



Gross Receipts

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

The purpose of this Tax Fact is to provide general guidelines and examples of what is included in a retailer's gross receipts. 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.

June 2016

Gross Receipts

Gross receipts as defined in [SDCL 10-45-1](#), means the total amount or consideration, including cash, credit, property, and services, for which tangible personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for the following:

1. The retailer's cost of the property or service sold;
2. The cost of materials used, labor or service cost, interest, losses, all costs of transportation to the retailer, all taxes imposed on the retailer, and any other expense of the retailer; and
3. Except for construction services taxed under in chapter [10-46A](#) or [10-46B](#), charges by the retailer for any services necessary to complete the sale whether or not separately stated, including delivery charges.

South Dakota Taxes and Rates	
State Sales Tax and Use Tax – Applies to all sales or purchases of taxable products and services.	4.5%
Municipal Sales Tax 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 tax or use tax.	1 to 2%

Gross receipts include payments received by the retailer from third parties if the following four criteria are met:

1. The retailer actually receives consideration from a party other than the purchaser and the consideration is directly related to a price reduction or discount on the sale;
2. The retailer has an obligation to pass the price reduction or discount through to the purchaser;
3. The amount of the consideration attributable to the sale is fixed and determined by the retailer at the time of the sale of the item to the purchaser; and
4. One of the following criteria is met:
 - A. The purchaser presents a coupon, certificate, or other documentation to the retailer to claim a price reduction or discount where the coupon, certificate, or documentation is authorized, distributed, or granted by a third party with the understanding that the third party will reimburse any retailer to whom the coupon, certificate, or documentation is presented;
 - B. The purchaser identifies himself or herself to the retailer as a member of a group or organization entitled to a price reduction or discount (a preferred customer card that is available to any patron does not constitute membership in such a group); or
 - C. The price reduction or discount is identified as a third party price reduction or discount on the invoice received by the purchaser or on a coupon, certificate, or other documentation presented by the purchaser.

For the purposes of this Tax Fact, the purchaser is the end consumer.

Gross Receipts (cont.)

Gross receipts do not include:

1. Discounts, including cash, term, or coupons that are not reimbursed by a third party that are allowed by a retailer and taken by a purchaser on a sale;
2. Interest, financing, and carrying charges from credit extended on the sale of tangible personal property or services, if the amount is separately stated on the invoice, bill of sale, or similar document given to the purchaser; and
3. Any taxes legally imposed directly on the consumer that are separately stated on the invoice, bill of sale, or similar document given to the purchaser.

Other receipts that are not included as gross receipts:

1. Any fees or other interest imposed by a retailer for late charges on overdue accounts, no account, or insufficient funds checks. ([SDCL 10-45-1.1](#))
2. The sale price of property returned by customers if the full sale price is refunded either in cash or by credit. ([SDCL 10-45-1.2](#))
3. The credit or trade-in value allowed by the retailer when tangible personal property is taken in trade or in a series of trades as a credit or part payment of a taxable retail sale and the tangible personal property taken in trade is subject to sales tax. ([SDCL 10-45-1.3](#))
4. The sales tax collected from your customer if the customer was notified that the tax is being applied. For example, if a business collects \$100 for an item plus \$4.50 state sales tax, for a total of \$104.50, the business reports \$100 as gross receipts and owes \$4.50 state sales tax on the \$100. ([SDCL 10-45-22](#))

Bad Checks

A check which is returned unpaid because of nonsufficient funds (NSF) or no account and which is not collected by the retailer may be considered a reduction in gross receipts.

If a previously deducted check that was returned because of nonsufficient funds (NSF) or no account is collected, the total amount of the debt collected must be included in the gross receipts reported on the next sales tax return.

Any fees or other interest imposed by a retailer on nonsufficient funds checks are not included in the retailer's gross receipts and are not subject to sales tax.

Barter Fees

The value of real property, products, or services received in exchange for products or services represent the seller's gross receipts and is subject to the 4.5% state sales tax, plus applicable municipal tax.

Examples:

1. An accountant bills a client for \$25,000 and receives \$5,000 cash plus 20 acres of land, valued at \$20,000. \$25,000, less applicable reimbursable expenses, is subject to sales tax.
2. Tickets to a concert are exchanged for radio ads. The ticket seller owes sales tax on the value of the service received in exchange for the tickets. The radio station does not owe sales tax on the value of the tickets because placing of ads on the radio is exempt.
3. A car repair shop repairs a bumper in exchange for lawn care services. The car repair shop owes sales tax on the value of the lawn care services. In addition, the lawn care service owes sales tax on the value of the bumper repair.

