



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

# Natural Gas (CNG & LNG)

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.

June 2021

## Who Needs a Compressed Natural Gas Vendor License?

A person engaged in the business of selling compressed natural gas (CNG) wholesale or retail for use in the engine fuel supply tank of a motor vehicle in South Dakota needs a Compressed Natural Gas Vendor license.

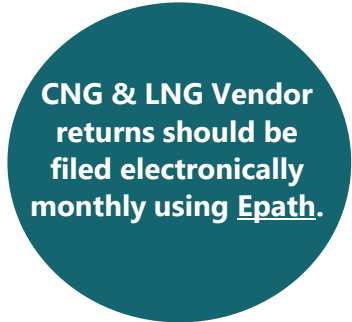
### South Dakota Motor Fuel Tax Rates

CNG	.10
LNG	.14

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

## What is Compressed Natural Gas?

Natural gas which has been cooled to approximately -260 degrees Fahrenheit and is in a liquid state, for use as a motor vehicle fuel and which for purposes of taxation as a motor vehicle fuel, shall be converted to equivalent liquid gallons of gasoline at the rate of 1.5536 gallons of liquid natural gas to equal one volumetric gross gallon of gasoline.



## Who Needs a Liquid Natural Gas Vendor License?

A person engaged in the business of selling liquid natural gas (LNG) wholesale or retail for use in the engine fuel supply tank of a motor vehicle in South Dakota needs a Liquid Natural Gas Vendor license.

## What is Liquid Natural Gas?

Natural gas which has been cooled to approximately -260 degrees Fahrenheit and is in a liquid state, for use as a motor vehicle fuel and which for purposes of taxation as a motor vehicle fuel, shall be converted to equivalent liquid gallons of gasoline at the rate of 1.5536 gallons of liquid natural gas to equal one volumetric gross gallon of gasoline.

## Sales Tax

CNG & LNG may be subject to either fuel tax or sales tax, depending on how it is used. If your company has a CNG or LNG Vendor License, there will be reporting of sales on this license, as well as your applicable sales tax license. Please see the [Sales Tax Guide](#) for additional information.

## Municipality

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Only the United States Federal Government can purchase motor fuel tax free. Cities, counties, townships, states, and public schools must pay motor vehicle tax if used in a vehicle on public right-of-way.

If there are any questions about exemptions other than to the United States Federal Government, please contact the South Dakota Department of Revenue.

### Example:

*School of Hard Knocks purchases LNG in bulk for use in their school buses from Incendiary Propane.*

- Because this is going to be used exclusively in school buses, all the LNG is subject to motor fuel tax.

## Motor Fuel Tax Exempt

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The following are exempt from motor fuel tax:

- Sales made to a customer that does not own or operate an CNG powered vehicle
- Sales to the Federal Government
- Sales of CNG or LNG sold to highway contractors for highway construction

***All of these examples, except the Federal Government, may be subject to sales tax.***

## Record Keeping

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

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

- Bills of lading
- Sales and purchase invoices
- Shipping records
- Fuel disbursement records
- Monthly fuel inventories
- Diversion tickets
- Drop load tickets
- Journals and ledgers

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

Please go to our website at <https://dor.sd.gov/> and search for our filing guides 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](mailto:sdmotorfuel@state.sd.us)

**Website:** <https://dor.sd.gov/>

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