

**SOUTH DAKOTA  
DEPARTMENT OF REVENUE  
NEWSLETTER**



**SPRING  
2026**



## **A Message From Secretary Michael Houdyshell**

Greetings from the South Dakota Department of Revenue! As we welcome the 2026 Spring season and look ahead to the busy summer months, the Department of Revenue team is hard at work implementing legislation passed during the 2026 Legislative Session.

Governor Larry Rhoden signed numerous bills into law this session. In this edition of the newsletter we provide summaries and guidance; aiming to keep you informed about recent legislative changes and what the law changes may mean for you.

On page 2, you will find information on waivers in South Dakota audits, as well as the updates to the sales tax refund program for qualifying senior and disabled citizens.

Pages 3 and 4 feature the bulk of legislative updates from the 2026 session, including a wide array of changes and the new regulations related to nicotine and vapor products.

Page 5 outlines the July municipal tax rate change, and explains the department's policy regarding the federal government's penny elimination.

Pages 6 and 7 provide an overview of South Dakota's Property Tax Relief Package, including the three key measures signed by Governor Rhoden and an explanation of how and when taxpayers will begin to feel the effects of the relief.

Page 8 highlights South Dakota Lottery "Hidden Gems," showcasing the new ticket and the features that offer players additional ways to engage with the Lottery.

You will also find information on upcoming tax seminars and reminders for sales tax, use tax, and contractor's excise tax returns due dates.

Our knowledgeable staff is always here to assist with questions and provide support whenever needed. We hope you enjoy the Spring 2026 edition of our newsletter and find it both helpful and informative.

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## No Waivers in South Dakota Audits – What Does This Mean for You?

In audits conducted by other states, taxpayers may be asked to sign a “waiver” granting the state additional time to review their tax records. South Dakota does not use waivers during audits.

Under SDCL 10-59-16, South Dakota may review returns and assess tax within 3 years of notifying the taxpayer, unless there is fraud or another violation of the law. This period is set by law and remains in effect until the audit is completed.

Even though South Dakota does not use waivers, it is still important to respond promptly during an audit. There are deadlines that taxpayers must meet. For example, you have 60 days from the start of the audit to provide the requested records. If information is not submitted on time, it may affect how the audit is completed. Interest is also charged from the date the tax was originally due, so any delays in providing information may increase the amount of interest you owe.

**Bottom line:** South Dakota’s audit process is meant to be simple and clear. With no waivers involved, taxpayers know the exact audit period the Department can review and what to expect throughout the audit.

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## Sales Tax Refund for Senior & Disabled Citizens

South Dakota senior citizens and citizens with disabilities have until July 1 to apply for a tax refund through the state’s Tax Refund Program. Eligible individuals may receive a refund of a portion of the sales taxes they paid in 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 2025;
2. Be 65 years old on or before January 1, 2025, or disabled at any time during 2025; and
3. Live alone and have a yearly income of \$17,215 or less OR live in a household whose members’ combined income is \$23,265 or less.

The deadline to apply for the program is July 1, 2026. Applications submitted by mail should be sent to the Tax Refund Office, 445 E Capitol Ave, Pierre, SD 57501-3185.

Individuals 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/>.

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



### The Sales Tax Refund Application for Senior Citizens and Citizens with Disabilities is now open!

Apply until July 1



# Legislative Updates

## HB 1245: Municipal Capital Outlay Tax

[House Bill 1245](#) is a 2026 law that allows municipalities to create a temporary local tax mechanism to fund capital improvement projects, such as streets, public buildings, utilities, and other infrastructure.

- Cities may impose up to a **1% additional municipal capital outlay tax** for approved capital projects.
- The tax must be tied to a specific capital improvement purpose and is intended as a temporary funding tool.
- Municipalities must create a **capital improvement board** made up of local officials and residents to review and approve proposals.
- The measure gives cities a “pay-as-you-go” alternative to issuing long-term debt bonds for large infrastructure projects.

The tax authority is limited in duration and will generally end once the approved project costs are paid or after a maximum period set in the law.

## HB 1034: Increased Mailing Fees

[House Bill 1034](#) increases the mailing fees for decals or license plates that are sent through the mail.

Increases include:

- Raising the mailing fee for decals or sets of decals from **\$1.50 to \$2.50**.
- Raising the mailing fee for license plates or sets of plates from **\$7.50 to \$12**.
- If requested that the plate or decal be express mailed, the applicant must pay any costs for the express mailing service.

