



**SOUTH DAKOTA
DEPARTMENT OF REVENUE
NEWSLETTER
Fall 2022**

Message From Secretary Houdyshell

Fall greetings from the South Dakota Department of Revenue!

Yet again, summer came and went in what seems like a blink of an eye. Fall has been a busy time inside the Department with many great things in the works from our hard working staff.

One item to be aware of before Jan 1, 2023, is the municipal tax change taking effect in one South Dakota community. Find out where on page 2.

Legislation passed during the previous legislative session that affects the property tax relief programs. Details on what those changes look like are on page 2 as well.

Hitting the roads in 2023 are the new license plate designs for non-commercial and emblem plates. Check out the new designs for the license plates and the numerous ways you can renew on page 3!

Recently the Motor Vehicle Division announced they would be delaying the printing of paper titles due to paper supply issues. Learn more about what our agency is doing amidst this shortage and what you can do if have a legitimate reason for acquiring your paper title on page 4.

Two South Dakotans will have the experience of a lifetime in New York City and ring in the New Year at Times Square thanks to a second chance drawing. See what else one of these individuals has a chance to win on page 5!

With the holiday season now in full swing, South Dakota Lottery reminds everyone about responsible gambling. Learn more about the partnership Lottery has with the National Council on Problem Gambling on page 5.

A new item being taxed this year in South Dakota is medical cannabis. Page 6 covers many of the questions you may have on the taxing of this item, from exemptions to documentation!

Be sure to look throughout this newsletter for extras on due dates, deadlines and more! Annual reports from the Department are on their way as well, so keep coming back!

As always, please contact our dedicated staff if you have any questions or need assistance. Numerous tools are available on our website as well. We hope you enjoy this edition of our newsletter, and we wish you a wonderful holiday season!



Municipal tax changes take effect in a SD community

One South Dakota community is making updates to their current municipal tax rate beginning January 1.

The municipal tax change includes:

- Cresbard imposed a 2 percent general sales and use tax rate.

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.

Legislative Changes to Existing Property Tax Relief Programs

Two bills passed during the 2022 Legislative Session, that changed the income requirements for the Assessment Freeze for the Elderly & Disabled Program and the Paralegic Tax Reduction Program.

Under the Assessment Freeze Program, a qualifying homeowner's property assessment is prevented from increasing for tax purposes. If the actual value of the home increases, the homeowner still pays property taxes on the lower value. The income limits were increased from \$30,423 to \$37,065 for a single-member household (only one individual in the household), and from \$38,029 to \$47,655 for a multiple-member household. The full and true market valuation limit of the property also increased from \$208,828 to \$317,700.

The Property Tax Reduction for Paralegics reduces the property taxes on a property through a graduated scale based on income. The income limits were increased from \$14,670 to \$18,000 for a single-member household. The multiple-member household income limit increased from \$18,730 to \$22,000.

Applications and brochures for both programs (and our other property tax relief programs) are available at your local county offices or can be printed from the Department of Revenue's website at <https://dor.sd.gov/individuals/taxes/property-tax/relief-programs/>.

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CONTACT US

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Motor Vehicles: 605-773-3541

SD Lottery: 605-773-5770

Gaming Commission: 605-773-6050



Be on the lookout for new license plates starting January 2023

Starting January 1, 2023, the State of South Dakota will be issuing a new plate design for non-commercial and emblem plates with the titling of motor vehicles and registration renewals. The reissue will include standard non-commercial, motorcycle, emblem, emblem motorcycle, personalized, personalized motorcycle, amateur radio, and low speed plates.

The design was a coordinated effort led by

Governor Noem, the Department of Revenue Motor Vehicle Division and the South Dakota Department of Tourism and reflects a partnership in promoting South Dakota. License plates will continue to be made at Pheasantland Industries located in the South Dakota State Penitentiary in Sioux Falls, S.D.

Individuals are able to renew their license plates 90 days before their expiration date but only those individuals who renew after January 1 will receive the new license plate designs.

