

SPRING

2025

**SOUTH DAKOTA
DEPARTMENT OF REVENUE
NEWSLETTER**



A Message From Secretary Michael Houdyshell

Greetings from the South Dakota Department of Revenue! With the warm spring season in full swing and the beautiful summer months just around the corner, the dedicated team at the Department of Revenue is diligently preparing to implement the various new laws passed during the 2025 Legislative Session.

Governor Rhoden signed many bills into law. On pages 2 through 6, we provide guidance and summaries on some of the bills that impact the Department. These insights aim to keep you informed about the recent legislative changes and how they may affect you and your business.

On page 3, you will find the legislative updates coming to the Motor Vehicle Division

The upcoming municipal tax changes scheduled to take effect in July are listed on page 4.

In this edition of the newsletter, we examine Senate

Bill 216 in greater depth, exploring property tax relief for homeowners that Governor Rhoden worked with a group of legislators to provide during the 100th legislative session.

An exciting update awaits you on page 7. The South Dakota Lottery launched mobile cashing functionality through its app! South Dakota Lottery players may now claim instant and lotto prizes from \$101 to \$5,000 through mobile cashing.

Page 8 contains information on office changes, upcoming tax seminars and tips on when to report and pay contractor's excise tax on construction projects.

Our knowledgeable staff is always here to assist you with any questions or provide you with any support you may need. We hope that you will enjoy the 2025 spring edition of our newsletter and find it informative and engaging.

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Hotel Exempt Form Updates

Hotels must keep documentation to show the purchase was paid from government funds when a government entity requests a tax-exempt hotel stay.

Previously, the Department required that either an exemption certificate, a purchase order, or a copy of the credit card be kept as documentation.

We recognize that keeping a copy of a credit card poses a security risk, so the Proof of Government Exemption for Hotels form was developed as an alternative. Hotels may create their own version of this form if the same information is captured.

For more information, see the updated "Exemption Certificate" and "Hotels, Motels, and Campgrounds" tax fact sheet located on the department's website at <https://sddor.seamlessdocs.com/sc/publications-tax-facts/>.

For assistance or questions call 1-800-829-9188 or email us at bustax@state.sd.us.

Sales or Property Tax Refund for Senior & Disabled Citizens

South Dakota senior citizens and citizens with disabilities have until July 1 to apply for sales or property tax refunds under South Dakota's Tax Refund Program. Under the program, eligible individuals may receive a portion of the sales or property taxes they paid from the previous year.

To be eligible for the sales tax refund, individuals must meet the following qualifications:

1. Be a South Dakota resident during all of 2024;
2. Be 65 years old on or before January 1, 2024, or disabled at any time during 2024; and
3. Live alone and have a yearly income of \$16,566 or less OR live in a household whose members' combined income is \$22,484 or less.

To be eligible for the property tax refund on their home, individuals must meet the following qualifications:

1. Be 65 years old on or before January 1, 2024, or disabled at any time during 2024;
2. Live alone and have a yearly income of \$16,566 or less OR live in a household whose members' combined income is \$22,484 or less; and
3. Owned the house you are now living in for at least three years OR you have been a resident of South Dakota for five years or more.

You may only receive either the sales tax refund or the property tax refund. The Tax Refund Office will calculate the refund for each tax, and you will receive whichever is greater. The deadline to apply for the program is July 1, 2025. Applications submitted by mail should be sent to the Tax Refund Office, 445 E Capitol Ave, Pierre, SD 57501-3185.

Individuals interested in applying can apply online at <https://sddor.seamlessdocs.com/f/2050> or download the application from the Department's website: <https://dor.sd.gov/individuals/taxes/property-tax/relief-programs/>. Those who qualified in 2024 will receive an application in the mail.

For additional information on the tax refund program, contact the Department of Revenue at 1-800-829-9188 (Option 1).



APPLY

Sales & Property Tax

REFUND

For Elderly & Disabled

Legislative Updates Coming to Motor Vehicle Division



SB 45-Technology Fee

South Dakota's [Senate Bill 45](#) adds a new \$2 fee for motor vehicle transactions. This fee applies to certain transactions already covered by existing state vehicle laws, including those related to vehicle registration and title transfers. Once paid, the fee is nonrefundable.

The revenue generated from this fee will be used to maintain and provide updates to the motor vehicle title and registration system. The goal is to keep upgrading and maintaining the state's motor vehicle system for smoother transactions now and in the future.

SB 179-Modifies Requirements for Off-Road Vehicle Dealers at Special Events

[Senate Bill 179](#) modifies the requirements for off-road vehicle dealers attending special events.

