DEPARTMENT OF REVENUE

July 2025

Municipal Tax Guide for Municipal Officials



TABLE OF CONTENTS

Municipal Non-Ad Valorem Tax.....3

General Sales and Use Tax.....4

Municipal Gross Receipts Tax.....4

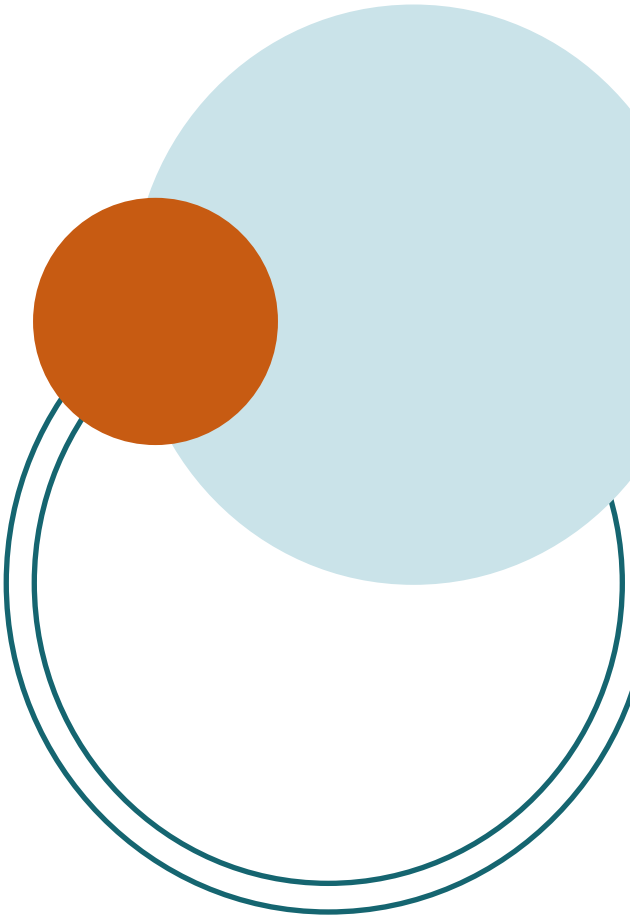
Administration of Municipal Tax.....4

Payment Information.....5

Municipal Boundary Changes.....5-6

Definitions.....6

Sample Ordinances.....7-8



CONTACT US

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

Call toll-free: 1-800-829-9188
Business Tax Division Email: BTAccounting@state.sd.us
Website: https://dor.sd.gov/
Mailing address and office location: South Dakota Department of Revenue
Division of Business Tax
445 East Capitol Ave
Pierre, SD 57501

Municipal Non-Ad Valorem Tax

When and how is municipal tax added or rates changed?

Municipal tax must conform in all respects to the state tax with the exception of the rate.

New municipal tax ordinances or changes may only be effective January 1 or July 1. Changes in rates to existing ordinances are made by amending the previous ordinance or by replacing the previous ordinance. Information on projected income from an existing municipal tax may be obtained by contacting the Department of Revenue. If a new ordinance is written, it must contain ALL the information concerning the application of the municipal tax including the rate. The ordinance or amended ordinance must be passed according to state statute SDCL 9-19. Any new tax ordinance or change to existing ordinance may be referred to a vote of the people for its approval or disapproval. Any amendment made by the municipality to comply with the provisions of Chapters 10-45, 10-45C, 10-1, 10-46, 10-52, and 10-52A or the determination to continue the tax under the provisions of this chapter is deemed to be an administrative decision pursuant to SDCL 9-20-19 and is not subject to referendum.

- A copy of the proposed ordinance or amended ordinance should be sent to the department to check for compliance with state laws once it has passed the first reading.
- The department will review the ordinance and contact the city if there is an error.
- The department must be notified immediately of changes made in additional readings of the ordinance and must also be notified of referendums.

