

SPRING

2023

SOUTH DAKOTA
DEPARTMENT OF REVENUE
NEWSLETTER



A Message From Secretary Michael Houdyshell

Greetings from the South Dakota Department of Revenue!

With spring underway and the summer months on the horizon, the Department of Revenue staff is now working to implement new laws as a result of the 2023 Legislative Session. We are pleased to conclude another successful legislative session for the Department. This year was an impactful one for the DOR. Pages 2 through 6 provide guidance and summaries on a few of the bills with the biggest impact on the Department that were signed into law this legislative session.

This issue of the newsletter dives into speculative building. Are you a spec builder? Find out on page 5. On the same page, learn about the 7-year rule, where we take an in depth look at your

tax responsibility when bringing equipment into South Dakota from another state.

In addition to lending guidance during legislative session, our staff remains committed to providing the best customer service possible. We strive to continuously improve in many areas. Check out the award winning Property Tax modernization project on page 7.

Read about the new instant win ticket the South Dakota Lottery recently launched and common mistakes for municipal taxes found during audits on page 8.

As always, please contact our dedicated staff if we can provide any assistance to you. We hope you enjoy this spring edition of our newsletter!

Changes to the Mailing Fees for Decals & Plates

In March 2023, we announced that Governor had signed House Bill 1042, updating charges counties and the state are allowed to charge for mailing decals and plates. Since the bill included an emergency clause, the law went into effect the date the bill was signed.

This bill:

- Increases mailing fees from \$1 to \$1.50 for boat, snowmobile, snowmobile dealer, boat dealer, and interstate registration decals; noncommercial, commercial, dealer, manufactured, or mobile home dealer registrations; and commercial harvest permits.
- Increases mailing fees for noncommercial, commercial, dealer, and manufactured or mobile home dealer license plates from \$5 to \$7.50 per license plate or plate set.

Individuals and businesses requesting express mail will pay the actual cost of postage plus handling fees. The changes were necessary to meet the postage price increases.

INSIDE

Sales Tax Rate Changes

Motor Vehicle Modernization

Speculative builders

Due Dates

Property Tax Modernization

Education Calendar

New Lottery Instant Ticket

7-Year Rule for Equipment



Sales and Property Refund for Senior & Disabled Citizens

House Bill 1034 addresses the annual special appropriation of \$450,000 for property tax refunds for elderly and disabled persons for sales tax. The bill increases the current income limits to be eligible for the program.

Under the program, certain individuals are able to receive a portion of the sales or property taxes they paid from the previous year if they meet the eligibility requirements.

To be eligible for the sales tax refund, individuals must meet the following qualifications:

- Have incomes of less than \$14,949 for a single-member household (only one individual in the household) or less than \$20,141 for a multiple-member household;
- Be a South Dakota resident during all of 2022; and,
- Either been 65 years of age or older for the full year for which their refund is claimed or have been declared disabled under Social Security or Veteran's Administration guidelines.

To be eligible for the property tax refund on their home, individuals must meet the sales tax requirements along with the following qualifications:

- Owned the house they are currently living in for at least 3 years;
- Owned their house for fewer than 3 years but have been a South Dakota resident for 5 years or more.

Deadline to apply for the program is July 1, 2023, and applications must be submitted by mail to the Tax Refund Office, 445 E Capitol Ave, Pierre, SD 57501-3185.

Updates Coming to Motor Vehicle Title & Registration System



The South Dakota Motor Vehicle Division relies on a system called SDCARS to manage titles, registrations, taxes, and fees collected for motor vehicles in the State. It is accessed daily by the Motor Vehicle Division, county treasurers, law enforcement, motor vehicle dealers, multiple state agencies, and the citizens of South Dakota. The current system was implemented in 2008.

The current system does not meet the needs of the Motor Vehicle Division or the other parties that access and use the system.

The Department has worked with a consultant to evaluate the systems used by the Department to determine the best path forward.

We are excited to find a system that is responsive, meets the needs of the users, and allows our team to improve our customer service.



No Change in Municipal Tax Rates

South Dakota municipalities are able to implement new tax rates or change existing tax rates on January 1 or July 1 each year.

The South Dakota Department of Revenue has municipal tax information bulletins available that list all municipal sales and use tax rates statewide, along with information on tribal sales and use and excise taxes.

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.

What Can We Do For You Today?

dor.sd.gov

You are able to receive an answer to your questions quickly by sending it to our Live Chat!