Specifically, it exempts dealers from needing a permit or license for temporary events (2-7 days) in their own county or adjacent counties, as long as no other dealer of the same franchise is located in the event's county, and the dealer is licensed in South Dakota.

Any associated fees or taxes are also waived for these events.

SB 131-Electronic Titling System

More exciting updates to titling are just around the corner. [Senate Bill 131](#) seeks to further modernize vehicle title management in South Dakota by establishing an electronic system for vehicle titles.

The Department of Revenue is mandated to implement this system by July 1, 2026.

The updates will facilitate the electronic transmission of title applications, lien statements, and other related documents.

Moving toward an electronic title and registration system will help future South Dakotans transfer their vehicle titles in a quicker and more efficient manner.

Additional information will be available as the Department works through the development of the system.

SB 135-Expands the Exemption from a Motor Vehicle Title Fee

[Senate Bill 135](#) brings some clarity to a bill passed last year that imposes a \$100 fee to any vehicle owner who chooses to title a motor vehicle, off-road vehicle, or snowmobile in South Dakota, but who does not have a South Dakota-issued driver license or identification card, or a physical address in South Dakota.

Motor vehicle owners who only have a post office mailbox or a mail forwarding address will be required to pay the \$100 fee.

SB 135 also expands the title transactions that are exempt from this additional fee. The fee does not apply to the following:

- Title corrections;
- Duplicate title transactions;
- Insurance companies taking title to a vehicle following a payment to cover a loss;
- Manufacturers taking title due to a manufacturer buy back; or
- Lienholders taking title due to a repossession.

Municipal Tax Rate Change

Beginning July 1, 2025, two South Dakota communities will amend their current municipal tax rates.

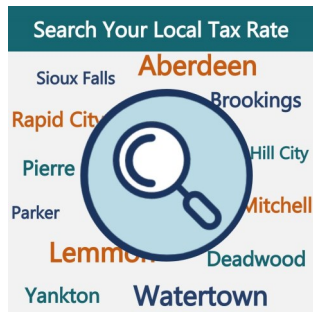
The municipal tax changes taking effect include:

Newell, S.D., implementing a 1 percent municipal gross receipts tax on lodging accommodations, eating establishments, alcohol sales, and admissions.

Wagner, S.D., implementing a 1 percent municipal gross receipts tax on lodging accommodations, eating establishments, alcohol sales, and admissions.

To obtain a Municipal Tax Information bulletin, [download it on the Department of Revenue website](#) or contact the Department of Revenue at 1-800-829-9188.

[Sales Tax Rate Lookup](#)



Due Dates

Tax Return	Due Date
April	05/20/2025
May	06/20/2025
June	07/21/2025
July	08/20/2025

Motor Vehicle Registration Dates

Vehicle registration renewal due dates are based on the first letter of your last name which then correlates to a particular month.

May– H/I/O

June– K/L

July– M/N

**April and December are non-renewal months*

HB 1037-Tax Collection Allowance Suspended

[House Bill 1037](#) suspends the tax collection allowance credit for individuals and businesses that file their sales tax returns and remit taxes electronically.

The suspension will take effect on July 1, 2025, and will remain in place until June 30, 2028.

SB 37-Changes to the 911 Emergency Surcharge

On July 1, 2024, the 911 emergency surcharge rate increased to from \$1.25 to \$2.00, until June 30th, 2026.

[Senate Bill 37](#) makes the rate increase permanent.


All telecommunications service providers, wireless service providers, or Interconnected Voice over Internet Protocol service providers are responsible for collecting and remitting the 911 Emergency Surcharge.

Any entity required to collect and remit the surcharge imposed must register with the Department of Revenue.

Additionally, Senate Bill 37 amended the reporting period to the calendar year.

For more information, check out our [911 Emergency Surcharge tax fact](#).





Senate Bill 216 Governor's Property Tax Relief Bill

Over the last five years, owner-occupied property assessments have skyrocketed in some parts of the state. This has led to higher property taxes for homeowners, especially for seniors and those living on fixed incomes. Governor Rhoden worked with a group of legislators during the 100th legislative session to provide property tax relief for homeowners. [Senate Bill 216](#) was the result of that effort.

What does SB 216 do?

Property Assessments

Although suppressing valuations will not decrease the amount of property taxes collected, Governor Rhoden felt it was important to attempt to slow some of the shifting of the tax burden that has been occurring the last few years. SB 216 restricts counties from increasing owner-occupied valuations by more than 3% annually for the next five years. This limitation focuses on annual reappraisal increases. New construction and additions will not be part of this limitation. The limitation will impact valuations that are set for the 2026 calendar year.

