



**Summer
2026**

**SOUTH DAKOTA
DEPARTMENT OF REVENUE
NEWSLETTER**



A Message From Secretary Michael Houdyshell

Welcome to the Summer 2026 edition of our newsletter! This issue is packed with timely updates, practical guidance, and important information for individuals and businesses across South Dakota. A complete list of topics appears on page 2.

On page 2, we take a closer look at independent contractors and what South Dakota businesses need to know about tax licensing. We also explain tax rules for entertainers and live performances. Any entertainer who is paid for performing is operating a business and must hold a sales tax license.

Page 3 answers a common question: If your property value increases by 10 percent, does your property tax also increase by 10 percent? We walk through how assessments and tax bills are calculated and what changes in value can mean for taxpayers.

On page 4, you will find an update on the motor vehicle scanning project, along with six practical tips to help businesses prepare for a smoother sales tax audit. Page 5 focuses on use tax and a

construction-related cost that contractors may be overlooking. A little preparation and good record keeping can prevent issues and keep your business organized.

Looking ahead, page 6 highlights key due dates and upcoming information to help taxpayers stay on track and avoid penalties. Page 7 features an infographic showcasing the 2026 Sturgis Motorcycle Rally and its impact across South Dakota.

Finally, page 8 introduces Powerball Xs & Os, a new lottery game launched in September 2026. You will find details on how the game works, how to play, and what players should know about this new opportunity.

As always, our team is here to support you. If you have questions or need assistance, please reach out. We hope you enjoy this edition of our newsletter and find the information helpful throughout the year. Thank you for staying informed and connected with us!

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Hiring Independent Contractors? Know South Dakota's Tax Rules

Many South Dakota businesses work with independent contractors, also known as 1099 workers. Understanding when these workers need a South Dakota tax license is important for staying compliant and avoiding unexpected tax issues.

In South Dakota, anyone who sells, rents, or leases physical items, sells electronic products, or provides services, and is not a W 2 employee, may need a state tax license. This can include freelancers, subcontractors, and individuals doing project based work for your business.

South Dakota is unique because most services are taxable. Even though the state does not have personal or corporate income tax, businesses may still owe sales tax, use tax, contractor's excise tax, city taxes, or other state taxes. The specific tax owed depends on the type of service provided.

Independent contractors work in many industries, including personal care services, massage therapy, landscaping, construction, real estate, creative services, and marketing. Whether you hire one contractor or several, everyone involved should understand their tax obligations. Clear compliance helps protect your business from unexpected tax bills or audits.

For questions about federal worker classification, businesses should contact the IRS. For questions about employment status, the Department of Labor can help. For licensing requirements, taxability, or determining whether your business has tax obligations in South Dakota (nexus), the South Dakota Department of Revenue is available to assist.

Entertainers and Live Entertainment

Live entertainers are becoming more common at events across South Dakota, and any paid performer is considered a business that must have a South Dakota sales tax license and are responsible for collecting and remitting sales tax. This includes musicians, bands, dancers, comedians, magicians, DJs, karaoke hosts, event announcers, actors, and actresses.

If you hire an entertainer who is not your employee, they must charge sales tax on the full amount you pay them. If they do not charge sales tax or do not have a sales tax license, you are responsible for paying use tax on the amount they are paid. Always request an invoice to showing that sales tax was collected.

Licensed venues or promoters that charge admission or a cover fee may give entertainers an exemption certificate. Entertainers can accept these certificates when the event involves taxable ticket sales, such as concerts. The certificate informs the entertainer that the service is being purchased for resale. However, exemption certificates may not be used when there are no charges for admission or the admissions are not taxable, such as at local, county, or state fairs or fundraising events run by charitable organizations. In these situations, sales or use tax still applies to the entertainer's fee. An exemption certificate only applies to the entertainment service itself. Entertainers must continue to charge sales tax on any merchandise they sell, such as posters, photos, t shirts, or CDs.

If you are unsure whether sales tax or use tax applies to a live entertainment event, contact the Department of Revenue. We are here to help you determine the correct tax requirements.



My Property Value Went Up 10%. Does That Mean My Taxes Go Up 10%?

Your property assessment arrives in the mail, and your home's value has increased 10%. Does that mean you should expect your property tax bill to increase 10 percent, too? Not necessarily.