Bundled Transactions

A bundled transaction is when two or more distinct and identifiable products are sold for one price. If one or more of the products in a bundled transaction is taxable, the entire receipts for the bundled transaction are subject to sales tax.

If the price of each product included in the transaction is separately listed or available to the customer, then only the taxable products are subject to sales tax.

Distinct and identifiable products do not include:

1. Packaging that is included with the retail sale of the products. Packing includes containers, boxes, sacks, bags, bottles, wrapping, labels, tags, and instruction guides that accompany the sale that are incidental or immaterial to the retail sale.
2. A product provided free of charge with the required purchase of another product, if the sales price of the product purchased does not vary depending on the inclusion of the product provided free of charge; or
3. Items included in gross receipts as defined in [SDCL 10-45-1](#). If the items included are part of the product being sold or services necessary to complete the transaction, the charges for these items are included in the gross receipts from the sale of the product, whether or not they are separately stated on the invoice. Examples of services necessary to complete the sale are installation and delivery charges.

Discounts - Coupons

Retailers include payments from third parties as gross receipts if the payment is directly related to a discount the retailer must provide the purchaser when the purchaser is the end consumer and one of the following criteria is met:

- A. The purchaser presents a coupon issued by a third party that indicates the third party will reimburse any retailer for the discount;
- B. The purchaser is a member of a group or organization entitled to a price reduction or discount; or
- C. The retailer shows the discount on the invoice as a discount from a third party.

Retailer or Store coupons are discounts or reductions given by a retailer at the time of sale. Because the retailer is not reimbursed by a third party for this amount, this discount is not subject to sales tax. To calculate tax on this sale, deduct the value of the coupon from the sales price of the item then calculate the tax.

Example:

Widget		\$200.00
Store Discount	-	20.00
Sub Total		\$180.00
Tax		8.10
Total Due		\$188.10

\$180.00 is reported as gross receipts on this transaction.

Manufacturer's coupons. The manufacturer reimburses the seller for the value of the coupon. Because the retailer receives reimbursement, the value of the coupon is part of the selling price and is subject to sales tax if the item sold is taxable. To calculate tax on this sale, calculate tax on the sales price of the item then deduct the coupon value.

Example:

Widget		\$200.00
Tax		9.00
Manufacturer's Discount	-	20.00
Total Due		189.00

\$200.00 is reported as gross receipts on this transaction.

Cigarettes

Receipts from the sale of cigarettes are subject to the 4.5% state sales tax plus applicable municipal sales tax.

Taxable Receipts include:

- Amounts received from customers from the retail sale of cigarettes are subject to sales tax.
- Amounts received from the manufacturer if the payment is directly related to a discount the retailer must provide to the purchaser when the purchaser is the end consumer and one of the following criteria is met:
 - ⇒ The retailer shows the discount on the invoice as a discount from a manufacturer or third party;
 - ⇒ The purchaser presents a coupon issued by a third party that indicates the third party will reimburse any retailer for the discount.

Example 1:

ABC Quick Stop sells a carton of cigarettes for \$32.00. The manufacturer reimburses the store \$2.00 for each pack of cigarettes sold. The store is required to pass this discount to the customer.

A. If the discount is listed as a manufacturer's discount, the store will include the \$2.00 in their taxable receipts.

Invoice A

Cigarettes	\$32.00
Sub Total	\$32.00
Tax	1.44
Manufacturer Discount	- 2.00
Total	\$31.44

\$32.00 is reported as gross receipts on this transaction.

B. If the store does not list this as a manufacturer's discount, the store does not owe tax on the \$2.00 received from the manufacturer.

Invoice B

Cigarettes	\$32.00
Discount	- 2.00
Sub Total	\$30.00
Tax	1.35
Total	\$31.35

\$30.00 is reported as gross receipts on this transaction.

A buy-down payment or a discount is not a part of the retailer's gross taxable receipts and is not subject to tax when:

- A retailer receives payment that is "pursuant to a written contract between the retailer and manufacturer, wholesaler, or distributor that requires the retailer to display the manufacturer or distributor's product or signage in a specified manner or location." See [SDCL 10-45-1.6](#) (sales tax) and [SDCL 10-46-2.7](#) (use tax).
- The retailer receives a discount or deferred payment at the time of purchase from a cigarette manufacturer, distributor or wholesaler for purchasing a product for sale at retail.

