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To the Governor, Legislature, and People of South Dakota:

December 2003

In addition to the usual challenges associated with administering the State's tax laws and collecting its revenues, 2003 marked a significant change in the scope of duty and responsibility for our agency. The newly-organized Department of Revenue & Regulation embodies most of the regulatory entities that impact businesses in South Dakota, as well as Lottery, gaming and taxation. This year's report reflects the broader role of our new agency, as well as provides statistics detailing state revenue performance by tax type.

The reorganization process has provided a unique opportunity to analyze our business practices and data utilization. Our over-riding goal has always been to maximize revenues under the existing tax structure by enhancing taxpayer compliance. By best employing the people and data of the larger agency in combination with new technology, our ability to achieve this goal is improved.



Gary R. Viken, Secretary

Despite an economy still struggling to recover, I am pleased to report that tax revenues increased at a much better rate than in the prior year. A review of the charts and tables contained in this report tells the story. And, while a number of years have passed since the property tax reduction program was implemented, it continues to work effectively in controlling the level of property taxes for most South Dakotans. From 1995 through 2003, homeowners and agricultural property owners have paid approximately \$800 million less in property taxes as the result of the property tax reduction measures adopted by the Legislature. To put the significance of those tax savings into perspective, total property taxes payable in 2003 were less than \$700 million.

Looking ahead, a key focus will continue to be on streamlining the administration of the sales tax to accommodate electronic commerce. South Dakota continues to be a leader in the national movement to bring about equity in the way sales taxes apply to traditional retailers and those selling by catalog or Internet.

I hope you find this year's annual report to be a useful tool and handy reference.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gary R. Viken". The signature is written in a cursive style and is positioned below the "Respectfully submitted," text.

Department Overview

In April of 2003, Governor Mike Rounds signed an executive reorganization order officially creating the South Dakota Department of Revenue and Regulation.

The reorganized department combined the existing Department of Revenue with several regulatory divisions previously housed under the former Department of Commerce and Regulation, as well as a number of regulatory boards and commissions and the South Dakota Lottery.



The Department of Revenue and Regulation now consists of 11 divisions, 3 boards or commissions, and the Office of the Secretary. Included in the department are: the Abstractor's Board of Examiners; Audits; Banking; Business Tax; Division of the Secretariat (includes Administrative Services, Appraiser Certification Program, and Legal Services); Gaming Commission; Insurance; Insurance Fraud Unit; Lottery; Motor Vehicles; Petroleum Release Compensation Fund; Property and Special Taxes; Real Estate Commission; and Securities.

The department secretary, division directors and a majority of staff are in Pierre, housed in four locations:

Anderson Building, 445 East Capitol Avenue: Office of the Secretary, Audits, Business Tax, Division of the Secretariat, Insurance, Insurance Fraud Unit, Motor Vehicles, Petroleum Release Compensation Fund, Property and Special Taxes, and Securities

St. Charles Building, 207 East Capitol Avenue: South Dakota Lottery

Soldiers and Sailors World War Memorial Building, 425 East Capitol Avenue: Gaming Commission, Real Estate Commission

Trucano Building, 217 West Missouri Avenue: Banking

The department also has six divisional field offices in Aberdeen, Mitchell, Rapid City, Sioux Falls, Watertown, and Yankton as well as employees in Deadwood and North Sioux City.

In fiscal year 2003, 195 full-time employees worked for the existing Department of Revenue administering, collecting, and distributing the state's 34 separate types of taxes and fees. Total administrative costs were \$13,437,774, of which \$767,794 were general fund dollars.

Department Overview/ continued

Departmental Goals

The mission of the Revenue sector of the department is to fairly and consistently apply the tax laws and establish a comprehensive education program explaining the responsibilities and rights of the taxpayer for the purpose of insuring that the obligations of all taxpayers, to the State of South Dakota, are paid. The Regulation sector's mission is to regulate, supervise, and maintain stability in their respective industries and to protect public interests. Our goals as a department are:

- To reduce uncollected taxes.
- To simplify the administration of taxes to accommodate electronic commerce.
- To achieve uniform tax assessments.
- To reduce unfair tax exemptions.
- To simplify the tax laws.
- To resolve contested audits in a more timely manner.
- To have uniformity in the tribal tax agreements.
- To promote the soundness and safety of the institutions and industries we regulate.
- To improve internal processes and take advantage of new technology wherever possible.

Taxpayer's Bill of Rights

South Dakota passed its taxpayer's bill of rights in 1990, formalizing the fundamental principles that have guided the South Dakota Department of Revenue and Regulation since 1986. The specific rights contained in the South Dakota Taxpayer's Bill of Rights flow naturally from these five principles:

- A sincere respect for taxpayers and the importance of their role in providing public services;
- A belief that taxpayers act in good faith;
- An unwavering commitment to the uniform and fair application of our tax laws;
- A conviction that bureaucratic methods of dealing with taxpayers are inappropriate and ultimately ineffective;
- A recognition that our tax system depends on the voluntary compliance of our taxpayers.

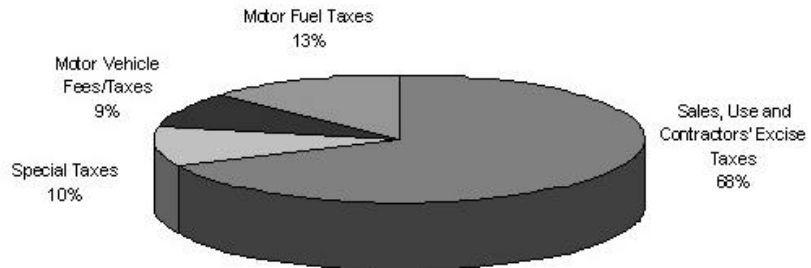
Total Tax Revenues: Collections and Distribution

The Department of Revenue and Regulation is the principal tax agency for the State of South Dakota and collects 35 different state taxes. These taxes are grouped into four main categories: sales, use, and contractors' excise taxes; motor fuel taxes; motor vehicle fees and taxes; and special taxes. Once collected, these tax revenues are distributed to three primary locations: the state's general fund, local units of government, and the state highway fund.

In fiscal year 2003, revenue from all 34 state taxes totaled \$1,088,054,609, an increase of \$49,998,879 from fiscal year 2002 revenues of \$1,038,055,730.

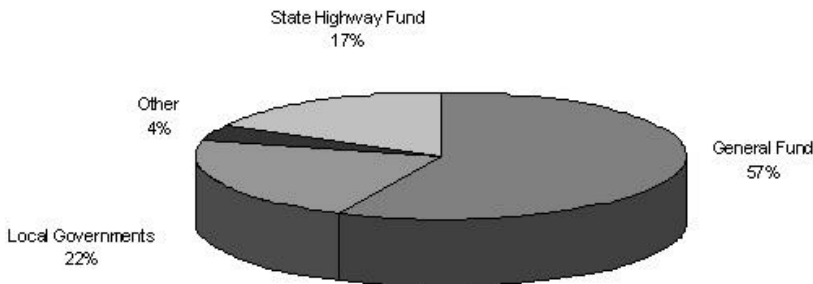
Where tax money comes from...
In fiscal year 2003, the majority of the revenue collected came from sales, use and contractors' excise taxes (68%).

Tax Revenues by Category
Total Receipts - \$1,088,054,609



Distribution of Tax Revenues
Total Disbursements - \$1,088,054,609

Where tax money goes...
The state's general fund received the largest portion of state tax revenues, followed by local governments.



An Overview of Tax Revenues

Total Revenues

In fiscal year 2003, the department collected a total of \$1,088,054,609 from taxes and licensing fees, an increase of \$49,998,879 from last year's revenues of \$1,038,055,730. Total state tax revenues have increased steadily in the past five years, as shown below.

Total Revenues: A Five-Year Comparison

| Fiscal Year | Total Revenues | Percent of Change |
|--------------------------|------------------------|-------------------|
| 1999 | \$934,536,896 | 5.55% |
| 2000 | 998,014,867 | 6.79% |
| 2001 | 1,031,550,600 | 3.36% |
| 2002 | 1,038,055,730 | 0.63% |
| 2003 | 1,088,054,609 | 4.82% |
| Five-Year Average | \$1,018,042,540 | N/A |

Revenues by Category

The majority of the tax revenue collected in fiscal year 2003 came from sales, use and contractors' excise taxes, at \$739,624,152, an increase of \$30,648,707 over fiscal year 2002 receipts of \$708,975,445. Fuel tax revenues increased by \$9,068,414; special tax revenues increased by \$10,609,125; and motor vehicle licensing fees decreased by \$327,367.

Revenues by Tax Category: A Five Year Comparison

| Fiscal Year | Sales Use, and Excise Taxes* | Motor Fuel Taxes** | Special Taxes | Motor Vehicle Fees |
|--------------------------|------------------------------|----------------------|----------------------|---------------------|
| 1999 | \$624,249,831 | \$121,955,576 | \$112,648,364 | \$75,683,125 |
| 2000 | 663,573,225 | 139,717,601 | 107,111,354 | 87,612,687 |
| 2001 | 699,371,497 | 137,201,529 | 111,817,923 | 83,159,651 |
| 2002 | 708,975,445 | 137,407,509 | 97,089,422 | 94,583,354 |
| 2003 | 739,624,152 | 146,475,923 | 107,698,547 | 94,255,987 |
| Five-Year Average | \$687,158,830 | \$136,551,628 | \$107,273,122 | \$87,058,961 |

* Includes Tourism Taxes, Motor Vehicle Leasing, Excise Tax on Water Projects and Construction Refund Program

** Includes Tank Inspection Fees

Overview/continued

Distribution of Taxes

In fiscal year 2003, the \$1,088,054,609 in tax revenues collected by the department was distributed to various funds and units of government. The largest portion of revenues (57%) was deposited in the state's general fund. While sales, use and contractors' excise taxes make up 60% of the state general fund, the remainder of the fund comes from special taxes and fees and other sources which include the South Dakota Lottery and CRP program.

The following chart shows the taxes that produce the revenues and the manner in which the revenues are distributed.

How Taxes Are Distributed

| Tax | General Fund | Local Gov't | State Highway Fund | Other |
|--|--------------|-------------|--------------------|-------|
| State Sales Tax | 100% | -0-% | -0-% | -0-% |
| State Use Tax | 100% | -0-% | -0-% | -0-% |
| State Contractors' Excise Tax | 100% | -0-% | -0-% | -0-% |
| Municipal Sales and Use Tax (1) | -0-% | 100% | -0-% | -0-% |
| Reservation Sales, Use, Excise Tax | -0-% | 100% | -0-% | -0-% |
| Cigarette Excise Tax | 100% | -0-% | -0-% | -0-% |
| Cigarette License Fee | 100% | -0-% | -0-% | -0-% |
| Reservation Cigarette Excise Tax | (2) | (2) | -0-% | -0-% |
| Inheritance Tax | 90% | 10% | -0-% | -0-% |
| Bank Franchise Tax (3) | 26.66% | 73.33% | -0-% | -0-% |
| Bank Card Taxpayers | 95% | 5% | -0-% | -0-% |
| Ore Tax | 100% (4) | -0-% | -0-% | -0-% |
| Coin Operated Laundromat Fee | 100% | -0-% | -0-% | -0-% |
| Trading Stamp License Fee | 100% | -0-% | -0-% | -0-% |
| Energy Minerals Severance Tax | 50% | 50% | -0-% | (5) |
| Malt Beverage Occupational Tax | 75% | 25% | -0-% | -0-% |
| Conservation Tax | -0-% | -0-% | -0-% | (6) |
| Amusement Machine Registration | (7) | (7) | -0-% | -0-% |
| Distilled Spirits Occupational Tax | 75% | 25% | -0-% | -0-% |
| Wines and Diluted Beverages | 75% | 25% | -0-% | -0-% |
| Malt Beverage License Fee | 50% | 50% | -0-% | -0-% |
| Liquor License Fee (other than retail) | 100% | -0-% | -0-% | -0-% |
| Other Tobacco Products Tax | 100% | -0-% | -0-% | -0-% |
| Alcoholic Beverage 2% Purchase Price Tax | 100% | -0-% | -0-% | -0-% |
| Wholesale Liquor License Fee | 100% | -0-% | -0-% | -0-% |
| Alcohol Beverage Brand Registration Fee | 100% | -0-% | -0-% | -0-% |

