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**JANUARY - JUNE 2010
MUNICIPAL TAX RATE CHART**

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Want to receive **taxation** via email? Send your email address along with your tax license number to: webman@state.sd.us

New Municipal Tax Changes Effective

Beginning Jan. 1, 2010, six South Dakota communities will implement new municipal taxes or update their current city taxes.

The municipal tax changes that will take effect in January include:

- **Buffalo** is increasing its 1 percent general sales and use tax rate to 2 percent.
- **Fairfax** is imposing a 2 percent general sales and use tax rate.
- **LaBolt** is imposing a 1 percent general sales and use tax rate.
- **Volga** is increasing its 1 percent general sales and use tax rate to 2 percent.
- **Volin** is increasing its 1 percent general sales and use tax rate to 2 percent.
- **Wood** is imposing a 2 percent general sales and use tax rate.

The complete updated January 2010 Municipal Sales Tax Rate Chart can be found on page 5 of this publication. The South Dakota Department of Revenue and Regulation has Municipal Tax Information Bulletins available listing all municipal sales and use tax rates statewide as well as information on tribal sales, use and excise taxes. Updated bulletins are free of charge and available after Jan. 1, 2010, by contacting the Department of Revenue and Regulation at 1-800-TAX-9188 (1-800-829-9188) or download a copy from the Department's website at www.state.sd.us/drr.

Tax on Computer Software, Support Services, and Maintenance Contracts

The sale of both pre-written and custom software is taxable in South Dakota. It is taxable when purchased at a store, purchased online or downloaded from the Internet. Software includes upgrades, enhancements, modifications and additional software licenses.

Tax applies where the customer receives the software.

- If the customer receives the software at the location of the retail store, sales tax applies based on the location of the store.
- If the customer receives the software by mail or other delivery method at their home or business address, sales tax applies based on the delivery address of the customer.
- If the customer downloads the software from a web site onto their computer and the retailer does not have the delivery location, but receives the customer's address during the sale, sales tax applies based on the customer's address, providing the use of the address does not constitute bad faith.

CONTINUED...

•If the retailer does not have sufficient address information to determine an address for the customer, sales tax applies based on the location where the software is first available for transmission by the retailer.

For example, a customer from Watertown, SD downloads software to their computer. The retailer, located in Spearfish, SD has the customer's Watertown business address on file. The 4% state sales tax plus Watertown city tax applies to the purchase.

If the retailer, who may be unlicensed and from out-of-state, does not charge the tax, the customer is responsible for reporting and paying the use tax directly to the Department of Revenue & Regulation.

The customer is responsible for the 4% state use tax plus applicable municipal use tax on any software that is used in South Dakota if an equal or greater sales or use tax was not previously paid on the software. South Dakota will allow credit for sales or use tax paid to another state, if tax was first due the other state.

Support & Help Services

All charges for software support services and help lines are subject to state and applicable municipal sales or use tax. Tax applies based on where the customer receives the services as listed above.

Maintenance Contracts

Software maintenance contracts are subject to sales tax, whether mandatory or optional. A computer software maintenance contract is a contract that obligates a vendor of computer software to provide a customer with future updates or upgrades to computer software, support services with respect to computer software or both.

If the contract is purchased at the time of the software purchase, tax applies based on where the customer receives the software. If the customer later purchases an extension to the maintenance contract, tax applies based on where the customer receives the updates or upgrades.

Taxation of Room Rentals

Rental of rooms by lodging establishments are subject to the 4% state, applicable municipal sales tax and municipal gross receipts tax, and 1.5% tourism tax.

The following room rentals are exempt from the state and municipal sales tax, municipal gross receipts tax, and tourism tax.