Example 2:

ABC Quick Stop sells a carton of cigarettes for \$30.00. ABC owes sales tax on the \$30.00. ABC has signed a contract with the manufacturer stating they will put their cigarettes on the shelf nearest the cash register (most visible site) in return for \$2.00 for each carton of cigarettes sold. Because the \$2.00 is for placement of a product pursuant to a written contract, ABC does not owe sales tax on the \$2.00.

Delivery and Handling Charges

Delivery and handling charges are subject to the same state and municipal sales tax rate as the merchandise when delivered to a customer in South Dakota. If the product is not taxable, the delivery and handling charges are not taxable.

Delivery charges are the charges by the retailer for preparation and delivery to a location designated by the purchaser of tangible personal property or services. Delivery charges include transportation, shipping, postage, handling, crating, and packing.

If a retailer hires a transportation company and bills the customer for the transportation service, the retailer must include the transportation charges in their taxable receipts.

If both taxable and nontaxable products are in the same shipment, 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 or weight of the taxable property compared to the total sales or total weight of all property in the shipment.

Examples:

1. Jones Furniture from Iowa sells and delivers a chair to Mr. Smith in Mitchell, SD. Jones Furniture charges \$500 for the chair and \$50 for the delivery. 4.5% state sales tax plus 2% Mitchell municipal sales tax applies to the \$550.
2. A manufacturing plant sells and delivers their products from their plant in Rapid City, SD to a retailer in Murdo, SD. The retailer provided the manufacturer with an exemption certificate. Sales tax does not apply to the product or delivery charge because the product purchased for resale is not subject to sales tax.
3. Jones Furniture sells and delivers the following items to Fred's Furniture in Pierre: 2 sofas for resale (cost \$1000) and 1 office desk for use by the owner (cost \$1000). Jones bills Fred \$2000 plus \$200 delivery. Fred's gave Jones an exemption certificate for the two sofas.
4. Jones charges 4.5% state sales tax plus Pierre municipal sales tax on \$1,100 (\$1000 for the desk plus \$100 shipping). Taxable shipping was determined by using the ratio of taxable products (\$1000) to total sale (\$2000). 1/2 of the shipping is taxable.

Discounts and Rebates

Any discount or deferred payment received by a retailer from a distributor, wholesaler, or manufacturer for purchasing a product for sale at retail does not constitute gross receipts subject to the sales tax.

Discounts for bulk purchases or early payment are not subject to sales tax.

Rebates offered to the consumer cannot be deducted from the retailers gross receipts if the retailer receives the rebate for the sale of the product.

Examples:

1. XYZ offers ABC Supply year end rebates based on the following purchases: Purchase 10-15 items receive 5% cash back; purchase 15-20 items receive 7% cash back; purchase more than 20 items receive 10% cash back. At the end of the year XYZ sends ABC Supply a rebate based on the total purchases for the year. ABC Supply does not include this rebate in their gross receipts because it is based on the amount they purchased.
2. ABC Supply sells \$30,000 of lumber for a new home and offers a 10% discount if payment is received within 30 days. Payment of \$27,000 is received in 20 days. ABC Supply reports \$27,000 as gross receipts.
3. XYZ offers consumers a \$50 rebate on the purchase of a \$500 chair. The furniture store deducts the \$50 from the selling price and bills the customer \$450. The furniture store collects the \$50 rebate on behalf of the customer. The furniture store reports \$500 as their gross receipts.

Displays and Signage

Payments received by a retailer from a manufacturer, wholesaler, or distributor pursuant to a written contract between the retailer and manufacturer, wholesaler, or distributor that requires the retailer to display the manufacturer, wholesaler, or distributor's product or signage in a specified manner or location are exempt from sales tax.

Examples:

1. ABC Supply receives a cash payment for placing XYZ Softdrinks' products on the third shelf in the soft drink aisle.
2. XYZ Softdrinks offers retailers cash payments if the retailer sells soft drinks supplied only by XYZ Softdrinks.

Reimbursable Expenditures

As a general rule, reimbursable expenditures are included in the gross receipts subject to sales tax. Examples of reimbursable expenditures are airline ticket, meals, motels, and phone charges. Reimbursable expenditures may be itemized or billed separately.