(continued on next page)

Overview/continued

How Taxes Are Distributed/continued

| Tax | General Fund | Local Gov't | State Highway Fund | Other |
|-----------------------------------|--------------|-------------|--------------------|------------------------|
| Aviation Fuel Tax | -0-% | -0-% | -0-% | Aeronautics Fund (DOT) |
| Motor Fuel Tax | -0-% | -0-% | 97% | (8) |
| Tank Inspection Fee | -0-% | -0-% | -0-% | (9) |
| Prorate Fee (10) | -0-% | 98.5% | -0-% | (11) |
| Motor Vehicle Excise Tax | -0-% | -0-% | 100% | -0-% |
| Motor Vehicle Registration Fee | -0-% | 95.5% | -0-% | (12) |
| Motor Vehicle Licensing Receipts: | | | | |
| Snowmobiles | -0-% | -0-% | -0-% | (13) |
| Plates and Permits | -0-% | -0-% | -0-% | LPR |
| Title and Penalty Fees | -0-% | -0-% | -0-% | MVF |
| Mobile Home Registration Fees | -0-% | 85% | -0-% | 15% - MVF |

- (1) The state retains an administrative fee, which varies from 1.25% to 1.8%.
- (2) Revenue from reservation taxes is distributed to the reservation on a proratable basis based on the percentage of Indian population on the reservation and a proratable percentage retained by the state based on the percentage of non-Indian population on the reservation. The state also retains 1% of the revenue credited to reservations as an administrative charge.
- (3) An exception exists regarding banks organized pursuant to SDCL 51A-2-38 to 51A-2-43, inclusive. 95% of the revenue derived from that tax is deposited into the State General Fund, while 5% goes to the county where the bank is located.
- (4) Revenues from mining companies licensed after January 1, 1981 are split as follows: 80% to the state, 20% to the county of production (subject to a \$1 million cap).
- (5) If the energy development fund has a balance of less than \$100,000, then one-sixth (1/6) of the revenue is deposited in that fund until the balance reaches \$100,000.
- (6) 100% of the tax collected is placed in the Environment and Natural Resources fee fund.
- (7) Revenue from devices located outside municipalities is deposited into the State General Fund. If the amusement device is located within the boundaries of a municipality, then the revenues are remitted to the municipality.
- (8) Motor fuel refunds are deducted first and then the remaining monies are divided as follows: Each July, an amount equal to the number of snowmobiles licensed as of July times 125 gallons times the tax rate is transferred to a fund for snowmobile trails; an amount equal to the number of licensed motorized boats times 125 gallons times the tax rate is transferred to the parks recreation fund; an amount equal to 35% of claimed refunds not to exceed \$1,500,000 is transferred to the conservation commission; the taxes collected under the provisions of the International Fuel Tax Agreement are transferred to member jurisdictions; and 2% is transferred to the Motor Fuel Tax Administration Account.
- (9) Beginning January 1, 2003, 50% of the revenue collected shall be deposited in the ethanol fuel fund and the remaining 50% distributed as follows: 78.7% deposited in the capitol construction fund and 21.3% deposited in the petroleum release compensation fund.
- (10) Other prorate fees: duplicate cab card, trailer fees, tractor registration fees, and transfer fees are deposited in the State Highway Fund. Trailer ID fees and duplicate fees are deposited in the License Plate Special Revenue Fund (LPR). Title and penalty fees and administration fees are deposited in the State Motor Vehicle Fund (MVF).
- (11) .5% is deposited in the State Motor Vehicle Fund (MVF), and 1% goes to the License Plate Special Revenue Fund (LPR). The percentages were changed in 2000.
- (12) 2% is deposited in the State Motor Vehicle Fund (MVF), and 2.5% goes to the License Plate Special Revenue Fund (LPR).
- (13) 90% goes to Game, Fish and Parks, 10% to the State Motor Vehicle Fund (MVF).

Overview/continued

Revenues by Type of Tax

In fiscal year 2003, the revenue produced by the 34 separate taxes and fees administered by the department varied from a low of \$50 to a high of \$483,258,902. In addition, the amount of revenue generated by individual taxes fluctuated by as much as 37.63% from fiscal year 2002 to fiscal year 2003.

A Three-Year Comparison of Revenues by Type of Tax

| | FY2001 | % Increase (Decrease) over Previous Year | FY2002 | % Increase (Decrease) over Previous Year | FY2003 | % Increase (Decrease) over Previous Year |
|---|------------------------|--|------------------------|--|------------------------|--|
| Sales and Use Taxes - State | \$459,110,188 | 5.51% | \$465,087,661 | 1.30% | \$483,258,902 | 3.91% |
| Contractors' Excise Tax - State | 50,149,680 | 5.46% | 52,737,997 | 5.16% | 56,136,750 | 6.44% |
| Sales and Use Tax - Cities | 180,112,009 | 5.21% | 180,640,121 | 0.29% | 187,473,982 | 3.78% |
| Sales, Use, Contractors' Excise Tax - Reservations | 3,439,351 | 0.60% | 3,518,026 | 2.29% | 3,806,823 | 8.21% |
| Tourism Tax | 3,793,170 | 5.80% | 3,722,957 | -1.85% | 4,109,768 | 10.39% |
| Water and Environment Fund | 645,336 | -0.74% | 530,905 | -17.73% | 605,902 | 14.13% |
| Agricultural Processing Facility Refund | 1,108,620 | 4.11% | 1,816,270 | 63.83% | 3,215,430 | 77.03% |
| Motor Vehicle Leasing Fund | 1,013,143 | 3.37% | 921,508 | -9.04% | 1,016,595 | 10.32% |
| Aviation Fuel | 733,455 | -16.33% | 693,968 | -5.38% | 723,612 | 4.27% |
| Motor Fuel Tax | 116,963,783 | -2.59% | 118,722,161 | 1.50% | 126,845,226 | 6.84% |
| Interstate Fuel Users Tax | 3,927,378 | 3.78% | 4,011,463 | 2.14% | 3,564,457 | -11.14% |
| Tank Inspection Fees | 15,576,913 | 3.97% | 13,979,916 | -10.25% | 15,342,628 | 9.75% |
| Prorate | 11,294,698 | -13.34% | 12,675,785 | 12.23% | 12,142,275 | -4.21% |
| Motor Vehicle Titles and Registration | 71,864,953 | -3.64% | 81,907,569 | 13.97% | 82,113,712 | 0.25% |
| Cigarette Tax - State | 18,158,603 | 1.32% | 17,465,672 | -3.82% | 20,335,804 | 16.43% |
| Cigarette Tax - Reservations | 428,017 | -7.95% | 441,096 | 3.06% | 427,213 | -3.15% |
| Cigarette License Fees | 12,827 | 24.80% | 10,652 | -16.96% | 10,875 | 2.09% |
| Other Tobacco Products | 1,178,798 | 1.58% | 1,247,581 | 5.84% | 1,325,013 | 6.21% |
| Liquor License Fees | 37,165 | 18.34% | 37,540 | 1.01% | 38,615 | 2.86% |
| Malt Beverage License Fees | 243,850 | 2.37% | 237,775 | -2.49% | 260,100 | 9.39% |
| Alcoholic Beverage Brand Registration Fees | 118,783 | 7.24% | 137,542 | 15.79% | 136,421 | -0.82% |
| Beer Tax | 5,478,788 | 4.46% | 5,572,702 | 1.71% | 5,315,419 | -4.62% |
| Liquor Tax | 4,675,782 | -0.53% | 4,694,819 | 0.41% | 4,826,199 | 2.80% |
| Alcoholic Beverage 2% Purchase Price Tax | 711,660 | 1.14% | 736,916 | 3.55% | 792,354 | 7.52% |
| Wholesale Beer License Fee | 3,800 | 39.45% | 3,000 | -21.05% | 3,000 | 0.00% |
| Bank Franchise/Bank Card Tax | 43,387,112 | -3.85% | 40,546,774 | -6.55% | 43,975,899 | 8.46% |
| Inheritance Tax | 34,925,181 | 22.85% | 23,482,368 | -32.76% | 27,220,987 | 15.92% |
| Ore Tax | 620,535 | -62.69% | 951,888 | 53.40% | 1,310,055 | 37.63% |
| Energy Mineral Tax | 1,565,796 | 48.97% | 1,239,037 | -20.87% | 1,444,796 | 16.61% |
| Coin Laundry License Fees | 123,738 | 3.43% | 120,763 | -2.40% | 123,228 | 2.04% |
| Trading Stamps License Fee | 50 | -50.00% | 50 | 0.00% | 50 | 0.00% |
| Amusement Device Fee | 97,488 | 10.67% | 99,392 | 1.95% | 95,308 | -4.11% |
| Bingo License Fee | 30,000 | 9.09% | 42,500 | 41.67% | 32,500 | -23.53% |
| Bingo Tax | 19,950 | -4.26% | 21,356 | 7.05% | 24,711 | 15.71% |
| Total | \$1,031,550,600 | 3.36% | \$1,038,055,730 | 0.63% | \$1,088,054,609 | 4.82% |

Legislative Summary

South Dakota Senate Chamber



A Chronology of Tax Legislation

The first state tax in South Dakota - an inheritance tax - was enacted by the legislature in 1905. Since that time, there have been a number of major expansions and changes in our tax codes, as evidenced by this chronology of the tax history of South Dakota.

- 1905 Inheritance Tax**
2000 Last Major Change: Voters repealed the tax.
- 1913 License Fees, Non-Commercial**
1999 Last Major Change: Fees increased on non-commercial vehicles by an average of \$12. Motor home fees increased. Travel trailers no longer qualified for ID plates.
- 1923 Motor Fuel**
1999 Last Major Change: Tax increased on April 1 from \$.18 to \$.22 per gallon.
- 1923 Cigarettes**
2003 Last Major Change: Increased from \$.33 to \$.53 per pack of 20 and \$.42 to \$.67 on packs of 25.
- 1933 License Fees, Commercial**
1982 Last Major Change: License fees were restructured.
- 1935 Alcohol Beverage**
Spirits - 1987 Last Major Change: \$3.80 to \$3.93 per gallon. **Malt Beverages** - 1987 Last Major Change: \$8.30 to \$8.50 per barrel. **Table Wine** - 1987 Last Major Change: \$.90 to \$.93 per gallon.
- 1935 Sales Tax**
1995 Last Major Change: Removed 30 sales tax exemptions to fund 20% property tax credit.
- 1935 Mineral Extraction**
1994 Last Major Change: Changed from gross yield and net income to gross production (\$4.00 per ounce of severed gold) and 10% net income.
- 1937 Motor Vehicle Registration**
1996 Last Major Change: Changed fees for personalized plates from \$75 initial fee plus \$10 per year to \$25 per year with no initial fee.
- 1939 Bank Franchise**
2000 Last Major Change: Lowered the net income levels on which the bank franchise tax is based.
- 1939 Use Tax**
1995 Last Major Change: Removed 30 use tax exemptions to fund 20% property tax credit.
- 1941 Special Fuel**
1999 Last Major Change: Tax increased on April 1 from \$.18 to \$.22 per gallon.
- 1965 Interstate Fuels**
1995 Last Major Change: Allowed state to enter into agreements for the collection of fuel tax on interstate motor carriers.
- 1977 Energy Minerals**
No major changes made since implementation.
- 1979 Contractors' Excise Tax**
1995 Last Major Change: Increased the tax rate on utility contracts from 1.5% to 2%.
- 1988 Tank Inspection Fee**
1993 Last Major Change: Increased from \$.01 per gallon to \$.02 per gallon on all petroleum products introduced into this state.
- 1995 Other Tobacco Products Tax**
1995 Last Major Change: 10% tax imposed on the wholesale purchase price of other tobacco products.
- 1998 Alcohol Beverage: Cider**
1998: Cider was added as a category at a rate of \$.28 per gallon.

