municipal tax when purchased.

Examples include the following:

- batch controls
- books and other publications
- candy, stickers, balloons, pens, and toys given to patients
- cleaning supplies
- computer hardware, software, and printing equipment
- containers used to hold cotton swabs, cotton balls, tongue depressors, etc.
- containers (petri dishes, vials, pipettes, slides, cassettes, swabs)
- copier and fax machines
- any equipment on a depreciation schedule
- furniture
- leases of equipment
- liquid nitrogen and xylene used as a cleaning solution
- magazine subscriptions
- office supplies such as manila file folders, paper, envelopes, stationery, etc.
- office furniture
- paper products including paper used to cover exam tables, paper towels, etc.
- promotional materials such as information brochures, calendars, refrigerator magnets
- telephone and communication systems

### Repair and Replacement Parts for Taxable Equipment and Supplies

Repairs and replacement parts for taxable products are subject to the 4% state sales tax, plus applicable municipal tax.

### Taxable Services

Unless otherwise exempt, services purchased by healthcare practitioners, health clinics, and for-profit hospitals are subject to the 4% state sales tax, plus applicable municipal sales tax.

Examples include the following:

- accounting services
- consulting services

## Health Services, Drugs and Medical Devices

- computer support services
- janitorial services
- legal services
- maintenance agreements on equipment
- maintenance of buildings and grounds
- management services
- medical transcriptionist services
- security services
- snow removal
- temporary help services
- third-party administrators

### Medical Records

Charges for copying or the sale of medical records is subject to the 4% state sales tax, plus applicable municipal sales tax. Medical records sold to Medicaid or other exempt entities are exempt from sales and use tax.

For example, an attorney requests a copy of a client's medical records. The charge to the attorney for copying the records is subject to the 4% state sales tax and any municipal sales tax based on where the records are delivered to the attorney.

### Lodging

Charges for sleeping rooms for non-patients are subject to the 4% state sales tax, plus applicable municipal sales tax.

### Patient Meals

Patient meals are subject to the 4% state sales tax, plus the municipal sales tax rate. Sales tax on food furnished to patients must be computed on \$9.66 per patient day. Hospital meals paid for by Medicare, Medicaid, CHAMPUS, Indian Health Services, or county poor relief are exempt from sales and use tax. The sale of food, other than patients' meals, is subject to the 4% state sales tax, plus municipal sales and gross receipts taxes for eating establishments. If the medical facility has the meals catered, the medical facility may pay the 4% state sales tax, plus municipal sales and gross receipts taxes for eating establishments directly to the caterer.

Food furnished to residents of a nursing home is subject to the 4% state sales tax, plus the municipal general tax rate. Sales tax may be computed on \$9.66 per patient day or on the actual charges. Nursing homes also have the option to pay sales tax to their suppliers. If the nursing home pays sales tax to the supplier, they do not owe sales tax on the charge to the patient for the meal. Nursing home meals paid by Medicare, CHAMPUS, Indian Health Services, or county poor relief are subject to sales tax. Meals paid by Medicaid are exempt from

sales tax as of July 1, 2007.

### Use Tax

Supplies, materials, or services purchased without an exemption certificate are subject to use tax, if sales tax was not paid at the time of purchase. The state use tax rate is 4%, plus applicable municipal use tax, and is payable to the department in the filing period in which the healthcare practitioner, health clinic, for-profit hospital or other healthcare facility receives the supplies or services.

Products delivered into South Dakota by the supplier are subject to the South Dakota sales or use tax, even if the supplier charges another state's sales tax.

When a purchase is made out-of-state and possession is taken out-of-state, the supplier may charge that state's sales tax. If the other state's sales tax is the same or more than South Dakota's tax, no South Dakota use tax is due. If it is less than South Dakota's, the difference is due in use tax. The state plus applicable municipal taxes must be added together to determine if additional tax is owed.

### Sales for Resale

A healthcare practitioner, health clinic, hospital, and healthcare facility may sell 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. State law requires an exemption certificate to be complete and accurate. The buyer will be responsible for properly completing an exemption certificate.

The seller must keep all exemption certificates in their records. For more information on sales for resale view Exemption Certificate Tax Fact #154 at [www.state.sd.us/drr](http://www.state.sd.us/drr) or request a copy by calling the department at 1-800-TAX-9188.

### Purchases for Resale

Healthcare practitioners, health clinics, hospitals, and healthcare facilities must give an exemption certificate to their suppliers in order to purchase otherwise taxable services and products for resale 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. Exemption certificates may be obtained from the department's website, [www.state.sd.us/drr](http://www.state.sd.us/drr), or by calling 1-800-TAX-9188.

### Municipal Tax

In South Dakota, more than 200 municipalities have an additional sales or use tax. A listing of municipality's tax rates is in the Municipal Tax Information Bulletin which is

available online at [www.state.us.sd/drr](http://www.state.us.sd/drr) or by calling 1-800-TAX-9188.

## Exempt Entities

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

Medicaid payments are payments direct from the state. Products and services paid directly by Medicaid are exempt from sales tax.

Medicare is an insurance plan administered by the federal government. Purchases by Medicare are subject to sales tax unless it is the purchase of a prescribed medical or prosthetic device, mobility enhancing, equipment, durable medical equipment, or drug.

Non-profit hospitals are exempt from South Dakota sales and use tax on supplies and services purchased for use by the nonprofit hospital. Non-profit hospitals should provide the supplier with an exemption certificate. For more information, view the Non-Profit Hospitals Tax Fact on our website at [www.state.sd.us/drr](http://www.state.sd.us/drr) or request a copy by calling the department toll free at 1-800-TAX-9188.

Government entities must provide an exemption certificate to the vendor or the vendor must keep documentation to show the purchase was paid from government funds. Documentation may include a purchase order or a check stub.

Relief agencies and religious or private schools must provide an exemption certificate to purchase products and services exempt from sales and use tax.

## Required Records

Healthcare practitioners, health clinics, hospitals, and healthcare facilities must have a South Dakota sales or use tax license. Records, such as purchase and sales invoices, bills of lading, books of all receipts and sales, cash register receipts, and other pertinent papers and documents, are required to be kept for at least three years and be available for inspection during business hours.

## 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:

### **South Dakota**

#### **Department of Revenue**

**445 East Capitol Ave.  
Pierre, SD 57501-3100**

#### **Aberdeen**

419 Moccasin Drive  
Aberdeen, SD 57401

#### **Mitchell**

417 N. Main, Suite 112  
Mitchell, SD 57301

#### **Rapid City**

1520 Haines Avenue, Suite 3  
Rapid City, SD 57701

#### **Sioux Falls**

300 S Sycamore Ste 102  
Sioux Falls, SD 57110

#### **Watertown**

715 S Maple  
Watertown, SD 57201

#### **Yankton**

1900 Summit Street  
Yankton, SD 57078-1951