1. Contracts made with and paid directly from funds of the following entities.

- Indian Tribes
- United States government agencies
- State of South Dakota
- Public or municipal corporations of the State of South Dakota
- Municipal or volunteer fire or ambulance departments
- Public schools, including K-12, universities, and technical institutes that are supported by the State of South Dakota or public or municipal corporations of South Dakota.
- Non-profit hospitals
- Religious or private schools
- South Dakota approved relief agencies
- Governments from other states or the District of Columbia, including public schools and state universities, are exempt from sales tax if the law in that state provides a similar exemption for South Dakota governments. Purchases of lodging made directly by the governments from the following states are exempt from South Dakota sales tax: Colorado, Indiana, Ohio, North Dakota, West Virginia, Alaska, Delaware, Montana, New Hampshire, and Oregon.

However, rooms rented to employees of these entities who are paying with cash, personal check, or personal credit card are subject to tax. This is true even if the employees will be reimbursed by the exempt entity.

2. Room rental to the same person for periods of more than 28 consecutive days.

3. The casual or occasional rental of a sleeping accommodation. Casual or occasional is the rental of a sleeping accommodation for ten or less days in a calendar year.

Poisoning Prairie Dogs?

Pesticides used to poison prairie dogs on agricultural land are exempt from sales and use tax. Receipts from the rental of pesticide application equipment used on agricultural land are not subject to sales tax if sales or use tax was paid on the original purchase of the device. The application equipment is not subject to sales tax if the equipment is owned by a conservation district.

ARE YOU FILING ELECTRONICALLY?

SDQUEST was implemented in October 1999. At that time only a handful of taxpayers used the electronic option to file and pay their taxes. Ten years later the number of electronic filers has grown to almost 28% of the monthly filers with 58.5% of the collections remitted via SDQUEST.

SDQUEST allows taxpayers to file electronically using the Internet or Interactive Voice Response method with ACH debit or credit payment method. The system is secure with all information safeguarded through encryption technology.

If you are not currently a QUEST filer consider the advantages this system offers you on a regular basis:

- There is no charge to use the system.
- Your tax return due date is extended from the 20th of the month to the 23rd.
- ACH payments are not deducted from your bank account until the second to the last business day of the month.
- SDQUEST offers you the option to import existing city/special jurisdiction tax information from your data files through the Dynamic Web Import option. No more re-keying for those who have numerous city/special jurisdiction tax obligations.
- The system automatically calculates the taxes due based on gross and taxable sales. This feature eliminates calculation errors that can be time consuming and require additional filings and result in interest assessments.
- Users also have the option to begin a return, save and return to complete the return prior to the submission deadline.

All that is required to become a user is a simple one page informational application that is completed and submitted electronically. This form can be found on the department's website www.state.sd.us/drr or contact the department at 1-800-TAX-9188 for information. Sign up today and discover, as many of your fellow taxpayers have, how easy the system is.

Are you already a SDQuest user?

Are you aware you are now able to make modifications to your account online? You may setup new accounts, change bank account information, change payment methods and change your PIN online at <https://apps.sd.gov/applications/rv23cedar/sdQuest/sdquest.aspx>.

As a reminder, returns must be filed online on or before the 23rd of the month following the end of the reporting period. Saturdays, Sundays and holidays are included. For example, the August 2009 return was due September 23, 2009, which is a Saturday. The due date does NOT change to the next Monday. We accept only current returns online. If you access the system

on September 24, 2009, the next month's return will be displayed. Make sure you file on the correct return period. Do not file your August information on the September form. All late returns must be filed using a paper form.

Payments are due the second to the last working day of the filing month. An August return is due to be submitted September 23. The Department must receive the payment on or before the second to the last working day in September. The Deadlines Calendar has specific dates for each month. This calendar can be found under the Frequently Asked Questions for SDQuest at <http://www.state.sd.us/drr2/businessstax/quest/quest.htm>

FUNDRAISERS

Receipts exempt from sales tax include receipts from religious, benevolent, fraternal, youth association or charitable activities, including any bingo or lottery conducted pursuant to § 22-25-25, where the entire amount of such receipts after deducting all costs directly related to the conduct of such activities is expended for religious, benevolent, fraternal, youth association or charitable purposes, when:

- The receipts are not a result of engaging in business for more than three consecutive days; or
- The receipts are not a result of engaging in business at a county fair for more than five consecutive days.
- There is no time restriction on bingo or lottery conducted pursuant to § 22-25-25.

