Shipping and Transportation

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

The purpose of this tax fact is to explain when shipping and transportation charges are subject to sales and use tax. 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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Shipping and Delivery Charges

A retailer's charge for delivery and handling of taxable products is subject to the South Dakota state sales tax and applicable municipal sales tax when the taxable product is delivered in South Dakota. If the product is not taxable, the delivery and handling charges are not taxable.

Delivery charges are fees or costs paid to the retailer for the preparation and delivery of tangible personal property, products transferred electronically, or services to a location designated by the purchaser. Delivery charges include but are not limited to transportation, shipping, postage, handling, crating, packing, and fuel charges.

If a retailer hires a transportation company to deliver a purchased good, item, or service and bills the customer for the transportation service as a delivery charge, the retailer must include those charges in their taxable receipts.

South Dakota Taxes and Rates	
State Sales Tax and Use Tax – Applies to all sales or purchases of taxable products and services.	**4.2%**
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%**
Municipal Gross Receipts Tax (MGRT) – Imposed on alcoholic beverages, eating establishments, lodging accommodations, admissions to places of amusement, athletic, and cultural events. MGRT is in addition to municipal sales tax and use tax.	**1%**

If both taxable and nontaxable products are in the same shipment, sales tax is due on the portion of the delivery charge for the taxable products. The taxable portion of the delivery charge is determined by using the percentage of the sales price of the taxable products compared to the total sales or by using the weight of the taxable products compared to the total weight of all property in the shipment (SDAR 64:06:01:10).

Examples:

1. Jones Furniture sells and delivers a chair to Mr. Smith in Mitchell. Jones Furniture charges $500 for the chair and $50 for delivery. 4.2% state sales tax plus 2% Mitchell sales tax applies to the total transaction cost of $550.
2. A manufacturer sells and delivers products to a retailer in Murdo, SD. The retailer provides the manufacturer with an exemption certificate to purchase products tax-exempt for resale. Sales tax does not apply to the products or the delivery charge because the products purchased are not subject to sales tax.
3. Jones Furniture sells and delivers the following to Fred's Furniture in Pierre, SD: a sofa for resale for $1,000 and a desk for the owner's office for $500. The delivery charge is $100. Fred gave Jones an exemption certificate for the sofa. Taxable shipping is determined by using the ratio of taxable products ($500) to total sales ($1,500); 33% of the $100 delivery charge is taxable. Jones charges 4.2% state sales tax plus Pierre municipal sales tax on $533 ($500 for the desk plus $33 for delivery).

Separately Invoiced Delivery Charges

Delivery charges for taxable products are subject to sales tax regardless of whether the delivery charges are on the same invoice or invoiced separately. Delivery charges invoiced separately need to indicate whether the delivery charges were for a taxable or exempt sale. If there is no documentation to support an exempt sale, the delivery charge is subject to state and city taxes based on the delivery location. The obligation is on the purchaser to prove a sale, and the corresponding delivery charge was sales tax exempt.

Insurance

If the retailer insures a package and bills the customer for the insurance, the insurance charge is part of the gross receipts subject to sales tax.

Postage

If a delivery charge includes the cost for the postage used by the retailer, that is part of the delivery charge and is subject to sales tax. The retailer does not owe sales or use tax on its purchase of postage from the U.S. Postal Service.

Packaging and Mailing Services

A mailing service business is classified in the Standard Industrial Classification Manual 1987 under group 7331. Delivery fees from a mailing service are exempt from sales tax if they are itemized and not marked up. Packaging and other services are subject to sales tax. The sales tax is sourced to the mailing service's location.

Transportation Company

A transportation company's charge to deliver products is not subject to sales tax. A transportation company does not own the products they are transporting. They transport products owned or sold by their customer. The retailer will owe sales tax on the charge to the customer for taxable products, including delivery.

Moving Companies

Moving companies are a type of transportation company. Packing is part of the transportation service.

Passenger Transportation

Buses, taxis, limousines, and similar forms of passenger transportation are subject to sales tax when the transportation is wholly within South Dakota, unless the transportation:

- Is part of a public or rural transit system or city bus line with regular routes and schedules, or
- Is air passenger transportation.

Passenger transportation is also subject to municipal sales tax if the transportation is wholly within one municipality.

Tours and Sightseeing Trips

Tours are subject to sales tax and tourism tax if the tour is wholly within South Dakota. Municipal tax applies if the tour is wholly within one municipality. The tour company cannot purchase drivers, guides, lodging, or meals for resale.

Limousine Services

Limousines may serve food and alcohol if properly licensed. Food and alcohol charges that are itemized separately from the limousine service are subject to state sales tax, applicable municipal tax, and municipal gross receipts tax. Food and alcohol provided by the limousine without itemized charges cannot be purchased for resale.

Special Jurisdictions

Passenger transportation originating in a special jurisdiction with a tax license agreement will be sourced to that special jurisdiction.

Examples:

1. Amy's Bus Center is contracted by a company to transport company employees and families to and from Rapid City to Custer State Park for a company picnic. Amy's Bus Center owes only state sales tax on the contract.
2. Bill's Charter Buses is contracted by a company to transport company employees and families to and from Rapid City to Custer State Park. Part of the contract is to have the drivers stop along a wildlife loop during the trip and talk about the park and its flora and fauna. The extra services beyond transportation classify the contract as a tour, and Bill's Charter Buses owes state sales tax and tourism tax on the contract.
3. Dave's Limo Service is hired to drive some visitors around Sioux Falls. No part of the trip was outside of Sioux Falls. Dave's Limo owes state and Sioux Falls municipal taxes.

Resale

Passenger transportation services can be purchased for resale if it is purchased on a customer's behalf, if the purchaser is not using the service, and if the service is provided to the customer without any alterations or changes.

Examples:

1. ABC Bus has a client that needs bus transportation for a company retreat, but does not have enough fleet vehicles available for the service. ABC Bus hires Dave's Coaches to provide buses and drivers needed for the retreat transportation. The transaction between ABC Bus and Dave's Couches is a purchase for resale.
2. ABC Bus has a client that needs bus transportation for a company retreat, and while they have enough drivers, they do not have enough buses available. ABC Bus rents a bus from Dave's Coaches for the retreat transportation. Because ABC Bus is the user of the bus rental service, it is not a purchase for resale.

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: bustax@state.sd.us
Website: https://dor.sd.gov/
Mailing address and office location: South Dakota Department of Revenue
445 East Capitol Ave
Pierre, SD 57501