## HB 1080: Military Specialty Plate

South Dakota [House Bill 1080](#) allows veterans who own businesses to use military specialty license plates on certain business-owned vehicles. A veteran business owner may now choose to display military specialty plates on a **noncommercial** vehicle registered to their business as long as the veterans name is also on the vehicle title.

## HB 1227: State Increases Electric Vehicle License Fee to Support Road Funding

Starting July 1, 2026, South Dakota electric vehicle (EV) owners will see their annual license fee increase from \$50 to \$100 under [House Bill 1227](#). This bill imposes an additional \$100 fee at registration time for noncommercial EVs powered solely by rechargeable batteries.

The aim of this fee increase is to help offset road maintenance costs, since EVs do not contribute to motor fuel tax revenue. The collected funds will be deposited directly into the State Highway Fund, ensuring they are used for infrastructure upkeep.

Under the bill, the fee applies only to fully battery-electric vehicles. Plug-in hybrid electric vehicles will no longer be subject to the electric vehicle fee.

## HB 1254: Soil Amendments

[House Bill 1254](#) provides a state sales tax exemption for certain agricultural soil amendments. Under the new law, soil amendment products purchased in quantities of 500 pounds or more are exempt from sales tax when used exclusively for agricultural purposes.

House Bill 1254 also establishes clear eligibility requirements for the exemption, including a minimum single-transaction purchase of 500 pounds of a qualifying product. It also updates the definition of “soil amendment” within South Dakota statute to clarify which products qualify under the law.

This change was made to help reduce costs for farmers and agricultural producers across the state.

# New Laws that Regulate Nicotine Products

## HB 1220: Nicotine Regulation

South Dakota's HB 1220, which goes into effect on July 1, 2026, introduces licensing and regulatory obligations for anyone distributing nicotine products. Nicotine products under this law include vapor products (such as e-cigarettes and vape pens) and alternative nicotine products (such as nicotine pouches and nicotine dip), but do not include cigarettes and other tobacco products. Anyone distributing cigarettes or other tobacco products is already required to have a tobacco distributor or tobacco wholesaler license. See the full statutory definition of nicotine products in [House Bill 1220](#).

### Licensing and Fees

- **Mandatory state license:** Anyone distributing nicotine products to retailers must apply for a nicotine distributor license through the South Dakota Department of Revenue. Businesses who currently hold a tobacco distributor or tobacco wholesaler license will not be required to also obtain a nicotine distributor license.
- **Annual fee:** The license costs \$1,000 per location and operates on a July 1 to June 30 cycle.
- **Sales tax license required:** Nicotine Distributors must also maintain a valid South Dakota sales tax license in order to conduct business in the state.

**Retailer purchasing requirement:** Effective July 1, 2026, retailers may only purchase nicotine products from licensed nicotine distributors, tobacco distributors, or tobacco wholesalers.

### Direct-to-Consumer Sales

Distributors and wholesalers may only ship alternative nicotine products directly to consumers, and only if they are licensed and comply with age-verification, signed delivery, and sales tax remittance protocols.

As a nicotine distributor your next steps should be:

- **Plan to apply** for your nicotine distributor license before July 1, 2026, to avoid compliance gaps.

**Review shipping policies** carefully to ensure operations don't conflict with direct-to-consumer restrictions.

Follow the South Dakota Department of Revenue on social media!



## SB 221: South Dakota Retailers: New Nicotine Regulations Go Into Effect January 1, 2027

[Senate Bill 221](#) establishes a regulatory framework for the licensing and oversight of retailers of nicotine and vapor products in the state.

**Retail Licenses Required:** Any business selling nicotine products (cigarettes and other tobacco products, vapor products, or alternative nicotine products) must obtain a state retail nicotine license for each location, in addition to their existing sales tax license. License fees vary based on the volume and location of nicotine products sold. Retailers should plan to begin applying for the new nicotine license approximately November 1, 2026.

**Sales Restrictions:** Prohibited practices include online/phone/mail sales, free samples, and video game-style packaging. Vending machines are allowed only in licensed alcohol or gaming venues with access restricted to only those over the age of 21.

### Sourced Only From Licensed Distributors:

Beginning July 1, 2026, all nicotine products must be purchased exclusively from state-licensed distributors or wholesalers, with records maintained and subject to inspection.

**Penalties for Non-Compliance** — Violations carry escalating penalties:

- \$500 first offense
- \$1,000 second offense
- \$2,000 plus a 30-day suspension for the third
- \$5,500 plus license revocation for a fourth offense within 36 months

As a reminder, all nicotine products may only be sold to customers 21 or older.



