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Motor Vehicle Sales, Lease and Rentals, and Repairs

The purpose of this Tax Fact is to explain how South Dakota state and local sales taxes apply to motor vehicle dealers, repair shops and body shops. It is not intended to answer all questions that may arise. The information in this fact sheet is current as of the date of publication. This guide may change with updated information or added examples.

August 2015

This fact sheet is useful for:

Automotive Dealers
Body Shops
Garages
Independent Installers
Paint Shops
Motor Vehicle Rental Agencies
Repair Shops
Service Stations

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Motor Vehicle Sales and Purchases

With few exceptions, the sale of products and services in South Dakota is subject to sales or use tax. One exception is that the sale or purchase of a motor vehicle subject to the motor vehicle excise tax is not subject to sales or use tax.

If you sell taxable products or services in South Dakota, you must obtain a sales tax license from the South Dakota Department of Revenue.
Apply for a sales tax license online at http://sd.gov/taxapp.

Dealers are not required to collect or pay the motor vehicle excise tax on motor vehicles they sell.

Dealers are required to collect the state sales tax and any applicable municipal sales tax, municipal gross receipts tax, and tourism tax on any vehicle, product, or service they sell that is subject to sales tax in South Dakota.

Purchasers of most new and used motor vehicles, trailers, semitrailers, and motorcycles owe a 4% motor vehicle excise tax on the purchase price. The purchaser is responsible for contacting their County Treasurer to pay the motor vehicle excise tax and to title and license the vehicle within 30 days of their purchase.

Motor vehicles are not subject to the motor vehicle excise tax if:

- The **purchaser requests and is approved for a title only pursuant to SDCL 32-3-4.** In limited situations, a purchaser may obtain a title without payment of the motor vehicle excise tax. This only applies to vehicles that will not be operated on streets and highways or waterways of South Dakota or any state and must be hauled or transported to their destination. The purchaser must request the title only tax exemption within 30 days of the date of purchase and prior to a title being issued. Only certain vehicles qualify for a title only. Contact your County Treasurer with questions or to apply for a title only.

  Vehicles approved for a title only are subject to use tax. The purchaser is responsible for contacting the Department of Revenue to pay the 4% state use tax, plus applicable municipal use tax. Use tax is not due if the vehicle is purchased from a person and not from a business. All sales of vehicles by auction are subject to either sales or use tax or motor vehicle excise tax unless exempt under SDCL 32-5B-2.

- The **vehicle is exempt from motor vehicle excise under SDCL 32-5B-2**. Motor vehicles exempt from the motor vehicle excise tax under SDCL 32-5B-2 are also exempt from sales tax. This includes the following (see SDCL 32-5B-2 for a complete list):
  - Any motor vehicle sold or transferred that is eleven or more model years old and which is sold or transferred for $2,200 or less before trade-in;
  - Any motor vehicle transferred as part of the sale of the assets of the business entity if the motor vehicle was previously titled, licensed, and registered in this state;
  - Any motor vehicle repossessed by a secured party or lien holder;
  - Any damaged motor vehicle transferred to an insurance company in the settlement of an insurance claim;
  - Any motor vehicle rented for twenty-eight days or less that is subject to the tax imposed by § 32-5B-20 (See Motor Vehicle Leasing section for additional information).

South Dakota Taxes and Rates	
Motor Vehicle Excise Tax – Applies to the purchase of most motor vehicles (See Table 1) *(Rate increased from 3% to 4% effective April 1, 2015)*	**4%**
State Sales and Use Tax – applies to all sales or purchases of taxable products and services.	**4%**
The following taxes may apply *in addition* to the state sales tax:	
Municipal Sales and Use Tax – applies to all sales of products and services that are subject to the state sales or use tax if the purchaser receives or uses the product or service in a municipality that imposes a sales or use tax.	**1 to 2%**
Tourism Tax –applies to the rental of certain motor vehicles. (See Table 3) Tourism tax does not apply when you are remitting use tax.	**1.5%**
Motor Vehicle Gross Receipts Tax – applies to the rental of cars, trucks, and vans for less than 28 days, and the rental of certain trailers for 6 months or less. (See Table 3)	**4.5%**

Motor Vehicle Sales or Purchase

Table 1 shows the tax that applies to the purchase or sale of some motor vehicles. Also shown is Titling, License and Registration requirements for those vehicles. This is not an all-inclusive list of motor vehicles. For title, license and registration information on a specific vehicle, please contact your County Treasurer.