One of the most common misconceptions about property taxes is that a change in property value translates directly into the same percentage change in property taxes. In reality, your property's value is only one part of the calculation.

Before we get into that, though, let's talk about the difference between an Assessment Notice and your Property Tax Bill. The Assessment Notice is sent by your county Director of Equalization's Office no later than March 1. It shows the full and true value of your property for the current assessment year. For non-agricultural property, "full and true" generally means what the property would sell for on the open market. (Bare agricultural land valuation works differently. For more info, click [HERE](#).)

Here's where the timing can get confusing: The value on your March 1, 2026 Assessment Notice is used to calculate your 2027 property taxes. The Treasurer's Office sends out the tax bill in the county where the property is located, usually in January. Property taxes are due and payable January 1, but can be paid in two installments without becoming delinquent: the first half by April 30 and the second half by October 31.

So, an assessment tells you what your property is worth for tax purposes. It doesn't, by itself, tell you what your tax bill will be. To understand that connection, we need to make one more stop – at the Auditor's Office.

South Dakota's property tax system is largely budget-driven. Local governments determine the amount of property tax revenue they are allowed to request, subject to statutory limitations. The tax rate (often called a levy) is then calculated based on that revenue amount and the taxable value within the taxing district. In other words, the levy is a mathematical result. It can move up or down as property values change.

Why does the system set up this way? Among other things, it:

- Restrains growth in local government property tax revenues by limiting how much those revenues can increase from year to year.
- Helps separate changes in property values from changes in the amount of property tax revenue collected.
- Provides greater stability for local government revenues when property values rise or fall.

So, back to our original question.

If the value of every property in a taxing district increased by 10 percent, but the amount of property tax revenue being collected stayed exactly the same, the levy would decrease. Your individual tax bill would therefore not automatically increase 10% simply because your value did.

Of course, property taxes are rarely quite that simple. Your value may change differently than other properties due to market trends, local government tax requests may change, and school general fund levies operate differently than the budget-driven system described above. (We'll save school funding and property taxes for a chat another day.)

Property taxes receive a lot of attention (especially lately) and asking questions about how much we pay and how the system works is a good thing. After all, no one enjoys paying taxes. But property taxes support the local services we rely on every day: schools, roads, law enforcement, fire protection, libraries, and other services that help our communities function.

So before deciding whether the system is broken, take some time to understand how it works, where your tax dollars go, and the safeguards already built into the system. You might still not like your property tax bill, but at least you'll know why you're paying what you're paying.

Make Your Next Sales Tax Audit Easier: 6 Things Every Business Should Know

A sales tax audit does not have to be difficult. Keeping good records, responding to requests, and communicating with your auditor can help make the audit process easier and more efficient.

Here are six things every business should know:

1. Keep Good Records

Good records are one of the best ways to prepare for an audit. Keep sales and purchase records, invoices, exemption certificates, general ledgers, and other documents that support your tax returns. A routine audit typically goes back 3 years from the date the Notice of Intent to Audit is issued.

2. Know What You Are Selling

Businesses should know which products and services they sell are subject to sales tax. Taxability can depend on what is sold, who the purchaser is, and how the transaction takes place.

3. Pay Attention to Use Tax

Use tax is often overlooked. If you purchase taxable goods or services without paying South Dakota sales tax, you may owe use tax. This can happen when you buy items from an out-of-state vendor, or when you purchase taxable items from a supplier that also sells you items for resale. Review your purchases to determine if use tax is due.

4. Keep Exemption Documentation

If a sale is exempt from sales tax, keep the proper documentation to support the exemption. Examples of documentation include shipping manifests, properly completed exemption certificates, and proof of funds (Government payments). Never rely only on a customer's statement that a purchase is tax-exempt.

5. Stop Additional Interest from Accruing

If you realize that you made errors that will result in additional tax, you can make an audit prepayment to stop additional interest from accruing while the audit is being completed. Talk with the auditor, who can explain the process and guide you in how to make the audit prepayment.

6. Respond to Your Auditor and Ask Questions

During an audit, your auditor will request information needed to complete the audit. Providing complete information promptly will keep the audit moving. If you need more time or do not understand a request, talk with your auditor. Asking questions is better than leaving a request unanswered.

The Bottom Line

If you are selected for an audit, work with your auditor, provide complete information, and ask questions when something is unclear. These simple steps can help make the audit process more efficient for everyone.

