

Management of Revolving Loan Fund

Beginning July 1, 2005, the receipts received by the State of South Dakota and any of its political subdivisions including multi-county planning and development districts established pursuant to Executive Order 70-7, or its successor, from management services provided to a revolving loan fund operated by a nonprofit entity will be exempt from sales and use tax.

Unlicensed Contractors

Public corporations may not award contracts for the construction of any public improvement to unlicensed contractors. Please contact the department at 1-800-TAX-9188 to verify the contractor's license prior to letting bids.

Contractors must provide documentation to the public corporation that these licensing requirements are met before the public corporation can do business with them.

Contractors may obtain an application for a tax permit from our website at dor.sd.gov or by calling 1-800-TAX-9188.

Contractors Tax Liability

If a county hires a contractor to perform construction services or realty improvement work for the county, the contractor will owe excise tax on the gross receipts from that work. In addition, the contractor will owe sales or use tax on all materials they use in the project. The contractor must pay use tax and contractors' excise tax on materials supplied by the county for use in their work.

A government entity may NOT issue an exemption certificate to a contractor that is performing construction services or realty improvements for that entity.

State law allows contractors to list their tax expense as a separate line item on all contracts and bills. The contractors' excise tax and the contractor's use taxes are part of the contractor's total bill and are collectible from all entities, both public and private.

Conservation Districts

Conservation districts are government agencies. Purchases made by conservation districts are exempt from sales tax.

Sales of products by a conservation district are subject to the state sales tax plus applicable municipal tax based on where the product is delivered. This does not include products that are planted or installed by the seller on agricultural land.

Examples of taxable products are:

- Trees
- Tree mats
- Fabric – ground cover
- Flags

- Staples
- Wiltpruf
- Tree tubes

Receipts from certain services performed on agricultural land are exempt from sales tax. This includes products that are sold and planted or installed on agricultural land. Agricultural land includes the shelterbelt around farm residences.

These services include:

- Planting trees in shelterbelts
- Cultivating shelterbelts
- Spraying trees
- Installing tree tubes
- Installing ground cover

Receipts from these services performed in town or on an acreage that is not used for agricultural purposes are subject to sales tax.

The conservation district does not owe use tax on the trees planted or other material they use because they are a government entity. If someone other than an exempt entity, e.g., Conservation Districts, plants the trees they will owe use tax on the trees and material used.

The rental or lease of equipment owned by a conservation district that is used for agricultural purposes is exempt from sales tax. This includes all agricultural devices such as drills, cultivators or land rollers.

Talk to Us!

If you have a tax problem or question, call the South Dakota Department of Revenue toll-free at 1-800-TAX-9188. Visit us on the web at www.state.sd.us/drr, email us at bustax@state.sd.us or write us:

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Pierre, SD 57501-3185**

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14 South Main, Suite 1-C
Aberdeen, SD 57401

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