All purchases of tangible personal property, products transferred electronically, or services for use in the activity are subject to sales or use tax at the time of purchase. This includes products to be sold.

Agencies that are otherwise exempt from sales tax, will owe sales tax on purchases they use in these activities.

This applies to raffles, bake sales, concessions, and other fund raisers that meet the above criteria.

IRS Taxpayer Advocate Service: A Resource for Small Businesses with Lingering Tax Problems

If you are experiencing economic harm, a systemic problem or are seeking help in resolving tax problems that have not been resolved through normal channels, you may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling toll-free 1-877-ASK-TAS-1 (or 1-877-275-8271), TTY/TTD 1-800-829-4059 or www.irs.gov/advocate and if you meet our criteria, your case will be routed to the local SD office.

Tax Filing Deadlines

January

January 20

Paper returns & payments due for monthly filers.

January 23

SD QUEST returns due.

January 28

SD QUEST electronic payments due.

February

February 1

Paper returns & payments due for bi-monthly filers.

February 20

Paper returns & payments due for monthly filers.

February 23

SD QUEST returns due.

February 25

SD QUEST electronic payments due.

March

March 20

Paper returns & payments due for monthly filers.

March 23

SD QUEST returns due.

March 30

SD QUEST electronic payments due.

March 31

Paper returns and payments due for bi-monthly filers.

RELIEF AGENCY

A relief agency is any nonprofit charitable organization which devotes its resources exclusively to the relief of the poor, distressed or underprivileged, and has been recognized as an exempt organization under § 501(c) (3) of the Internal Revenue Code. SDCL 10-45-10. The relief agency must be providing the actual services. Agencies and foundations that raise funds and distribute the monies or products to other agencies that provide the relief are not exempt from sales tax.

A relief agency may apply for sales tax exempt status using the “Sales Tax Exempt Status Application” found online at www.state.sd.us/drr2/businessstax/forms/forms.htm. This form, along with the required documentation, may be submitted by Email, fax or mail.

Prior to applying the agency must have received the 501(c) (3) status from the IRS. The application will not be approved until the Department receives a copy of the IRS approval of the 501(c) (3) status.

The applicant must provide the following documentation for review by the Department:

- Bylaws
- Articles of Incorporation
- Constitution, Articles of Association
- IRS 501(c) (3) exemption approval and a copy of IRS Form 1023, Application for Exemption.
- Budget or financial statement

If approved, the agency can purchase products, services and any product transferred electronically without sales tax. No sales or use tax is due on products or services the agency furnishes to others at no charge. However, the agency is responsible for collecting sales tax on any taxable products or services they sell such as sales of clothing or goods. Once an exempt status is granted, such a status must be renewed by the relief agency every five years.

Cigarettes & Tobacco Products

Pursuant to **SDCL 10-50-99**, a person or business who sells or distributes cigarettes or tobacco products may not ship or transport, or cause to be shipped or transported, cigarettes or tobacco products to any consumer in the state. This prohibits sales of cigarettes and tobacco products to consumers via e-mail, phone, fax, U.S. mail, the internet, or any other method which results in the shipment or transport of cigarettes or tobacco products to consumers in the state. Violation of this provision can result in injunctive action and substantial monetary penalties.

Medicaid vs Medicare

Purchases by Medicaid are exempt from sales and use tax. The exemption includes meals at nursing homes and air ambulance services are not subject to sales tax when paid by Medicaid.

Purchases by Medicare are subject to sales tax. Medicare purchase of meals at nursing homes and air ambulance services are subject to sales tax.

Drugs, durable medical equipment, prosthetic devices, and mobility enhancing equipment that are prescribed for a specific patient are exempt from sales tax when paid by Medicaid or Medicare if a prescription is on file.