For tax information on vehicles that will be leased or rented, see Table 3.

Table 1: Motor Vehicle Sales or Purchases
Tax, Titling, Licensing and Registration

Vehicle	Sales or Use Tax	Motor Vehicle Excise Tax	Titling	License and Registration	Vehicle Description
Cars, Trucks, Vans (including new, used, or rebuilt)	No	Yes	Required	Required	***Exception***: Automobiles, pickups, and vans purchased to lease to others for 28 days or less are not subject to Motor Vehicle Excise tax. See Table 3 for tax that applies to rentals.
Low Speed Vehicle	No	Yes	Required	Required	A 4-wheeled motor vehicle whose speed attainable in one mile is more than 20 miles per hour and not more than 25 miles per hour on a paved level surface. The MSO or title must clearly identify the vehicle as a low-speed vehicle. A Low Speed Vehicle may not be operated on any highway where the speed limit is more than 35 miles per hour.
Motorcycles	No	Yes	Required	Required	Includes motorcycles, motorbikes, mopeds (51cc or larger), bicycles with a motor attached and all motor operated vehicles of the bicycle or tricycle type or a platform on which the driver stands, excludes tractors. ***Exception***: Motorcycles rented to others for 28 days or less are not subject to Motor Vehicle Excise Tax. See Table 3 for tax that applies to rentals.
Moped (50cc or smaller)	Yes	No	Optional	Optional	A moped is a motor driven cycle equipped with two or three wheels. If a combustion engine is used, the maximum piston or rotor displacement shall be 50cc, regardless of the number of chambers in such power source. The power source shall be equipped with a power drive system that functions directly or automatically only, not requiring clutching or shifting by the operator after the drive system is engaged.
Snowmobiles	No	Yes	Required	Required	
Boats					See Tax Facts on Boats
Four-Wheel All-Terrain Vehicles	Yes	No	Required	Optional	Any all-terrain vehicle with four or more wheels with a combustion engine having a piston or rotor displacement of two hundred cubic centimeters or more. The licensed four-wheel, all-terrain vehicle may not be operated on the interstate highway.
Off Road Vehicles	Yes	No	Required	Optional	Any self-propelled, two or more wheel vehicle designed primarily to be operated on land other than a highway and includes, and any vehicle whose manufacturer's statement of origin (MSO) or manufacturer's certificate of origin (MCO) states that the vehicle is not for highway use.

Dealer Fees and Purchase Options with Sale of a Vehicle

Table 2 shows the tax that applies to fees a dealer may charge on a vehicle sale and optional services and products a customer may purchase.