Legislative Summary/ continued

2003 Legislature

The 2003 South Dakota State Legislature passed several bills affecting the activities of the Department of Revenue and Regulation. Some of these bills are summarized below and on the following pages.

| | |
|------------------------|--|
| Senate Bill 3 | Allows convention facility alcohol beverage licenses from new construction to previously completed construction, and reduces the restrictions on 2nd and 3rd class municipalities on the number of rooms required and seating required to get a license. |
| Senate Bill 4 | Clarifies in statute that a business operating under a municipality's liquor license is considered to be the legal "licensee" for quota, suspension and regulation purposes. |
| Senate Bill 34 | Requires temporary vendors to maintain records for at least three years, clarifies that the Department can conduct immediate records inspections without prior notice, and shortens the license revocation process for temporary vendors. |
| Senate Bill 35 | Exempts from sales tax payments to a retailer by a manufacturer, wholesaler or distributor to display the manufacturer, wholesaler or distributor's product or signage in a specified manner or location. Also exempts from sales tax any discount or deferred payment a retailer receives for purchasing products for sale at retail. |
| Senate Bill 43 | Requires carriers to keep proof of mailing or delivery of Medicare supplement policies to insured for five years. |
| Senate Bill 44 | Removes special enforcement procedures applicable to fraternal and replaces it with the same requirements as are generally applicable to all other insurers. |
| Senate Bill 50 | Requires farm mutuals to comply with the same requirements for utilization review and independent audits as other property and casualty insurers. |
| Senate Bill 54 | Requires companies to report financial information according to the National Association of Insurance Commissioners (NAIC) Accounting Practices and Procedures manual and brings South Dakota law into compliance to ensure that the state's program receives continuing accreditation from NAIC. |
| Senate Bill 56 | Adopts the new national model for providing coverage through the life and health guaranty association and increases the maximum obligation for basic hospital, medical and surgical insurance or major medical insurance to \$500,000. |
| Senate Bill 59 | Moves the requirements for noting and canceling liens from the Register of Deeds to the County Treasurer. |
| Senate Bill 63 | Effective May 1, 2003, made receipts from interstate telecommunication and cellular calls subject to state sales tax. Exempts sales of interstate telecommunication services to qualified call centers from sales tax. |
| Senate Bill 76 | Adopts Streamlined Sales Tax Project definitions for tangible personal property, lease or rental, and medical devices. Effective January 1, 2004, municipalities must have one sales or use tax rate and tax the same items and services as every other municipality. |
| Senate Bill 115 | Allows truck tractors to be converted into motorhomes and registered and titled as such as long as they meet specific criteria. Applicant must complete an affidavit indicating that the vehicle has at least five of the seven items listed. Also changes the definition of private business use for these types of vehicles. |
| Senate Bill 116 | Allows telecommunication companies that sell bundled services for one price to not pay tax on nontaxable services included in the bundled package if they maintain records to identify the nontaxable portions. |
| Senate Bill 121 | Provides for penalties for selling alcohol to minors. Changes the penalty to a fine structure from a 14-day suspension for two violations within two years. The fine is doubled if the employee who sells the alcohol has not attended an approved training program. |
| Senate Bill 140 | Adds the language "limited liability company" and the words "directly or indirectly" to the statute under the bank franchise code. Affects situations involving a limited liability company between the bank and the cardholders. |

Legislative Summary/ continued

| | |
|------------------------|---|
| Senate Bill 149 | Makes it a Class 2 misdemeanor (first offense) and Class 6 felony (subsequent violations) to sell or market unstamped cigarettes. |
| Senate Bill 150 | Allows a county to create a new taxing district where a township or fire district has dissolved and impose a levy to pay for secondary roads and fire protection. |
| Senate Bill 154 | Allows wineries in this state and out of state to sell limited amounts of wine through the three-tier system without the brand being registered. |
| Senate Bill 159 | Prohibits governments from awarding a construction bid unless the government checks with the Department to see if the contractor has an excise tax license. |
| Senate Bill 165 | Allows review of the number of liquor licenses per U.S. census data every two years (on 90% of the estimate) rather than every 10 years (automatically grandfathers in any license that is issued that exceeds the 10-year census figures). |
| Senate Bill 167 | Lowered the minimum forfeiture (net accumulation rate that must as a minimum be paid) on annuities from 3% to 1.5%. |
| Senate Bill 168 | Allows the Division of Insurance to make rules based on the National Association of Insurance Commissioners (NAIC) Variable Life Insurance Model. Also allows variable life products to defer payment if the stock exchange closes or the Security Exchange Commission (SEC) declares an emergency. |
| Senate Bill 188 | Provides a property tax credit to railroads on any capital improvement made by them. |
| Senate Bill 217 | Exempts from use tax tangible personal property that becomes an integral and component part of a final product made by a sign or advertising specialty business when the final product is installed by the business outside of the state. |
| House Bill 1011 | Approves the transfer of \$250,000 from the South Dakota-bred racing fund to the Department of Social Services to provide grants to domestic and sexual abuse shelter programs. |
| House Bill 1034 | Improves enforcement of the Master Settlement Agreement by increasing the number of times annually manufacturers, wholesalers and distributors will have to report from two to four, increasing the amount of data they must provide to the Department and requiring more entities to file reports with the Department. |
| House Bill 1036 | Annual bill which incorporates the dates of the latest Internal Revenue Code into appropriate sections of state law. |
| House Bill 1037 | Changes from seven to 16 the number of passengers (including the driver) that a vehicle can haul before it's defined as a bus for vehicle registration purposes. |
| House Bill 1038 | Under SD law, church-owned vans are exempt from motor vehicle excise tax. Previously, such vans were covered under the definition of a bus. With the passage of HB 1037, these vans would not be exempt. This bill specifically adds vans to the statute so they receive the exemption. |
| House Bill 1043 | Clarifies that if a person switches plans and has had continuous health insurance coverage, there will be no waiting period for coverage due to a pre-existing condition that occurred after the prior coverage was in effect. Also specifies the circumstances under which a policy can be cancelled. |
| House Bill 1045 | Removed \$2,000 bond requirement for non-resident surplus lines brokers and keeps in place a \$2,000 bond requirement for resident surplus lines brokers. |
| House Bill 1047 | Sets timeframes for conducting utilization review, filing grievances, and acting on grievances for health carriers. |
| House Bill 1094 | Appropriates \$1 million to the Tax Refunds for Elderly and Disabled Individuals program and outlines the income and refund guidelines for the program. |
| House Bill 1128 | Amends the requirement for prior notice of nonrenewal of coverage for property casualty policies to exclude from that requirement certain types of sureties such as performance bonds. |

Legislative Summary/ continued

- House Bill 1136** Changes the amount of damage and the age of the vehicle where damage must be disclosed on a damage disclosure statement. Increases the amount from \$3,000 to \$5,000 and decreases the age from nine years to six years.
- House Bill 1147** Immediately upon its approval, set a tax of 26.5 mills on each cigarette sold in South Dakota.
- House Bill 1180** Allows premium and annuity taxes to continue being collected at different rates in accordance with the amount of the premiums and no longer requires disclosure forms to be approved by the Division of Insurance on life insurance policies exceeding \$1 million cash value.
- House Bill 1182** Exempts the gross receipts of non-profit shooting ranges from the tourism tax.
- House Bill 1189** Allows municipalities to impose municipal sales and use tax at airports owned by the municipality.
- House Bill 1192** Agricultural valuation bill which specifies that counties that don't have 15 usable ag land sales in three years can use a cash rent divided by a cap rate to value ag land.
- House Bill 1208** SD law allows cities to create business improvement districts and assess the businesses within those districts a tax based on square footage. This bill expands the type of tax that can be assessed to include a maximum \$2/night fee on lodging rooms if there's a convention facility inside the district.
- House Bill 1221** Provides for a lowered dollar value (\$5,000 instead of \$15,000) for a discretionary formula to apply to an improvement in a redevelopment area.
- House Bill 1232** Changes existing law to specify that wind easement payments be made to the landowner of record at the time the payment is made.
- House Bill 1235** Provides that wind energy property be locally assessed (like any other main street business); clarifies that such projects are not eligible for the discretionary formula; and repeals the statutes that provide for gross receipts taxation of wind power production facilities of rural electric coops.
- House Bill 1236** Allows the insurer to add a rider or endorsement to eliminate or reduce mandated coverage for biologically-based mental illness if an individual is rejected for coverage by an insurance company due to a pre-existing biologically-based mental illness.
- House Bill 1242** Allows counties who had to lower their property tax levies below the 40% surplus to receive federal disaster relief funds to adjust their property tax levies back up to maintain revenue levels.
- House Bill 1261** Prohibits public corporations from making purchases from any retailer that doesn't collect and remit sales and use taxes.

A Listing of South Dakota Taxes

Description of Individual Taxes

Each of the four categories of taxes (sales, use and contractors' excise taxes; motor fuel taxes; motor vehicle licensing; and special taxes) is comprised of a number of individual taxes which vary in purpose, application, and rate.

| Tax | Description |
|------------------------------|--|
| Alcoholic Beverage Brand | Malt and cereal beverages and wines; alcoholic cordials, liqueurs, cocktails, etc.; distilled spirits, whiskeys, gin, rum, brandy, vodka, etc. Imposed on all brand labels registered and offered for sale by distillers, manufacturers, vintners, and breweries importing products into the state. (Authority: SDCL 39-13-3) (Rate Base: 1st Label: \$25.00, \$50.00, \$100.00; 2nd Label: \$10.00, \$15.00, \$25.00) |
| Alcoholic Beverage 2% | Imposed on all distilled spirits and wines imported and received by in-state licensed liquor wholesalers. (Authority: SDCL 35-5-6.1) (Rate Base: 2% of the purchase price paid for alcoholic beverages) |
| Amusement Machine | Imposed on all mechanical or electronic amusement devices offered to the public for use. Any device used exclusively at a fair may be registered for 30 days by paying a fee of \$3.00. Devices manufactured before 1940 are exempt from the fee. (Authority: SDCL 10-58) (Rate Base: \$12.00 per machine; \$3.00 per machine, temporary) |
| Bank Franchise Tax | Imposed on all banks and financial corporations, small loan companies and savings and loan companies on their net annual earnings in lieu of sales tax on financial and banking services. (Authority: SDCL 10-43-2, 4) (Rate Base: 6% decreasing to .25% as income increases or \$200 minimum) |
| Beer License Fee | Imposed on all applicants requesting permission to operate as a malt beverage wholesaler or retailer; annual license and 50% of all fees (except brewers license fee which is retained in state general fund) retained at the local level. (Authority: SDCL 35-4-2) (Rate Base: \$500.00 - Brewer; \$400.00 - Wholesalers; \$150.00 - Off-Sale; \$250.00 - On-Off Sale; \$150.00 - Transfers) |
| Beer Occupational Tax | Imposed on all 31-gallon barrels of high-point beer imported and received by all licensed beer and liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: \$8.50 per bbl.) |
| Bingo/Pull Tab Tax | All bingo paper and pull tab distributors pay a monthly tax of 5% of gross sales of these products. (Authority: SDCL 22-25-48) (Rate base: 5% of gross sales) |
| Bingo/Pull Tab Tax Licenses | Persons or entities selling bingo paper or pull tabs to any organization conducting bingo games or pull tab lotteries must acquire a distributor's license. Persons or entities manufacturing bingo paper or pull tabs and selling these products to South Dakota distributors must obtain a manufacturer's license. (Authority: SDCL 22-25-28, 29) (Rate base: Distributor - \$5,000 annually; Manufacturer - \$2,500 annually) |
| Cigarette Excise Tax | Imposed on all packs of 20 and 25 cigarettes; stamps or impressions applied by the cigarette distributor prior to any sale to retailers for resale. (Authority: SDCL 10-50-3) (Rate Base: 53-cent cigarette stamps on packs of 20 and 67-cent stamps on packs of 25) |
| Cider Tax | Imposed tax of \$.28 per gallon. (Authority: SDCL 35-5-3) |
| Cigarette License Fee | Imposed on all applicants requesting a cigarette wholesaler's or distributor's license; such licenses are required prior to the purchase and affixing of cigarette stamps and meter impressions. (Authority: SDCL 10-50-9) (Rate Base: \$150.00 annually or \$75.00 semi-annually) |
| Coin-Operated Laundromat Fee | Imposed on operators of coin-operated laundromats and drycleaning businesses which is in lieu of sales or use tax provisions. \$10.00 per unit in cities of 1,000 population or over and all rural areas. \$8.00 per unit in cities of under 1,000 population. (Authority: SDCL 10-45-5.1) (Rate Base: \$8.00 per unit and \$10.00 per unit) |
| Commercial License Fee | In consideration of the unusual use of the public highways, each person, except as otherwise provided in this chapter, desiring to operate a motor vehicle, trailer or semitrailer, upon the public highways of this state as a motor carrier, annually pays the commercial motor vehicle fee based on gross weight. (Authority: SDCL 32-9-15 and SDCL 32-9-22) (Rate Base: fees are based on maximum gross weight) |

