



Flooring

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

The purpose of this tax fact is to explain how sales tax and contractor's excise tax applies to flooring installers. 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.

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Contractor's Excise Tax

Contractor's excise tax applies to installation of the following floor material:

- Ceramic tile
- Concrete
- Epoxy
- Fresco
- Marble
- Mosaic work
- Terrazzo

South Dakota Taxes and Rates

State Sales Tax and Use Tax – Applies to all sales or purchases of taxable products and services.	4.5%
Contractor's Excise Tax – 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.	2%
Municipal Sales and Use Tax – 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 or use tax.	1 to 2%

- Contractors must have a contractor's excise tax license.
- Contractors owe the contractor's excise tax on their total receipts.
- Material furnished by the owner is included in the prime contractor's receipts subject to contractor's excise tax. The contractor owes use tax on the material furnished by the owner if they do not document that sales or use tax was previously paid.
- A prime contractor must issue prime contractor's exemption certificates to subcontractors installing material subject to contractor's excise tax. Subcontractors do not owe the contractor's excise tax if they have received a prime contractor's exemption certificate.
- Material is subject to state and municipal sales or use tax when purchased. Material cannot be purchased for resale.
- If a project subject to contractor's excise tax includes the installation of subflooring, then the subflooring is also subject to contractor's excise tax.

Examples:

1. John Doe contractor is building a home for Smith. John purchases ceramic tile from Sam's Flooring and hires Ted Jones to install the tile. What tax is due?

John Doe owes contractor's excise tax on his receipts for building the home. John should issue a prime contractor's excise tax certificate to Ted Jones.

Sam's Flooring owes state plus city tax where the tile is delivered.

Ted Jones does not owe excise tax provided he has received a prime contractor's exemption certificate from John Doe.

Contractor's Excise Tax (cont.)

- Jane hires Ted Jones to provide and install ceramic tile in her kitchen. Ted Jones purchases the tile from Sam's Flooring. What tax is due?
Ted Jones owes contractor's excise tax on his receipts for the tile and installation.
Sam's Flooring owes state plus city tax where the tile is delivered.
- Joyce hires Ted Jones to install ceramic tile she purchases at Sam's Flooring. What tax is due?
Ted Jones owes contractor's excise tax on his receipts for installation and on the value of materials furnished by Joyce.
Sam's Flooring owes state plus city tax where the tile is delivered.

Sales Tax

- The installer must have a sales tax license.
- Installers owe the state and applicable city sales tax on their total receipts.
- Prime contractor's exemption certificates may not be issued to contractors that install flooring subject to sales tax.
- An exemption certificate indicating a purchase for resale may be issued by a flooring store that has a contract to install material subject to sales tax to the installer. If the installer has an exemption certificate from the flooring store, the installer does not owe sales tax on their receipts for that project.
- The person installing material subject to sales tax may purchase that material for resale. This includes purchases of carpet, pads, flooring, glue, tack strips, and nails.
- If a project subject to sales tax includes the installation of subflooring, then the subflooring is also subject to sales tax.

Sales tax applies to the sale of and the installation of the following floor material:

- Asphalt tile
- Carpet
- DuraCeramic
- DuraStone
- Hardwood
- Linoleum
- Parquet
- Vinyl
- Resilient Flooring
- Laminate Flooring

Examples:

- Sally purchases carpet and vinyl flooring including installation from Sam's Flooring for her home. Sam's Flooring hires Ted Jones to install the flooring. What tax is due?
Sam's Flooring owes state plus city sales tax on their receipts based on where the flooring is installed.
Ted Jones may accept an exemption certificate indicating a resale purchase from Sam's Flooring and does not owe sales tax.
- A home owner purchases carpet from Sam's Flooring and then hires Ted Jones to install the carpet. What tax is due?
Sam's Flooring owes state plus city sales tax where the carpet is delivered.
Ted Jones owes state plus city sales tax on his receipts for installation based on where the carpet is installed.

Projects Involving Both Sales and Excise Taxable Installation

Some projects include the installation of material subject to sales tax and the installation of material subject to contractor's excise tax. For these projects, the contractor may bill separately or itemize each type of installation or they may bill one total for the job.

When the project includes both sales and excise taxable installations and the installer decides not to itemize the invoice, sales tax applies unless the excise taxable portion is greater than 25% of the project. If the excise taxable portion is greater than 25% of the project, then the entire project is subject to the contractor's excise tax.

Examples:

1. Ted Jones is hired to install carpet and ceramic tile by a contractor on new construction. Ted charges \$5000 for the carpet installation and \$3000 for the tile installation. The contractor furnished all material for Ted to install. What tax does Ted owe?

Ted itemizes the carpet and the tile installation on his bill to the contractor. Ted's invoice shows \$5000 for carpet installation subject to state plus city tax and \$3000 for tile installation. No tax is due on the tile installation provided Ted has received a prime contractor's exemption certificate from the prime contractor.

Ted submits an invoice with one charge to the contractor for the combined job. Because the tile installation subject to contractor's excise tax is greater than 25% of the project (\$3000 is (\$3000 divided by total project charge of \$8000 is 37.5%), this project is subject to contractor's excise tax. Ted will not owe tax provided the prime contractor issues Ted a prime contractor's exemption certificate.

2. Ted Jones is hired by another contractor for \$5000 to install carpet and \$1000 to install ceramic tile. What tax does Ted owe?

If Ted itemizes these charges, Ted will owe sales tax on the \$5000 to install the carpet and will not owe tax on the \$1000 to install ceramic tile provided he has received a prime contractor's exemption certificate.

If Ted issues one billing for the combined job, Ted will owe sales tax on his entire receipts because the \$1000 for the installation of ceramic tile is less than 25% of the entire project. (\$1000 divided by total project charge of \$6000 is 16.6%)

3. Ted Jones is hired by Gloria to install hardwood and ceramic flooring. Ted charges \$2500 for the hardwood and \$2000 for the ceramic flooring. Ted furnishes all material. What tax does Ted owe?

If Ted itemizes these charges, he will owe sales tax on the \$2500 for the hardwood installation and contractor's excise tax on the \$2000 for the ceramic flooring. In this instance, Ted can purchase the hardwood for resale because that installation is subject to sales tax. Ted will owe sales or use tax on the ceramic tile because that installation is subject to contractor's excise tax.

If Ted issues one billing for the combined job, Ted will owe contractor's excise tax on the entire charge of \$4500 and will owe sales or use tax on all material installed because the project is subject to contractor's excise tax. (\$2500 divided by total project charge of \$4500 is 55.5%)

Contact Us

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

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