This feature is operated by our trusted employees here at the Department of Revenue. Our team is available Monday-Friday 8:00am-5:00pm CT.

Annual Permit for Off-Road Vehicles

Currently, out of state visitors who own non-registered off-road vehicles (ATVs/UTVs) and bring them into South Dakota must purchase a temporary road use permit from a county treasurer.

The temporary permits can only be issued for a period of 5-15 days, and only one permit may be issued per calendar year per vehicle. The permit costs \$1 a day (with a 5-day minimum). All of the money goes into the state's license plate special revenue fund.

This means that an out of state visitor who purchases a permit in May cannot purchase another permit for the same UTV in October, when they visit again.


Beginning July 1, 2023, off-road vehicle owners will purchase an annual decal. The decal fee is \$50 per year and must be attached to the rear of the off-road vehicle, and the off-road vehicle must meet the safety standards for road use.

The fee is based on the highest fee an in-state resident would pay for a motorcycle or off-road vehicle registered in this state. The county treasurers will retain \$25 per transaction, if the fee is paid at the county office (previously they did not retain any of the permit fee).

An online form will be available for those wanting to apply before their visit.

HB1137

Effective July, 1st 2023

South Dakota
Sales tax rate decrease
4.5%  4.2%

Sales Tax Rate Change

HB1137– Decreases South Dakota’s sales and use tax rate from **4.5% to 4.2%** effective July 1, 2023. In 2016, South Dakota’s sales tax was previously increased from 4% to 4.5%.

The New Tax Rate applies to the following:

- Sales and use tax (the sale, lease, or rental of tangible personal property, products transferred electronically, and services)
- Excise tax on the purchase of farm machinery
- The amusement devise tax
- Motor vehicle gross receipts tax

Will there be changes in filing? No, businesses will file with the same frequency as before. The new rate will be reported on sales after June 30, 2023.

When does the bill go into effect? July 1, 2023

The bill included a sunset clause which will repeal the rate reduction effective June 30, 2027.

Looking for more information on 2023 Legislative Updates? We have added a page to the website to help, visit the page [here](#).

Looking for more information?

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

Remote Seller Criteria Changes

In 2018, the US Supreme Court ruled in favor of the State in *South Dakota v. Wayfair*. This landmark case allowed South Dakota to require sellers with no physical presence to register and remit South Dakota sales tax if in the previous or current calendar year:

1. The seller’s gross revenue into the state exceeds \$100,000; or
2. The seller has 200 or more separate transactions into the state.

Effective July 1, 2023, Senate Bill 30 removes the 200 or more separate transaction criterion making it even less burdensome for remote sellers to comply with South Dakota law.

South Dakota’s remote seller statute continues to require any business, without a physical presence in the state, to obtain a South Dakota sales tax license and pay sales tax if the business’s gross revenue from sales into South Dakota exceeded \$100,000 in the previous or current calendar year.


Any business with a physical presence in South Dakota is required to be licensed for sales tax collection. These minimum thresholds do not apply to any business with a physical presence in South Dakota.

Sales Tax Rate Lookup

Search Your Local Tax Rate

Sioux Falls **Aberdeen**
Rapid City Brookings
Pierre Hill City
Parker Mitchell
Lemmon Deadwood
Yankton Watertown





Are you a speculative builder?

Do you purchase land to build a home/ structure which is intended to be sold upon completion?

You may be a speculative builder.

Do you purchase property that has an existing structure on it, remodel and put back on the market to sell?

You may be a speculative builder.

A speculative (spec) builder is one who owns the title to the property, performs a realty improvement by building a new structure or remodeling an existing structure (flipping) and sells within four (4) years of completion. A spec builder may or may not perform any of the construction work and is required to hold a South Dakota contractor's excise tax license.

A spec builder can be an individual, contractor, developer, realtor, group of investors, architects, property management companies, etc.

Spec builders can issue a Prime Contractor's Exemption Certificate to subcontractors providing a construction service. A Prime Contractor's Exemption Certificate cannot be issued for land improvement work such as sewer, water, power, sidewalks, curb and gutter work. Spec builders are responsible for sales or use tax on the materials and sales taxable services purchased for the project. The contractor's excise tax is due at the time of sale or closing of the property. If the realty improvement is a new structure, the contractor's excise tax applies to the selling price of the property less the cost or fair market value of the land. If the property was flipped, the selling price less the purchase price is subject to the contractor's excise tax.

