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Taxes on the Campaign Trail

The purpose of this Tax Fact is to provide an overview of purchases or sales you may have as a campaign committee or candidate and the sales or use taxes that apply. The information contained in this fact sheet is current as of the date of publication.

June 2016

Ballot question committees, candidate committees, independent committees, political party committees, and any associated candidate or member of these committees may have a sales and use tax obligation to the State of South Dakota. A political organization or candidate must pay sales or use tax on products and services they purchase, unless a specific exemption applies.

Political organizations or candidates that sell products or services may also have a sales tax liability.

If you owe sales or use tax to South Dakota and do not have a tax license, you can complete an application for a sales or use tax license online at www.sd.gov/taxapp.

South Dakota Taxes and Rates	
State Sales and Use Tax – Applies to all sales or purchases of taxable products and service. Sales tax does not apply to products or vehicles subject to the ag excise or motor vehicle excise taxes.	4.5%
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 tax or use tax.	1 to 2%

Sales and Use Tax

The sale or purchase of most products and services is subject to sales or use tax in South Dakota. The seller is responsible for collecting sales tax where the customer receives the product or service.

You are responsible for remitting use tax on products or services you use in South Dakota if:

- You did not pay sales tax when you bought the product or service.
- You purchased from a business outside South Dakota that does not have a South Dakota sales tax license.
- The sales tax you paid to another state was not as much as what you would have paid in South Dakota (the difference in the two amounts is how much use tax is due).
- The seller incorrectly collected another state’s sales tax when he/she delivered the product to you in South Dakota. You may request a refund from the seller for the incorrect tax.

State and municipal sales or use tax apply to the total sales or purchase price of a product, including delivery charges. Sales or use tax is due on charges a service provider may pass on for reimbursement for his/her expenses, such as travel expenses.

Examples of Taxable Products and Services:

- Bags
- Bumper stickers
- Buttons
- Calendars
- Campaign managers
- Calling centers
- Consulting
- Flyers
- Jackets, T-shirts, Hats
- Note pads
- Paid labor such as walkers, stuffers, and drivers to place or remove and dispose of signs
- Pens
- Phone solicitation
- Photography
- Posters, Yard signs
- Survey or polling
- Temporary help

Examples of Non-Taxable Products and Services:

- Volunteers – No compensation is given for their services
- W-2 employees – Subject to Federal tax withholding

This guide provides you with an overview of purchases or sales you may have as a campaign committee or candidate and the sales or use taxes that apply.

All supplies and equipment the committees or candidates purchase, that will not be resold, are subject to sales or use tax when purchased. Promotional items given free to the public, contributors, or staff are taxable when purchased.

Advertising

While the purchase of advertising products is subject to sales tax, certain advertising services are not subject to sales tax.

- The charge for preparing an advertisement **and** placing that advertisement in the media is not subject to sales tax.
- The media's charge for placement of your ad in that media is not subject to sales tax.
- Fees to prepare an ad that the preparer does not place in the media are subject to sales tax.
- Charges for designing and printing of tangible items such as signs or flyers are subject to sales tax.

Media includes newspapers, magazines, placemats, billboards, handbills, TV or radio broadcasts, Internet, and webpages.

Newspaper or Magazine Inserts: The charge to print an insert is subject to sales tax; however, the charge to insert that flyer in the newspaper or magazine is not subject to sales tax.

Aerial Advertising: Fees to fly banners are not subject to sales tax. The banner and supplies used are subject to sales and use tax.

Phone messaging: Fees to prepare phone messages and automated calling to deliver phone messages are taxable.

Direct mail: Fees paid to companies to print and mail advertisements to South Dakota locations are taxable. A direct mail service does not owe sales tax on the charge for postage if the charge is separately stated on the customer's invoice.

Mailing service: Charges to prepare and mail items for a customer are subject to sales tax where the mailing service prepares the items. A mailing service does not create the product. A mailing service does not owe sales tax on the charge for postage if the charge is separately stated on the customer's invoice.