Tax Listing/continued

| Tax | Description |
|-----------------------------|--|
| Conservation Tax | Imposed on the severance of all energy minerals, paid quarterly by the severor. (Authority: SDCL 10-39B) (Rate Base: 2.4 mills of taxable value) |
| Contractors' Excise Tax | Contractors' Excise Tax of 2% is imposed on gross receipts of prime and subcontractors on realty improvement contracts performed for qualifying utility projects. Sales and use tax is applicable on construction materials. (Authority: SDCL 10-46B) (Rate Base: 2%) A contractors' excise tax of 2% is imposed on gross receipts of prime contractors on all other realty improvement contracts, including labor and materials. (Authority: SDCL 10-46A) (Rate Base: 2%) |
| Contractors' Use Tax | Imposes use tax on contractors and subcontractors who use tangible personal property in the performance of realty improvement contracts. Tax applies on the cost or fair market value of property, whichever is greater. Materials used in public contracts are taxable. (See Contractors' Excise Tax) (Authority: SDCL 10-46-5) (Rate Base: 4%) |
| Energy Minerals | Imposed on owners of energy minerals for the privilege of severing said minerals. (Authority: SDCL 10-39A) (Rate Base: 4.5% of taxable value) |
| Estate Tax | Imposed on estates in an amount equal to any unused Federal-State Death Tax Credit. (Authority: SDCL 10-40A) (Rate Base: Unused Federal Credit) |
| Interstate Fuel Use Tax | Provides an additional method of collecting fuel taxes from interstate motor vehicle operators commensurate with their operations on South Dakota highways. (Authority: SDCL 10-47B) (Rate Base: .22/gallon - Diesel; .20/gallon - Liquid Petroleum Gas) |
| Liquor License Fee | Imposed on all applicants requesting permission to obtain and operate under the provision of any classified license listed in the area of distilled spirits and liquor. (Authority: SDCL 35-4-2) (Rate Base: \$4,000.00 - Distiller; \$5,000.00 - Wholesaler; \$25.00 - Solicitors; \$25.00 - Transporters; \$100.00 - Carriers; \$10.00 - Dispensers) |
| Liquor Tax | Imposed on every gallon of distilled spirits imported and received by in-state licensed liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: \$3.93 per gallon) |
| Mobile Home | An initial registration fee at the rate of three percent of the purchase price of a mobile home or if a bill of sale is not available, the fair market value thereof. The payment of such license fee shall be in full and is in lieu of all occupational, sales, excise, privilege and franchise taxes levied by this state upon the gross receipts from all sales of mobile homes. (Authority: SDCL 32-5-16.1) (Rate Base: 3% on purchase price or fair market value) |
| Motor Fuel/Special Fuel Tax | A tax is imposed on all motor fuel and special fuel that is removed from a terminal in this state and on all imports of fuel, except dyed diesel fuel. A tax of \$.20 per gallon is imposed on all ethanol blend sold or used in this state. The ethanol blend must contain a minimum of 10% by volume of ethyl alcohol of at least 99% purity derived from cereal grain. Alternative fuel is defined as compressed natural gas and mixtures containing 85% or more by volume of ethyl alcohol or methyl alcohol. Dyed diesel fuel is either exempt or subject to sales tax depending on the use of the fuel. (Authority: SDCL 10-47B) (Rate Base: .22/gallon - Motor Fuel/Special Fuel; .20/gallon - Ethanol blend/LPG; .06/gallon - Aviation; .10/gallon - Alternative Fuel for road purposes/ Compressed Natural Gas; .04/gallon Jet Fuel and Alternative Fuel for aircraft purposes) |
| Motor Vehicle Excise Tax | In addition to all other license and registration fees for the use of the highways, a person pays an excise tax at the rate of three percent on the purchase price of any snowmobile, boat or motor vehicle, as defined by 32-3-1 or 32-3A, purchased or acquired for use on the streets, highways or waterways of this state and required to be registered under the laws of this state. This tax is in lieu of any tax levied by chapters 10-45 and 10-46 on the sales of such vehicles. (Authority: SDCL 32-5B-1 thru 32-5B-20, 32-20A-15 and 32-3A) (Rate Base: 3% purchase price) |

Tax Listing/continued

| Tax | Description | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--------------------------------------|--|--------------|------------|-------|-------------------------|----------------|-------------|-------------------------|----------------|--------------|-------------------------|----------------|-------------|-------------------------------|---------------|-------------|-----------------------------------|-----------|-------------|-------------------------|-----------------|--------------|-------------------------|----------------|-------------|----------------------------------|----------------|-------------|-----------------------------------|----------|-------------|----------------------------|----------|-------------|----------------|----------|-------------|
| Municipal Contractors' Excise Tax | Municipal Contractors' Excise Tax imposed by city ordinance, administered by the Department of Revenue, tax in addition to state tax. (Authority: SDCL 10-46A and 10-52) (Rate Base: .5%) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Municipal Sales and Use Tax | Municipal sales and use taxes imposed by city ordinance, administered by the Department of Revenue, in addition to state tax. State exemptions apply. Farm machinery and irrigation equipment, parts or repairs for farm machinery, agricultural animal health products and medicine, transportation services, collection and disposal of solid waste, and veterinarian and animal specialty services are exempt. (Authority: SDCL 10-52) (Rate Base: No specific rate, rates vary from 1% to 3%) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Non-Commercial License Fees | License fees and compensation on non-commercial motor vehicles, including automobiles, pickups and vans with an empty weight of 10,000 lbs. or less (pickups in the 6,001 - 10,000 lbs. category have the option of licensing non-commercial or non-commercial declared gross weight), trailers and semitrailers for use on the highways payable under SDCL 32-5-5, shall be determined by the manufacturer's shipping weight. License fees and compensation on non-commercial motor vehicles which are not automobiles, pickups or vans shall be determined on declared gross weight. (Authority: SDCL 32-5-5, 32-5-6, 32-5-6.1, 32-5-6.3, 32-5-6.4, and 32-5-8) (Rate Base: Fees are based on the age and weight of the vehicle) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ore Tax | Imposed on all companies severing precious metals within the state; based on the gross production and net income from the sale of such metal. Each producer is given a 20 ounce exemption per year. (Authority: SDCL 10-39-43) (Base Rate: \$4 per ounce of gross gold production plus 10% of net income) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other Tobacco Products Tax | Imposed on distributors, wholesalers and retailers of cigars, snuff, chewing tobacco and any other products made up of tobacco, except cigarettes. The tax is imposed on the wholesale purchase price of other tobacco products and is paid on the fifteenth day of the month following the month of purchase. (Authority: SDCL 10-50-61) (Rate Base: 10%) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Reservation Cigarette Excise Tax | The reservation cigarette excise tax is imposed by tribal ordinance and is identical to the state cigarette excise tax. The tax is collected by the state and a share reverted to the tribe. (Authority: SDCL 10-12A) (Rate Base: 33-cents per pack of twenty; 42-cents per pack of twenty-five) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Reservation Sales, Use, Excise Taxes | The reservation sales, use and contractors' excise taxes are imposed by tribal ordinance and are identical to the state sales, use and contractors' excise tax. (Authority: SDCL 10-12A) (Rate Base: 4%) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Retail Liquor License Fee | These are the fees that may be assessed by the local governing board to any applicant requesting a retail liquor license to sell distilled spirits, wine and beer. The fees marked "max" indicate that the local board may set any fee up to this maximum level. All fees remain with the local governing board recommending the issuance of such license within their jurisdiction. (Authority: SDCL 35-4-2) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th></th> <th>Rate Base:</th> <th>City:</th> </tr> </thead> <tbody> <tr> <td>Off-sale Package Liquor</td> <td>\$500.00 (max)</td> <td>First Class</td> </tr> <tr> <td>Off-sale Package Liquor</td> <td>\$400.00 (max)</td> <td>Second Class</td> </tr> <tr> <td>Off-sale Package Liquor</td> <td>\$300.00 (max)</td> <td>Third Class</td> </tr> <tr> <td>On-sale Retailer Liquor (New)</td> <td>\$1.00/person</td> <td>First Class</td> </tr> <tr> <td>On-sale Retailer Liquor (Renewal)</td> <td>\$1500.00</td> <td>First Class</td> </tr> <tr> <td>On-sale Retailer Liquor</td> <td>\$1200.00 (max)</td> <td>Second Class</td> </tr> <tr> <td>On-sale Retailer Liquor</td> <td>\$900.00 (max)</td> <td>Third Class</td> </tr> <tr> <td>On-sale Retailer Liquor (Sunday)</td> <td>\$200.00 (max)</td> <td>All Classes</td> </tr> <tr> <td>On-sale Retailer Liquor (Airport)</td> <td>\$250.00</td> <td>All Classes</td> </tr> <tr> <td>Off-sale Municipal Package</td> <td>\$250.00</td> <td>All Classes</td> </tr> <tr> <td>On-sale (wine)</td> <td>\$500.00</td> <td>All Classes</td> </tr> </tbody> </table> | | Rate Base: | City: | Off-sale Package Liquor | \$500.00 (max) | First Class | Off-sale Package Liquor | \$400.00 (max) | Second Class | Off-sale Package Liquor | \$300.00 (max) | Third Class | On-sale Retailer Liquor (New) | \$1.00/person | First Class | On-sale Retailer Liquor (Renewal) | \$1500.00 | First Class | On-sale Retailer Liquor | \$1200.00 (max) | Second Class | On-sale Retailer Liquor | \$900.00 (max) | Third Class | On-sale Retailer Liquor (Sunday) | \$200.00 (max) | All Classes | On-sale Retailer Liquor (Airport) | \$250.00 | All Classes | Off-sale Municipal Package | \$250.00 | All Classes | On-sale (wine) | \$500.00 | All Classes |
| | Rate Base: | City: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Off-sale Package Liquor | \$500.00 (max) | First Class | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Off-sale Package Liquor | \$400.00 (max) | Second Class | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Off-sale Package Liquor | \$300.00 (max) | Third Class | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| On-sale Retailer Liquor (New) | \$1.00/person | First Class | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| On-sale Retailer Liquor (Renewal) | \$1500.00 | First Class | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| On-sale Retailer Liquor | \$1200.00 (max) | Second Class | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| On-sale Retailer Liquor | \$900.00 (max) | Third Class | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| On-sale Retailer Liquor (Sunday) | \$200.00 (max) | All Classes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| On-sale Retailer Liquor (Airport) | \$250.00 | All Classes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Off-sale Municipal Package | \$250.00 | All Classes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| On-sale (wine) | \$500.00 | All Classes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Tax Listing/continued

