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Suppliers

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The purpose of this Tax Fact is to explain how South Dakota motor fuel taxes apply to motor fuel transactions. 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.

Who Needs a Supplier License?

Any person who owns motor fuel in the pipeline immediately before it is withdrawn at the terminal rack is a supplier. Prior to becoming licensed as a supplier, the entity must be registered under section 4101 of the IRS Code for taxable fuels.

South Dakota has the option for out-of-state suppliers to be licensed and collect South Dakota motor fuel taxes.

South Dakota Motor Fuel Tax Rates

Gasoline	.28
Undyed Diesel	.28
Ethanol	.14

Visit <https://dor.sd.gov/individuals/taxes/motor-fuel/> for a complete list of motor fuel tax rates.

Supplier tax returns should be filed electronically monthly using Epath.

Fuel Types

The supplier return includes these fuel types:

- Gasoline
- 100% ethyl alcohol
- AVGAS
- Dyed Diesel and kerosene
- Jet fuel
- Dyed biodiesel blend
- Undyed biodiesel blend
- 100% methyl alcohol
- Natural gas
- All other fuel types not including compressed natural gas (CNG) and liquid petroleum gas (LPG)

Motor fuel tank inspection fee is due on all fuel types listed.

Dyed fuels are sale taxable.

Compressed natural gas (CNG) and liquid petroleum gas (LPG) are reported on their own license types.

Schedule Types

Schedule Type	Description
5	Gallons delivered in South Dakota from South Dakota with South Dakota tax collected
6A	Gallons sold tax exempt to a licensed exporter
6B	Gallons sold tax exempt to a licensed blender
8	Gallons sold tax exempt to the United States Federal Government
10	Kerosene sold non-taxable for purposes such as heating

At the Rack

South Dakota is a "tax at the rack" state. This means motor fuel is taxed as it is distributed from the rack inside a terminal. Any motor fuel that enters a pipeline terminal by means other than a pipeline *must* be taxed prior to it entering the gates of that pipeline terminal. This means that for fuel that was not transported through the pipeline, the tax is passed on at the rack.

Whomever owns the fuel immediately before being distributed at the rack according to the bill of lading is responsible for collecting and remitting taxes and tank inspection fees on their supplier return.

South Dakota laws do not apply outside of South Dakota, however, if the out-of-state supplier has chosen to obtain the South Dakota out-of-state supplier license, South Dakota laws apply.

Examples:

- Generic Oil owns fuel in a terminal in South Dakota and sells that fuel inside the terminal to Big Rig's Oil. This fuel is never distributed at the rack and, therefore, not reported.*
 - This is an above the rack sale. Please see the section Product Authorization.
- Slick's Oil sells fuel to Acme Oil Company. The bill of lading lists Slick's Oil as the supplier.*
 - Slick's Oil would report this on their supplier return.
- Normal Oil is a licensed supplier and a licensed importer/exporter in South Dakota. They sell fuel to a properly licensed business in Wyoming and delivered to them in Wyoming.*
 - Normal Oil must report this on both their supplier return and their importer/exporter return.

Bill of Lading (BOL)

The bill of lading is a document issued by a terminal operator, bulk plant operator, transporter, or ethanol producer that contains the following information:

- Terminal's name and address
- Name and address of supplier
- Name of the transporter or carrier
- Bill of lading number
- Type of fuel product transported
- Date withdrawn from terminal
- Shipper
- Destination state
- Number of gross gallons of each fuel type (ethyl/methyl alcohol gallons must be separated out)
- Name and address of the consignee (first person to hold title to the fuel after withdrawing from the rack)

An invoice is not a bill of lading. A bill of lading is the legal document required by South Dakota Codified Law to dictate fuel transactions.

Bill of Lading (BOL) (cont.)

Examples:

1. *Crawdad's Oil sold fuel to Ernest's Gas Company. This fuel was distributed at the rack and according to the bill of lading, Crawdad's Oil is the supplier and Ernest's Gas Company is the consignee.*
 - Crawdad's would report this on the supplier return.
2. *Big Bertha's Oil (motor fuel marketer) in South Dakota sold fuel post rack to Marvin's Fuel (motor fuel marketer) in South Dakota. No bill of lading was issued.*
 - This does not get reported.