Notification of the final passage of the ordinance must be made to the Department of Revenue at least 90 days prior to the effective date of January 1 or July 1.

Notification by certified or registered mail is to include:

- A certified copy of the ordinance after final passage
- A certified copy of the municipal map
- If it is apparent the ordinance will be referred to a vote, the department should be made aware of this.

If referred and approved by vote, the effective starting date will be January 1 or July 1, whichever is at least ninety days after the department is notified of the voter approval.

What does the department do after receiving the final ordinance?

- Reviews the ordinance to insure compliance with state laws.
- Sends acknowledgement of the ordinance to the municipality. This letter confirms the tax rate, effective date, and fees charged by the department for administration. If you disagree with the items stated in the department's letter, please review the ordinance and contact the department to determine what caused the discrepancy.
- Notifies taxpayers by:
    1. Special mailings to some licensed businesses (in and out of state) 60 days prior to the effective date.
    2. Including municipal tax changes and additions in the department's newsletter.
    3. Placing a news article in the local paper prior to a canvass, if one is to be done, as a reminder of the rate change and to notify licensees of the canvass.
    4. Sending a press release to the Governor's website as a reminder of the rate change.

What rates can a municipality impose?

Each municipality may impose a municipal general sales and use tax of up to 2%. An additional 1% gross receipts tax may be imposed on lodging, alcoholic beverages, prepared food, and admissions to places of amusement, athletic, or cultural events, or any combination thereof (commonly referred to as the Bed, Board, and Booze Tax).

The following pages explain the tax rate that may be imposed and how the tax may be used.

General Sales and Use Tax Rate

The general municipal sales and use tax rate cannot exceed 2%. Effective January 1, 2004, there are no restrictions as to the use of the general municipal sales and use tax rate.

Any municipality in South Dakota may impose their general municipal sales and use tax at municipally owned airports outside the municipality's corporate limits. This must be stated in the ordinance.

Municipal Gross Receipts Tax (Also known as Bed, Board, & Booze Tax)

Municipalities may impose a 1% tax on the gross receipts from lodging, alcoholic beverages, prepared food, and admissions to places of amusement, athletic, or cultural events., This is a 1% tax in addition to the municipality's general sales or use tax rate.

This tax may be applied to all or any combination of the following four items (which must be specified in the ordinance):

- Lodging accommodations
- Alcoholic beverages
- Eating establishments
- Ticket sales or admissions to places of amusement, athletic, and cultural events

See page 6 for definitions of all four items.

Municipal Tax Collections

The municipal tax is collected by the Department of Revenue on the state's tax returns at the same time the state tax is filed and paid.

To implement a new municipal tax or to change an existing tax, the department must assign a specific code to each rate and must incorporate these code changes on the tax returns and in our computer system. The Municipal Tax Guide is also updated semi-annually for licensee use.

The department enforces collection of state and municipal tax. When a business is contacted, municipal tax reporting is verified in conjunction with the state tax.

Implementation Fees

Initiate a new municipal tax - A one-time fee will be charged of $350 plus $1.50 per licensee based on the number of licensees with a zip code equal to the municipality's.

Amend existing municipal tax - A one-time fee will be charged of $350 plus $0.90 per licensee based on the number of licensees that reported that municipality's sales tax in the previous 2 years. The 2 year period ends 90 days prior to the effective date of the amendment.

These fees are deducted from the municipal tax collected prior to payment to the municipality. Do not send payment to the Department of Revenue.

Continuous Administrative Fees

Multiple Rates—When your city has implemented both the general rate and the gross receipts rate.

1.00% of the municipal tax collected (deducted from each payment)

One Rate—When your city has implemented the general rate only.

.55% of the municipal tax collected (deducted from each payment)

Information on Payments

- Payments are made to the municipality twice a month.
- The payment letter contains information as to taxes collected, administration fees, and special deductions from the check.
- The administration fee is deducted from the tax collected. DO NOT send payment to the Department of Revenue.
- Cities may receive a payment by mail or they may opt to receive the payment through direct deposit.

