



# Schools

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

*The purpose of this Tax Fact is to explain to those associated or doing business with South Dakota school districts and school related organizations which items are taxable and which are not. 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.*

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## Sales Tax Exemption

Purchases by South Dakota school districts, including the technical schools, high school, and elementary schools, are exempt from sales tax if the purchase is for school use. Private and religious educational institutions may apply for a tax exempt number. For information on Universities please review the tax facts on Universities.

The sales tax exemption applies only to items purchased with school funds for use by the school. This exemption does not extend to purchases of products for the personal use of officials, members, or employees of the school.

### Example:

A laptop computer purchased with school funds that is taken home and used for personal use, instead of school work, is subject to sales or use tax.

Taxable items include items purchased to sell or raffle as a fundraiser and items to be sold at concession stands. If the supplier does not collect sales tax, the school is responsible for remitting sales or use tax directly to the state.

### Exempt Numbers - Documentation

School districts in South Dakota have been issued exempt numbers containing the letters "RS" that are to be used when making tax exempt purchases. Private and religious educational institutions that apply and qualify for sales tax exemption are issued exemption numbers containing the letters "RE." A certificate of exemption with an authorized exemption number should be given to the vendor by the school. The business must keep the exemption certificate, purchase order, or copy of payment as proof that payment was made directly from the school funds.

## Exempt Purchases and Sales

Purchases made with South Dakota school funds are exempt from South Dakota's sales tax if the purchase is for the school's use. School funds refer to the school district's funds and do not include trust or agency accounts the school may manage for various organizations such as booster clubs, foundations, or student organizations and clubs.

### Examples of exempt purchases made by school funds are:

- Books for use in the classroom or school library
- Desks, chairs, computers, printers
- Uniforms for sports, band, or choir
- Gym equipment
- Office supplies and equipment

South Dakota Taxes and Rates	
<b>State Sales Tax and Use Tax</b> – Applies to all sales or purchases of taxable products and services.	<b>4.5%</b>
<b>Municipal Sales Tax and Use Tax</b> – 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.	<b>1 to 2%</b>
<b>Tourism Tax</b> – Applies to the rental of certain motor vehicles. Tourism tax does not apply when you are remitting use tax.	<b>1.5%</b>
<b>Contractor's Excise Tax</b> – 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.	<b>2%</b>

## Exempt Purchases and Sales (cont.)

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**Student activity or class fees** for participation in school events or for classes or lessons given by the school are not subject to sales tax, even if no credit hours are given for the class, lesson, or activity. This includes charges for the use of equipment such as football uniforms and band instruments. Amounts paid directly from school funds to instructors for school events, classes, or lessons are exempt from sales tax. Fees paid directly to an instructor by a student are taxable, such as for music lessons. Tuition and activity fees collected by technical schools are not taxable.

**Admissions to school events** such as ball games, tournaments, concerts, and plays sponsored and operated by vocational, elementary or high schools, or related clubs or supporting organizations approved or supervised by a school are exempt from South Dakota sales tax when the entire net proceeds are spent for educational purposes.

Products purchased by the school or related organizations to be sold at school-sponsored events are subject to sales tax when purchased. If sales tax is not collected by the vendor the school or organization is responsible for remitting sales or use tax on its cost of the products purchased. This includes items such as pop, popcorn, candy, t-shirts, and sweatshirts.

**Classroom supplies** purchased by the school that the school provides or sells to students for use in the classroom are exempt from sales tax. Examples are wood for shop class, material for home economics, and paints for art class. Technical schools owe sales tax on textbooks and supplies sold to students for use in classrooms.

**Items provided by the school** at no charge to students and teachers that were purchased directly from school funds or were donated to the school are not subject to sales tax. This may include t-shirts given to students or coaches or clothing provided to needy students. If the purchase is from foundation or club accounts and the item is then given to students or teachers, then sales tax applies.

**School Food Service Programs** may purchase groceries and supplies for the operation of a school food service program exempt from sales tax. The school's receipts from the sale of food to students under the school food service program are not subject to sales tax.