EFFECTIVE JANUARY - JUNE 2010 MUNICIPAL SALES TAX RATE CHART

City	Code	Rate	City	Code	Rate	City	Code	Rate	City	Code	Rate
Aberdeen*	001-2	2.00	Edgemont*	104-2	2.00	Lemmon*	206-2	2.00	Spencer*	335-2	2.00
Aberdeen	001-1	1.00	Edgemont	104-1	1.00	Lennox*	207-2	2.00	Springfield*	336-2	2.00
Akaska*	004-2	2.00	Egan*	105-2	2.00	Leola*	208-2	2.00	Stickney*	337-2	2.00
Alcester*	006-2	2.00	Elk Point*	106-2	2.00	Lesterville	209-2	1.00	Stratford*	340-2	1.00
Alexandria*	007-2	2.00	Elk Point	106-1	1.00	Letcher*	210-2	2.00	Sturgis*	341-2	2.00
Alpena*	009-2	1.00	Elkton*	107-2	2.00	Letcher	210-1	1.00	Sturgis	341-1	1.00
Andover*	011-2	2.00	Emery*	110-2	2.00	Madison*	221-2	2.00	Summerset*	425-2	2.00
Arlington*	013-2	2.00	Estelline*	113-2	2.00	Madison	221-1	1.00	Summerset	425-1	1.00
Armour*	014-2	2.00	Ethan*	114-2	2.00	Marion*	226-2	2.00	Summit*	342-2	2.00
Artesian*	015-2	2.00	Eureka*	115-2	2.00	Martin*	227-2	2.00	Tabor*	343-2	2.00
Ashton*	016-2	1.00	Fairfax	117-2	2.00	Martin	227-1	1.00	Tea*	344-2	2.00
Astoria*	017-2	1.00	Faith*	119-2	2.00	McCook Lake*			Tea	344-1	1.00
Aurora*	019-2	1.00	Faith	119-1	1.00		Report Under North Sioux		Timber Lake*	345-2	2.00
Avon*	020-2	2.00	Faulton*	121-2	2.00	McIntosh*	219-2	2.00	Toronto*	347-2	1.00
Baltic*	022-2	2.00	Flandreau*	125-2	2.00	McLaughlin*	220-2	1.00	Trent*	349-2	1.00
Baltic	022-1	1.00	Flandreau	125-1	1.00	Menno*	233-2	2.00	Tripp*	350-2	2.00
Belle Fourche*	027-2	2.00	Florence*	126-2	2.00	Midland*	234-2	2.00	Tulare*	351-2	1.00
Belle Fourche	027-1	1.00	Fort Pierre*	129-2	2.00	Milbank*	235-2	2.00	Tyndall*	355-2	2.00
Belvidere*	028-2	2.00	Fort Pierre	129-1	1.00	Milbank	235-1	1.00	Valley Springs*	359-2	2.00
Beresford*	029-2	2.00	Frederick*	132-2	1.00	Miller*	237-2	2.00	Veblen*	360-2	1.00
Beresford	029-1	1.00	Freeman*	133-2	2.00	Mission*	239-2	2.00	Vermillion*	362-2	2.00
Big Stone City*	031-2	2.00	Garretson*	138-2	2.00	Mitchell*	242-2	2.00	Vermillion	362-1	1.00
Bison*	032-2	2.00	Garretson	138-1	1.00	Mitchell	242-1	1.00	Viborg*	363-2	2.00
Blunt*	034-2	1.00	Gary*	139-2	1.00	Mobridge*	243-2	2.00	Viborg	363-1	1.00
Blunt	034-1	1.00	Gayville*	140-2	2.00	Mobridge	243-1	1.00	Volga*	367-2	2.00
Bonesteel*	035-2	2.00	Geddes*	141-2	2.00	Monroe*	244-2	1.00	Volin*	368-2	2.00
Bowdle*	036-2	2.00	Gettysburg*	142-2	2.00	Montrose*	245-2	2.00	Wagner*	369-2	2.00
Box Elder*	037-2	2.00	Gettysburg	142-1	1.00	Morristown*	246-2	1.00	Wakonda*	370-2	1.00