| Tax | Description |
|---------------------------|--|
| Sales and Service Tax | <p>(License Required) Sales Tax applies on retailers' gross receipts from all sales of tangible personal property and services not specifically exempted. Exemptions include, but are not limited to, sales to the state and its political subdivisions, certain agricultural products, motor vehicles, motor fuel, labor on construction and prescription drugs. (Authority: SDCL 10-45) (Rate Base: 4%)</p> <p>Tax applies to receipts from amusement devices except coin-operated washers and dryers subject to special licensing. (Rate Base: 4%)</p> <p>Farm machinery and irrigation equipment: tax applies on the cash difference whenever a trade-in or exchange of used farm machinery is involved. (Rate Base: 3%)</p> <p>Tax applies to receipts from oil and gas field services. (Rate Base: 3%)</p> |
| Tank Inspection Fee | A \$0.02 per gallon fee is imposed upon any petroleum product received in this state. (Authority: SDCL 34A) |
| Title and Penalty Fees | Title fees are \$5.00 per title; however, if the title is submitted more than 30 days after the date of sale, a late fee of one dollar for each week or fraction thereof beyond the 30-day limitation for 25 weeks and a late fee of \$50 for 26 weeks or more is imposed. (Authority: SDCL 32-3-18 and SDCL 32-3-27) (Rate Base: \$5.00 title fee, variable penalty) |
| Trading Stamp License Fee | Imposed annually on all trading stamp and coupon companies who wish to provide retailers with their products. (Authority: SDCL 37-19-1) (Rate Base: \$50.00) |
| Use Tax | <p>Use Tax is imposed on the privilege of the use, storage and consumption in this state of tangible personal property or services. Tax is imposed on persons using property, certain exemptions apply; property exempted if taxed under 10-45. Use tax license required. (Authority: SDCL 10-46) (Rate Base: 4%)</p> <p style="padding-left: 20px;">A. Farm machinery and irrigation equipment not taxed under 10-45. (Rate Base: 3%)</p> |
| Wine Tax (High) | Imposed on wines, except sparkling wines, containing 14.1 to 20% alcohol by weight imported and received by in-state licensed liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: \$1.45 per gallon) |
| Wines and Diluted | Imposed on all wines, except sparkling wine, and diluted beverages containing 3.2 to 14% alcohol by weight imported and received by in-state licensed liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: \$.93 per gallon) |
| Wine Tax (over 20%) | Imposed on wines containing 20.1 to 24% alcohol by weight and all sparkling wine imported and received by in-state licensed liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: \$2.07 per gallon) |

Sales, Use and Contractors' Excise Taxes



**Scott Peterson, Director
Business Tax Division**

The Business Tax Division administers the sales tax, use tax, and contractors' excise tax and is also responsible for municipal and reservation sales and use tax. The division issues licenses to new taxpayers, educates current taxpayers, and collects delinquent taxes.

Total Revenues

Sales, use and contractors' excise taxes produce the largest portion of the state's tax revenues, accounting for 68% of the total revenues in fiscal year 2003. These revenues come from over 65,000 businesses that currently pay sales, use and contractors' excise taxes on their products and services. In fiscal year 2003, sales, use and contractors' excise taxes in South Dakota totaled \$730,676,457. This included state, city, and reservation taxes*. Following is a ten-year comparison of total state revenues from these taxes as well as a percentage breakdown of sales, use and contractors' excise tax revenues.

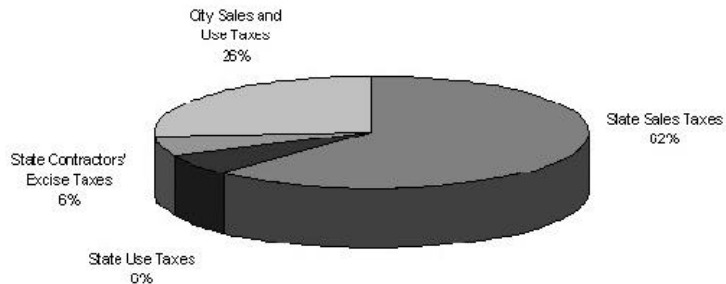
Total State Revenues: Sales, Use and Contractors' Excise Taxes

| Fiscal Year | Total State Revenue | Percent of Change |
|-------------|---------------------|-------------------|
| 1994 | 339,023,981 | 10.70% |
| 1995 | 358,879,261 | 5.86% |
| 1996 | 380,746,752 | 6.09% |
| 1997 | 407,559,211 | 7.04% |
| 1998 | 438,348,560 | 7.55% |
| 1999 | 455,353,445 | 3.88% |
| 2000 | 482,182,120 | 5.89% |
| 2001 | 508,759,868 | 5.51% |
| 2002 | 517,325,658 | 1.68% |
| 2003 | 538,895,652 | 4.17% |

Percentage Breakdown of Sales, Use and Contractors' Excise Tax Returns

Total Receipts - \$730,676,457

* Reservation taxes accounted for only 0.5% of total receipts and is not indicated on the pie chart.



Sales Tax/continued

Municipal and Reservation Taxes

While cities and Indian reservations set their own tax rates, the department is responsible for collecting the actual taxes. Those revenues are then distributed to the taxing units based on the amount collected from each city or reservation. These sales tax revenues don't necessarily indicate the level of economic activity in these areas since municipalities and reservations vary in their tax rates and the size of their tax bases.

| City/Reservation | Rate(s) | Adopted | FY 2002 Remittance | FY 2003 Remittance | % Increase [Decrease] |
|-------------------|------------------|---------|-----------------------|-----------------------|--------------------------|
| Aberdeen | 1%, 2%, 3% | 4-71 | \$9,740,421.64 | \$10,217,397.28 | 4.90% |
| Alcester | 1% | 9-84 | 63,424.50 | 60,830.32 | -4.09% |
| Alexandria | 1%, 2% | 11-84 | 65,651.55 | 71,390.88 | 8.74% |
| Alpena | 1% | 7-00 | 71,586.77 | 56,545.27 | -21.01% |
| Arlington | 1%, 2% | 3-89 | 182,144.28 | 186,798.08 | 2.56% |
| Armour | 1%, 2% | 9-88 | 144,979.26 | 146,325.15 | 0.93% |
| Artesian | 1%, 2% | 1-02 | 2,395.28 | 24,170.92 | 909.11% |
| Avon | 1%, 2% | 9-84 | 77,180.36 | 84,554.19 | 9.55% |
| Baltic | 1%, 2% | 7-93 | 80,523.72 | 74,451.42 | -7.54% |
| Belle Fourche | 1%, 2%, 3% | 2-78 | 1,248,238.82 | 1,269,245.00 | 1.68% |
| Belvidere | 1%, 2% | 1-85 | 6,682.55 | 11,347.67 | 69.81% |
| Beresford | 1%, 2% | 7-77 | 469,916.41 | 447,763.05 | -4.71% |
| Blunt | 1% | 7-96 | 2,420.77 | 17,142.44 | 608.14% |
| Bonesteel | 1% | 1-01 | 24,690.54 | 29,903.31 | 21.11% |
| Bowdle | 1% | 1-89 | 60,755.83 | 55,033.87 | -9.42% |
| BoxElder | 1%, 2%, 3% | 1-83 | 434,590.45 | 461,266.68 | 6.14% |
| Brandon | 1%, 2%, 3% | 4-77 | 947,478.01 | 1,135,951.90 | 19.89% |
| Brandt | 1% | 1-01 | 6,334.35 | 6,180.68 | -2.43% |
| Bridgewater | 1%, 2% | 7-85 | 69,326.57 | 75,670.79 | 9.15% |
| Bristol | 1% | 7-96 | 22,234.72 | 24,684.80 | 11.02% |
| Britton | 1%, 2% | 1-84 | 327,634.31 | 354,381.45 | 8.16% |
| Brookings | 1%, 2%, 3% | 1-82 | 5,370,062.60 | 5,531,839.94 | 3.01% |
| Bryant | 1% | 1-95 | 35,590.60 | 30,422.19 | -14.52% |
| Buffalo | 1% | 7-97 | 45,279.08 | 38,932.00 | -14.02% |
| Burke | 1%, 2% | 3-88 | 146,627.24 | 146,329.54 | -0.20% |
| Canistota | 1%, 2% | 7-79 | 82,218.26 | 85,134.73 | 3.55% |
| Canova | 1% | 9-88 | 13,228.01 | 11,921.06 | -9.88% |
| Canton | 1%, 2% | 4-77 | 571,256.92 | 615,258.30 | 7.70% |
| Carthage | 1% | 7-99 | 7,354.16 | 7,728.88 | 5.10% |
| Castlewood | 1%, 2% | 1-89 | 62,311.18 | 78,300.61 | 25.66% |
| Centerville | 1%, 2% | 7-79 | 102,636.60 | 100,572.27 | -2.01% |
| Central City | 1%, 2% | 7-75 | 53,243.35 | 62,865.30 | 18.07% |
| Chamberlain | 1%, 2%, 3% | 4-79 | 828,392.85 | 845,397.63 | 2.05% |
| Chancellor | 1%, 2%, 3% | 1-84 | 34,479.40 | 62,559.13 | 81.44% |
| Cheyenne River ST | 1.5%, 2%, 3%, 4% | 6-76 | 958,199.87 | 966,796.23 | 0.90% |
| Clark | 1%, 2% | 3-86 | 247,171.20 | 248,521.61 | 0.55% |
| Clear Lake | 1%, 2% | 7-78 | 314,267.21 | 327,337.36 | 4.16% |
| Colman | 1%, 2% | 1-96 | 49,625.94 | 96,644.90 | 94.75% |
| Colome | 1%, 2% | 1-89 | 39,244.48 | 37,598.36 | -4.19% |
| Colton | 1%, 2%, 3% | 1-98 | 90,890.57 | 87,782.50 | -3.42% |
| Corsica | 1%, 2% | 1-87 | 131,283.91 | 137,772.74 | 4.94% |
| Crooks | 1%, 2% | 9-89 | 53,168.04 | 68,128.53 | 28.14% |
| Custer | 2%, 3% | 7-77 | 845,018.02 | 873,403.42 | 3.36% |
| Dallas | 1% | 1-02 | 2,043.16 | 10,599.27 | 418.77% |
| Davis | 1%, 2% | 7-94 | 6,320.85 | 5,592.51 | -11.52% |
| DeSmet | 1%, 2% | 1-79 | 280,169.84 | 266,793.27 | -4.77% |
| Deadwood | 1%, 2%, 3% | 4-78 | 1,600,254.65 | 1,627,803.55 | 1.72% |
| DellRapids | 1%, 2% | 7-79 | 503,040.38 | 530,694.04 | 5.50% |
| Delmont | 1%, 2% | 11-88 | 33,673.05 | 29,948.70 | -11.06% |
| Doland | 1% | 1-95 | 19,408.71 | 25,573.79 | 31.76% |
| Dupree | 1% | 1-85 | 37,095.06 | 31,206.96 | -15.87% |
| Eden | 1% | 11-91 | 9,648.89 | 10,081.92 | 4.49% |
| Edgemont | 1%, 2% | 4-74 | 97,113.39 | 110,198.77 | 13.47% |
| Egan | 1%, 2% | 1-89 | 15,170.54 | 12,935.36 | -14.73% |
| Elk Point | 1%, 2% | 7-79 | 270,854.00 | 295,823.29 | 9.22% |
| Elkton | 1%, 2% | 1-95 | 90,377.60 | 77,256.57 | -14.52% |
| Emery | 1%, 2% | 1-90 | 40,318.61 | 44,856.65 | 11.26% |
| Estelline | 1% | 1-92 | 44,094.91 | 46,664.28 | 5.83% |
| Ethan | 1%, 2% | 7-95 | 71,761.10 | 74,126.76 | 3.30% |
| Eureka | 1%, 2% | 7-85 | 187,385.55 | 185,675.36 | -0.91% |
| Faith | 1%, 2%, 3% | 3-85 | 66,582.98 | 83,978.85 | 26.13% |
| Faulkton | 1%, 2% | 7-88 | 162,210.12 | 166,972.23 | 2.94% |
| Flandreau | 1% | 7-81 | 224,969.41 | 379,866.07 | 68.85% |
| Florence | 1% | 1-97 | 13,648.88 | 19,902.83 | 45.82% |