Food items the school sells that are not part of the school food service program are not exempt from sales tax. If the supplier does not charge sales tax, the school owes use tax on the purchase price of these items. Examples of taxable items include pop, snacks, juice drinks, sports drinks, bottled water, catering for banquets or activities, and sales from vending machines that are not part of the school food service program.

Technical schools owe sales tax on food sold to students, staff, or others, including the sales of meal plans.

Purchases of food by teachers or administrators for meetings or for their own use are subject to sales tax. School purchases of meals or snacks given at no charge to teachers or others are not subject to sales tax.

**Trophies and awards** given by the school at school events and for participating in school events are not subject to sales tax when purchased with school funds.

**Incentives and prizes** given to students, teachers, or parents for participating in school activities are not taxable when purchased directly from school funds.

**Yearbook sales** are exempt from sales tax as this is a school activity. Purchase of supplies to create yearbooks and the purchase of yearbooks from the printer are also exempt from sales tax when paid directly from school funds.

**Sports, fine arts, or education camps** sponsored and operated by school districts are not subject to sales tax if the entire net proceeds are deposited into the school district's accounts and are spent for educational purposes. Sales tax is due on all items sold at the camp unless sales tax is paid to the vendor at the time the items are purchased.

If the entire net income generated from the camp is not spent for educational purposes, the entire registration fee is subject to the state sales tax, municipal sales tax, and tourism tax. For example, if the net proceeds are paid to the faculty member in charge of the event, then the entire receipts from the camp are subject to tax.

This applies to all camps held by schools, such as athletic, academic, and fine arts camps.

### Camp Examples:

- Volleyball
- Theatre
- Basketball
- Music
- Baseball
- Drama
- Running
- Math
- Swimming
- Science
- Soccer
- Computer
- Dance

## Taxable Transactions

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Purchases by school related foundations, booster clubs, or student organizations are subject to sales tax. Any purchase that is not paid directly from school funds is subject to sales tax.

A school's purchase of products that will be sold, that are not for school use, is subject to sales tax.

If sales tax is not collected by the supplier, the school or school related organization is responsible for remitting sales or use tax directly to the state.

### Examples of taxable purchases:

- Food and drinks for sale at concession stands
- Glasses, napkins, and utensils for use at concession stands
- School jackets, T-shirts, or uniforms sold to students
- The purchase of all fundraising items such as food for concession stands, candy, flowers, wrapping paper, and Christmas wreaths
- Books sold through book fairs
- Purchases of products or services for the personal use of officials, members, or employees of the school
- Purchase of any equipment, uniforms, or other items by a school related organization or club

**Foundations, booster clubs, or student organizations** are separate entities from the school. This may include sports or fine arts booster clubs, PTAs, rodeo or drama clubs, FFA, dance teams, student council, etc. These entities are subject to sales tax on their purchases. All licensed suppliers are responsible for sales tax on sales to these organizations.

Schools may administer the foundation, club, or organization's account and use checks that have the school name on it. Because the vendor does not know if payment is from school district funds or a foundation, club, or organization, the school should tell the vendor that the purchase is subject to sales tax. If sales tax is not charged, the foundation, club, or organization will owe use tax on all purchases.

**Fund Raising Sales** Items purchased by the school or related organizations for sale as fundraisers or as raffle items, such as food for concession stands, fruit, pizza, candy, wrapping paper, etc., are subject to sales tax when purchased. The school or organization does not owe sales tax on their profit from the sale of these products. If sales tax is not collected by the vendor, the school or organization is responsible for remitting use tax on the cost of the products purchased. The cost is the amount paid for the product, including shipping and handling charges.

**Items sold by the school, other than fundraising sales,** are subject to sales tax when sold. Items sold may include items that were built in a class, such as a garage or house built in shop class, services such as remodeling or repairs to motor vehicles, or sales of surplus items sold by the school district such as office equipment.

**Products purchased by a school that are in turn sold** to students, teachers, or others that are not for use in a class are subject to sales tax when purchased. If sales tax is not paid to the supplier, use tax is due on the school's purchase price of these items. This includes items such as uniforms, class rings, school jackets, school pictures, and refreshments in a teacher's lounge.