Box Elder	037-1	1.00	Glenham*	145-2	2.00	Mound City*	247-2	2.00	Wall*	372-2	2.00
Brandon*	039-2	2.00	Gregory*	147-2	2.00	Mount Vernon*	248-2	2.00	Wall	372-1	1.00
Brandon	039-1	1.00	Gregory	147-1	1.00	Mount Vernon	248-1	1.00	Ward*	375-2	2.00
Brandt*	040-2	2.00	Grenville*	148-2	2.00	Murdo*	250-2	2.00	Warner*	376-2	2.00
Bridgevater*	042-2	2.00	Groton*	149-2	2.00	Murdo	250-1	1.00	Wasta*	377-2	1.00
Bristol*	043-2	2.00	Groton	149-1	1.00	New Underwood*	254-2	2.00	Watertown*	379-2	2.00
Britton*	044-2	2.00	Harrisburg*	151-2	2.00	Newell*	255-2	2.00	Watertown	379-1	1.00
Britton	044-1	1.00	Harrisburg	151-1	1.00	Nisland*	256-2	2.00	Waubay*	380-2	2.00
Brookings*	045-2	2.00	Harold*	153-2	2.00	North Sioux City*	258-2	2.00	Webster*	382-2	2.00
Brookings	045-1	1.00	Hartford*	154-2	2.00	North Sioux City	258-1	1.00	Webster	382-1	1.00
Bryant*	047-2	2.00	Hartford	154-1	1.00	Oacoma*	261-2	2.00	Wentworth*	383-2	2.00
Buffalo*	048-2	2.00	Hayti*	156-2	2.00	Oacoma	261-1	1.00	Wessington*	384-2	1.00
Burke*	053-2	2.00	Hazel*	157-2	1.00	Olivet*	267-2	1.00	Wessington Springs*	385-2	2.00
Canistota*	055-2	2.00	Hecla*	158-2	1.00	Onida*	269-2	2.00	White*	388-2	2.00
Canistota	055-1	1.00	Henry*	159-2	1.00	Orient*	272-2	1.00	White Lake*	389-2	2.00
Canova*	056-2	1.95	Hermosa*	160-2	2.00	Parker*	276-2	2.00	White Lake	389-1	1.00
Canton*	057-2	2.00	Herreid*	161-2	2.00	Parkston*	277-2	2.00	White River*	391-2	2.00
Carthage*	061-2	2.00	Highmore*	164-2	2.00	Parkston	277-1	1.00	Whitewood*	393-2	2.00
Castlewood*	062-2	2.00	Highmore	164-1	1.00	Philip*	280-2	2.00	Whitewood	393-1	1.00
Centerville*	065-2	2.00	Hill City*	165-2	2.00	Pickstown*	281-2	2.00	Willow Lake*	394-2	2.00
Centerville	065-1	1.00	Hill City	165-1	1.00	Piedmont*	282-2	2.00	Wilmot*	395-2	2.00
Central City*	066-2	2.00	Hitchcock*	166-2	1.00	Pierpont	283-2	2.00	Winner*	397-2	2.00
Chamberlain*	067-2	2.00	Hosmer*	168-2	1.00	Pierre*	284-2	2.00	Winner	397-1	1.00
Chamberlain	067-1	1.00	Hot Springs*	169-2	2.00	Pierre	284-1	1.00	Witten*	398-2	2.00
Chancellor*	068-2	2.00	Hot Springs	169-1	1.00	Plankinton*	286-2	2.00	Wolsey*	399-2	2.00
Chancellor	068-1	1.00	Hoven*	171-2	2.00	Platte*	287-2	2.00	Wood	400-2	2.00
Clark*	073-2	2.00	Howard*	172-2	2.00	Platte	287-1	1.00	Woonsocket*	401-2	2.00
Clear Lake*	075-2	2.00	Hudson*	174-2	2.00	Pollock*	288-2	2.00	Worthing*	402-2	2.00
Clear Lake	075-1	1.00	Humboldt*	175-2	2.00	Presho*	291-2	2.00	Worthing	402-1	1.00