Motor Vehicle Scanning Project

By the end of July, 29 counties had begun scanning title paperwork immediately upon receipt and the impact has been dramatic. Before scanning was adopted, titles with no issues took an average of 11.4 days to process. After scanning, eligible titles were completed in just 1.47 days on average, an 87% reduction in turnaround time.

This improvement comes from allowing titles to be handled as soon as they are submitted to the county eliminating the need to mail documents to Pierre, scanned into the system and then worked. As of the end of August, only sixteen of South Dakota's 66 counties had not yet implemented scanning. The Department plans to meet with these counties in person to offer support and encourage continued progress.

Use Tax: The Construction Cost You Might Be Overlooking

If you work in construction in South Dakota, you're likely familiar with Contractor's Excise Tax. But there's another tax that often gets overlooked and it can have a big impact on your projects: use tax.

What is use tax?

Use tax applies when you use materials, supplies, equipment, or services in a project and South Dakota sales tax was not paid at the time of purchase. This includes items bought out-of-state, materials supplied by your customer, and taxable services purchased from out of state providers.

When are contractors responsible for use tax?

Contractors are considered the consumers of the materials used in realty improvement projects, whether they purchased the materials or not. If untaxed materials are installed on a project, the contractor is responsible for paying use tax on them. This applies to everything from lumber and roofing material to fixtures and also includes equipment rentals.

Even when a property owner supplies materials, you must report use tax unless you have clear documentation showing South Dakota sales tax was already paid. Use tax also applies to taxable services. If you hire someone to fabricate parts or provide design or repair services and they do not charge South Dakota tax, you must remit use tax on that service.

Key Things to Keep in Mind

- Review out of state purchases. If a supplier charged less than South Dakota's 4.2% state sales tax, or did not charge tax, you owe use tax on the difference.
- Remember city taxes. Many South Dakota cities have their own municipal tax. That rate will need to be factored in too.
- Owner supplied materials still count. It is easy to assume that if you did not buy it, it is not your responsibility. If the customer doesn't have proof tax was paid, the contractor owes the use tax.
- Exempt jobs are not exempt for contractors. Even when working for exempt entities, contractors still owe use tax on the materials they install, including materials supplied by the project owner.
- Services may be taxable. Services you outsource may be taxable in South Dakota, even if purchased out-of-state.

The best way to stay compliant is to keep clear documentation. Track your purchases, review invoices, and keep records showing whether tax was paid. For more detailed guidance, including exemptions and reporting rules, refer to the Department of Revenue's Contractor's Excise Tax Guide. If you have questions about a purchase, project, or tax liability, our Business Tax Division is here to help at (800) 829 9188.

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: 605-773-6050

2026

Sturgis Motorcycle Rally

COLLECTIONS

\$1.4 MILLION

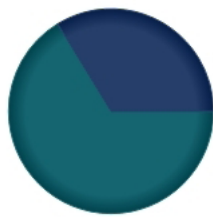
↓ **11%** down from 2025

BY TAX TYPE



State Sales Tax (56.7%) \$ 796,998
Municipal Tax (23.6%) \$ 331,812
Tourism Tax (19.6%) \$ 275,598

BY REGION



Northern Hills \$ 930,740
Southern Hills \$ 473,668

BY YEAR

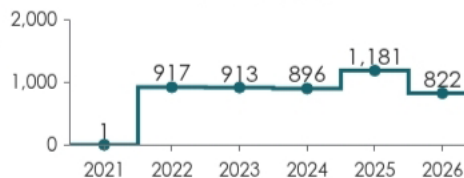


Note: HB1137 reduced the state tax rate from 4.5% to 4.2% effective July 1, 2023

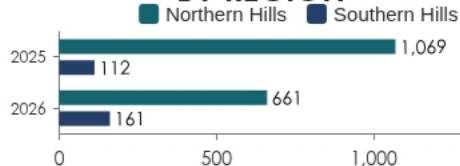
VENDORS

822

BY YEAR



BY REGION



The South Dakota Department of Revenue estimates tax collections from the 2026 Sturgis Motorcycle Rally at \$1,404,408, an 11% decrease from last year's total of \$1,581,736. The lower collections reflect a slowdown in overall rally traffic, which contributed to reduced vendor activity and lower taxable sales. The total includes state sales tax, state tourism tax, municipal sales tax, and municipal gross receipts tax.