Sales Tax/continued

| City/Reservation | Rate(s) | Adopted | FY 2002 Remittance | FY 2003 Remittance | % Increase [Decrease] |
|------------------|------------------|---------|-----------------------|-----------------------|--------------------------|
| Fort Pierre | 1%, 2%, 3% | 10-78 | 521,248.36 | 594,136.72 | 13.98% |
| Freeman | 1%, 2% | 1-94 | 262,192.15 | 261,629.79 | -0.21% |
| Garretson | 1%, 2% | 3-84 | 208,193.86 | 192,550.45 | -7.51% |
| Gary | 1% | 7-87 | 18,740.10 | 20,288.08 | 8.26% |
| Gayville | 1%, 2% | 1-03 | 0.00 | 8,315.37 | N/A |
| Geddes | 1%, 2% | 5-87 | 39,905.24 | 42,062.04 | 5.40% |
| Gettysburg | 1%, 2%, 3% | 5-85 | 299,113.36 | 323,618.64 | 8.19% |
| Glenham | 1%, 2% | 7-02 | 0.00 | 6,396.05 | N/A |
| Gregory | 1%, 2% | 1-87 | 312,398.59 | 353,346.34 | 13.11% |
| Groton | 1%, 2% | 1-79 | 272,799.23 | 316,017.10 | 15.84% |
| Harrisburg | 1%, 2% | 7-82 | 196,787.44 | 204,585.40 | 3.96% |
| Harrold | 1% | 1-94 | 16,153.25 | 10,861.70 | -32.76% |
| Hartford | 1%, 2%, 3% | 1-78 | 285,706.06 | 322,031.89 | 12.71% |
| Hayti | 1% | 1-94 | 24,995.79 | 27,756.63 | 11.05% |
| Henry | 1% | 1-95 | 16,295.37 | 15,628.71 | -4.09% |
| Hermosa | 1%, 2% | 3-84 | 51,645.53 | 43,376.33 | -16.01% |
| Herried | 1% | 1-91 | 56,990.34 | 56,075.03 | -1.61% |
| Highmore | 1%, 2% | 10-79 | 268,281.04 | 236,304.15 | -11.92% |
| Hill City | 1%, 2%, 3% | 7-77 | 443,228.58 | 481,762.86 | 8.69% |
| Hitchcock | 1% | 9-90 | 8,708.93 | 8,939.69 | 2.65% |
| Hosmer | 1% | 7-82 | 18,725.05 | 17,927.91 | -1.90% |
| Hot Springs | 1%, 2%, 3% | 11-71 | 934,450.31 | 983,679.55 | 5.27% |
| Hoven | 1% | 3-92 | 64,959.04 | 100,255.59 | 54.34% |
| Howard | 1%, 2% | 11-86 | 213,708.78 | 206,587.79 | -3.33% |
| Humboldt | 1%, 2%, 3% | 7-82 | 82,585.51 | 77,014.26 | -6.75% |
| Hurley | 1%, 2% | 7-82 | 40,209.44 | 42,639.36 | 6.04% |
| Huron | 1%, 2%, 3% | 10-72 | 3,328,908.85 | 3,287,379.49 | -1.25% |
| Interior | 1%, 2% | 1-92 | 33,498.58 | 31,410.03 | -6.23% |
| Ipswich | 1%, 2% | 7-77 | 164,661.67 | 160,274.08 | -2.66% |
| Irene | 1%, 2% | 7-84 | 58,028.45 | 61,866.73 | 6.61% |
| Iroquois | 1% | 7-81 | 22,037.84 | 20,374.83 | -7.55% |
| Isabel | 1% | 11-91 | 28,657.63 | 23,031.21 | -19.63% |
| Java | 1% | 7-99 | 6,826.28 | 4,570.31 | -33.05% |
| Jefferson | 1%, 2% | 1-96 | 53,928.51 | 61,076.73 | 13.25% |
| Kadoka | 1%, 2% | 1-77 | 186,287.93 | 198,326.07 | 6.46% |
| Kennebec | 1% | 7-78 | 40,080.18 | 34,963.26 | -12.77% |
| Keystone | 2%, 3% | 7-72 | 518,738.98 | 605,519.97 | 16.73% |
| Kimball | 1%, 2% | 1-81 | 191,095.12 | 194,488.39 | 1.78% |
| LakeAndes | 1%, 2% | 7-84 | 108,200.20 | 106,152.84 | -1.89% |
| LakeNorden | 1% | 1-94 | 73,622.39 | 180,988.27 | 145.83% |
| LakePreston | 1%, 2% | 1-81 | 114,336.20 | 122,683.87 | 7.30% |
| Langford | 1% | 1-98 | 19,700.08 | 18,411.43 | -6.54% |
| Lead | 1%, 2%, 3% | 4-72 | 534,896.61 | 500,773.20 | -6.38% |
| Lemmon | 1%, 2% | 1-89 | 360,153.31 | 327,918.90 | -8.95% |
| Lennox | 1%, 2% | 1-74 | 251,680.15 | 275,052.35 | 9.29% |
| Leola | 1% | 11-87 | 36,283.26 | 33,920.50 | -6.51% |
| Letcher | 1%, 2% | 1-02 | 5,380.81 | 15,696.74 | 191.72% |
| McIntosh | 1% | 3-92 | 12,357.86 | 16,625.43 | 34.53% |
| McLaughlin | 1% | 1-93 | 53,253.65 | 61,475.57 | 15.44% |
| Madison | 1%, 2%, 3% | 4-72 | 1,705,258.69 | 1,757,525.10 | 3.07% |
| Marion | 1%, 2% | 7-80 | 145,035.41 | 137,864.80 | -4.94% |
| Martin | 1%, 2%, 3% | 7-80 | 263,677.79 | 242,054.08 | -8.20% |
| Menno | 1% | 1-90 | 65,479.03 | 65,371.55 | -0.16% |
| Midland | 1% | 7-83 | 40,351.18 | 32,667.96 | -19.04% |
| Milbank | 1%, 2% | 7-88 | 1,075,046.20 | 1,120,094.23 | 4.19% |
| Miller | 1%, 2% | 9-86 | 418,095.79 | 418,421.24 | 0.08% |
| Mission | 1%, 2% | 11-73 | 234,438.03 | 230,862.13 | -1.53% |
| Mitchell | 2%, 3% | 1-77 | 6,572,537.93 | 6,440,965.13 | -2.00% |
| Mobridge | 1%, 2% | 11-86 | 886,227.52 | 935,200.73 | 5.53% |
| Monroe | 1% | 1-81 | 6,552.99 | 5,233.21 | -20.14% |
| Montrose | 1%, 2% | 7-88 | 56,790.48 | 49,697.61 | -12.49% |
| MountVernon | 1%, 2%, 3% | 1-97 | 42,386.12 | 38,231.44 | -9.80% |
| Murdo | 1%, 2%, 3% | 1-78 | 270,026.60 | 266,768.41 | -1.21% |
| NewUnderwood | 2% | 3-86 | 44,943.00 | 49,793.09 | 10.79% |
| Newell | 1%, 2% | 7-78 | 81,370.22 | 84,463.02 | 3.80% |
| Nisland | 1%, 2% | 11-88 | 11,365.17 | 10,484.49 | -7.75% |
| NorthSiouxCity | 1%, 2% | 5-88 | 2,148,008.31 | 2,497,002.29 | 16.25% |
| Oacoma | 1%, 2%, 3% | 4-82 | 405,429.94 | 420,946.98 | 3.83% |
| OglalaST | 1.5%, 2%, 3%, 4% | 12-70 | 1,242,542.47 | 1,326,741.57 | 6.78% |
| Olivet | 1% | 1-00 | 2,368.75 | 2,941.00 | 24.16% |
| Onida | 1%, 2% | 1-95 | 123,975.92 | 114,949.61 | -7.28% |
| Parker | 1%, 2% | 7-83 | 157,628.78 | 161,792.64 | 2.64% |
| Parkston | 1%, 2%, 3% | 10-79 | 273,138.82 | 265,072.28 | -2.95% |
| Philip | 1%, 2% | 4-76 | 271,267.83 | 274,223.81 | 1.09% |
| Pickstown | 1% | 1-89 | 24,494.33 | 25,125.42 | 2.58% |
| Pierre | 1%, 2%, 3% | 1-77 | 4,276,972.41 | 4,380,948.86 | 2.43% |
| Plankinton | 1%, 2% | 1-94 | 101,095.00 | 122,626.77 | 21.30% |
| Platte | 1%, 2%, 3% | 7-86 | 410,208.86 | 398,532.01 | -2.85% |
| Pollock | 1% | 7-92 | 29,767.89 | 29,094.32 | -2.26% |
| Presho | 1% | 7-78 | 54,190.03 | 49,627.14 | -8.42% |
| Ramona | 1% | 1-97 | 7,281.30 | 7,343.09 | 0.85% |
| RapidCity | 2%, 3% | 5-72 | 29,286,325.44 | 30,632,013.00 | 4.59% |
| Redfield | 1%, 2%, 3% | 1-81 | 550,498.06 | 510,677.45 | -7.23% |
| Reliance | 1% | 1-99 | 30,865.09 | 30,980.39 | 0.37% |

Sales Tax/continued

| City/Reservation | Rate(s) | Adopted | FY 2002 Remittance | FY 2003 Remittance | % Increase [Decrease] |
|---------------------|------------------|---------|-------------------------|-------------------------|--------------------------|
| Roscoe | 1% | 1-79 | 31,274.77 | 30,152.09 | -3.59% |
| Rosebud ST | 1.5%, 2%, 3%, 4% | 1-78 | 1,014,266.63 | 1,156,586.12 | 14.03% |
| Rosholt | 1% | 7-99 | 56,242.91 | 57,503.23 | 2.24% |
| Roslyn | 1%, 2% | 1-89 | 16,924.74 | 19,440.02 | 14.86% |
| Salem | 1%, 2% | 7-83 | 284,419.80 | 323,412.68 | 13.71% |
| Scotland | 1%, 2% | 7-82 | 199,286.92 | 217,830.39 | 9.30% |
| Selby | 1% | 9-87 | 62,751.24 | 68,944.18 | 9.87% |
| Sherman | 1% | 7-01 | 2,625.59 | 4,143.32 | 57.81% |
| Sioux Falls | 1%, 2%, 3% | 1-74 | 62,304,766.74 | 64,832,999.17 | 4.06% |
| Sioux Falls Lodging | 1% | 1-96 | 386,323.51 | 418,083.40 | 8.22% |
| Sisseton | 1%, 2% | 7-78 | 587,986.21 | 601,389.92 | 2.28% |
| Spearfish | 2%, 3% | 10-71 | 3,615,498.76 | 4,037,683.37 | 11.68% |
| Spencer | 1%, 2% | 1-87 | 14,550.22 | 0.00 | -100.00% |
| Springfield | 1% | 7-84 | 96,852.35 | 85,584.28 | -11.63% |
| Standing Rock ST | 1.5%, 2%, 3%, 4% | 3-91 | 303,016.53 | 281,772.84 | -7.01% |
| Stickney | 1%, 2% | 7-86 | 55,887.85 | 45,933.83 | -17.81% |
| Stratford | 1% | 7-01 | 6,132.24 | 5,022.66 | -18.09% |
| Sturgis | 1%, 2%, 3% | 11-71 | 1,907,172.33 | 2,034,028.91 | 6.65% |
| Summit | 1% | 7-93 | 11,807.25 | 12,860.21 | 8.92% |
| Tabor | 1% | 7-93 | 27,373.64 | 30,240.31 | 10.47% |
| Tea | 1%, 2%, 3% | 7-82 | 354,788.36 | 400,474.02 | 12.88% |
| Timber Lake | 1% | 3-87 | 63,412.55 | 68,718.61 | 8.37% |
| Toronto | 1% | 9-85 | 25,124.60 | 28,938.61 | 15.18% |
| Trent | 1% | 1-99 | 8,370.75 | 5,875.56 | -29.81% |
| Tripp | 1%, 2% | 1-88 | 87,264.95 | 86,324.92 | -1.08% |
| Tulare | 1% | 11-91 | 13,586.23 | 13,929.83 | 2.53% |
| Tyndall | 1% | 1-86 | 92,281.55 | 92,205.93 | -0.08% |
| Valley Springs | 1% | 1-91 | 34,042.85 | 35,674.82 | 4.79% |
| Veblen | 1% | 1-89 | 16,065.66 | 18,016.10 | 12.14% |
| Vermillion | 1%, 2%, 3% | 7-80 | 1,784,581.81 | 1,780,601.05 | -0.22% |
| Viborg | 1%, 2% | 4-80 | 155,600.01 | 159,150.89 | 2.28% |
| Volga | 1% | 7-97 | 110,560.08 | 103,743.39 | -6.17% |
| Volin | 1% | 7-01 | 4,249.10 | 6,316.57 | 48.66% |
| Wagner | 1%, 2% | 7-87 | 451,107.07 | 442,122.00 | -1.99% |
| Wakonda | 1% | 1-82 | 20,824.81 | 23,678.46 | 13.70% |
| Wall | 1%, 2%, 3% | 10-71 | 657,897.90 | 678,852.43 | 3.19% |
| Warner | 1%, 2% | 7-98 | 25,376.24 | 32,942.69 | 29.82% |
| Wasta | 1% | 9-90 | 6,343.47 | 4,185.75 | -34.01% |
| Watertown | 1%, 2%, 3% | 1-78 | 8,508,029.73 | 9,146,519.59 | 7.50% |
| Waubay | 1%, 2% | 1-81 | 66,032.05 | 70,902.64 | 7.38% |
| Webster | 1%, 2% | 7-81 | 476,727.98 | 482,288.96 | 1.17% |
| Wentworth | 1% | 7-94 | 15,906.65 | 11,404.31 | -28.30% |
| Wessington | 1% | 5-91 | 28,282.11 | 27,132.59 | -4.06% |
| Wessington Springs | 1%, 2% | 7-78 | 186,545.64 | 194,153.58 | 4.08% |
| White Lake | 1%, 2% | 1-94 | 42,906.62 | 27,428.85 | -36.07% |
| White River | 1%, 2% | 7-78 | 105,978.74 | 96,918.88 | -8.55% |
| Whitewood | 1%, 2% | 7-76 | 105,542.58 | 130,676.36 | 23.81% |
| Willow Lake | 1%, 2% | 5-85 | 46,506.51 | 37,676.36 | -18.87% |
| Wilmot | 1%, 2% | 7-98 | 46,107.18 | 63,294.99 | 37.28% |
| Winner | 1%, 2% | 1-80 | 945,283.11 | 968,377.73 | 2.44% |
| Witten | 1% | 1-98 | 2,374.07 | 1,862.73 | -21.54% |
| Woonsocket | 1%, 2% | 7-79 | 151,562.21 | 151,345.40 | -0.14% |
| Worthing | 1%, 2% | 1-84 | 56,470.83 | 58,189.45 | 3.04% |
| Yankton | 1%, 2%, 3% | 7-79 | 4,923,053.67 | 4,738,015.31 | -3.76% |
| TOTAL | | | \$180,686,078.03 | \$188,193,542.27 | 4.15% |