Colman*	076-2	2.00	Humboldt	175-1	1.00	Pringle*	292-2	2.00	Yankton*	405-2	2.00
Colome*	077-2	2.00	Hurley*	176-2	2.00	Quinn*	295-2	1.00	Yankton	405-1	1.00
Colton*	078-2	2.00	Huron*	177-2	2.00	Quinn	295-1	1.00	Tribal Taxes		
Colton	078-1	1.00	Huron	177-1	1.00	Ramona*	297-2	1.00	Cheyenne Sales	408-4	4.00
Corona*	081-2	2.00	Interior*	179-2	1.90	Rapid City*	298-2	2.00	Cheyenne Excise	408-2	2.00
Corsica*	082-2	2.00	Ipswich*	181-2	2.00	Rapid City	298-1	1.00	Pine Ridge Sales	411-4	4.00
Corsica	082-1	1.00	Irene*	182-2	2.00	Redfield*	301-2	2.00	Pine Ridge Excise	411-2	2.00
Crooks*	087-2	1.90	Iroquois*	183-2	1.00	Redfield	301-1	1.00	Rosebud Sales	412-4	4.00
Crooks	087-1	1.00	Isabel*	184-2	2.00	Reliance*	305-2	2.00	Rosebud Excise	412-2	2.00
Custer*	088-2	2.00	Java*	185-2	2.00	Reliance	305-1	1.00	Sisseton		
Custer	088-1	1.00	Jefferson*	186-2	2.00	Reville*	308-2	1.00	Wahpeton Use 414-4	4.00	
Dallas*	089-2	2.00	Kadoka*	187-2	2.00	Roscoe*	312-2	1.00	Sisseton		
Dallas	089-1	1.00	Kadoka	187-1	1.00	Rosholt*	314-2	1.00	Wahpeton Excise	414-2	2.00
Davis*	091-2	2.00	Kennebec*	190-2	2.00	Roslyn*	315-2	2.00	Standing Rock Sales	413-4	4.00
Deadwood*	093-2	2.00	Kennebec	190-1	1.00	Saint Lawrence	320-2	2.00	Standing Rock Excise	413-2	2.00
Deadwood	093-1	1.00	Keystone*	192-2	2.00	Salem*	322-2	2.00	Standing Rock Tourism	413-5	1.50
Dell Rapids*	094-2	2.00	Keystone	192-1	1.00	Salem	322-1	1.00			
Dell Rapids	094-1	1.00	Kimball*	193-2	2.00	Scotland*	324-2	2.00	Other Taxes		
Delmont*	095-2	2.00	Kimball	193-1	1.00	Selby*	325-2	2.00	Telecommunication	900-1	4.00
De Smet*	092-2	2.00	Kranzburg*	194-2	2.00	Sherman*	328-2	1.00	Tourism Tax	700-1	1.50
De Smet	092-1	1.00	La Bolt	196-2	1.00	Sioux Falls*	330-2	2.00	Motor Vehicle	600-1	4.50
Dimock*	097-2	2.00	Lake Andes*	197-2	2.00	Sioux Falls	330-1	1.00	Sioux Falls Lodging	800-1	1.00
Doland*	098-2	2.00	Lake Norden*	199-2	1.00	Sisseton*	331-2	2.00			
Dupree*	101-2	1.00	Lake Preston*	200-2	2.00	Sisseton	331-1	1.00			
Eagle Butte*	102-2	2.00	Langford*	202-2	1.00	South Shore*	333-2	1.00			
Eagle Butte	102-1	1.00	Lead*	204-2	2.00	Spearfish*	334-2	2.00			
Eden*	103-2	1.00	Lead	204-1	1.00	Spearfish	334-1	1.00			

* denotes general city tax rate

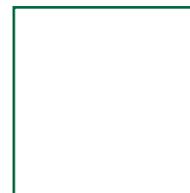


445 EAST CAPITOL AVENUE
PIERRE, SD 57501-3185

taxation

www.state.sd.us/drr

bustax@state.sd.us or call 1-800-TAX-9188



Return Service Requested