Table 2: Fees and Options with Purchase of a Vehicle Applicable Taxes		
Description	**4% Motor Vehicle Excise Tax**	**Sales or Use Tax (State and Municipal)**
Certification Charge	X	
Delivery Fee	X	
Documentation Fee - Included in Sale Price	X	
Documentation Fee - Not Included in Sale Price		X
Interest Charges	Exempt	Exempt
New Car Preparation Charges The dealer may purchase these services for resale. Includes cleaning, removing protective shipping coverings, checking all fluids, running tests, checks on wipers, lights, horns, etc.	X	
Optional Contracts		
Credit Life & Disability Insurance - subject to insurance premium tax	Exempt	Exempt
Debt Protection Plan - sold at time of vehicle purchase	X	
Extended Service Contract/Extended Warranty – sold at time of vehicle purchase	X	
Extended Service Contract/Extended Warranty – sold *after* vehicle purchase		X
GAP Waiver - agreement from finance company to waive the loan value that is greater than the value of the vehicle if the vehicle is wrecked before the loan is paid off	X	
GAP Insurance - subject to insurance premium tax	Exempt	Exempt
Lease Wear Care or Protection Plans - on lease vehicles pays for damages such as scratches and dents	X	
Maintenance Care Contracts (may include oil and filter changes, antifreeze, tire rotations, chassis lubrications, inspections of safety and mechanical components, etc.)		X
Mechanical Breakdown Insurance - subject to insurance premium tax	Exempt	Exempt
Other Optional Contracts - roadside assistance plans, tire and wheel repair plans, windshield repair plans, bent & dent dealer options, key replacement plans, trip interruption protection plans		X
Optional Products, Customizing, and Accessories		
Optional Products and Customizing that become part of the motor vehicle A dealer may purchase optional products and the service to install these products for resale. Examples of optional products and customizing are: Bed Liners, Decals, Mirror, Starter Interrupter Devices Bug Shields, Electric MV Connector, Polyshield, Theft Etch Crystal Fusion, Floor Mats, Running Boards, Windshield Enhancements Customized Paint, Lo Jack, Seat Covers		
• **Products or customizing included in the vehicle sale. Product and customizing may be added prior to or after the actual sale.**	X	
• **Products or customizing sold *after* the vehicle sale.**		X
• **Products or customizing sold and added to a vehicle that is exempt from motor vehicle excise tax**		X
Optional Products and Accessories that do not become part of the motor vehicle A dealer may purchase optional products for resale. Examples of optional products or accessories are: Helmets, T-shirts, Cups, Caps		X

Contact your County Treasurer to Title, Register and license your vehicle within 30 days of purchase.

You must show proof you paid sales or use tax before you title a vehicle that is subject to sales or use tax.
If the dealer did not collect sales tax, you may pay use tax directly to the Department of Revenue.

The following items are subject to sales or use tax. You may pull these items on a road; however, they are not subject to motor vehicle excise tax and may not be titled. This is not an all-inclusive list.

- Axles
- Barbecue Pits
- Car Dollies
- Log Splitters, Tree Chippers, Stump Grinders
- Small Pull-Type Cement Mixers
- Street Sweepers
- Jeep Boosters
- Tar Pits
- Trailers for Air Compressors
- Welders

Mounted Equipment

A dealer may add mounted equipment to a vehicle prior to a sale or include the equipment with the sale but add the equipment later. Sometimes a customer may buy the mounted equipment from a separate dealer. The tax that applies depends on when the customer buys the equipment.

- Mounted equipment sold with the vehicle or included in the sale price of the vehicle is subject to the motor vehicle excise tax and is not subject to sales tax. The dealer may install the equipment may before or after the sale. This applies to new or used motor vehicles and new or used mounted equipment.
- Mounted equipment sold separately from the vehicle and added after the sale of the motor vehicle, is subject to sales or use tax. Sales or use tax also applies to installation charges.

Examples of mounted equipment: truck boxes, hoists, digger equipment, and cherry pickers.

Examples

1. Smith buys a truck chassis for $12,000. Smith then buys a cement mixer and has it mounted on the truck.

✓ The $12,000 is subject to motor vehicle excise tax.

✓ The mixer and installation charges are subject to sales tax.

2. James buys a truck chassis for $12,000 and a cement mixer for $8,000 from a dealer. Both are listed on the motor vehicle purchase agreement. The Dealer installs the cement mixer on the truck. James pays $20,000.

✓ The truck and cement mixer are subject to the motor vehicle excise tax.

Motor Vehicle Lease and Rentals

If you rent or lease a motor vehicle for 28 days or less, the rental fee is subject to state and municipal sales tax and may be subject to tourism tax and motor vehicle gross receipts tax. When you purchase a vehicle to rent to others you may owe motor vehicle excise tax on the vehicle purchase.

Table 3 shows the tax that applies to the lease or rental receipts of the vehicle described. The last column indicates if motor vehicle excise tax or sales tax applies to the purchase or sale of the leased or rented vehicle.