Reimbursements for expenses are not gross receipts when the following criteria are met:

1. The expense is for a specific customer;
2. Ownership of the property or service purchased passes directly to the customer;
3. The customer is legally liable for the expense;
4. The expense is itemized on the customer's invoice;
5. Tax is paid on the purchase; and
6. The charge to the customer is not more than the cost of the expense.

The reimbursement must be separately stated in the taxpayer's books, records, and billings for auditing purposes.

Examples:

1. An architect hired to study the feasibility of renovating a building purchases airline tickets to fly to the city in which the building is located. In the bill the customer is charged for the cost of the airline tickets. The architect must include the amount received from the customer in his gross receipts because the customer is not legally liable to pay the airline for the flight.
2. A seller of real property obtains the abstract for the parcel of land from the abstracter in preparation of a title search. A new deed is subsequently prepared and returned with the abstract to the abstracter. The abstracter updates the abstract and then files the deed in the register of deeds' office. The abstracter pays the filing fees. In the abstracter's bill to the client, the abstracter separately lists the filing fees. Receipts of payment for the filing fees are not includable in the abstracter's gross receipts because the client is legally obligated to pay the fee to the register of deeds' office.

Attorneys and Accountants

Licensed attorneys and accountants may deduct from their gross receipts amounts that represent charges to clients for tangible personal property or services purchased by the attorney on behalf of a client, if the following criteria are met:

1. The property or service is not purchased as a sale for resale;
2. The amount to be deducted represents an expense incurred for a particular client; and
3. The amount is itemized and separately billed as a reimbursable expense by the attorney.

If sales or use tax is not paid on the purchase, the receipts for the reimbursable expense are taxable. However, services or items exempt from sales tax, such as filing fees paid to a governmental entity, may be deducted as a reimbursable expense provided the above criteria are met.

If the attorney charges more for the item or service than the amount the attorney paid for the item or service, the entire receipts are subject to sales tax, even if sales or use tax was paid on the purchase.

Expenses incurred in the day to day operation of an office are not reimbursable expenses and cannot be deducted from the gross receipts even if they are itemized on the client's invoice. Services provided by employees are not reimbursable expenses, these services are not purchased on behalf of a specific client.

Services contracted for a specific client may be taken as a reimbursable expense. However, services contracted for use by many of the attorneys or for use on work for multiple clients cannot be taken as a reimbursable expense.

Auctioneers

Auctioneers may deduct direct expenses made on behalf of a particular client provided that they meet these criteria:

1. Expenses are for a particular client;
2. Expenses are itemized and not purchased for resale (Sales tax is paid);
3. Expenses are paid from the client's auction proceeds by the auctioneer or closing agent; and
4. The charge is not "marked up" from the auctioneer's cost. Any profit or remuneration, directly or indirectly, from the client's expense will disallow the entire deduction.

If the items or services purchased on behalf of a specific client are exempt from sales tax, such as advertising services, the charge to the client may still be taken as a reimbursable expense provided there is no mark-up in the amount charged to the client.

For additional information on items an auctioneer may deduct please review the [Auctioneers, Auction Clerks and Auction Services](#) Tax Fact on our website at <https://dor.sd.gov> or request a copy by calling the department at 1-800-829-9188.

Funeral Home Accommodations

A funeral home may purchase accommodation items tax paid or with an exemption certificate. Accommodations are services or tangible personal property purchased by the funeral home on behalf of the client. If purchased tax paid and the charge is passed on to the customer without any additional markup, no additional sales tax is due. Any additional markup on tax paid items is subject to sales tax. Items purchased for resale are subject to sales tax when billed to the customer.

For additional information on items funeral homes may deduct please review [Funeral Services](#) Tax Fact on our website at <https://dor.sd.gov/> or request a copy by calling the department at 1-800-829-9188.

Returned Merchandise

If a retailer sells tangible personal property and the customer returns the goods, the transaction is handled as follows:

1. If the retailer has included in gross sales the total selling price of the property and has remitted sales tax to the department, the retailer may claim a credit as returned goods for the amount of the sale on a subsequent sales and use tax return if sales tax was returned to the purchaser at the time the goods were returned; or
2. If a retailer makes a time sale and has included in the gross receipts only the amount of each payment actually received from the time sale, the retailer may claim a credit as returned goods on a subsequent sales and use tax return the amount of the sale reported on prior sales and use tax returns if the retailer has returned to the customer the tax which the retailer collected on payments previously received from the customer.