Direct Deposit Information

- Advantages of Direct Deposit are convenience, safety, confidentiality, and no worries about delayed, lost, or stolen checks.
- To sign up for Direct Deposit go to the State's Vendor Self Service page at http://bfm.sd.gov/vendor/ach.htm.
- Complete the Substitute W-9 form, including the Direct Deposit information at the bottom of the form. The form can be submitted via mail or email.

Payment Letter Example:

Payment Type	City Code	Tax Type	Rate	Rate Effective Date	Rate Ending Date	Effective Annual
Audit Paid	001-2	General	2.00%	01/01/2004	—	$3,943.58
Reported Amount	001-2	General	2.00%	01/01/2004	—	$57,442.92
	001-1	Gross Receipts	1.00%	01/01/2004	—	$5,383.21
				Subtotal		$66,769.71
				Administrative		($667.70)
				Miscellaneous		$1,712.10
				Net Payment Amount	=	$67,814.11

*The miscellaneous amounts include a portion of municipal tax reported from taxpayers that refuse to identify the municipal amounts by municipality. These amounts are apportioned back to all municipalities based on a percentage of the total.

Municipal Boundary Changes

Municipal boundary changes (annexations) made by resolution or an amendment to a resolution must be reported to the Department of Revenue before municipal tax can begin. For municipal tax, enforcement cannot begin before the first day of the first calendar quarter following at least ninety days after notification by the municipality to the Department of Revenue.

Example:

If a municipality passes a new boundary change (annexation) resolution and notifies the Department by November 5, the 90 day notification period will end on February 3. The effective date for municipal city tax will be April 1, which is the first calendar quarter after February 3.

Notices of annexations and address changes or additions are submitted through the following forms on the department's website: Notice of Annexation and Notice of New or Updated Addresses. These links take you to the corresponding form to complete and allows you to upload all necessary documents regarding boundary changes and address updates.

Municipal Boundary Changes (cont.)

City Boundary Changes

Submit boundary changes using our online Notice of Annexation form. When submitting the form, include the following:

- Copy of the resolution or amendment (PDF preferred)
- Aerial map showing the annexed area with the nearest crossroads (PDF preferred)
- List of assigned addresses within the annexed area (Excel preferred)

Address Updates

Address assignments or reassignments should be submitted using our online Notice of New or Updated Addresses form. When submitting address updates, you will need to include (preferably PDF or Excel formats):

- List of the addresses
  - ⇒ Indicate if these are new, corrected, or updated addresses
- Map of address locations (aerial map is preferred)

Once the notice is submitted, you will receive an email acknowledging receipt of the form.

The Department of Revenue wants to ensure your city receives the correct city tax. This can only happen with your continuous assistance to ensure the department's information is accurate.

Definitions for the Municipal Gross Receipts Tax

Admissions to Places of Amusement, Athletic and Cultural Events: includes sales of tickets and charges, fees, or memberships to movie theaters, carnival rides, tourist attractions, swimming pools, bowling alleys, tennis courts, racquetball courts, green fees, membership privileges (guest swimming and golfing fees), concerts, operas, ballets, sports contests, and similar activities or events. Here are some specific examples:

Fees for: bowling, swimming, racquetball, golfing, driving ranges, carnival rides, tennis courts, miniature golf, roller skating, waterslides, and snow skiing.

Memberships to: swimming pools, golf courses, racquetball clubs, tennis clubs, country clubs, and zoos (does not include YMCA/YWCA).

Admissions to: athletic events (except school sponsored), tourist attractions, movie theaters, amusement parks, concerts, dances (except school sponsored), and zoos.

Alcoholic Beverages: includes alcoholic beverages as defined in SDCL 35-1-1 which are on-sale or off-sale liquor, wine, and beer.

Eating Establishments: establishments where the public is invited to eat, dine, or purchase and carry out prepared food for immediate consumption, including snack bars and concession stands at movie theaters.