Renewal can be completed online through the [MySDCars](https://mySDCars.com) portal, at any DMV Now Kiosk, in person at the applicant's county treasurer's office; or by mail through the county. There are 21 DMV Now Kiosk located across the state, find a convenient location at <https://sddmwnowkiosk.com/>. Individuals who use the online system or a kiosk will have their license plates mailed directly to them.

Upcoming Tax Seminars

Be sure to check our site for potential reschedule dates.

<https://apps.sd.gov/RV23Education/Classes.aspx>

Date	Topic	Location
Dec 6	Basic Sales Tax Seminar	Microsoft Teams
Dec 8	Basic Contractor's Excise Tax Seminar	Microsoft Teams
Feb 9	Highway Contractor Seminar	Microsoft Teams / In-person Sioux Falls
Oct 25	Motor Fuel Marketer Seminar	Microsoft Teams / In-person Sioux Falls

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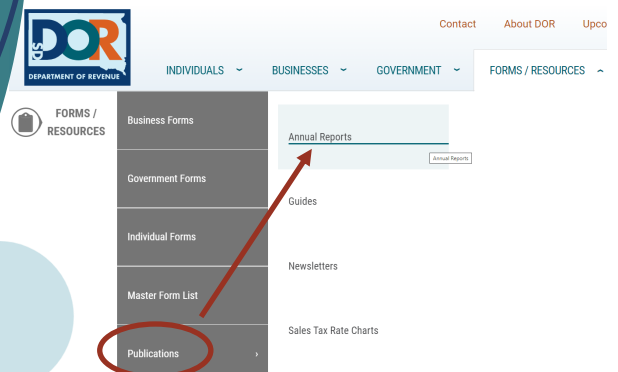
Motor Vehicles: 605-773-3541

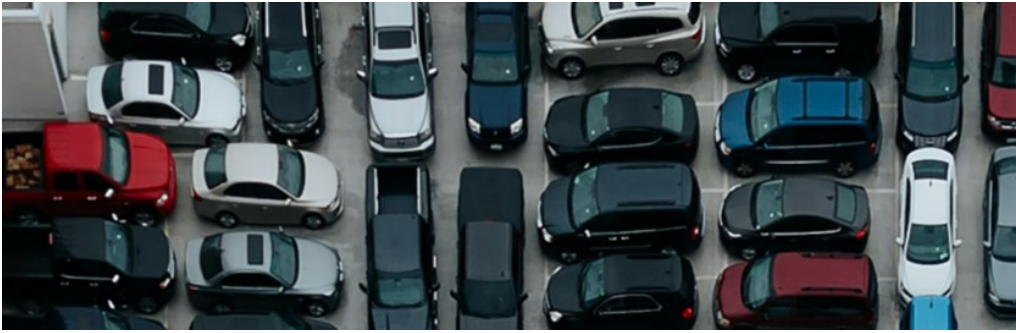
SD Lottery: 605-773-5770

Gaming Commission: 605-773-6050

Department of Revenue annual reports are on their way!

Be sure to check out the annual reports tab under our Forms/ Resources section on our website! Great information on what our team has been up to can be found there!





South Dakota Department of Motor Vehicle Delaying Title Printing

On November 9th, DOR announced that we would be delaying the printing of paper titles due to paper supply issues. The paper used for printing titles is very unique as it has built in security features to prevent fraud. The Department anticipates being able to start printing paper titles mid-February 2023.

There are instances where individuals and businesses may need the paper title and our agency is trying to accommodate as many of those requests as possible. If an individual has a legitimate reason for acquiring a paper title, they can request one by using an online form found here: <https://sddor.seamlessdocs.com/f/1504>. Any title processed by our office on or after November 9th that has an approved request is printed the next day.

Reasons to request a paper title include: 1) A South Dakota resident is moving to another state or 2) the Vehicle Ownership has been transferred.

