



<http://dor.sd.gov/> 1-800-829-9188

# License Requirements for Sales, Use & Contractor's Excise Tax

The purpose of this tax fact is to provide general guidelines on license requirements for sales, use, and contractor's excise taxes and how to obtain a permit in South Dakota. It is not intended to answer all questions that may arise. The information contained in this fact sheet is current as of the date of publication.

January 2019

## Who Needs a South Dakota Tax License?

**Sales Tax License:** Any retailer selling, renting, or leasing products or services (including products and services delivered electronically) in South Dakota is required to have a sales tax permit.

**Contractor's Excise Tax License:** Any person entering into a contract for construction services, (i.e. construction, building, installation, repair, or remodeling to real property) is required to have a contractor's excise tax license.

## Sales and Use Tax Licensing

Businesses are required to have a South Dakota sales tax license and must collect and remit sales tax on taxable transactions if:

- the business has a physical presence in South Dakota.

If the business does not have physical presence but meets one or both of the following criteria in the previous or current calendar year, the business is required to license their business and remit applicable sales tax:

- gross sales into South Dakota exceeding \$100,000; or
- 200 or more separate transactions into South Dakota.

*Gross sales or transactions include selling, renting or leasing products or services (including products delivered electronically) into South Dakota. (SDCL ch. 10-64)*

This requirement applies whether the business is a sole proprietorship, partnership, corporation, or any other organizational type including businesses that are nonprofits.

## Contractor's Excise Tax Licensing

An individual must be licensed **before** starting work in South Dakota and must have a license for **each** business location (not each construction site) in the state. All contractors must be licensed regardless of the amount of the receipts they have or the amount of tax due.

- An individual who is not primarily in the business of making realty improvements, but who regularly employs people who repair, maintain or make realty improvements to their property is not a prime contractor, and is not liable for the contractor's excise tax.

This requirement applies whether the business is a sole proprietorship, partnership, corporation, or any other organizational type including businesses that are nonprofits.

South Dakota Taxes and Rates	
<b>State Sales Tax and Use Tax –</b> Applies to all sales or purchases of taxable products and services.	<b>4.5%</b>
<b>Municipal Sales Tax and Use Tax –</b> Applies to all sales of products and services that are subject to the state sales tax or use tax if the purchaser receives or uses the product or service in a municipality that imposes a sales tax or use tax.	<b>1 to 2%</b>
<b>Contractor's Excise Tax —</b> Imposed on the gross receipts of all prime contractors engaged in construction services or realty improvement projects in South Dakota. The gross receipts include the tax collected from the consumer.	<b>2%</b>

## *How to Apply for a South Dakota Tax License*

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There is no fee for a sales or contractor's excise tax license. A license card will be issued once the license is approved.

Sign up to file and pay your taxes electronically at the same time you apply for a sales and use or contractor's excise tax license.

- Licensees that file and pay their sales tax return on time will receive a collection allowance of 1.5% of the tax due, not to exceed \$70 for each reporting period.

**Apply for a tax license online at  
[www.sd.gov/taxapp](http://www.sd.gov/taxapp).**

*Doing Business in Multiple States?*

Apply through the Streamlined Sales Tax System at [www.streamlinedsalestax.org](http://www.streamlinedsalestax.org) to obtain a license with the programs 24-member states.

### **Operating Without a License**

Anyone operating a taxable business in South Dakota without a tax license is guilty of a Class 1 misdemeanor. The penalty, if convicted, is up to \$1000 and/or one year in jail. Any person continuing to operate a business after receiving notification from the Department that a license is required could be found guilty of a Class VI felony. If convicted, the fine is up to \$4000 and/or two years in the state penitentiary.

## *Consolidated Filing - Multiple Locations*

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Businesses with multiple locations in South Dakota must hold a license for each business location. If a business has multiple locations, it may be eligible for a statewide tax license for consolidated filing which allows them to file one consolidated tax return, rather than a tax return for each location.

- Statewide tax permits may only be issued to businesses with identical ownership, the same federal identification number, the same Standard Industrial Classification number, and the same license type.
- An application for a consolidated return must be completed by the business and approved by the department. For more information, call the department at 1.800.829.9188.

### **Publications**

- [Sales Tax Guide](#)
- [Contractor's Excise Tax Guide](#)
- [Municipal City Tax Guide](#)

### **Contact Us**

If you have any questions, please contact the **South Dakota Department of Revenue**.

**Call toll-free:** 1-800-829-9188

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