State sales tax remained the largest share of collections at \$796,998, down from \$901,513 in 2025. The 2026 rally also generated \$275,598 in state tourism tax and \$331,812 in municipal taxes. The decline in traffic was mirrored by a drop in vendor participation, with 822 temporary vendors operating during the rally, 30% fewer than in 2025.

In the Northern Black Hills, including Sturgis and surrounding communities in Meade and Lawrence counties, 661 vendors generated \$930,740 in tax revenue, representing a 20% decrease from last year. In contrast, the Southern Black Hills, Rapid City, Custer, Hill City, and Keystone saw 161 vendors generate \$473,668 in tax collections, a 15% increase from 2025.

Powerball Xs & Os Coming to South Dakota

The South Dakota Lottery is bringing game-day excitement to players and football fans alike with the launch of Powerball Xs & Os™.

Powerball Xs & Os is a new weekly draw game that combines two iconic brands – Powerball and the NFL – into a unique game-day experience. Ticket sales began on Tuesday, September 8, with the first drawing held on Sunday, September 13.

Powerball Xs & Os invites fans to pick eight NFL teams for a chance to win a rolling jackpot and other cash prizes. Winning teams will be drawn at random every Sunday night throughout the year. Tickets cost \$5 per play.



The excitement doesn't end with the cash prizes. Every Powerball Xs & Os ticket entered at www.PowerballOfficial.com earns points in the new national Powerball promotional prize program, which features exclusive prize drawings.

Available prizes include a trip to Super Bowl LXI, NFL Shop gift cards to purchase their favorite NFL officially licensed products, and unique NFL experiences. Prize availability, details, and fulfillment are subject to the official rules.

With new prizes added regularly, every Powerball Xs & Os ticket brings fans closer to something extraordinary – at no extra cost.

Key Game Facts:

- Choose eight NFL teams from a lineup of all 32 NFL teams.
- Enter eligible tickets at www.PowerballOfficial.com, earn points, and assign your points as entries to the prize drawings you want most.
- Enter eligible winning or non-winning tickets as soon as you purchase them – no need to wait for the drawing.
- Play in the weekly drawing every Sunday at 9 p.m. Central.
- Match all eight of your teams to win the rolling cash jackpot or match some teams to win a cash prize.
- Powerball Xs and Os results are randomly drawn and not based on, determined by, or dependent on the outcome of NFL games.

Match	Prize	Odds
8 of 8 Teams	Cash Jackpot	1 in 10,518,300.00
7 of 8 Teams	\$20,000	1 in 54,782.81
6 of 8 Teams	\$500	1 in 1,361.06
5 of 8 Teams	\$40	1 in 92.80
4 of 8 Teams	\$7	1 in 14.14
Overall Odds of Winning a Prize		1 in 12.16

At launch, the game will be available in 24 lottery jurisdictions for fans to purchase tickets and participate, including South Dakota, Arizona, Connecticut, the District of Columbia, Delaware, Iowa, Indiana, Kansas, Kentucky, Maine, Maryland, Massachusetts, Minnesota, Missouri, North Carolina, Nebraska, New Jersey, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont and West Virginia. Additional U.S. lotteries plan to join later in the year.



Upcoming

Date	City	Seminar	Type
12/01/2026	Microsoft Teams	Basic Tax Seminar	Sales Tax
12/03/2026	Microsoft Teams	Basic Tax Seminar	Contractors Excise Tax
03/02/2027	Microsoft Teams	Basic Tax Seminar	Sales Tax
03/04/2027	Microsoft Teams	Basic Tax Seminar	Contractors Excise Tax

Don't Get Stuck Waiting: What Causes Title Delays

1. Odometer readings are required if the vehicle is 2011 or newer.
2. Missing signatures on the back of the titles. The title should be filled out in its entirety.

These errors are typically on private party sales. Make sure to follow the directions listed on the title.

Sales, Use, and Contractor's Excise Tax Schedule

Tax Return	Due Date
September	Oct 20, 2026
October	Nov 20, 2026
November	Dec 21, 2026
December	Jan 20, 2027

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.

September – S

November – T/U/V/W/X/Y/Z

***April, October, and December are non-renewal months**

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