Table 3: Motor Vehicle Lease and Rentals
Applicable Taxes

Vehicle (See Table 1 for vehicle description)	Taxes that apply to the Lease or Rental Payments				Does Motor Vehicle Excise Tax or Sales Tax apply to the vehicle purchase?
	Sales or Use Tax	Municipal Sales or Use Tax	Tourism Tax	Motor Vehicle Gross Receipts Tax	
1. Automobiles, Pickups, Vans, and Motorcycles					
▪Leased or rented under a single contract for 28 days or less	Yes	Yes	Yes	Yes	No
▪Leased or rented under a single contract for more than 28 days If this same vehicle is later rented for 28 days or less, the receipts from that rental are subject to the state and applicable municipal sales tax, motor vehicle gross receipts tax, and tourism tax.	No	No	No	No	Motor Vehicle Excise Tax See Table 1
2. Trailers with a trailer ID plate under 32-5-8.1 that have an unladen weight of 9,000 pounds or more					
▪Leased or rented under a single contract for 28 days or less	Yes	Yes	No	Yes	No
▪Rented under a single contract for more than 28 days but less than 6 months	No	No	No	Yes	No
▪Rented for more than 6 months	No	No	No	No	Motor Vehicle Excise Tax
3. Recreational Equipment that are motor vehicles under 32-5-1.					
▪Leased or rented under a single contract for 28 days or less	Yes	Yes	Yes	No	All recreational vehicles listed are subject to motor vehicle excise tax, except for ATVs and Mopeds. See Table 1
▪Leased or rented under a single contract for more than 28 days	No	No	No	No	
Includes: ATVs* Snowmobiles Campers Snowmobile Trailers Camping trailers Watercraft Trailers Mopeds* Watercraft (Boats) Motor coaches					*ATVs and Mopeds are subject to sales tax and may be purchased for resale to lease or rent to others for resale.
4. All motor vehicles other than those listed in 1-3 above that are defined by SDCL 32-5-1					
▪Leased or rented under a single contract for 28 days or less	Yes	Yes	No	No	See Table 1
▪Leased or rented under a single contract for more than 28 days	No	No	No	No	See Table 1

Motor Vehicle Lease and Rentals (continued)

Optional Products or Services

The following items may be included with a vehicle rental. The charges for these items are subject to the same tax as the vehicle rental whether the rental agency lists each charge on the customer's invoice or includes it in the car rental fee.

- Additional driver fee
- Airport concession fees and facility fees
- Car navigational (GPS) system
- Car Satellite radio
- Child seat
- Drivers 24 years or younger
- Drop charges
- Emergency roadside service
- Energy surcharges
- Exceeding mileage
- Frequent flyer surcharge
- Fuel and service charges
- Fuel purchase option
- Loss damage waiver
- Rental tax surcharges
- Ski racks
- Up charges for nonstandard vehicles
- Vehicle licensing fees passed onto customer

Insurance Premiums

A car rental company does not owe sales tax on the insurance premiums customers pay for insurance the rental company sells when the following criteria are met:

a. The insurance is from a licensed insurance company;
b. The entire amount charged to the customer for the premium is subject to insurance premiums tax; and
c. The charge is itemized on the customer's invoice.

If the charge to the customer for the insurance is greater than the amount the insurance company pays insurance premiums tax on, the entire charge is subject to sales tax.

Sourcing – Which State or City Tax Applies?

► Products or Services Sold

Sales tax applies where the customer receives the product or service. Receive means where the customer takes possession of the product.

Products purchased, repaired, or serviced that are picked up at the seller's shop are taxed at the shop's location.

Products the seller delivers, with their vehicle or by a delivery company, are taxed at the delivery address.

When a customer hires a shipping company, the seller will owe sales tax based on the delivery address. The shipping company should give the seller documentation showing the delivery address. If the seller does not have a delivery address, the seller will owe sales tax based on the customer's address.

Products or services delivered to locations outside South Dakota are not subject to South Dakota sales tax. The seller must keep documentation of the address used to determine tax.

Examples

1. Smith buys an ATV in Sioux Falls and hires Speedy Transport to deliver the ATV to Mitchell. Smith provides the dealer with the delivery information.

✓ The dealer should collect and remit 4% state sales tax and 2% Mitchell municipal sales tax because Smith delivered the ATV to Mitchell.

2. A repair shop picks up a car in rural Minnehaha County, repairs the car at its shop in Sioux Falls, then delivers the repaired car to the customer in rural Minnehaha County.

