FREE REFERENCE

South Dakota business taxes, explained for 2026

Small businesses in South Dakota register with the state revenue agency for sales tax, and with the South Dakota Department of Labor and Regulation for unemployment tax. South Dakota has no state income tax on wages, a 4.2% state sales tax and a $15,000 unemployment wage base for 2026.

QUICK FACTS

- **Income tax.** No state income tax on wages for 2026
- **Sales tax.** 4.2% state rate, about 6.11% combined with local
- **Unemployment.** Employers pay South Dakota unemployment tax on the first $15,000 of each worker's 2026 wages

What taxes does a small business pay in South Dakota?

Most South Dakota businesses deal with four: federal and state payroll taxes once they hire, sales tax if they sell taxable items, income tax on profit, and the state's annual report or franchise filing for an LLC or corporation, filed with the Secretary of State.

How do I register for payroll taxes in South Dakota?

Before your first payroll in South Dakota:

1. Get a federal EIN and enroll in EFTPS for federal deposits.
2. Register for unemployment insurance with the South Dakota Department of Labor and Regulation. For 2026, the tax applies to the first $15,000 of each employee's wages, at a rate the state sets for new employers and then adjusts to your history.
3. Report each new hire to South Dakota's new hire registry, usually within 20 days.

Our state payroll registration guide explains each step, and our payroll service handles it for you.

Do I need a South Dakota sales tax permit?

If you sell taxable goods or services in South Dakota, yes. Register with the South Dakota revenue agency before your first taxable sale. Out-of-state sellers need one once they pass South Dakota's

General information, not tax advice for your situation.

economic nexus threshold.

SALES TAX IN SOUTH DAKOTA, MIDYEAR 2026	RATE
State rate	4.2%
Average local rate	1.91%
Average combined rate	6.11%
Highest local rate	4.5%

The state sets how often you file. Our sales tax permit guide covers what to have ready, and the sales tax calculator adds tax to a price.

How does South Dakota tax business owners?

South Dakota doesn't tax wages or pass-through business income. Owners still pay federal income and self-employment tax.

Where are South Dakota's tax forms and refund status?

- South Dakota tax forms
- South Dakota revenue agency
- South Dakota Department of Labor and Regulation

Every state's links are on our state tax forms page.

Which calculators work for South Dakota?

- South Dakota paycheck calculator: take-home pay after every deduction
- South Dakota income tax calculator: your 2026 state income tax
- Payroll cost calculator: what a hire costs you, with South Dakota unemployment

Common questions

Do I need a sales tax permit in South Dakota?
Yes, if you sell taxable goods or services there. Register with the South Dakota revenue agency before your first taxable sale.

What is the South Dakota unemployment wage base for 2026?
$15,000. Employers pay South Dakota unemployment tax on that much of each employee's wages, at a rate the state assigns.

Does South Dakota have a state income tax?
No, not on wages.

Who runs payroll taxes in South Dakota?
The South Dakota Department of Labor and Regulation handles unemployment tax.

Want payroll handled?

We set it up, run it and file the returns. Book a free 30-minute call at eminenttax.com/contact or call (972) 347-4590.

eminenttax.com

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