Internet Related Services

Internet services that are considered advertising are:

- Websites – Fees to prepare and place a website or advertisement on the Internet are not taxable.
- Banners and Ads – Fees to prepare and place a banner, pop-up, or splash page on a webpage are not taxable. Charges by the webpage owner for placement of a banner, pop-up, splash page or link on their page are not taxable.
- Facebook – Fees to create and post ads on Facebook and fees charged by Facebook to post an ad are not taxable. Fees to create and post comments on a Facebook page are not taxable.
- Twitter – Fees to create and post comments on Twitter are not taxable.

Taxable Internet related services are:

- Web hosting – Fees charged to host a website on a server are taxable based on the customer's address.
- Computer graphics or programming services – Fees to purchase graphics, artwork or programming are subject to sales tax.
- Email – Fees to prepare ads or information to send by email are taxable. The fee to send ads or information by email is also taxable.

Examples:

1. *Joe's ad agency designs a TV commercial, films the commercial and sends the commercial to the TV station with instructions for running the ad.*
 - Joe's fee for this service is not subject to sales tax because he prepared the ad and placed the ad with the TV station.
2. *Joe also creates and records a radio ad. Joe gives the recording to the candidate. The candidate contacts the radio stations and selects the times to run this ad.*
 - Joe's fee for creating this ad is subject to sales tax because Joe did not place the ad with the radio station.
3. *Joe designs a flyer to insert in the newspaper. Joe contracts with the newspaper to print the flyer and to insert the flyer.*
 - Because the flyer is not an integral part of the newspaper, this is not an advertising service. Joe's fee is subject to sales tax. Joe may purchase the printing of the flyer for resale. The newspaper does not owe sales tax on the insert fee.

Advertising (cont.)

Billboards and Signs

Fees to prepare **and** place an ad on an existing billboard or building are not subject to sales tax.

- The preparer owes sales or use tax on material used.
- The contractor hired to install the ad on the billboard owes contractors' excise tax.

New Billboards – The construction of a billboard is a realty improvement. Receipts for the construction of a billboard are subject to contractors' excise tax. Sales or use tax is due on all material used to build the billboard.

Fees to prepare **and** place a sign on benches, buses, or taxis are not subject to sales tax.

- The preparer owes sales or use tax on material used.
- Fees charged for only placing the sign on the bench, bus, or taxi are subject to sales tax.

The sale of a billboard wrap or sign, without installation, is subject to sales tax.

The owner of the billboard, building, bench, bus, or taxi does not owe tax on the fees charged for placement of a sign on their structure or vehicle.

Fundraising

Banquets: Admissions or donations to a political fundraising banquet are not taxable. All products and services purchased for the event are taxable. This includes food, drinks, banquet services, catering, room rentals, entertainment, and promotional items.

Lotteries – Raffles: Receipts from sales of lottery or raffle tickets are not subject to sales tax. You will owe sales or use tax on any product purchased for the raffle or lottery.

Other Taxes That May Apply

The following taxes may apply in addition to the state and municipal sales and use tax.

Municipal gross receipts tax (MGRT) is 1%. A municipality may impose a municipal gross receipts tax (MGRT) in addition to the municipal sales and use tax. The municipality may impose the MGRT on alcoholic beverages, eating establishments, lodging accommodations, ticket sales, and admissions to places of amusement or athletic and cultural events when the item is sold or the event is held within that municipality. The seller is responsible for collecting and remitting the MGRT. You do not owe MGRT on products or services when you remit use tax.

A list of municipal tax rates and reporting codes is available at <http://dor.sd.gov> or by calling 1-800-829-9188.

Tourism tax is 1.5%. Tourism tax is an additional tax on certain lodging and amusement services. The seller is responsible for collecting and remitting the tourism tax. You are not responsible for remitting tourism tax when you remit use tax on your purchases. Tourism tax applies to lodging, motor vehicle rentals, recreational services, spectator events, visitor attractions and visitor-intensive businesses. For a listing of specific products and services subject to tourism tax, review the [Tourism Tax Facts](http://dor.sd.gov) available online at <http://dor.sd.gov>.

Income tax. South Dakota does not impose a personal or corporate income tax.

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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