## Penny Elimination

The U.S. Treasury has stopped minting pennies, leading to potential shortages that may prevent retailers from giving exact change during cash transactions.

This change does not affect how sales tax is calculated. Retailers must continue to compute sales tax by multiplying the taxable price—the total amount of all taxable items in a single transaction—by the applicable tax rate, then rounding the tax to the nearest cent using standard rounding rules. If exact change cannot be made, retailers may round the total cash amount to the nearest nickel, but this does not affect the sales tax amount itself. Electronic payments such as credit, debit, or digital methods are not affected, since exact change is not required.

The [Streamlined Sales Tax webpage](#) offers additional guidance. Retailers should also be aware that other state or federal laws may affect their rounding policies, and they should consult legal counsel to determine any compliance requirements.

## Municipal Tax Rate Change

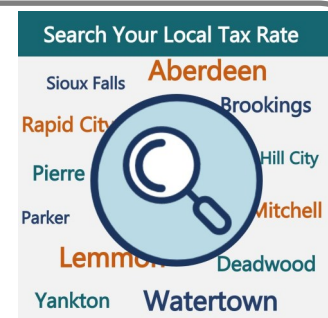
Beginning July 1, 2026, one South Dakota community will implement a municipal tax rate increase.

The municipal tax change taking effect includes:

**South Shore, S.D.**, increasing its 1 percent general sales and use tax rate to 2 percent.

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](#)



## Do you file your tax returns electronically?

To improve efficiency and reduce costs, the department is transitioning from mailing paper Statement of Account notices to providing them electronically. Individuals who file electronically will now receive these notices through email. This change allows for faster delivery and easier access to take care of your tax obligations. We appreciate your partnership as we continue modernizing our services.

To prepare for this change, please make sure you have updated your email address in EPath.

## Sales Tax, Use Tax, and Contractor's Excise Tax Returns Due Dates

**April- 05/20/2026**

**May- 06/22/2026**

**June- 07/20/2026**

**July- 08/20/2026**

## 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*

# South Dakota Property Tax Relief Package: Three Key Measures Signed by Governor Rhoden

Over the last two years, Governor Rhoden has signed three different property tax relief bills into law. Each measure works in a different way: some limit how quickly property taxes can grow, others provide direct reductions, and one creates a credit to offset taxes. To help you navigate these changes, we will explain what each bill does, outline the timelines for implementation, and show you how and when the property tax relief will be felt.




<p style="text-align: center; font-weight: bold; font-size: 1.2em;">2025</p> <p style="text-align: center; font-weight: bold; font-size: 1.2em;">Senate Bill 216</p> <p><u>Valuation Restriction</u> Total owner-occupied valuation cannot increase more than 3% countywide</p> <p><u>Budgetary Limitation</u> Taxing districts limited to a maximum growth factor of 3% in property tax budget increases</p> <p><u>Assessment Freeze Updates</u> Income and property valuation thresholds increased</p>	<p style="text-align: center; font-weight: bold; font-size: 1.2em;">2026</p> <p style="text-align: center; font-weight: bold; font-size: 1.2em;">Senate Bill 96</p> <p style="text-align: center;"><u>County Opt-In Sales Tax</u></p> <p style="text-align: center;">A county commission can implement up to a .5% sales tax.</p> <p style="text-align: center;">All revenues generated must go toward lowering owner-occupied property taxes.</p>	<p style="text-align: center; font-weight: bold; font-size: 1.2em;">2026</p> <p style="text-align: center; font-weight: bold; font-size: 1.2em;">Senate Bill 245</p> <p style="text-align: center;">(in conjunction with House Bill 1051)</p> <p style="text-align: center;"><u>Reduction of Owner-Occupied School General Fund Levy</u></p> <p style="text-align: center;">The State is increasing its share of education funding, resulting in a considerable decrease to the school general levy for owner-occupied property.</p> <p style="text-align: center;">This will be applied to all owner-occupied properties statewide.</p>
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## Understanding the Timing of the Property Tax Relief Package