Additional information regarding spec building, contractors moving into a spec home, individuals building their own home and buildings valued over \$100,000 built to be leased can be found on the Departments website of dor.sd.gov in the [Speculative Builders and \\$100,000 Rule tax publication](#).

Realtors acting as spec builders can find more information in the [Real Estate tax publication](#).

Bringing equipment into South Dakota that is less than 7 years old?

New or used equipment brought into South Dakota is subject to sales or use tax on the purchase price. The business owes state and municipal use tax if the vendor did not collect the sales tax.

Equipment less than seven years old: State and municipal use tax is due on the FMV (fair market value) of equipment brought into South Dakota less than seven years old AND was purchased by the business for use in another state.

Credit is given for purchases with tax due and paid in another state. A receipt or invoice showing the amount of tax paid must be kept as documentation that tax was already paid.

Equipment older than seven years old: State and municipal use tax is NOT due on equipment brought into South Dakota that is older than seven years old AND was purchased for use in another state.

For more Information, check out The Use Tax Tax Fact: <https://dor.sd.gov/media/pzkjzc1y/use-tax-business.pdf>

Municipal Liquor License Update

South Dakota municipalities may now issue an on-sale license to be used at any municipality-owned facility beginning July 1, 2023, with the passage of House Bill 1176. Venue options include: entertainment venues, event venues, event centers, arenas, performance halls, theaters, outdoor amphitheatres, convention centers, stadiums, athletic venues, recreation facilities, municipal operated auditoriums, or public convention halls. These licenses may be used during a convention activity or an entertainment event, including any theatrical or musical performance, rodeo, sporting event, or show.

Sales, serving or dispensing of any alcoholic beverage are limited to an hour before the event begins and ends at the conclusion of the event. An on-sale license issued must be used to support the primary public purpose of the municipality-owned facility during the hours the municipality-owned facility is open for its primary purpose. The license issued may not be used at any municipality-owned facility for the primary purpose of only providing food and beverage services to the public. There is no fee for a license. A municipality who holds one of these on-sale licenses is allowed to contract with a third-party to provide food and beverage services at the municipality-owned facility. These licenses may not be transferred.

On & off-sale malt beverage license are due for renewal in June

Don't risk losing a malt beverage license... contact our office to resolve any sales and use tax delinquency.

SD IFTA Agreement Expands Fuel Types

Some may wonder why the addition of more fuels to the International Fuel Tax Agreement (IFTA) is important to the State of South Dakota. IFTA is how the State of South Dakota receives its fair share of fuel taxes from interstate and international motor carriers. The fuel taxes, regardless of where the fuel was purchased and the taxes initially paid, are split among the states where the fuel was used. The taxes are divided based on the miles traveled in the different jurisdictions.

IFTA addresses instances where a semi-tractor fills up in another state and then drives across the state of South Dakota. Without IFTA, the state where the fueling station was located would receive the fuel tax, even though that truck driver travels South Dakota roads. Under IFTA, the operator reports the miles traveled by state, and South Dakota receives its share of that fuel tax.

Fuels currently included in the agreement are diesel fuel or diesel blends. With SB 71 the fuels will include motor fuel, ethyl alcohol, methyl alcohol, biodiesel, biodiesel blend, liquid natural gas, liquid petroleum gas, compressed natural gas, special fuel, or any combination of the fuel types listed. SB71 did not impose any new taxes, it simply allows South Dakota to receive its share of the fuel taxes that are currently being retained by other states. The law takes effect July 1, 2023.

Due Dates

Tax Return	Due Date
April	05/22/2023
May	06/20/2023
June	07/20/2023
July	08/21/2023

