SUPREME COURT OF SOUTH DAKOTA

Graceland College Center for Professional Development and Lifelong Learning, Inc. v. South Dakota Department of Revenue

Graceland College Center for Professional Development & Lifelong Learning, Inc. v. South Dakota Department of Revenue, 654 N.W.2d 779 (S.D. 2002) · No. No. 22347 · Decided November 26, 2002

SUMMARY

The Supreme Court of South Dakota reviewed whether seminars and services provided by SkillPath, a division of Graceland College Center for Professional Development and Lifelong Learning, Inc., qualified for exemption from South Dakota sales tax. The court held that the seminars were not exempt as vocational schools or continuing education programs under SDCL 10-45-12.1 and affirmed the Department of Revenue's assessment.

CASE DETAILS

COURT	Supreme Court of South Dakota
WRITING FOR THE COURT	Amundson, Retired Justice; Amundson; Gilbertson; Sabers; Konenkamp; Zinter
JURISDICTION	South Dakota
DECIDED	November 26, 2002
DOCKET	No. 22347
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from the circuit court's affirmance of the South Dakota Secretary of Revenue's decision upholding a sales and use tax assessment and denying SkillPath's claimed statutory exemptions.
STANDARD OF REVIEW	Under SDCL 1-26-36, factual findings and inferences of the Department receive great weight and are reviewed as the circuit court reviews them for clear error; reversal occurs only when the reviewing court is definitely and firmly convinced a mistake was made. Questions of law are fully reviewable. Tax-imposing statutes are construed liberally in favor of the taxpayer and strictly against the taxing body, while tax exemptions are strictly construed in favor of the taxing power.
PRECEDENTIAL VALUE	Published precedential opinion of the Supreme Court of South Dakota

PARTIES	Graceland College Center for Professional Development and Lifelong Learning, Inc. v. South Dakota Department of Revenue

TOPICS

sales and use tax · tax exempt organizations · administrative law · statutory interpretation · appellate procedure

PRACTICE AREAS

state and local taxation · administrative law · sales and use tax · statutory interpretation

QUESTIONS PRESENTED

1. Whether SkillPath's seminars qualified as tax-exempt educational services or vocational-school services under SDCL 10-45-12.1.
2. Whether SkillPath's seminars qualified as tax-exempt continuing education programs under SDCL 10-45-12.1.

HOLDINGS

1. SkillPath's seminars did not qualify as exempt vocational-school or educational services under SDCL 10-45-12.1 because they did not teach the skills necessary to enter a specific vocation or occupation and were more properly classified under SIC 8299, or alternatively SIC 7389, both of which were taxable.
2. SkillPath's seminars did not qualify as tax-exempt continuing education programs under SDCL 10-45-12.1 because they were not shown to update participants' knowledge or skills in a specific occupation.

KEY QUOTATIONS

> *"Statutes which impose taxes are to be construed liberally in favor of the taxpayer and strictly against the taxing body. Statutes exempting property from taxation should be strictly construed in favor of the taxing power."* (654 N.W.2d at 782)

> *"Exemptions are a matter of legislative grace and doubts are resolved in favor of taxation."* (654 N.W.2d at 784)

> *"SkillPath does not fit under "vocational school" or "continuing education" and is more properly classified under SIC 8299 or in the alternative SIC 7389 and thus not exempt from tax."* (654 N.W.2d at 786)

FACTUAL BACKGROUND

SkillPath, a division of Graceland College Center for Professional Development and Lifelong Learning, is a not-for-profit corporation that presents one- to two-day business seminars on computer training, secretarial skills, communication, management, and personal development. The seminars are generally presented by independent contractors in hotel meeting rooms, are marketed primarily to businesses, and have fees paid by employers for approximately ninety-five percent of attendees. The Department determined that the seminars were not vocational schools or continuing education programs exempt under SDCL 10-45-12.1, but instead fell within taxable SIC classifications for educational services not elsewhere classified or lecture bureaus.

PROCEDURAL HISTORY

The Department of Revenue audited SkillPath's sales and use tax liability for January 1996 through December 1998 and issued a certificate of assessment for $31,989.19 plus interest. After a hearing examiner initially found the seminars exempt under SDCL 10-45-12.1, the Secretary of Revenue reversed that decision and determined that the services were taxable. The circuit court affirmed the Secretary's decision, and the South Dakota Supreme Court affirmed.

DISPOSITION

affirmed

CASES CITED

- Sopko v. C & R Transfer Co., Inc., 1998 SD 8, ¶¶ 6-7, 575 N.W.2d 225, 228-29
- Helms v. Lynn's, Inc., 1996 SD 8, ¶¶ 9-10, 542 N.W.2d 764, 766
- Finck v. Northwest School District No. 52-3, 417 N.W.2d 875, 878 (S.D. 1988)
- In Matter of Northwestern Bell Telephone Co., 382 N.W.2d 413, 415 (S.D. 1986)
- Spitzack v. Berg Corp., 532 N.W.2d 72, 75 (S.D. 1995)
- Day v. John Morrell & Co., 490 N.W.2d 720, 723 (S.D. 1992)
- United States v. U.S. Gypsum Co., 333 U.S. 364, 395, 68 S. Ct. 525, 541, 92 L. Ed. 746 (1948)
- Caldwell v. John Morrell & Co., 489 N.W.2d 353, 357 (S.D. 1992)
- Egemo v. Flores, 470 N.W.2d 817, 820 (S.D. 1991)
- National Food Corp. v. Aurora County Board of Commissioners, 537 N.W.2d 564, 566 (S.D. 1995)
- Thermoset Plastics, Inc. v. Department of Revenue, 473 N.W.2d 136, 138-39 (S.D. 1991)
- Estate of He Crow v. Jensen, 494 N.W.2d 186, 191 (S.D. 1992)
- Matter of Sales and Use Tax Refund Request of Media One, Inc., 1997 SD 17, ¶ 9, 559 N.W.2d 875, 877
- H & R Roofing of South Dakota, Inc. v. Department of Revenue, 2001 SD 39, ¶ 10, 623 N.W.2d 508, 511
- Meyerink v. Northwestern Public Service, 391 N.W.2d 180, 183-84 (S.D. 1986)
- State v. Big Head, 363 N.W.2d 556, 559 (S.D. 1985)
- Matter of the State Sales and Use Tax Liability of Pam Oil, Inc., 459 N.W.2d 251, 255 (S.D. 1990)
- Watertown Cooperative Elevator Ass'n v. South Dakota Department of Revenue, 2001 SD 56, ¶ 10, 627 N.W.2d 167, 171
- Matter of State & City Sales Tax Liability of Quality Service Railcar Repair Corp., 437 N.W.2d 209, 211 (S.D. 1989)
- Matter of Townley, 417 N.W.2d 398, 400 (S.D. 1987)
- Welcome Wagon International, Inc. v. South Dakota Department of Revenue, 318 N.W.2d 5, 6-7 (S.D. 1982)
- Brown v. State Board of Examiners in Optometry, 263 N.W.2d 490, 494 (S.D. 1978)
- State v. Harris, 494 N.W.2d 619, 622 (S.D. 1993)