Taxing District Budgets

Property tax bills are a direct result of the amount of property taxes being requested by the local governments. Currently, taxing districts (cities, counties, townships) can increase the amount of property tax they levy each year by a growth factor plus an index factor (which we call CPI). CPI can never be greater than 3%. SB 216 establishes a similar cap for the growth factor. This means that for most districts, the maximum increase they will be able to apply to their property tax budget would be 6% (maximum 3% for growth and maximum 3% for CPI). There are additional allowances to exceed that 3% growth cap, such as the usage of the discretionary

formula and when a Tax Increment Financing (TIF) dissolves.

Tax Relief for Seniors on Fixed Income

SB 216 will increase the income and property valuation thresholds of the existing Assessment Freeze for the Elderly and Disabled relief program. The new income levels will be \$55,000 for single-member homes and \$65,000 for multi-member homes, and the maximum eligible home value is being increased to \$500,000.

How will SB 216 affect taxpayers?

It is important to note the 3% limitation outlined in SB 216 is not a limitation on an individual property's value. The limitation is on the accumulative owner-occupied valuation within a county. Overall, owner-occupied valuations will continue to increase as the market dictates; SB 216 is simply slowing the rate at which owner-occupied valuations can increase annually. If valuations on owner-occupied properties are generally limited, then owners of other types of properties (such as agricultural or commercial properties) will pick up more of the tax burden.

The cap on the growth of taxing district budgets will help slow the increase in taxes that can be requested by the local governments. This in turn will help lower the levy needed to be applied on the tax bill.

The increases on the Assessment Freeze Relief Program thresholds will allow more senior or disabled homeowners to be able to qualify. The income increases will not go into effect until the 2026 application year. This means the earliest newly qualifying individuals will see a reduction in their assessed value is the 2026 assessment year for taxes payable in 2027.

How will SB 216 impact taxing districts?

A key component to SB 216 is that it is not decreasing valuations. It is simply restricting the total owner-occupied reappraisal valuation in a county from increasing more than 3% annually. New construction within the district is not part of that limitation, so the full amount of new construction will be added to the district's valuation. That means the valuation limitation will have little to no effect on most taxing districts. The counties, cities, and townships will continue to receive the same amount of property taxes they are currently getting.

The cap on the growth factor for budget purposes may impact some districts, but only those in high-growth areas. These limitations go into effect for the 2027 budget year.

If a district typically sees less than a 3% growth, then this portion of SB 216 will have zero effect. To put this in perspective:

- Only 3 out of 66 counties have a 5-year average growth of more than 3%
- Less than 20% of cities reported a growth percentage of greater than 3%
- More than 96% of townships had a growth percentage of less than 3% last year

An increase in usage of the Assessment Freeze program will also not impact taxing districts. The districts will continue to be able to ask and receive the same amount of property tax dollars they are currently receiving regardless of the number of individuals that apply for the relief program.

School district funding is handled differently than counties, cities, and townships. Since each fund has its own mechanism, each fund must be addressed separately.

SCHOOL GENERAL FUND

- Any district under the State Aid to Education Funding formula will continue to get the "Need" that is calculated by the Department of Education through a combination of Local Effort and State Aid.
- Districts that are fully funded by Local Effort will still see valuations increasing.

SCHOOL CAPITAL OUTLAY FUND

- The main functionality of the Capital Outlay limitations is not changing. The calculations have been and will continue to be based on the maximum allowable the district can get. It is NOT based upon the actual amount of taxes requested by the district. A school district will not be penalized if it is not taxing at the maximum allowable under SB 216.
- The only change happening for Capital Outlay is that the growth percentage is no longer "unfettered". Starting in Taxes Payable 2027, the growth will not be able to be greater than 3% (barring situations with TIF dissolution and discretionary formula) for the Growth+3% Limitation.
 - Worst case scenario, any school district that falls under the Growth+3% Limitation is a 6% increase in the maximum they could have received in the prior year.
- ONLY those school districts that typically seeing a growth greater than 3% **AND** fall under the Growth+3% Limitation will be impacted. Even then, this fund will be eligible for additional tax dollars each year. The increase may not be as much as realized previously.
- All districts now have the option to opt out of the capital outlay fund if they so choose.
 - If school districts want to do this for Pay 2026, they will have two weeks to act on it. SB 216 becomes law on July 1, and the deadline to take action by the Board is July 15.
 - The \$3 maximum levy is still in place and cannot be exceeded. That means that the base CapOut fund + CO Certificates + CO Opt Out cannot generate more than a \$3.00 levy.

