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Churches

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The purpose of this Tax Fact is to provide general guidelines on how South Dakota taxes apply to churches. 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.

Sales and Use Tax

A church is not exempt from paying sales tax on purchases even though it may have a 501(c)(3) or other exempt status with the IRS.

- A church is not required to have a sales tax license for most activities, but it may be required to obtain a license if it sells taxable products or services.
 - ⇒ To apply for a South Dakota sales tax license, click [here](#).
- [Use tax](#) is due on purchases if no sales tax is paid at the time of purchase.
 - ⇒ Use tax is due on the purchase price, including shipping and handling charges.
 - ⇒ Use tax is due within the filing period the product or service is received.
 - ⇒ Use tax is due on supplies taken out of retail inventory for the business's use.
- A church is encouraged to obtain a use tax license. Use tax returns are sent out every June to report any use tax due.
 - ⇒ To submit a use tax payment online, click [here](#).

South Dakota Taxes and Rates

State Sales and Use Tax – Applies to all sales or purchases of taxable products and service.	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%
Contractor's Excise Tax — Imposed on the gross receipts of all prime contractors engaged in construction services or realty improvement projects in South Dakota. The gross receipts include the tax collected from the consumer.	2%

Examples of Use Taxable Items and Services:

- Books/Publications
- Candles
- Cleaning Supplies
- Computers
- Computer Software
- Furnishings
- Hymnals
- Interim Ministers
- Internet Access Fees
- Kitchen Supplies
- Lawn Mowing
- Music Downloads
- Musical Instruments
- Office Equipment
- Office Supplies
- Online Service Fees
- Pianos/Organs
- Printing Services
- Processing Fee for Electronic Donations
- Printing Services
- Shipping & Handling Charges
- Snow Removal
- Stereo Equipment

Contractor's Excise Tax (CET)

A church is not exempt from contractor's excise tax if it hires a contractor to perform construction services or reality improvement work, the contractor will owe contractor's excise tax on the gross receipts from that work. In addition, the contractor will owe sales or use tax on all materials used in that project.

- A contractor is allowed to pass on contractor's excise tax and use tax obligations to a church if the contractor lists any applicable taxes on the project invoice.
- To learn more about Contractor's Excise Tax, see the [Contractor's Excise Tax Guide](#).

Examples:

1. *A church hired an out-of-state engineering consultant that did not charge sales tax.*
 - The church owes South Dakota state and applicable municipal use tax on consulting services based on the location of the church.
2. *A church purchases computers, software, office equipment, and supplies from an out-of-state company. There is no tax charged on the invoice.*
 - The church owes South Dakota state and applicable municipal use tax based on where the church uses the product.
3. *A church hired a contractor to replace singles on a roof of a church building. The contractor included contractor's excise tax (CET) and use tax on the church's invoice.*
 - The church owes CET and use tax because they are not exempt.
4. *A church hired a contractor to secure pews to the church floor.*
 - The contractor would owe CET on his gross receipts plus CET on the pews that the church furnished.
 - If the church was not charged sales tax on the pews when purchased, the church would need to report state and applicable municipal use tax on their annual sales and use tax return.

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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