

Propane (LPG)

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

The purpose of this Tax Fact is to explain how South Dakota motor fuel taxes apply to motor fuel transactions. 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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LPG Vendor License A person engaged in the business of selling liquid petroleum gas (LP wholesale or retail for use in the engine fuel supply tank of a motor	G) G) Propane	x Rate .20	
vehicle in South Dakota needs an LPG Vendor License. Additionally, anyone importing or exporting LPG is also required to be licensed as an LPG Vendor. LPG User License		Visit <u>https://dor.sd.gov/individuals/taxes/</u> <u>motor-fuel/</u> for a complete list of motor fuel tax rates.	
	PG Vendor returns should be filed electronically monthly using <u>Epath</u> . LPG User ret should be fi electronical semiannually <u>Epath</u> .	led lly	

what is liquid Petroleum Gas (LPG)?

Liquid petroleum gas is a flammable mixture of hydrocarbon gases such as propane. LPG is used as fuel gas in heating appliances, cooking equipment, and vehicles.

Use in a Motor Vehicle

LPG, when used as a motor fuel, shall be converted for purposes of taxation to equivalent liquid gross gallons using a conversion factor of 4.24 pounds per gallon of liquid at 60 degrees Fahrenheit. LPG User licensees will receive a credit for sales tax on the LPG User return and get charged South Dakota motor fuel taxes for usage in LPG-powered motor vehicles.

If your storage tank has a nozzle attached that allows you to put LPG into a motor vehicle, you may be required to have the LPG User License.

If your company owns a nozzle that allows you to put LPG into a motor vehicle, you are required to have the LPG Vendor License.



Import/Export LPG

If a business is importing and/or exporting LPG in South Dakota, they are required to have the LPG Vendor License. The motor fuel Import/Export License does not allow for the reporting of LPG and because of this, imports and exports of LPG must be reported on the LPG Vendor License.

Sales Tax/Contractor's Excise Tax

LPG may be subject to either fuel tax or sales tax, depending on how it is used. If your company has the LPG Vendor License, there will be reporting of sales on this license as well as your applicable sales tax license. Please see the <u>Sales Tax</u> <u>Guide</u> for additional information.

Installation of propane tanks and equipment may be subject to Contractor's Excise Tax. Please see the <u>Contractor's Excise</u> <u>Tax Guide</u> for additional information.

Example:

School of Hard Knocks purchases CNG in bulk for use in their

buses, all the CNG is subject to motor fuel tax.

Because this is going to be used exclusively in school

school buses from Incendiary Propane.

Municipality

Only the United States Federal Government can purchase motor fuel tax free. Cities, counties, townships, states, and public schools must pay motor vehicle tax if used in a vehicle on a public right-of-way.

If there are any questions about exemptions other than to the United States Federal Government,

please contact the South Dakota Department of Revenue.

Motor Fuel Tax Exempt

The following are exempt from motor fuel tax:

- Sales made to a licensed LPG User and licensed LPG Vendor
- LPG delivered in bulk to a storage tank that has no liquid transfer line attached to it
- Sales made to a customer that does not own or operate an LPG powered vehicle
- Sales to the Federal Government
- Sales of LPG sold to highway contractors for highway construction

Record Keeping

Detailed records must be kept of all fuel transactions. Records must be kept for the current year plus three preceding years.

Required records to keep include, but may not be limited to:

- Bills of lading
- Sales and purchase invoices
- Shipping records
- Motor vehicle odometer readings
- Fuel disbursement records
- Monthly fuel inventories
- Diversion tickets
- Drop load tickets
- Journals and ledgers

Go online to https://dor.sd.gov/businesses/taxes/motor-fuel/ for tax information that applies to your business.

Please go to our website at <u>https://dor.sd.gov/</u> and search for our filing guides if you would like assistance filling out online returns.

Contact Us

If you have any questions, please contact the South Dakota Department of Revenue. Call toll-free: 1-800-829-9188 Motor Vehicle Division Email: sdmotorfuel@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 All of these examples, except the Federal Government, may be subject to sales tax.