Production Authorization

Also known as:

- Flash Title Sale
- Above the Rack Sale
- Stock Transfer
- Etc.

Product authorizations are transactions that occur exclusively inside a motor fuel terminal. These transactions occur post entry to the terminal and before distribution "at the rack." Because South Dakota is a "tax at the rack" state these transactions are not reported on South Dakota motor fuel tax returns.

Please refer to the "At The Rack" section in this tax fact to see what is required to be reported.

Example:

Percy's Oil ran out of fuel to sell in a South Dakota terminal, but has fuel being transported in the pipeline arriving in one week. They broker a deal with Fozzy's Oil, that has a large amount of fuel already in the terminal, to meet their needs until their fuel arrives next week.

- This transaction occurred post entry to the terminal and prior to being distributed at the rack and does not get reported.

Imports/Exports

When a business transports fuel into or out of South Dakota by means other than pipeline across a South Dakota border, these transactions are reported based upon the information contained on the bill of lading and/or diversion ticket.

Please see the [Import/Export Tax Fact](#).

Diversion Tickets

South Dakota relies on the information that is printed on the bill of lading because it determines the taxability of fuel products. However, if a shipment was destined to go to one destination, but was then diverted to another destination or if the issuer of the bill of lading failed to list the correct information on the bill of lading, a diversion ticket will need to be issued for the shipment or partial shipment.

The entity that causes the diversion is responsible for reporting the diversion.

Example:

Noxious Gas Inc. purchased fuel from a licensed out of state supplier, Vicious Fuel in Minnesota, with an original destination in Minnesota. While Noxious Gas was en route to one of their locations in Minnesota, they received notification that their gas station in South Dakota was running very low on gas. Noxious Gas chose to divert the load to South Dakota.

- Since Noxious Gas caused the diversion, they would be required to report this diversion on their import/export license and a diversion ticket is issued.

Out-of-State Supplier

The out-of-state supplier license is an elective license and not required by South Dakota Law. When a vendor chooses to obtain this license, it allows them to collect and remit South Dakota motor fuel taxes. This makes it easier for their customers as the out-of-state supplier would have already reported the South Dakota motor fuel taxes.

If a company has chosen to obtain the out-of-state supplier license, they are then required by law to charge the correct South Dakota motor fuel taxes according to information printed on the bill of lading.

Allowance

Suppliers that file and pay on time are allowed to retain a 2.25% allowance of the taxes on taxable fuel they sell from the terminal. The suppliers keep 1/3 of allowance and pass the remaining 2/3 of allowance to the customer (wholesale distributor, retail dealer, or end use) that withdrew the fuel from the terminal rack (consignee on the bill of lading).

If the supplier does not file and pay on time or files an amendment, they will lose the allowance (for the amendment, only the gallons changed).

Example:

Eerie Oil is the licensed in-state supplier. Grim Fuel purchases 10,000 gallons of fuel. Eerie filed and paid their taxes late and lost the allowance.

- Grim fuel will also lose the allowance as the result of Eerie's late filing and payment.

Delay of Payment

A wholesale distributor or retail dealer who purchases fuel from a licensed supplier or out-of-state supplier may request a delay of an amount equal to the taxes and tank inspection fee on fuel loads purchased during a reporting period.

If requested, the licensed supplier or out-of-state supplier cannot require payment of that amount until the 22nd day of the month in which the fuel tax is due.

Record Keeping

Detailed records must be kept of all fuel transactions. Records must be kept for the current year plus the three preceding years.

Required records to keep include, but may not be limited to:

- Bills of lading
- Sales and purchase invoices
- Shipping records indicating the destination state for all products sold
- Diversion tickets
- Drop load tickets
- Monthly fuel inventories
- Journals
- Ledgers

Go online to <https://dor.sd.gov/businesses/taxes/motor-fuel/> for tax information that applies to your business.

Please visit <https://dor.sd.gov/businesses/taxes/motor-fuel/#dates> if you would like assistance filling out online returns.

Contact Us

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

Call toll-free: 1-800-829-9188

Motor Vehicle Division Email: sdmotorfuel@state.sd.us

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