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

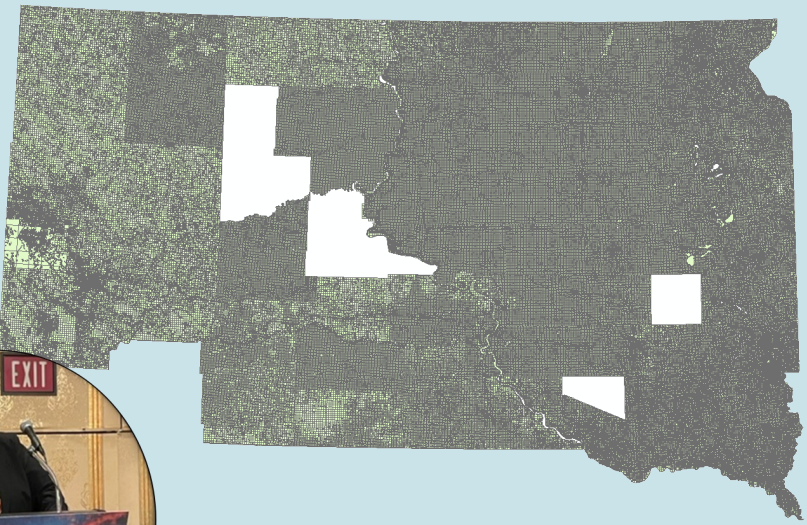
July– M/N

**April and December are non-renewal months*

Property Tax Modernization Project



Wendy Semmler, Property Tax Director, presenting at technology conference in Las Vegas, NV.



Property Tax Modernization Project Overview

The Property Tax Division modernized its processes to better serve the citizens of South Dakota. A complex, multi-faceted project involving electronic filing, software implementation and GIS was initiated in 2021.

The pinnacle of the project was the development of a regular process to extract transform-load assessment and geospatial parcel data from each of South Dakota's 66 counties. The semi-annual parcel aggregation data and process is referred to as the South Dakota Property Information Exchange (PIE). In the first year of the SD PIE, assessment data was collected from all counties, and geospatial parcel data was collected from 60. Note that two counties in South Dakota are currently creating their county parcel data sets in GIS. The aggregated data is managed and hosted through the South Dakota Bureau of Information Technology (BIT).

DOR has configured a statewide parcel viewer that allows users to search through the 800,000 assessment records and view the related geospatial parcel data. Integrating soils, political boundaries and address data has made this a critical data set for the review of ratio data, analyzing tax rolls, managing sales tax distribution and much more.

Special Achievement in GIS Award

The Property Tax Modernization Project was recognized with a Special Achievement in GIS Award. The award from Esri highlights projects that have shown vision, leadership, hard work, and innovation in their use of Esri's geographic information system (GIS) technology. Thousands of SAG Award nominations are submitted.

- The Special Achievement in GIS (SAG) Award ceremony is held at the annual Esri User Conference with 15,000-20,000 participants each year (representing approximately 140 countries).
- Organizations stand out from over 100,000 others around the world to win the SAG Award.
- Winning organizations set new precedents throughout the GIS community. The SAG Award is given to recognize outstanding work with GIS technology.

Since 1969, Esri has supported customers with geographic science and geospatial analytics, what they call The Science of Where.



Learn more at the
[Property Tax Transparency Portal](#)

SD Lottery launches \$550,00 Jackpot Instant Ticket



The South Dakota Lottery has launched its new \$550,000 jackpot scratch ticket!

This \$30 scratch ticket features the largest instant ticket prize in South Dakota Lottery history, plus more than \$9 million in total prizes. This ticket is a key number match style and features a Bonus section that allows players to win \$100, \$250 and \$500 in an instant!

For overall odds and prizes for this game, visit https://lottery.sd.gov/game/550000_jackpot/.

The South Dakota Lottery reminds all players to please play responsibly. Must be 18 years or older to play.



Upcoming Tax Seminars

Be sure to check our [website](#) for potential reschedule dates.

<u>Date</u>	<u>Topic</u>	<u>Location</u>
June 6	Basic Sales Tax	Zoom
June 8	Basic Contractor's Excise Tax Seminar	Zoom
September 26	Basic Sales Tax	Zoom
September 28	Basic Contractor's Excise Tax Seminar	Zoom
December 5	Basic Sales Tax	Zoom
December 7	Basic Contractor's Excise Tax Seminar	Zoom

[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: 605-773-6050

Don't Make the Same Mistake

Recently our audit team found a number of businesses with errors on how municipal sales taxes were reported.

The sales tax applies to the gross receipts of all retail sales, including the sale, lease, or rental of personal property or any product transferred electronically, and the sale of services.

Municipal sales tax applies when the customer purchases or receives the products or services within a city that imposes a municipal tax.

How to determine the location of the sale

Sales tax applies where the customer receives the product or service.

- Products picked up at the seller's location are subject to sales tax at that location.
- Products delivered are subject to sales tax where delivered. Delivery may be by the seller or by a transportation company hired by the customer.
- If the product is delivered, but the delivery address is unknown, sales tax applies based on the customer's address.
- For products transferred electronically, if there is no delivery or customer address on file, sales tax applies based on where the product is first available for transmission by the seller.
- Products delivered to a location outside South Dakota are not subject to South Dakota sales tax, but may be subject to that state's tax.