Documenting Exemptions

State law exempts a variety of products and services from sales and use tax. Products and services listed as exempt in the law do not need any further proof of why tax was not collected.

State law also exempts certain entities from having to pay sales or use tax on their purchases. In addition, certain products or services are exempt from sales or use tax based on how the product or service is used.

Exempt sales should be included in the gross receipts line on the sales tax return, and then taken as a deduction.

Before a seller may exempt a sale from tax, they must receive a properly completed exemption certificate from the purchaser. Sellers must keep exemption certificates in their records for three years. If the purchaser doesn't provide the seller with a properly completed exemption certificate, the seller must collect sales tax.

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

Exemption certificates need not be submitted for each individual sale. The exemption certificate applies to all sales made to the purchaser of items that are listed on the exemption certificate. The Department of Revenue recommends that businesses review exemption certificates annually and request new forms when needed.

The purchaser is responsible for assuring that the goods and services purchased exempt are of a type covered by the exemption certificate.

For additional information, please review the [Exemption Certificate](#) Tax Fact or the [Exemption Certificate](#) on our website at <https://dor.sd.gov> or request a copy by calling the department at 1-800-829-9188.

Accounting Methods

Of the two accepted methods, accrual and cash, state statute defines the accrual accounting method as the standard for the reporting and payment of sales tax.

Accrual basis reporting and payment

Under the accrual method, all cash, credit installment, and conditional sales must be included as gross receipts for the reporting period in which the transaction occurs or when billed. This rule applies even though all or part of a customer's payments have not been received. The exception is a conditional sales contract in which the installment period is greater than 60 days. In this instance, only the payment actually received during each tax-reporting period is subject to sales tax.

Cash basis reporting and payment

If you prefer to use a cash-basis accounting method, you must first make a written request and receive approval from the Department of Revenue. Upon approval, the cash-basis method must be used for a minimum of one year. Statements are prepared on a cash basis when revenue and expenses are recognized only upon receipt. In the case of cash basis, revenue from the sale of goods and services are recognized only when payments are made.

Accounting Methods (cont.)

Bad Debts

A bad debt is any portion of the purchase price of a transaction that a seller has reported as taxable and for which the seller or any party related to the seller has written off as uncollectible for federal income tax purposes. A seller may deduct the bad debt from the amount tax is calculated on for any return. Any deduction taken or refund paid which is attributed to bad debts may not include interest. Bad debts include worthless checks, worthless credit card payments, and uncollectible credit accounts. Bad debts do not include financing charges or interest, sales or use taxes charged on the purchase price, uncollectible amounts on property that remain in the possession of the seller until the full purchase price is paid, expenses incurred in attempting to collect any debt, debts sold, or assigned to unrelated third parties for collection, and repossessed property. No bad debt deduction may be claimed by any person that has purchased accounts receivable for collection unless the person is a successor that has acquired the entire business of the seller that incurred the bad debt, the person is a related party, or the person is a disregarded entity for federal income tax purposes that is owned by the seller or a related party.

Taxpayers reporting on the accrual method may take credit for bad debts on the return for the period during which the bad debt is written off as uncollectible in the claimant's books and records and is eligible to be deducted for federal income tax purposes. A taxpayer who is not required to file federal income tax returns may deduct a bad debt on a return filed for the period in which the bad debt is written off as uncollectible in the claimant's books and records and would be eligible for a bad debt deduction for federal income tax purposes if they filed a federal income tax return.

If a deduction is taken for a bad debt and the seller subsequently collects the debt in whole or in part, the tax on the amount collected shall be paid and reported on the next return due after the collection. A seller may allocate its bad debts among states if the books and records of the seller claiming the bad debt can support such allocation.

If a seller's amount of bad debt exceeds the amount of taxable sales for the period during which the bad debt is written off, the seller may obtain a credit or refund of tax on any amount of bad debt. However, a credit or refund under this paragraph may not include interest.

If a seller's filing responsibilities have been assumed by a certified service provider as defined in [§ 10-45C-1](#), the service provider may claim, on behalf of the seller, any bad debt allowance provided by this section. The service provider shall credit or refund the full amount of any bad debt allowance or refund received to the seller.

Contact Us

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

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