Some examples of food prepared for immediate consumption are restaurants, including fast food and sit down, catered food, grocery deli items to be eaten on the premise or sold hot, convenience store food to be eaten on the premise or sold hot, any type of food sold at a lounge premises, or concessions stand.

Lodging Accommodations: the lease or rental of hotel, motel, campsites, or other lodging accommodations for periods of less than twenty-eight consecutive days.

Writing An Ordinance

Examples of the following two ordinances can be found starting on the next page.

1. Ordinance to enact the municipal general sales and use tax. This ordinance may be used as is by inserting your municipal name, county, effective date, and the municipal general sales and use tax rate.

2. Ordinance to enact the additional 1% municipal gross receipts tax on alcoholic beverages, eating establishments, lodging accommodations, and ticket sales to places of amusement, athletic and cultural events, or any combination of these. This ordinance may be used by inserting your municipal name, county, and effective date. If the city is not implementing the municipal gross receipts tax on all four items in Section 2 of the ordinance, delete those that are not to be included.

Sample Ordinance: Municipal Tax, One Rate

ORDINANCE NO. _____

AN ORDINANCE IMPOSING A MUNICIPAL SALES AND SERVICE TAX AND A USE TAX FOR THE MUNICIPALITY OF _____, _____ COUNTY, SOUTH DAKOTA.

BE IT ORDAINED BY THE MUNICIPALITY OF _____, _____ COUNTY, SOUTH DAKOTA.

Section 1. PURPOSE. The purpose of this ordinance is to provide additional needed revenue for the Municipality of _____, _____ County, South Dakota, by imposing a municipal retail sales and use tax pursuant to the powers granted to the municipality by the State of South Dakota, by SDCL 10-52 entitled Uniform Municipal Non-Ad Valorem Tax Law, and acts amendatory thereto.

Section 2. EFFECTIVE DATE AND ENACTMENT OF TAX. From and after the first day of _____, 20__, there is hereby imposed as a municipal retail occupational sales and service tax upon the privilege of engaging in business a tax measured by _____ percent (____%) on the gross receipts of all persons engaged in business within the jurisdiction of the Municipality of _____, _____ County, South Dakota, who are subject to the South Dakota Retail Occupational Sales and Service Tax, SDCL 10-45 and acts amendatory thereto.

Section 3. USE TAX. In addition there is hereby imposed an excise tax on the privilege of use, storage and consumption within the jurisdiction of the municipality of items purchased from and after the first of _____, 20___, at the same rate as the municipal sales and service tax upon all transactions or use, storage and consumption which are subject to the South Dakota Use Tax, SDCL 10-46, and acts amendatory thereto.

Section 4. COLLECTION. Such tax is levied pursuant to authorization granted by SDCL 10-52 and acts amendatory thereto, and shall be collected by the South Dakota Department of Revenue in accordance with the same rules and regulations applicable to the State Sales Tax and under such additional rules and regulations as the Secretary of Revenue of the State of South Dakota shall lawfully prescribe.

Section 5. INTERPRETATION. It is declared to be the intention of this ordinance and the taxes levied hereunder that the same shall be interpreted and construed in the same manner as all sections of the South Dakota Retail Occupational Sales and Service Tax, SDCL 10-45 and acts amendatory thereto and the South Dakota Use Tax, SDCL 1046 and acts amendatory hereto, and that this shall be considered a similar tax except for the rate thereof to that tax.

Section 6. PENALTY. Any person failing or refusing to make reports or payments prescribed by this ordinance and the rules and regulations relating to the ascertainment and collection of the tax herein levied shall be guilty of a misdemeanor and upon conviction shall be fined not more than $2,000 or imprisoned in the municipal jail for thirty (30) days or both such fine and imprisonment. In addition, all such collection remedies authorized by SDCL 10-45, and acts amendatory thereto, and SDCL 10-46, and acts amendatory thereto, are hereby authorized for the collection of these excise taxes by the Department of Revenue.

