

WHAT YOU NEED TO KNOW ABOUT MUNICIPAL TAXES



MUNICIPAL SALES TAX

In South Dakota, municipalities may charge a municipal sales and use tax of up to 2%. Any municipality that imposes a sales tax must impose it on the same things on which the state imposes sales tax. As an example, since clothing purchases are subject to state sales tax, a city could not exempt clothing from the municipal sales tax.

Revenue from the municipal sales tax goes to a city's general fund.

MUNICIPAL GROSS RECEIPTS TAX (MGRT)

Important note: This tax is charged in addition to the municipal sales tax.

Municipalities may impose a one percent municipal gross receipts tax (MGRT) – sometimes referred to as a “bed, board and booze” or 3B tax - on alcoholic beverages, prepared food, lodging accommodations, and/or admissions to places of amusement, athletic and cultural events (*see definitions below*).

A city can decide which of those four things the tax will apply to. The city could just charge it on alcoholic beverages, for instance, and not on lodging, prepared food or admissions.

Revenue from the MGRT may only be spent for land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the maintenance, staffing and operations of such facilities and the promotion and advertising of the city, its facilities, attractions and activities.

Alcoholic beverages: on- or off-sale liquor, wine, and beer.

Prepared food: includes, but is not limited to restaurants, grocery store delis, prepared food sold in convenience stores, bakeries, food trucks and concession stands.

Lodging accommodations: lease or rental of hotel/motel rooms, campsites, or other lodging accommodations for periods of less than 28 consecutive days.

Admissions: includes (but is not limited to) sales of tickets and charges or fees to movie theaters, bowling alleys, tourist attractions, tennis and racquetball courts, membership fees (such as golf memberships and green fees), sports contests (except those that are school sponsored), concerts, plays, museums, swimming pools, waterslides, and skiing fees.

SIoux FALLS LODGING TAX

Sioux Falls has a home rule charter that allows the city to charge an additional 1% tax on lodging. Since the Sioux Falls lodging tax was established, a state law has been enacted that does not allow any other cities - including those with home rule charters - to go beyond the 3% total allowed between the municipal sales tax and the municipal gross receipts tax.

HOW MUNICIPAL TAXES APPLY TO CUSTOMERS FROM OUT-OF-TOWN

The tax is calculated according to where the customer takes possession of the merchandise. If a customer comes into your business inside city limits, makes a purchase and takes it with them, you would charge state sales tax plus your applicable municipal tax rate.

If you deliver the purchase to the customer's home or business in another municipality, you must collect and remit the municipal tax rate applicable in the community into which you are delivering, including applicable sales tax and applicable MGRT (such as for delivery of prepared food).

If the purchase is delivered to the customer at a location outside of city limits, then you would charge the state sales tax and no municipal tax.

Ticket sales are taxed based on where the event takes place, i.e. for a concert in Sioux Falls, ticket sales are subject to Sioux Falls city sales tax and MGRT regardless of where the customer receives the tickets.

TAX RATES FOR A SPECIFIC CITY

Go to the South Dakota Department of Revenue website at dor.sd.gov/businesses/taxes/municipal-tax/. Scroll down to Municipal Tax Guide (PDF) July 2023. Starting on page 6 is a chart showing the current municipal sales tax and municipal gross receipts tax rates for each city that imposes either of those taxes.

Municipalities may impose or change a municipal tax only on January 1 and July 1.



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