

# South Dakota Department of Revenue

## Direct Payment Permit Application

### What is a Direct Payment Permit?

A Direct Payment Permit is a permit issued by the department that allows the holder to accrue and pay the use tax on their purchases directly to the Department. The Direct Payment Permit holder may issue a copy of their Direct Payment Permit or acceptable evidence that includes their Direct Payment Permit number to the vendor from whom the holder purchases tangible personal property or services. Businesses that receive acceptable evidence of a Direct Payment Permit from their customer are not required to pay sales tax on those sales, except on certain transactions not permitted.

### Who qualifies for a Direct Payment Permit

To qualify for a Direct Payment Permit, the taxpayer must have a sales, use, manufacturer, or wholesaler tax license and must meet the following criteria:

(1) Applicants for a Direct Payment Permit shall demonstrate the applicant's ability to comply with South Dakota's sales and use tax laws and reporting and payment requirements. The applicant must provide a description of the accounting system used by the applicant and demonstrate that the accounting system reflects the proper amount of tax due.

(2) Applicants must establish a business purpose for seeking a Direct Payment Permit and must demonstrate how direct payment will benefit tax compliance. For example, the utilization of direct payment authority should accomplish one or more of the following:

- a. Reduce the administrative work of determining taxability; collecting, verifying, calculating or remitting the tax;
- b. Provide for accurate compliance in circumstances where determination of taxability of the item is difficult or impractical at the time of purchase;
- c. Provide for more accurate calculation of the tax where new or electronic business processes such as electronic data interchange, evaluated receipts settlement, or procurement cards are utilized;
- d. Provide for more accurate determination and calculation of tax where significant automation or centralization of purchasing or accounting processes have occurred and applicant must comply with the laws and regulations of multiple state and local jurisdictions.

(3) A business must meet a volume threshold of annual purchases of tangible personal property and services of at least \$3 million, which are subject to sales and use taxes.

(4) The business must file and pay or agree to file and pay monthly sales and use tax returns.

(5) The business must file and pay or agree to file and pay by electronic means.

(6) The business must agree that its name may be published as a Direct Payment Permit holder on the department's website and in any other related publication, and may be disclosed as a Direct Payment Permit holder in any other manner for tax administration purposes.

### How does a taxpayer apply for a Direct Payment Permit?

If all of the criteria are met, the taxpayer must complete the Direct Payment Permit application. The Direct Payment Permit may be used for all businesses that are licensed under a single Federal Identification number. Businesses who file under more than one Federal Identification number must obtain a separate Direct Payment Permit for each Federal Identification number.

The secretary or his/her designee shall review all permit applications. When the department approves the issuance of a Direct Payment Permit, the department will assign the business a Direct Payment Permit and send the business a Direct Payment Permit.

The permit applies only to the business to which it is issued and may not be used by a subsidiary or an affiliate of the business. If a business that has a Direct Payment Permit restructures its business into a new business entity, the new entity must apply for a permit of its own.

A Direct Payment Permit is not transferable, and the use of a direct payment permit may not be assigned to a third party. Direct Payment Permits may be revoked by the secretary whenever the secretary determines that the business holding the permit has not complied with the provisions of this regulation or that the revocation would be in the best interests of the department. The holder of a direct payment permit may contest a revocation pursuant to the provisions of chapter 1-26.

## What transactions are not permitted with the Direct Payment Permit?

The following items may not be purchased with the Direct Payment Permit. Applicable sales or use tax should be paid at the time of purchase on these transactions.

1. purchases of taxable meals or beverages;
2. purchases of taxable lodging or services related thereto;
3. purchases of admissions to places of amusement, entertainment or athletic events, or the privilege of use of amusement devices;
4. purchases of motor vehicles, or other tangible personal property required to be licensed or titled with a taxing authority, taxed under Title 32;
5. purchases of any of the following enumerated services listed in chapter 10-45: telecommunications services and utilities (gas, electricity, and heating fuel); or
6. such other purchases as may be agreed to between the holder of the Direct Payment Permit and the department.

## Reporting of tax for Direct Payment Permit holders.

Each holder of a valid Direct Payment Permit shall, by electronic means, accrue and pay directly to the department the state and municipal sales or use tax due for each transaction subject to tax. Taxes for which the Direct Payment Permit is used are due and payable on the sales and use tax return next due following the date on which a determination of taxability is, or in the exercise of reasonable care should be, made for a given transaction, unless otherwise provided by written agreement between the taxpayer and the department.

## Responsibility of vendors selling to Direct Payment Permit holders.

Receipt of a Direct Payment Permit or other acceptable evidence shall relieve the vendor of the responsibility of collecting the sales tax on sales made to a Direct Payment Permit holder except on certain transactions not permitted.

Any vendor or seller who makes sales where the tax is not collected upon receipt of a direct pay permit evidence must keep documentation in their records that identify the purchaser, the purchaser's Direct Payment Permit number, and the amount of the transaction.

*<http://dor.sd.gov>*

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**Direct Payment Permit Application**  
South Dakota Department of Revenue  
445 E. Capitol Avenue | Pierre, SD 57501-3185 | 1-800-829-9188  
E-mail: bustax@state.sd.us

1. Owner, Partner, or Corporation Name: \_\_\_\_\_  
South Dakota Sales Tax Permit Number: \_\_\_\_\_  
Mailing Address: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_
2. Contact Person: \_\_\_\_\_ Phone: \_\_\_\_\_  
E-Mail Address: \_\_\_\_\_
3. Business Name: \_\_\_\_\_  
Business Address: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_  
  
(If multiple locations, please mail or e-mail a listing for each location and sales tax permit numbers)
4. What is the dollar amount of annual purchases subject to sales or use tax? \_\_\_\_\_
5. Does your accounting system have sufficient internal controls to accrue sales or use tax accurately? Y      N
6. Can your accounting system isolate purchases for your South Dakota registered locations? Y      N
7. Does your accounting system maintain separate general ledger accounts for sales tax collected from customers and for sales or use tax accrued? Y      N
8. Does your accounting system maintain separate general ledger accounts for sales or use tax paid to vendors? Y      N
9. Provide a description of your accounting system (if more space is needed, please e-mail additional sheets):  
\_\_\_\_\_  
\_\_\_\_\_

## Certification

- I am requesting a Direct Payment Permit in order to pay the tax on taxable materials and services directly to the Department of Revenue at the time of taxability, rather than to the vendor at the time of purchase and to include such payments with the monthly sales and use tax return.
- I agree to file and pay monthly sales and use tax returns
- I agree to file and pay sales and use tax by electronic means
- I agree that the above name may be published as a Direct Payment Permit holder on the Department's website and in any other related publication, and may be disclosed as a Direct Payment Permit holder in any other manner for tax administration purposes.

I DECLARE under the penalties of perjury that I am authorized to submit this application on behalf of the above-named organization and I have examined this application, including the accompanying statements, and to the best of my knowledge it is true, correct, and complete.

Name: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_