In fiscal year 2003, a total of 197 communities (plus four reservations) imposed local sales and use taxes. Some local governments have several different tax rates but the maximum local rate that can be levied in South Dakota is 3%.

Of the surrounding states, only one state has more local governments which implement a sales tax: Iowa has 1,175 (including unincorporated rural towns and areas) with a maximum local rate of 1%. Nebraska has 130 with a maximum local rate of 1.5%; North Dakota limits the maximum local rate to 2.5% with 110 local governments implementing sales taxes; and Minnesota has 13 such local governments with a maximum rate of 4%.

Special Taxes

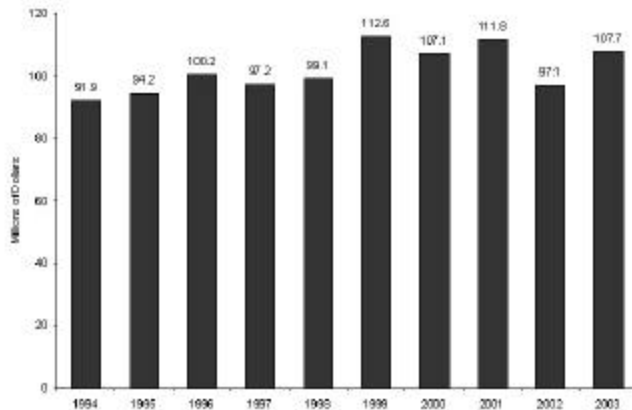


Michael Kenyon, Director
Property and Special
Taxes Division

Total Revenues

The Special Taxes division administers a variety of diverse taxes including cigarette excise taxes; inheritance taxes; bank franchise taxes; ore taxes; energy mineral severance taxes; coin-operated laundromat license fees; beer, wine and distilled spirits taxes; gaming excise taxes; beer and liquor license fees; other tobacco products; and alcohol beverage brand registration fees. In fiscal year 2003, revenues in this division showed an increase of \$10,609,125 from 2002 with total collections of \$107,698,547.

Total Special Tax Revenues: A Ten-Year Comparison

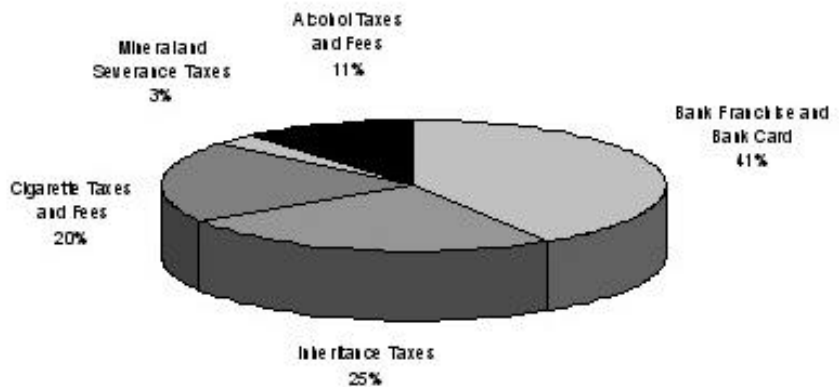


There are five major types of Special Taxes: bank franchise taxes, inheritance taxes, alcohol taxes, cigarette taxes, and mineral and severance taxes. In fiscal year 2003, bank franchise and bank card taxes generated about 41% of special tax revenues.

Tax Revenues by Category

Total Receipts - \$107,698,547

Other taxes accounted for 0.3% of total receipts.



Property Taxes

Property taxes are administered by local governments and are the primary source of funding for school systems, counties, municipalities and other local government units. Because they are local taxes, the Department of Revenue doesn't collect or use property taxes; the department's authority is limited to assisting local governments in making property tax assessments that are fair and in compliance with the law.

How Property Taxes are Applied

Property owners in South Dakota can be taxed by two or more of the following units of government: cities, counties, townships, school districts, water districts, fire districts, and sanitary sewer districts. The following three steps are commonly used to apply property taxes in each government unit.

- 1. Establishing the Value of Property:** Step 1 establishes the value of all the property within the boundaries of each unit of government. Because all property is not of equal value, individual values are arrived at based on the price the property would bring if sold on the open market. This selling price, called ***true and full value***, is determined by the sale price of comparable properties and is what establishes the value of the property.
- 2. Establishing the Amount of Tax:** Step 2 determines the amount of taxes needed to meet the cost of operating a unit of government. The higher the cost of operating the city or school district, the larger the revenues required from property taxes. Revenues from property taxes, combined with other funds such as federal grants, must equal the size of the budget of the unit of government.
- 3. Establishing a Tax Rate:** Step 3, establishing a tax rate to apply to an individual piece of property, is based on Steps 1 and 2. To set a tax rate for all property in a local unit of government, divide the value of all the property into the amount of the budget that is unfunded from other sources.

These tax rates are expressed in dollars of property value or "dollars per thousand". If the dollars per thousand were \$5, the tax on a home valued at \$100,000 would be calculated at \$5 X 100 and result in a tax of \$500.

In practice, all the tax rates that apply to a property are added together to make a single tax levy. This single levy is always the product of two or more rates assessed by different government entities. You'll find an example on the top of the next page.

Property Taxes/ continued

Local Units of Government Taxing a Hypothetical Parcel of Property

Property “X” is taxed at a rate of \$30.30 per thousand dollars of taxable value. Here’s how that tax rate is broken down by unit of government:

| <u>Unit of Government</u> | <u>Amount of Tax</u> |
|---------------------------|-----------------------------|
| School District Tax | \$9.65 per thousand |
| County Tax | 8.00 per thousand |
| City Tax | 12.00 per thousand |
| Township Tax | 0 per thousand |
| Water District Tax | 0.25 per thousand |
| Fire District Tax | 0.30 per thousand |
| Sanitary District Tax | 0.10 per thousand |
| TOTAL | \$30.30 per thousand |

Even after the tax rate is established, the rate can’t be applied uniformly to all property because school districts tax agricultural property at a different rate than non-agricultural property.

Property Tax Variables

Three major variables affect the taxes on an individual piece of property:

1. The size of the combined budgets of the governmental units taxing the property;
2. The value of all the property in the governmental unit;
3. The value of the individual piece of property.

A change in any one of these variables will change a property owner’s taxes, resulting in either an increase or decrease in taxes owed, as evidenced by the chart below.

| | | | | | |
|--|------------|--|------------|--|-----------------------|
| If local government budgets decrease | AND | The value of property in the gov’t unit as a whole remains the same | AND | The value of the individual’s parcel of property remains the same | TAXES DECREASE |
| If local government budgets remain the same | AND | The value of property in the gov’t unit as a whole decreases | AND | The value of the individual’s parcel of property remains the same | TAXES INCREASE |
| If local government budgets remain the same | AND | The value of property in the gov’t unit as a whole remains the same | AND | The value of the individual’s parcel of property increases | TAXES INCREASE |

Property Taxes/ continued

Limits on Property Taxes

While budgets control the size of a political subdivision's taxes, there are limits on the amount of taxes that can be levied. Each unit of local government is limited in the dollars per thousand dollars of taxable value it can tax. For example, the maximum rate for municipalities is \$27 per thousand, while the maximum rate for townships is \$3 per thousand dollars of property value.

Total Property Taxes

Total Property Taxes 2001 - 2003

| | Payable 2001 | Payable 2002 | Payable 2003 |
|--|-------------------------|-------------------------|-------------------------|
| Agricultural Property | \$150,641,597.04 | \$166,225,267.53 | \$172,050,045.58 |
| Non-Ag Acreages | 1,279,712.09 | 2,733,688.53 | 4,304,303.18 |
| Owner-Occupied Property | 210,016,104.00 | 239,415,363.36 | 254,014,786.51 |
| Manufactured Homes (Real) - Not Owner Occupied | 1,172,450.15 | 1,587,635.82 | 1,893,270.12 |
| Manufactured Homes (Real) - Owner Occupied | 2,075,410.04 | 3,729,608.67 | 4,742,877.34 |
| Other Property | 203,536,413.04 | 213,873,016.90 | 220,384,652.16 |
| Utilities | | | |
| Railroad | 1,117,255.29 | 1,561,830.38 | 1,788,793.94 |
| Telegraph | | | |
| Electric Light, Power, etc. | 21,739,438.82 | 22,752,088.59 | 22,953,341.35 |
| Telephone Companies (Within) | 5,041,457.72 | 5,152,969.25 | 4,989,265.31 |
| Telephone Companies (Without) | 1,337,775.33 | 1,347,660.89 | 1,321,005.48 |
| Special Assessments | 8,783,549.72 | 8,774,865.67 | 10,279,052.77 |
| TOTAL | \$606,741,163.24 | \$667,153,995.59 | \$698,721,393.74 |

Taxes Levied by Local Units of Government

Each government unit levies its own property taxes to meet its budget. The chart below compares the total amount of tax levied by each unit of government.