2025	2026	2027	2028
<p>SB 216 passed and signed into law.</p>	<ul style="list-style-type: none"> <li>The valuation control mechanism under SB 216 is applied to the March 1 assessments notices.</li> <li>The increased Assessment Freeze thresholds of SB 216 are active for the April 1 application.</li> <li>All taxing district budgets set for the next fiscal year are restricted under the SB 216 budgetary limitation.</li> <li>SB 96 &amp; SB 245 passed and signed into law.</li> <li>County Commissions can start the process of implementing a county sales tax in July.</li> </ul>	<ul style="list-style-type: none"> <li>SB 216 is fully in effect on tax bills for the first time. These limits will continue until 2031.</li> <li>School General owner-occupied levy is reduced on all owner-occupied property tax bills (SB 245).</li> <li>If passed, the earliest the county sales tax could go into effect (SB 96) is January 1.</li> </ul>	<ul style="list-style-type: none"> <li>School owner-occupied levy continues to be at the rate set in HB 1051 (or lower.)</li> <li>A tax credit on the county portion of property taxes will be displayed on property tax bills in any county that implemented the sales tax in SB 96 in the previous year.</li> </ul>

# How & When the Property Tax Relief Will Be Felt

## SB 216

- All homes are assessed at full market value. 
- Under SB 216, if any increases in valuation results in an increase greater than 3% of the total county owner-occupied property from the year prior, a reduction factor is applied.
- This factor is applied to all owner-occupied property equally.
- The valuation restriction was first realized on the 2026 assessment notices.
- These values will be used to calculate the 2027 tax bills.
- This restriction will only last 5 years.
- Taxing districts are limited to what they can ask for in property taxes each year. The district can only increase last year's property tax budget by a growth factor and an economic index factor. 
- There is already a cap on the index factor. Under SB 216, there is now a cap on the growth factor.
- This means that a fast-growing taxing district will be constrained in the amount of property taxes it can ask for.
- The budget limitation will first be applied when calculating the taxes to be collected in 2027.
- This limitation will only last 5 years.
- The Assessment Freeze program allows for an individual's property taxes to be calculated off a lower, previous year's valuation. 
- By increasing the income and home valuation thresholds of the Assessment Freeze, more senior and disabled individuals will be able to qualify for the relief program.
- Each year, the income and valuation thresholds are increased by an economic index factor.
- The first year reflecting these increases is the 2026 application, which will impact the 2027 taxes.

## SB 245 & HB 1051

- The State sales tax holiday is sunsetting June 30, 2027, which means the sales tax is going to be returning to 4.5% effective July 1, 2027.
- SB 245 is dedicating all revenue that will be generated by that 0.3% sales tax increase towards property tax relief for homeowners.
- To provide relief to taxpayers faster, SB 245 is also putting additional current monies into the education funding formula. The result is the decrease in the school general owner-occupied levy in HB 1051.
- Every owner-occupied property in the state will see this reduced levy on their 2027 tax bill.

## SB 96

- For the first time ever, counties will have the option to pass a sales tax of up to 0.5%.
- If a county commission chooses to do so, all revenues generated by the county sales tax must go toward property tax relief for the owner-occupied properties in the county.
- The property tax relief will be reported as a tax credit of the county portion of taxes on the tax bill.
- The earliest a county sales tax will go into effect is January 2027.

## Hidden Gems

South Dakota Lottery players have the chance to celebrate some of the state's Hidden Gems through a new scratch ticket!

The new \$5 Hidden Gems scratch ticket features scenes from around the state, including the World's Largest Pheasant in Huron, Devil's Gulch in Garretson, and the Hugh Glass Sculpture in Lemmon. All three scenes are available as part of the game, giving players a chance to collect them all and win up to \$25,000!

These unique scenes aren't the only way this ticket celebrates South Dakota. Players will be able to enter their non-winning tickets into a pair of second chance drawings.

The winner of the first second chance drawing will receive a 2-night stay in the Hilton Canopy in Sioux Falls, a \$750 gift card to shop at downtown Sioux Falls businesses and a \$200 gift card!

The winner of the second drawing will receive a 2-night stay at the Bungalow in Spearfish, which includes all on-site amenities.

Finally, we are asking South Dakotans to tell us about their own Hidden Gems!



Throughout the summer months, South Dakotans may visit [lottery.sd.gov](https://lottery.sd.gov) to describe their favorite landmarks throughout the state. Best of all, South Dakotans 18 years and older will be entered into a series of weekly drawings for prizes such as gift cards, concert tickets, park passes and more!

## Upcoming Tax Seminars

Date	Topic	Location
June 2	Basic Sales Tax	Online
June 4	Basic Contractor's Excise Tax Seminar	Online
September 1	Basic Sales Tax	Online
September 3	Basic Contractor's Excise Tax Seminar	Online
September 23	Motor Carrier Confab	Aberdeen
December 1	Basic Sales Tax	Online
December 3	Basic Contractor's Excise Tax Seminar	Online

[Seminars are free to attend. Click here to register, request a presentation, or view a complete schedule.](#)



## 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