✓ The repair service, including any pickup and delivery charges, is subject to the 4% state sales tax. No municipal tax applies because the product was delivered to the customer outside city limits.

► Lease or Rentals

With the exception of motor vehicles and transportation equipment, sales tax applies to the first lease payment where the lessee receives or takes possession of the product. If the product is moved to a new location and the lessee tells the lessor the new location, sales tax applies to each additional payment based on the new location. If the lessor does not know the product's new location, sales tax will continue to apply based on where the lessee received the product.

The intermittent use at different locations, such as use of business property that accompanies employees on business trips or service calls, does not alter the property location.

Motor Vehicle Lease or Rentals:
Includes the lease or rental of motor vehicles, trailers, or semitrailers that do not qualify as transportation equipment.

- One payment covers the entire lease or rental: The payment is taxed where the customer receives or takes possession of the property.
- The lease or rental includes more than one payment: Each payment, including the first payment, is taxed at the primary property location, which is the address for the property the lessee provides the lessor. Occasional use at a different location does not change the primary property location.

Transportation Equipment:
Transportation equipment includes:

- Any locomotive and railcar used for the carriage of persons or property in interstate commerce;
- Any truck/truck-tractor with a Gross Vehicle Weight Rating of 10,001 pounds or greater and any trailer, semitrailer, or passenger bus that is:
  - Registered through the International Registration Plan; and
  - Operated under authority of a carrier authorized and certificated by the U.S. Department of Transportation or other federal authority to engage in the carriage of persons or property in interstate commerce;
- Any container designed for use on and component parts attached or secured on any transportation equipment defined in this section.

Example

Rusty Car Rental in Rapid City rents a car to John for 7 days. John uses the car to tour the Black Hills and Badlands in South Dakota.

7 Day Rental		
Full Size Car		$ 375.00
GPS Navigation		50.00
Collision Damage Waiver		25.00
Airport Facility Fee		20.00
Sub Total		**$ 470.00**
Tax	**Rate**	
State sales tax	4%	18.80
Rapid City sales tax	2%	9.40
Tourism Tax	1.5%	7.05
Motor Vehicle Gross Receipts Tax	4.5%	21.15
TOTAL DUE		**$ 526.40**

- ✓ All charges on the rental are subject to the same tax.
- ✓ The Collision Damage Waiver is not insurance.
- ✓ Rapid City tax applies because the car was delivered to John at the Rapid City airport.

Sales tax applies to all lease and rental payments for transportation equipment where the customer receives or takes possession of the equipment.

Repairs and Maintenance

Services such as auto repair, maintenance, body repair, oil changes, and customizing are subject to state and municipal sales tax. Sales tax applies to the full charge, including parts, labor, and delivery charges.

Rental Vehicles

- **Repairs and maintenance** to rental vehicles are subject to sales or use tax whether the rental agency or the customer pays for the service.

Dealer Owned Vehicles in Inventory for Sale (includes new and used vehicles)

- **Maintenance** – Maintenance products and services sold to a dealer for dealer owned vehicles that are in inventory for sale are subject to sales or use tax. The dealer will owe use tax on maintenance items taken from their tax unpaid inventory for use in a vehicle. The dealer cannot buy maintenance products or services for resale.

  Maintenance items include oil, windshield washer fluid, antifreeze, filters, and auto detailing or cleaning services.

- **Repairs** – Dealers may buy replacement and repair parts and repair services for dealer owned vehicles that are in inventory for sale without paying sales or use tax. The dealer must give the supplier or service provider an exemption certificate indicating the purchase is for resale. Dealers do not owe sales or use tax on repair parts they take from tax unpaid inventory to repair vehicles they have for sale.

  Replacement and repair parts are items that remain with the vehicle for an indefinite period and include items such as tires, headlights, body parts (fenders, hoods, etc.), hoses, belts, spark plugs, and batteries.

- **New or Used Car Detailing** – Cleaning a new or used vehicle is subject to sales tax. The dealer cannot buy the detailing service for resale.

- **New Car Preparation** – A dealer may buy new car preparation services for resale.