SCHOOL SPECIAL ED FUND

- It is not possible to project what the SpEd max levy will be for the next 5 years, nor how that will play out with valuation changes in every single school district. But in general there will be minimal impact to the Special Ed fund under SB 216.

While SB 216 is a good first step, the Governor realizes more work is necessary to provide long-lasting property tax relief to South Dakotans. An interim task force on property tax reduction will begin this summer. Governor Rhoden has asked former State Representative Kirk Chaffee (and former Meade County Director of Equalization) to be his designee on this task force and will bring forward his Homeowner Property Tax Relief proposal. More information on the Governor's proposal can be found [here](#).

South Dakota Lottery Launches Mobile Cashing Functionality

The South Dakota Lottery is now giving players the ability to claim qualifying prizes through its mobile app. South Dakota Lottery players may now claim instant and lotto prizes from \$101 to \$5,000 through mobile cashing. After a mobile claim has been processed, players will receive their prize via ACH transaction.

Prior to the implementation of mobile cashing, players were required to claim all prizes over \$100 or more by visiting a South Dakota Lottery validation center or by mail. The South Dakota Lottery's validation centers are located in Pierre, Rapid City and Sioux Falls.

Players may initiate a mobile claim with a few simple steps. First, players should open the South Dakota Lottery official mobile app, which is available for download in the Apple App Store and Google Play Store. Players can scan a scratch or lotto ticket with a qualifying prize then complete a digital claim form to complete the claim.

In order to utilize mobile cashing functionality, players should ensure that they have the latest version of the South Dakota Lottery's mobile app and have enabled camera permissions to the app.

Mobile claims should be processed within four business days. A player's first mobile prize claim may take up to eight business days due to the bank account verification process.

Players will have the ability to check the status of existing and previous claims through the My Claims page on the mobile app. The Lottery advises players with a pending mobile claim to sign the back of their winning ticket and keep it until the claim has been completed.



Throughout the mobile claims process, the Lottery will perform its regular debt setoff procedures as required by state law. Applicable tax documents and other information will be emailed to the player when necessary.

For more information on mobile cashing, including a tutorial video, [visit https://lottery.sd.gov/mobile-cashing/](https://lottery.sd.gov/mobile-cashing/).

Follow the South Dakota
Department of Revenue on
social media!





Our Watertown and Mitchell offices will be closing May 30th.

The Sioux Falls office is moving to the new Sioux Falls One Stop

Effective June 4, 2025 the new address will be :

1501 S HIGHLINE AVE STE 3B

SIOUX FALLS SD 57110

Upcoming Tax Seminars

Be sure to check our [website](#) for potential reschedule dates.

<u>Date</u>	<u>Topic</u>	<u>Location</u>
May 15	Motor Carrier Confab	Watertown
June 3	Basic Sales Tax	Online
June 5	Basic Contractor's Excise Tax Seminar	Online
September 9	Basic Sales Tax	Online
September 11	Basic Contractor's Excise Tax Seminar	Online
September 24	Motor Carrier Confab	Rapid City
December 2	Basic Sales Tax	Online
December 4	Basic Contractor's Excise Tax Seminar	Online

Seminars are free to attend. Click here to register, request a presentation, or view a complete schedule.

Costly Timing Errors in Reporting Contractor's Excise Tax

When to report and pay contractor's excise tax on construction projects depends on the accounting method used for tax reporting and when the receipts are received. The completion of the project does not determine when the contractor's excise tax is due. This is a misconception often found during an audit.

A business can report contractor's excise tax using either a cash or accrual basis.

Contractors reporting on the **cash basis** must pay the contractor's excise tax during the same reporting period when they receive a payment. This includes all installment and progression payments received.

Contractors reporting on the **accrual basis** must pay the contractor's excise tax during the same period when they bill a client.

Reporting receipts and paying contractor's excise tax in the correct reporting period is very important to avoid costly corrections later. Corrections of these errors can incur high amounts of interest for late reporting and tax payments.

Contact us for assistance reviewing your company's reporting basis or if you have any questions on when your taxes are due.

CONTACT US

SD Department of Revenue

445 E Capitol Avenue, Pierre, SD 57501

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

Phone: 605-773-3311

Taxpayer Assistance Center: 1-800-829-9188

Motor Vehicles: 605-773-3541

SD Lottery: 605-773-5770

Gaming Commission: 605-578-3074