

Bid Factor Sheet

Contractors' excise tax is calculated on total gross receipts. Gross receipts are defined as the total amount received including, but not limited to, sales tax, contractors' excise tax, cost of materials, your labor and profit, owner-furnished material and any other expenses. Because the tax is included in your gross receipts, the department has developed a factor of 2.041% that can be used to calculate excise tax due when preparing a bid or bill for your customer. This factor allows you to recover the excise tax you will owe.

Note: The factor 2.041% is used to prepare a bid or bill, however, a straight 2% rate is used when calculating the excise tax on your return.

Example 1: Prime contractor provides all material and labor. Contractor owes excise tax on their total receipts.

| | |
|-------------------|-------------------------------|
| \$1,060.00 | Material (sales tax was paid) |
| + <u>1,000.00</u> | Labor |
| \$2,060.00 | Total |
| x <u>2.041</u> | Bid Factor |
| 42.04 | Excise tax to collect |
| \$2,102.04 | Amount of Bill or Bid |

Excise tax calculation on return for Example 1.

| | |
|-------------------------------------|----------------|
| Gross Receipts (Line 1 and 5) | \$2102.04 |
| 2% Contractors' Excise Tax | x <u>.02</u> |
| Excise Tax Due (Line 5 x 2%) | \$42.04 |

Example 2: The owner furnishes material. The contractor provides the labor. Contractor owes excise tax on their receipts plus the cost of the owner furnished material.

| | |
|---------------------|--|
| \$1,060.00 | Cost of owner furnished materials (sales tax was paid) |
| + <u>\$1,000.00</u> | Labor |
| \$2,060.00 | Total amount to calculate excise tax on |
| x <u>2.041%</u> | Bid Factor |
| 42.04 | Excise tax to collect |
| \$1,042.04 | Amount of Bill or Bid (\$1,000 labor + \$42.04 tax) |

Excise tax calculation on return for Example 2.

| | |
|-------------------------------------|-------------------|
| Gross Receipts (Line 1) | \$1,042.04 |
| Owner Furnished Material (Line 2) | + <u>1,060.00</u> |
| Total Subject to 2% Contractors' | |
| Excise Tax (Line 5) | 2,102.04 |
| 2% Contractors Excise Tax | x <u>\$0.02</u> |
| Excise Tax Due (Line 5 x 2%) | \$42.04 |

Example 3. The owner is a government entity, accredited school, nonprofit hospital, or relief agency. Material is furnished by the owner. No sales tax was paid on material by the exempt entity. The contractor owes use tax on the material and will owe excise tax on their receipts plus the owner furnished material.

| | |
|-------------------|--|
| \$1,000.00 | Cost of owner furnished materials |
| \$60.00 | Use tax due on material (4% state + 2% municipal use tax) |
| <u>\$1,000.00</u> | Labor |
| \$2,060.00 | Total amount to calculate excise tax on |
| x <u>2.041%</u> | Bid Factor |
| <u>42.04</u> | |
| \$1,042.04 | Amount of Bill or Bid (\$1,000 labor plus \$102.04 excise and use tax. This is the amount of gross receipts on Line 1 and 5 of the excise tax return.) |

Excise tax calculation on return for Example 3.

| | |
|-------------------------------------|-------------------|
| Gross Receipts (Line 1) | \$1,102.04 |
| Owner Furnished Material (Line 2) | + <u>1,000.00</u> |
| Total Subject to 2% Contractors' | |
| Excise Tax (Line 5) | 2,102.04 |
| 2% Contractors Excise Tax | x <u>\$0.02</u> |
| Excise Tax Due (Line 5 x 2%) | \$42.04 |
| Use Taxable (Line 6) | 1,000.00 |
| 4% State Use Tax Due | \$40.00 |
| 2% City Use Tax Due | \$20.00 |
| Total Tax Due | \$102.40 |

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Contractors' Excise Tax Bid Factor Calculator

South Dakota Department of Revenue & Regulation
445 E. Capitol Avenue | Pierre, SD 57501-3185 | 1-800-TAX-9188

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The example below demonstrates how to use the bid factor. You can also enter your own figures and the form will calculate the appropriate amount of contractors' excise tax to include in your bid or invoice based on the information you entered.

Important: If no sales tax was paid on the materials or a rate less than would be due in South Dakota was paid, the contractor must report the value of the materials on line 6 of the contractors' excise tax return and submit use tax on that amount. This applies to contractor-provided materials and owner-furnished materials supplied by exempt qualified utility and government entities.

For additional information regarding contractors' excise tax, please read our Contractors' Excise Tax Guide Book or call us at 1-800-829-9188.

Customer Name _____

Project Location _____

| ITEMS INCLUDED IN BID | EXAMPLE | ENTER YOUR FIGURES HERE |
|--|----------------------|-------------------------|
| Cost of Materials | \$ 50,000.00 | |
| 4% state and applicable municipal tax on cost of contractor provided materials. | + \$ 3,000.00 | + |
| Markup of contractor provided materials | + \$ 12,500.00 | + |
| Value of owner-furnished material plus 4% state and applicable municipal sales or use tax. Note: Include exempt or government entity provided material cost, plus 4% state and applicable municipal sales or use tax (See "Government Contracts in the Guide to Contractors' Excise Tax). Do not include value of material provided by the owner of a qualified utility project. See "Important" above. Example: Material value (\$4717.00) + 6% sales/use tax (\$283.02) = \$5000.02 | + \$ 5,000.02 | + |
| Qualified Utility Projects Only - 4% state and applicable municipal use tax on materials provided by the owner. Use this line only if the owner did not pay sales tax at the time of purchase. Do not include the cost of the materials. See "Important" above. Example: Material value (\$1000.00) + 6% sales/use tax (\$60.00) = \$1060.00 - \$1000.00 = \$60.00 | + \$ 60.00 | + |
| Labor | + \$ 50,000.00 | + |
| Subcontractors | + \$ 25,000.00 | + |
| Permits, fees, etc. | + \$ 5,000.00 | + |
| Mobilization, travel, gas, food, lodging, etc. | + \$ 4,500.00 | + |
| All other expenses | + \$ 2,600.00 | + |
| Markup on total project | + \$ 5,000.00 | + |
| Total (automatically calculated from figures entered above). | = \$162,660.02 | = |
| Times the bid factor | x 2.041% | x 2.041% |
| Amount of tax to invoice customer | = \$ 3,319.89 | = |
| Amount to report on line 1 of the return and the total amount to invoice to customer. | \$ 160,979.89 | |
| Amount to report on line 2 of the return | \$ 5,000.02 | |

Note: the factor 2.041% is used to prepare a bid or invoice; however, a straight 2% rate is used when calculating the excise tax on the return.