  New car preparation services include cleaning, removing protective shipping coverings, checking all fluids, running tests, checking wipers, lights, horns, etc.

Examples

1. A dealer has a body shop replace a headlight on a car that is in inventory for sale. The dealer gives an exemption certificate to the body shop.

✓ The body shop does not charge sales tax on parts or labor when it bills the dealer.

2. A dealer's employee changes a headlight, changes the oil and filter, and repairs a chipped windshield on a car that is in inventory for sale.

✓ The dealer owes use tax on the oil and filter because these are maintenance items.

✓ No use tax is due on the headlight or material used to fix the windshield chip because these are repairs.

✓ The dealer does not owe sales or use tax on their employee's labor.

Dealer Owned Vehicles used by the Dealer, Employees, or as a Loaner Car

- **Repairs and maintenance** to dealer owned vehicles that the dealer or others are using are subject to sales or use tax. Any products removed from tax unpaid inventory to repair or maintain these vehicles are subject to use tax.

Resale Purchases

Dealers, repair shops, or body shops may buy certain products or services for resale. The dealer must give the seller an exemption certificate.

Products and services a dealer may buy for resale include:

- Products for resale to customers
- Repairs, detailing, and customizing of a customer's vehicle
- Repairs to vehicles it has in inventory for sale
- Customizing of vehicles that are in inventory for sale
- New vehicle preparation services

A dealer, repair shop, or body shop may buy items that become part of a motor vehicle for resale.

Equipment and supplies sold to a dealer, repair shop, or body shop that the shop will use or consume are subject to sales tax or use tax at the time of purchase.

Examples of products a dealer or repair shop can purchase for resale:

- Automotive parts
- Cement
- Grease
- Lacquer
- Lubricants
- Paints
- Tire Patches

Examples of taxable products:

- Auto shop equipment
- Breathing masks
- Brushes
- Carburetor and brake cleaner
- Clothing: boots, coats, coveralls, shirts, work uniforms
- Fire extinguishers
- Floor dry
- Floor mats and rugs
- Grinding compounds
- Hand tools
- Hearing protectors
- Paint remover
- Sandpaper
- Safety glasses or goggles (nonprescription)
- Soap
- Tape
- Wash rack supplies
- Welding shop equipment
- Welding gloves or helmets
- Wiping rags

Use Tax

If you buy taxable products or services that are used, stored, or consumed in South Dakota without paying sales tax, you owe use tax. If you buy taxable items in another state and pay another state's sales tax at a lower rate, you owe use tax based on the difference in tax rates when you use or store the product in South Dakota.

You owe use tax on any item taken out of tax unpaid inventory to use for your business or your personal use.

You will owe municipal use tax if you buy a product or service in one city (or a rural location) and use, store, or consume that product or service in another city that imposes a higher city tax. For example, JC Repair, mails a repair part to your address outside Huron. The JC charges 4% state sales tax. You then use the repaired equipment in Huron. You owe the additional 2% Huron city use tax on the amount paid for the repair part at the time you take the repair into Huron.

Example

XYZ Repair charges an additional 5% for shop supplies on all repair invoices issued to customers to cover the cost of rags, cleaners, masking tape, etc. they use in the course of their repair work.

- ✓ XYZ must pay sales tax on these supplies at the time of purchase and must report sales tax on the 5% charge to the customer.

You do not owe use tax on items bought to resell to customers.

The fact that you may add a charge to a repair bill to cover costs of the supplies consumed does not relieve you from your liability for the tax on such property used or consumed in the operation of your business.

Promotional items: You owe sales or use tax on products such as calendars, key chains, pens, caps, t-shirts and jackets that you give to customers or employees.

Donations: If you donate or give away taxable items, you owe sales or use tax on your cost of the items, unless given to a tax-exempt entity. For example, if you change the oil in a church van at no charge, you owe use tax on your cost of the filter and the oil used.

Use tax is due when you receive the product or service. You owe use tax on items you bought with the intent to resell when you remove them from inventory to use.

All supplies and services purchased that are not being resold to a customer are subject to sales or use tax.