Ownership changes may include the following:

- Current Titled Owner has Sold the Vehicle
- Adding / Removing a Name on a Title
- Insurance Claim
- Court Order

Individuals who purchase a new vehicle, but have a loan on the vehicle will not receive a paper title until the vehicle loan has been paid and the bank releases the electronic title. If the lien is released before the Department resumes normal printing services and the owner needs a printed title, they will need to submit a printed title request.

Our agency has been meeting with county officials and motor vehicle dealers to ensure they have the training and tools they need in order to meet the needs of their customers.

Titles are still being processed and individuals are able to check the status of their paperwork using their VIN using the following website page: <https://apps.sd.gov/RV66Renewals/checkvin/NewCheckVIN.aspx>.

Due Dates

Tax Return	Due Date
December	1/20/2023
January	2/22/2023
February	3/20/2023
March	4/20/2023

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.

January – A/B

February – C/D/E

March - F/G/J

**April, October, and December are non-renewal months*

Plate Reissue Begins January 1, 2023!





Two South Dakotans Will Ring in the New Year at Times Square

Thanks to a second chance drawing, two South Dakotans will ring in the New Year at Times Square. Even better, one also has the chance to return as 2023's First Powerball Millionaire.

Gabriella Anane of Sioux Falls and Connie Duvall of Aberdeen were South Dakota's winners of the 2023's First Powerball Millionaire promotion. Anane and Duvall each won an all-expenses paid trip to New York City for themselves and a guest by entering their non-winning Powerball tickets into the South Dakota Lottery's second chance drawing.

"I was shocked. Very shocked," Duvall said. "It still kind of hasn't sunk in that we actually won."

Ring in the New Year at Times Square is just the tip of the iceberg for Anane. As South Dakota's grand prize winner, she will be one of 29 players entered into a nationwide drawing to determine 2023's First Powerball Millionaire. The drawing will be a part of ABC's New Year's Rockin' Eve telecast.

"I haven't really thought about the chance of me being a millionaire," Anane said. "I consider this trip a win. But it would be a life changer if my family does win the \$1 million dollar prize."

While Anane is excited about the prospect of returning to South Dakota as a millionaire, she did note that she and her sister have big plans for the trip. She hasn't been to New York since 2006, which further fuels the anticipation.

"I'm excited to have some adult time, go out and enjoy the city and the possibility of winning \$1 million," Anane said.

Duvall noted that she hasn't been to New York City outside of a quick layover at an airport. With her husband's upcoming retirement in December, she notes that a trip to New York City is the perfect way to start their new lives.

"Being in New York City is the biggest thing," Duvall said. "We've always wanted to visit it. We flew to LaGuardia one time, and we could see the Statue of Liberty and the Freedom Tower from the plane. It was kind of cool to see some of that. We always thought it be fun to see some of the sites."

While the Big Apple always has plenty of sites and scenes, South Dakota's winners will get to experience the iconic New Years Eve experience. Being able to witness the ball drop to ring in the New Year will only add to the experience.

"My husband and I have always watched the ball drop with our glass of champagne at midnight," Duvall said. "It's just kind of our tradition. This is also my daughter's dream vacation, so she might be a little upset with us when we tell her that we won the trip and get to do what she wants to do."

Both players entered their non-winning tickets into a second chance drawing, which are exclusive to South Dakota Lottery Players Club members. The Players Club is free to join, and you can learn more by visiting <https://lottery.sd.gov/players/default.aspx>.



SD Lottery urges responsible gaming this holiday season

In partnership with the National Council on Problem Gambling (NCPG), the South Dakota Lottery reminds citizens that providing scratch tickets to minors is risky.

Research shows that the earlier a person's

participation or even exposure to gambling is in childhood, the more likely they are to develop a gambling problem later in life. Gambling exposure during childhood is often through lottery products, given by an adult who is likely unaware of the associated risks.

"While our scratch tickets are often exciting gifts for South Dakotans, we urge our players to take caution this holiday season when giving them." Lottery Executive Director Norm Lingle said. "If you are giving any lottery ticket as a gift, please ensure the recipient is 18 or older."

The NCPG's annual responsible gambling campaign is aimed at increasing public awareness about the impact of gifting lottery products to minors. South Dakota is one of many lotteries throughout the world taking part in this year's campaign.