Section 7. SEPARABILITY. If any provision of this ordinance is declared unconstitutional or the application thereof to any person or circumstances held invalid the constitutionality of the remainder of the ordinance and applicability thereof to other persons or circumstances shall not be affected thereby.

Dated this _____ day of, 20__.

Mayor

First Reading

Second Reading and Adoption

Published

ATTEST:

Sample

Sample Ordinance: Special Bed, Board, Booze, and Ticket Sales Tax

ORDINANCE NO. _____

AN ORDINANCE IMPOSING A MUNICIPAL GROSS RECEIPTS TAX FOR THE MUNICIPALITY OF _____, _____ COUNTY, SOUTH DAKOTA. BE IT ORDAINED BY THE MUNICIPALITY OF _____, _____ COUNTY, SOUTH DAKOTA.

Section 1. PURPOSE. The purpose of this ordinance is to provide additional needed revenue for the Municipality of _____, _____ County, South Dakota, by imposing a municipal gross receipts tax pursuant to the powers granted to the municipality by the State of South Dakota, by SDCL 10-52A, and acts amendatory thereto.

Section 2. EFFECTIVE DATE AND ENACTMENT OF TAX. From and after the first day of _____, 20__, there is hereby imposed a municipal gross receipts tax of One Percent (1%) upon the gross receipts from the sale of leases or rentals of hotel, motel, campsites or other lodging accommodations within the municipality for periods of less than twenty-eight (28) consecutive days, the sale of alcoholic beverages as defined in SDCL 35-1-1, establishments where the public is invited to eat, dine or purchase and carry out prepared food for immediate consumption, and ticket sales or admissions to places of amusement, athletic and cultural events. The tax applies to the gross receipts of all persons engaged in business within the jurisdiction of the Municipality of _____, _____ County, South Dakota, who are subject to the South Dakota Retail Occupational Sales and Service Tax, SDCL 10-45 and acts amendatory thereto.

Section 3. COLLECTION. Such tax is levied pursuant to authorization granted by SDCL 10-52A and acts amendatory thereto, and shall be collected by the South Dakota Department of Revenue in accordance with the same rules and regulations applicable to the State Sales Tax and under such additional rules and regulations as the Secretary of Revenue of the State of South Dakota shall lawfully prescribe.

Section 4. INTERPRETATION. It is declared to be the intention of this ordinance and the taxes levied hereunder that the same shall be interpreted and construed in the same manner as all sections of the South Dakota Retail Occupational Sales and Service Tax, SDCL 10-45 and acts amendatory thereto, and that this shall be considered a similar tax except for the rate thereof to that tax.

Section 5. USE OF REVENUE. Any revenues received under this ordinance may be used only for the purpose of land acquisition, architectural fees, construction costs, payment for civic center, auditoriums or athletic facility buildings, including the maintenance, staffing and operations of such facilities, and the promotion and advertising of the municipality, its facilities, attractions and activities.

Section 6. PENALTY. Any person failing or refusing to make reports or payments prescribed by this ordinance and the rules and regulations relating to the ascertainment and collection of the tax herein levied shall be guilty of a misdemeanor and upon conviction shall be fined not more than $2,000 or imprisoned in the municipal jail for thirty (30) days or both such fine and imprisonment. In addition, all such collection remedies authorized by SDCL 10-45, and acts amendatory thereto, are hereby authorized for the collection of these excise taxes by the Department of Revenue.

Section 7. SEPARABILITY. If any provision of this ordinance is declared unconstitutional or the application thereof to any person or circumstances held invalid the constitutionality of the remainder of the ordinance and applicability thereof to other persons or circumstances shall not be affected thereby.

Dated this _____ day of, 20__.

Mayor

First Reading

Second Reading and Adoption

Published

ATTEST:

Finance Officer (SEAL)

Sample