**Employee purchases** are not exempt from sales tax even if the school later reimburses the employee. The exempt entity must pay the vendor directly from the school's funds to be exempt. Payment may be made with the school's check or credit card.

**School Travel Purchases** of motel rooms and food made by teachers, coaches, administrators, students, etc. while on school trips are subject to sales tax when paid for by the individual, even if the individual is reimbursed by the school for the expenses. Payments made to the motel or restaurant directly from school funds, by a school check or school credit card, are exempt from sales tax.

**School "Parties"** Purchases made by "after-prom" committees or other school party committees are not exempt from sales tax. The committee must pay sales tax on all items, including refreshments and prizes purchased for these special events.

## Technical Schools

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Purchases by technical schools are not subject to sales tax. However, sales made by technical schools are subject to sales tax. Tax applies to products sold at the school's bookstore and their cafeterias. For further information, please review the [Universities Tax Fact](#).

## Out-of-State Schools

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Governments, including public schools, from other states or the District of Columbia are exempt from South Dakota sales tax if the law in that state provides a similar exemption for South Dakota governments. States providing a similar exemption are Colorado, Indiana, Iowa (lodging is not exempt), Minnesota (lodging and meals are not exempt), North Dakota, Ohio, and West Virginia. The governments from states without a sales tax are exempt from South Dakota sales tax. These states are Alaska, Delaware, Montana, New Hampshire, and Oregon.

South Dakota public school districts are exempt from sales tax in the above states, except for purchases noted. Public schools from the above states are exempt when making purchases in South Dakota, except for the purchases noted.

## Licensed Suppliers

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School officials should tell suppliers to charge sales tax on fundraising items or items the school will resell to students, teachers, and others for personal use. If the business is not licensed, the school will owe use tax. Please contact the Department at 1-800-829-9188 to determine if a specific business is licensed.

## Construction Services

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Contractor's excise tax applies on construction services such as new construction, remodeling, roof repair, painting, plumbing, heating or AC repairs, and concrete work. The contractors performing these services are responsible for contractor's excise tax on their receipts and will owe use tax on any material or supplies furnished by the school. Contractors may legally pass this tax on to the school.

An exemption certificate may not be used when purchasing realty improvement work that is subject to contractor's excise tax.

## Motor Fuel

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While the school may be exempt from paying any state sales tax, this tax exemption must not be assumed to carry through with any other type of tax that the school may encounter.

**Only a few Indian schools in the state are exempt from paying motor fuel tax on the fuel that they purchase.**

Motor fuel taxes need to be paid by all schools using moveable vehicles in the road right of way. This tax is used to directly pay for the wear and tear on the right of ways in the state. School vehicles inflict wear and tear and must be responsible for paying the motor fuel tax.

The state cannot make any comments on federal taxes, for any information on federal fuel taxes please contact your federal tax administrator.

All diesel or biodiesel sold to school systems for vehicular use must be **undyed**. This includes fuel being used in buses.

LPG (propane) used in movable vehicles, including school busses, by the school need to have motor fuel taxes paid. If the LPG (propane) is purchased and stored by the school, a LPG user's license may need to be obtained unless motor fuel taxes are paid when the fuel is purchased.

## Motor Vehicle

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Vehicles owned by public or nonpublic schools accredited by the Department of Education, Indian mission schools, and Indian tribes or tribal schools are exempt from the motor vehicle excise tax. Title and registration must be made to the Motor Vehicle Division of the Department of Revenue. Fees are as follows: title fee is \$10.00, lien fee (if applicable) is \$10.00, license plate fee is \$6.20 with a \$5.00 license plate mailing fee.

### Contact Us

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

**Call toll-free:** 1-800-829-9188

**Business Tax Division Email:** [bustax@state.sd.us](mailto:bustax@state.sd.us)

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

**Mailing address and office location:** South Dakota Department of Revenue  
445 East Capitol Ave  
Pierre, SD 57501