

NOTE: This brochure is intended ONLY as a guide and not as a comprehensive explanation of any refund program. Please contact the Department for answers to specific questions regarding your proposed project.

South Dakota offers various programs that allow businesses to seek a refund of sales, use and contractors' excise tax or delay the payment of sales and use taxes. This brochure outlines the six programs available as of July 1, 2011. Each project requires a separate application as well as supporting documentation. Application deadline requirements vary for each program. To find out more, contact the Department of Revenue at 1-800-829-9188 or visit us on the web at www.state.sd.us/drr/.

The refund programs pertain only to South Dakota state sales, use, or contractors' excise taxes. Municipal taxes are not included in these programs.

New or Expanded Businesses

Who's eligible: Agricultural processing facilities and new and expanded business facilities with the exception of retail, housing, health care facilities, and any facility that is exempt from property tax.

Refund amounts:

Refund of the contractors' excise tax and sales and use tax on project costs based on the following scale:

- Costs of \$10 Million or less, No Refund
- Costs from \$10 Million to \$40 Million, Refund of 45% of Taxes Paid
- Costs from \$40 Million to \$500 Million, Refund of 55% of Taxes Paid
- Costs over \$500 Million, No Refund

The State of South Dakota holds a 5% retainer.

Wind Energy Facility

Who's eligible: New or expanded wind farm; or New & upgraded electric transmission line; or a new facility that manufactures, assembles, or distributes wind or transmission components

Refund amounts:

Refund of the contractors' excise tax and sales and use tax on project costs based on the following scale:

- Costs of \$10 Million or less, No Refund
- Costs from \$10 Million to \$40 Million, Refund of 45% of Taxes Paid
- Costs over \$40 Million, Refund of 55% of Taxes Paid

The State of South Dakota holds a 5% retainer.

Large Wind Farms

Who's eligible: New and expanded wind generation facilities that produce more than 10 megawatts of electricity.

Reduction in rate:

- Project owner pays 1% excise tax instead of 2%.
- Owner must pay the tax in four equal annual payments beginning the first year of construction.
- No exemption or refund is given for sales or use taxes.

Small Wind Farms

Who's eligible: New and expanded wind generation facilities that produce 10 megawatts of electricity or less with costs greater than \$500,000.

Refund amounts:

- Refund of 100% of the excise tax.
- No exemption or refund is given for sales or use taxes.

Refund window: 36 months. The State of South Dakota holds a 10% retainer.

Fabricators State Sales and Use Tax Refund for Contractors and Subcontractors

Who's eligible: Licensed contractors and subcontractors who are fabricators if ALL six of the following criteria are met:

- The sales or use tax was paid by the contractor or subcontractor who is requesting the refund.
- The items upon which the sales and use tax was paid were purchased by the contractor or subcontractor who is requesting the refund.
- The items upon which the sales and use tax was paid were fabricated by the contractor or subcontractor in South Dakota.
- The fabricated item was used outside of South Dakota by the contractor or subcontractor in the performance of a contract.
- The fabricated item is not returned to South Dakota.
- The fabricated item is exempt from sales or use tax in the state where the contract is performed.

South Dakota's Tax Refund and Tax Delay Payment Programs

Refund amounts:

- Refund of 100% of the sales or use tax.
- Refund claim may only be made for the cost of the material that becomes part of the item the contractor fabricates by forming, combining, or altering materials. The refund claim does not apply to labor or other expenses incurred by the contractor in the fabrication process.

Refund window: 36 months. The application must be filed within three years of the date the material is taken out of state.

Delay Pay Permit Program

Who's eligible: Manufacturing, fabricating and processing businesses that purchase equipment or machinery for direct use in their business. Project cost must be more than \$20,000 to apply.

Delay provisions: The program provides for a six month extension to pay sales or use tax on the equipment or machinery.

Application window: 30 days prior to the commencement of the project.

Have questions or interested in applying?

For more information, contact the South Dakota Department of Revenue toll-free at 1-800-829-9188 or by email at bustax@state.sd.us. Application forms are available for downloading from our website at www.state.sd.us/drr/ under "Forms", "Business Tax Forms", "Construction Tax Refund or Delay Programs." Further information on the programs can be found on the website under "Publications" and "Tax Facts".