It is your responsibility to identify taxable purchases when an exemption certificate is used. You must either tell your vendors to charge you tax on the taxable items or report the use tax on line 2 of your sales tax return at the time you make the purchase.

Failure to account for the use tax due from taxable purchases made from licensed vendors you gave an exemption certificate to may result in a penalty of 50% of the use tax due in accordance with SDCL 10-45-61.

Delivery and Handling Fees

The retailer's charge for delivery is subject to the same state and municipal sales tax rate as the product or service sold. If the product or service sold is not taxable, the delivery charge is not taxable.

Delivery charges include any charge for transportation, shipping, postage, handling, crating, and packing.

If you hire a transportation company and bill the customer for the transportation service, your receipts for the transportation charge are subject to the same tax as the product sold.

When a shipment contains taxable and nontaxable products, sales tax is due on the portion of the delivery charge for the taxable products. This is determined by using a percentage of the sales price compared to the total sales *or* a percentage of the weight of the taxable products compared to the total weight of all products in the shipment.

Examples

1. A parts store ships a part to a customer in rural Minnehaha County for $200 plus $20 delivery.

✓ The parts store owes 4% state sales tax on $220. No municipal sales tax is due because the customer takes possession outside the city limits.

2. A parts store sells spark plugs to a repair shop in Watertown for $100 plus $10 delivery. The repair shop provides the parts store with an exemption certificate.

✓ The parts store does not owe sales tax, as this is a sale for resale.

3. Jones Auto sells and delivers the following items to Fred's Farm Store in Pierre: 2 tires for resale for $1000 and 1 tire display rack for use by Fred for $1000. Jones bills Fred $2000 plus $200 delivery. Fred gave Jones an exemption certificate for the two tires.

✓ Jones charges state sales tax plus Pierre municipal sales tax on $1,100 ($1000 for the display rack plus $100 shipping). Taxable shipping was determined by dividing the taxable products by the total sale ($1000 / 2000 = 50%). 50% of the

Waste or Tire Disposal Fees

The retailer's charge to the customer for disposing of waste, including tire disposal fees, is subject to sales tax.

Towing Services

Receipts from towing services are subject to state and city tax at the location to which the vehicle is towed. Receipts for towing to a location outside South Dakota are not subject to South Dakota sales tax.

Driving Services

Fees charged for driving a motor vehicle from one location to another are subject to sales tax or use tax. Sales tax applies based on the location to which the vehicle is driven. For example, if a person drives a car from Highmore to Pierre, the state and Pierre municipal sales or use tax is due.

Commissions for Loans

Commission or fees you receive for arranging a loan between the buyer of your product and a lending institution are not subject to sales tax. This includes fees received for arranging loans for a customer's purchase of a motor vehicle.

Warranties, Insurance, and Service Contracts

► 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.

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 or Use Tax Due
1. No cost to customer for parts	No sales or use tax due on the parts
2. Customer is responsible for a percentage of parts and labor	Sales tax due on the amount charged the customer
3. Customer pays a deductible for parts or labor	Sales tax due on the amount charged the customer
4. Customer is responsible for the repair labor	Sales tax due on the amount charged the customer
5. The manufacturer furnishes you the repair part at no charge	No sales or use tax due on the repair part
6. The manufacturer pays you for the repair part	No sales or use tax due on the repair part
7. The manufacturer pays you for the repair labor	No sales or use tax due on the repair labor

Loaner/rental vehicle: A warranty may provide for a loaner or rental vehicle while a car is being repaired.

- When the manufacturer pays for the loaner/rental vehicle as provided under a warranty, the receipts are subject to the motor vehicles gross receipts tax, but are not subject to sales tax or tourism tax.
- If the customer pays for the rental vehicle, the receipts are subject to state and municipal sales tax, motor vehicles gross receipts tax, and tourism tax.

► Extended Service Contracts (Extended Warranty)

Extended service contracts that cover unexpected repair costs are subject to the motor vehicle excise tax when sold at the time of the vehicle purchase.

Extended service contracts sold later are subject to sales tax. Sales tax applies where the extended warranty is delivered to the buyer.

► 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 tax questions, please contact the **South Dakota Department of Revenue.**

Call toll-free: 1.800.829.9188
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