The South Dakota Lottery also provides up to \$214,000 annually to the Department of Social Services' problem gambling treatment services. If you or someone you know has a gambling problem, call the Problem Gambling Helpline at 1-888-781-HELP. All calls are confidential.



LET'S TALK ABOUT MEDICAL CANNABIS

With medical cannabis dispensaries opening across South Dakota, our office has received several questions from individuals and business owners. Here are some of most frequently asked questions:

Does sales tax apply to the retail sale of medical cannabis? Yes, it does!

If medical cannabis is certified by a medical provider, why isn't it exempt from sales tax like other prescription drugs? Although it's called medical cannabis, South Dakota does not recognize medical cannabis as a drug. South Dakota Codified Law (SDCL) 34-20B-2 defines a drug as: "Articles recognized in the official United States Pharmacopoeia, official Homeopathic Pharmacopoeia of the United States, or official National Formulary, or any supplement to any of them[...]"

Does sales tax apply to growing, testing, or manufacturing medical cannabis products? Yes, it does! Unlike hemp, growing medical cannabis is not included in the definition of agricultural purposes, which means medical cannabis is not for the production, raising, growing, or harvesting of food or fiber on agricultural land (SDCL 10-45-1(1)). In fact, every transaction relating to medical cannabis from seed purchase to end consumer is subject to sales tax, unless an exemption certificate is provided by the purchaser to the seller. Only services provided by a licensed health practitioner are exempt from sales tax.

Which sales tax rates apply? The state sales tax of 4.5% applies to each transaction. If cannabis products or services relating to medical cannabis are sold inside city limits, the general municipal tax of up to 2% also applies. Additionally, if cannabis is incorporated into prepared foods, such as cookies, cupcakes, or ready to drink beverages, then municipal gross receipts tax of 1% applies.

So medical cannabis is subject to sales tax just like any other good or service in South Dakota? Yes!

What sales are exempt?

South Dakota allows businesses to purchase products or services exempt from sales tax, provided the product or service is an integral and inseparable component of the ultimate product sold to the consumer. Businesses must give an exemption certificate to their suppliers.-This includes the testing of cannabis which is subject to sales tax and purchased for resale. Other tax-exempt purchases include containers sold with the product or retail products being resold.

Is use tax due? Use tax is due on purchases when state and city sales tax have not been paid on products or

services used, stored, or consumed in South Dakota. Also, if a product is purchased in another state and then brought into South Dakota and the sales tax paid was less than the South Dakota sales tax rate, then use tax would be due on the difference in rates.

The sales and use tax rate is 4.5% state tax and up to 2% municipal tax. Examples of when use tax may be due:

- Specialized equipment, including pots, grow lights, fans, watering systems, nutrients, humidifiers/dehumidifiers, thermometers/hygrometers, extraction equipment, and grow tents
- Free samples to owners, employees, or customers
- Items purchased tax-exempt for resale and taken out of inventory
- Office equipment, including computers, monitors, printers, desks, chairs, decorations, or pictures
- Reusable shipping containers
- Displays
- Storage

Is use tax due on out-of-state services?

When a South Dakota business uses a service provider and completes work out-of-state, the service is subject to use tax. This is true even if the provider doesn't have physical nexus in the state but sends information through the mail or electronics. State and municipal use taxes are due based on where the product or service is received. Examples would include attorney fees, consultant fees, and security services.

What documentation is needed?

Just like in other businesses, good record-keeping is required. The Department of Revenue requires you keep all records for three years plus the current year.

Verification information includes:

- Invoices of purchases
 - Inventory records
 - Sales records and sales receipts
 - Bank statements and canceled checks
 - Depreciation schedules
 - Federal income tax returns
 - General ledgers or reports
- Supporting documentation for all deductions or exemptions

Documentation will be needed if a review or audit does occur. The Department of Revenue is willing to assist with all questions, and you can contact us at 1-800-829-9188, our chat line, or any of our local offices.