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Food Stamps and WIC Purchases

The purpose of this tax fact is to provide general information about food stamp and WIC programs and provide general guidelines on how South Dakota sales tax applies to food stamp and WIC purchases. It is not intended to answer all questions that may arise. The information contained in this fact sheet is current

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The Food Stamp Exemption

Food stamp vouchers and debit cards are accepted like cash at most stores that sell food and may only be used for food and for plants and seeds to grow food for home consumption.

Discount Coupons

Food discount coupons, whether issued by national manufacturers or individual stores are frequently used by shoppers in making food purchases. Manufacturers' coupons are sales taxable; i.e. the dollar amount of the discount (not its minor cash equivalency value) is taxed. Store coupons which allow a true cash discount are not taxed. Both types of coupons are solely an adjustment of the sales price and outside of the food stamp sales tax exemption.

Example:

A food stamp recipient purchases \$11 worth of eligible food, has \$1 worth of manufacturer's discount coupons, and \$10 in food stamps. Since the sales tax is imposed on the dollar amount of the coupon (and the sales tax is 6.5%), the recipient would pay \$10.07 and would therefore have to supplement the food stamps with 7-cents in cash. If the amount is a store discount and not taxed, the recipient pays \$10.

Returnable Containers

Food stamps can and should be accepted to cover the entire cost of items, such as drinks in returnable bottles, where the price includes a specific bottle deposit.

Returnable Containers

The Special Supplemental Food Program for Women, Infants and Children (WIC) is a federally funded nutrition program for pregnant, postpartum, and breastfeeding women, infants, and children under the age of five. To be eligible, a client must meet certain specific financial requirements and be at "nutritional risk" as determined by qualified health professionals.

WIC's purpose is to supplement the participant's diet with specific nutritious foods during periods of critical growth and development and to provide on-going nutrition education.

South Dakota Taxes and Rates

State Sales Tax and Use Tax – Applies to all sales or purchases of taxable products and services.	4.5%
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%

Food stamps cannot be used to buy:

- Alcoholic beverages
- Tobacco or cigarettes
- Household supplies, soaps, and paper products
- Medicines or vitamins
- Any other nonfood items
- Food that will be eaten in the store
- Hot foods that are ready to eat such as barbecued chicken
- Pet foods

The Retailer's Role in WIC

WIC participants receive "food vouchers" to be exchanged for foods at approved retail grocers. The food voucher has a prescription for specific kinds and amounts of food listed on the front. The retail clerk helps fill the prescription by making sure the participant receives exactly what is prescribed. Since the WIC "food prescriptions" can only provide nutritional help if the correct foods are purchased, the retailer must ensure that participants receive only the correct type and quantity of food prescribed.

Recordkeeping Requirements

Records such as purchase and sales invoices, bills of lading, books of all receipts and sales, cash register receipts, and other pertinent papers and documents are required to be kept for at least three years and be available for inspection during business hours. Also, sales made to exempt organizations must be documented by maintaining the exemption certificate presented at the time of purchase. Other exempt sales should be documented in the normal books of account.

Contact Us

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

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