



# Metal Mining

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

*The purpose of this tax fact is to explain how South Dakota's sales and use and contractor's excise tax applies to the metal mining industry. 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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## Metal Mining - General Information

South Dakota's sales and use tax, plus applicable municipal tax applies to a wide variety of services and tangible personal property in the precious metal mining industry. Municipal tax applies to tangible personal property that will be used above or below ground if the buyer takes possession inside the municipality's limits.

Note: As of July 1, 2002, the city of Lead no longer exempts the sale of tangible personal property sold to mining companies for use outside the municipality's limits.

## The Sale of Drilling Rigs

The gross receipts from the sale of drilling rigs used to explore for precious metals are subject to the state sales and use tax, plus applicable municipal tax. The amount of sales tax is based on the total amount of the sale, including delivery charges. Use tax is due by the purchaser of the drilling rigs if the vendor did not remit sales tax to the State of South Dakota.

Drilling rigs purchased for out-of-state use that are later used or stored in South Dakota and are less than seven years old are subject to use tax based on the cost or fair market value of the rig when brought into South Dakota, if sales tax has not been paid.

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>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>

### Examples of tangible personal property subject to the South Dakota sales and use tax, plus applicable municipal tax:

- Acid wash tanks
- Conveying systems not installed or secured to real property
- Cranes
- Crusher (primary and secondary)
- Drag lines and shovels
- Drilling rigs used to locate precious metals
- Drying ovens
- Electrowinning cells
- Fork lift
- Front end loader
- Laboratory equipment not affixed to a building
- Laboratory furniture not affixed to a building
- Machinery and tools
- Process vessels
- Pumps
- Reclamation Equipment
- Solution heaters
- Stacking equipment
- Strip vessels
- Tertiary crusher
- Trucks not used on the highway

## The Sale of Drilling Services

The gross receipts from the sale of drilling services used to explore for precious metals are subject to the state sales and use tax, plus applicable municipal tax. If the sale of drilling services is made by a vendor without a South Dakota sales tax license, and no South Dakota sales tax is paid, state use tax, plus applicable municipal tax is due by the purchaser of the service. The drilling service company is also responsible for use tax on all equipment and supplies they use in performing their service.

### Examples of services that are subject to the South Dakota state sales tax, plus applicable municipal tax:

#### Overall Mine Services

- Environmental impact studies
- Designing buildings or other realty improvements if performed without any realty improvement work.
- Mine feasibility studies

#### Mine Exploration

- Boring test holes
- Exploratory drilling
- Geophysical exploration
- Geophysical studies
- Lab testing and analysis
- Test drilling

#### Mine Operations

- Contract crushing
- Contract hauling
- Contract mining
- Contract security services
- Contract draining or pumping of mines

#### Mine Development

- Adits
- Developmental drilling
- Drifts
- Haul roads
- Overburden removal
- Pre-strip metal mining
- Sinking mine shafts

## Realty Improvements and the Contractor's Excise Tax

Contractors engaged in realty improvement contracts in South Dakota are subject to the contractor's excise tax. The contractor's excise tax is due on the total gross receipts from realty improvements in South Dakota. Sales or use tax must be paid on all materials used or consumed in completing the construction project.

### The following examples are subject to excise tax:

- |                          |                         |                         |                         |
|--------------------------|-------------------------|-------------------------|-------------------------|
| • Ball mills             | • furniture pumps, or   | ⇒ Fences                | construction            |
| • Concrete work          | • cranes affixed to a   | ⇒ Leach pads            | • Regeneration kilns    |
| • Conveying systems if   | • building              | ⇒ Solution ponds        | • Repairing buildings   |
| installed and secured to | • Land clearing         | ⇒ Stormwater ponds      | • Rod mills             |
| real property            | • Masonry and stonework | ⇒ Tailing               | • Roofing, siding and   |
| • Design and erection of | • Mill building and     | impoundments            | sheet metal work        |
| buildings                | • foundations           | • Office Buildings and  | • Service roads         |
| • Electrical work        | • Mine loading and      | foundations             | • Thickeners tanks      |
| • Excavation Work        | discharging             | • Plumbing, heating and | • Vaults                |
| • Furnaces               | • Mining appurtenances  | air conditioning        | • Water mains and wells |
| • Fences                 | ⇒ Access roads          | • Power lines           | • Water well drilling   |
| • Laboratory equipment,  | ⇒ Buildings             | • Reclamation project   |                         |

### Motor Vehicle Registration Fee

The following are subject to the motor vehicle registration fee and not to the sales, use or contractor's excise tax:

- Motor vehicles, including trucks, that are required to be licensed for use on the highways.

### Contact Us

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

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