Taxes Levied by Local Units of Government - 2003

| | Amount Taxed | Percent of Total |
|--|-------------------------|-------------------------|
| County (Includes Library, Secondary Road, Fire Fighting Purposes, Telephone Outside-General Fund) | \$172,099,578.94 | 24.63% |
| Municipalities | 87,349,215.83 | 12.50% |
| Schools | 417,257,622.78 | 59.72% |
| Townships | 11,735,923.42 | 1.68% |
| Special Assessments | 10,279,052.77 | 1.47% |
| Total | \$698,721,393.74 | 100.00% |

Property Taxes/ continued

The charts on the next two pages compare the effective tax rate in 25 of South Dakota's largest municipalities (non-agricultural property) and townships (agricultural property). The effective tax rate is the percentage of a property's assessed (market) value that will be paid in taxes. For example, if the effective tax rate is 2%, and the selling price of the property is \$150,000, the taxes would be approximately \$3,000 per year. There are three separate tax rates for school general fund purposes: Owner-Occupied, Agricultural and Other (all property that is not owner-occupied or agricultural).

Owner-Occupied Taxes Payable in 2003

| City | Effective Tax Rate | X\$40,000= | A Tax Of | City | Effective Tax Rate | X\$40,000= | A Tax Of |
|---------------|--------------------|------------|----------|-------------|--------------------|------------|----------|
| Aberdeen | 1.64% | | \$654.50 | Mobridge | 1.95% | | \$778.53 |
| Belle Fourche | 2.03 | | 813.96 | Pierre | 1.70 | | 678.88 |
| Brandon | 1.60 | | 641.51 | Rapid City | 1.64 | | 654.78 |
| Brookings | 1.78 | | 712.64 | Redfield | 2.76 | | 1,104.52 |
| Canton | 2.06 | | 823.14 | Sioux Falls | 1.55 | | 619.34 |
| Chamberlain | 2.08 | | 832.32 | Sisseton | 2.08 | | 830.86 |
| Dell Rapids | 1.67 | | 667.01 | Sturgis | 2.27 | | 906.44 |
| Flandreau | 2.31 | | 924.05 | Vermillion | 2.00 | | 798.32 |
| Hot Springs | 2.30 | | 919.36 | Watertown | 1.42 | | 567.39 |
| Huron | 2.25 | | 900.18 | Webster | 2.20 | | 879.92 |
| Madison | 1.75 | | 699.72 | Winner | 1.87 | | 749.70 |
| Milbank | 1.73 | | 691.12 | Yankton | 1.67 | | 667.08 |
| Mitchell | 1.97 | | 787.44 | | | | |

Other Non-Agricultural Taxes Payable in 2003

| City | Effective Tax Rate | X\$40,000= | A Tax Of | City | Effective Tax Rate | X\$40,000= | A Tax Of |
|---------------|--------------------|------------|----------|-------------|--------------------|------------|------------|
| Aberdeen | 1.83% | | \$732.36 | Mobridge | 2.54% | | \$1,014.49 |
| Belle Fourche | 2.62 | | 1,047.88 | Pierre | 2.28 | | 913.14 |
| Brandon | 2.19 | | 877.47 | Rapid City | 2.23 | | 890.48 |
| Brookings | 2.45 | | 978.52 | Redfield | 3.35 | | 1,338.44 |
| Canton | 2.64 | | 1,057.06 | Sioux Falls | 2.18 | | 870.60 |
| Chamberlain | 2.67 | | 1,066.24 | Sisseton | 2.66 | | 1,064.78 |
| Dell Rapids | 2.26 | | 902.29 | Sturgis | 2.86 | | 1,143.42 |
| Flandreau | 2.90 | | 1,159.67 | Vermillion | 2.60 | | 1,039.04 |
| Hot Springs | 2.89 | | 1,154.64 | Watertown | 2.00 | | 801.31 |
| Huron | 2.84 | | 1,134.72 | Webster | 2.79 | | 1,114.18 |
| Madison | 2.33 | | 933.64 | Winner | 2.46 | | 984.98 |
| Milbank | 2.31 | | 925.04 | Yankton | 2.25 | | 901.00 |
| Mitchell | 2.63 | | 1,050.94 | | | | |

Property Taxes/ continued

Agricultural Taxes Payable in 2003

| Township | Effective Tax Rate | X\$40,000= | A Tax Of | Township | Effective Tax Rate | X\$40,000= | A Tax Of |
|---------------------------------|--------------------|------------|----------|-------------------------------|--------------------|------------|----------|
| Aberdeen Twp. 6-1 | 1.32% | | \$528.36 | Mobridge Twp. 62-3 (Unorg.) | 1.15% | | \$459.00 |
| Belle Fourche Twp. 9-1 (Unorg.) | 1.22 | | 488.92 | Pierre Twp. 32-2 (Unorg.) | 1.20 | | 481.41 |
| Brandon Twp. 49-2 | 1.14 | | 456.93 | Rapid City Twp. 51-4 (Unorg.) | 1.31 | | 522.42 |
| Brookings Twp. 5-1 | 1.46 | | 585.82 | Redfield Twp. 56-4 | 1.19 | | 474.47 |
| Canton Twp. 41-1 | 1.11 | | 445.06 | Sioux Falls Twp. 49-5 | 1.09 | | 436.22 |
| Chamberlain Twp. 7-1 | 1.21 | | 483.14 | Sisseton Twp. 54-8 | 1.09 | | 434.38 |
| Dell Rapids Twp. 49-3 | 1.05 | | 419.08 | Sturgis Twp. 46-1 (Unorg.) | 1.28 | | 510.00 |
| Flandreau Twp. 50-3 | 1.43 | | 573.17 | Vermillion Twp. 13-1 | 1.38 | | 552.16 |
| Hot Springs Twp. 23-2 (Unorg.) | 2.10 | | 841.50 | Elmira Twp. 14-4 | 1.03 | | 411.03 |
| Clyde Twp. 2-2 | 1.30 | | 521.59 | Webster Twp. 18-4 | 1.34 | | 537.54 |
| Lakeview Twp. 39-2 | 1.07 | | 426.02 | Lamro Twp. 59-2 | 1.22 | | 489.60 |
| Alban Twp. 25-4 | 1.25 | | 500.72 | Unorganized Twp. 63-3 | 1.27 | | 509.66 |
| Mitchell Twp. 17-2 | 1.23 | | 493.00 | | | | |

Sales to Assessment Ratio Analysis

One factor determining the amount of tax levied on a parcel of property is the value assigned to the property. The accuracy of assessments can be evaluated by comparing them with the actual sale prices of property. The Sales to Assessment Ratio Analysis in the chart below compares, by county, the assessed value of property with its real value (i.e. sale price). The ratio is expressed as a percentage and is found by dividing the assessed value by the selling price. For example, a parcel assessed at \$32,000 and selling at \$40,000 has an assessment/sales ratio of 80%.

Sales for Years 2001,2002

| County | Ag | Non-Ag | County | Ag | Non-Ag | County | Ag | Non-Ag |
|-------------|-------|--------|------------|-------|--------|------------------|--------------|--------------|
| Aurora | 76.1% | 91.0% | Fall River | 90.4% | 89.0% | Marshall | 82.9% | 90.1% |
| Beadle | 82.1 | 94.6 | Faulk | 95.1 | 98.4 | Meade | 91.6 | 90.6 |
| Bennett | 91.2 | 87.9 | Grant | 88.0 | 90.0 | Mellette | 88.6 | 97.1 |
| BonHomme | 90.8 | 92.7 | Gregory | 92.2 | 99.0 | Miner | 76.4 | 98.2 |
| Brookings | 75.8 | 92.7 | Haakon | 87.0 | 104.9 | Minnehaha | 73.7 | 89.6 |
| Brown | 77.1 | 90.8 | Hamlin | 80.4 | 87.8 | Moody | 77.9 | 89.1 |
| Brule | 80.3 | 92.2 | Hand | 80.7 | 100.5 | Pennington | 79.0 | 84.2 |
| Buffalo | 71.4 | 0.0 | Hanson | 79.1 | 88.6 | Perkins | 85.1 | 99.9 |
| Butte | 93.1 | 90.4 | Harding | 97.7 | 87.3 | Potter | 88.7 | 97.6 |
| Campbell | 87.5 | 107.4 | Hughes | 85.1 | 87.6 | Roberts | 91.0 | 94.0 |
| Charles Mix | 84.1 | 90.6 | Hutchinson | 82.7 | 90.1 | Sanborn | 78.4 | 96.2 |
| Clark | 82.6 | 101.2 | Hyde | 71.1 | 88.5 | Shannon | 87.5 | 83.7 |
| Clay | 83.9 | 90.8 | Jackson | 88.1 | 98.1 | Spink | 84.1 | 98.8 |
| Codington | 72.6 | 87.7 | Jerauld | 81.8 | 95.1 | Stanley | 93.8 | 82.7 |
| Corson | 93.5 | 101.6 | Jones | 83.0 | 117.0 | Sully | 87.8 | 90.6 |
| Custer | 0.00 | 92.9 | Kingsbury | 77.7 | 93.1 | Todd | 88.6 | 101.1 |
| Davison | 72.2 | 88.9 | Lake | 80.9 | 93.7 | Tripp | 90.3 | 98.7 |
| Day | 80.8 | 95.3 | Lawrence | 0.0 | 81.8 | Turner | 91.9 | 99.0 |
| Deuel | 75.2 | 93.2 | Lincoln | 84.3 | 88.8 | Union | 82.4 | 98.3 |
| Dewey | 84.5 | 95.7 | Lyman | 89.4 | 105.0 | Walworth | 93.8 | 108.3 |
| Douglas | 77.3 | 91.8 | McCook | 83.3 | 88.3 | Yankton | 83.4 | 94.8 |
| Edmunds | 90.2 | 91.3 | McPherson | 85.0 | 94.6 | Ziebach | 82.2 | 135.9 |
| | | | | | | Statewide | 84.9% | 89.6% |

Fuel Tax and Motor Vehicle Licensing



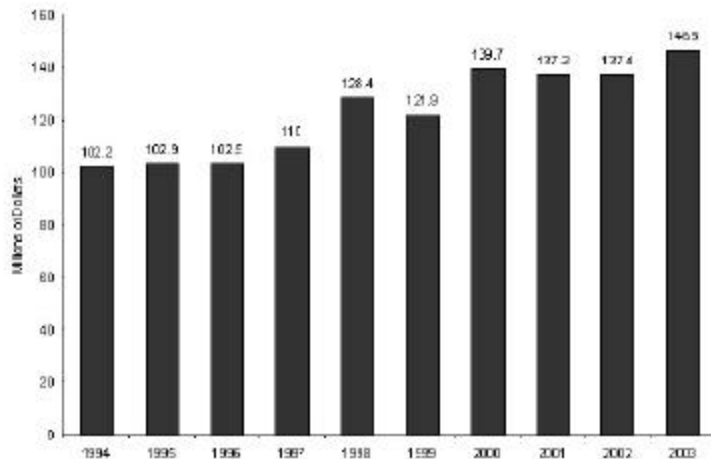
Debra Hillmer, Director
Motor Vehicles Division

The Division of Motor Vehicles' responsibilities include motor vehicles excise tax; title and registration; motor fuel tax; special fuel tax; interstate fuel tax; fuel tax refunds; prorated and commercial licensing; and dealer licensing.

Total Fuel Tax Revenues

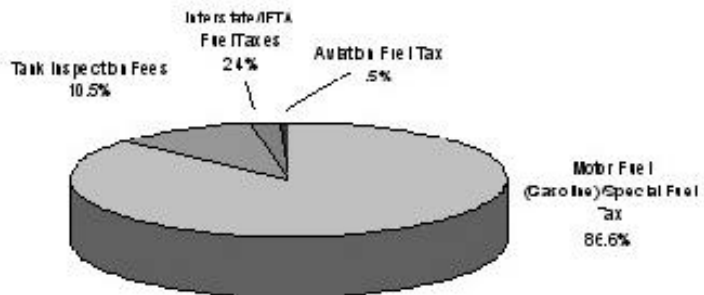
Gasoline, ethanol blend, aviation fuel, jet fuel, liquid petroleum gas (LPG), and diesel fuel all fall into the fuel tax category. In fiscal year 2003, there were 2,916 fuel licenses in South Dakota, but only 1,272 licensees reported and remitted the tax.

Fuel Tax Revenues: A Ten-Year Comparison



Tax Revenues by Category

Total Receipts - \$146,475,923



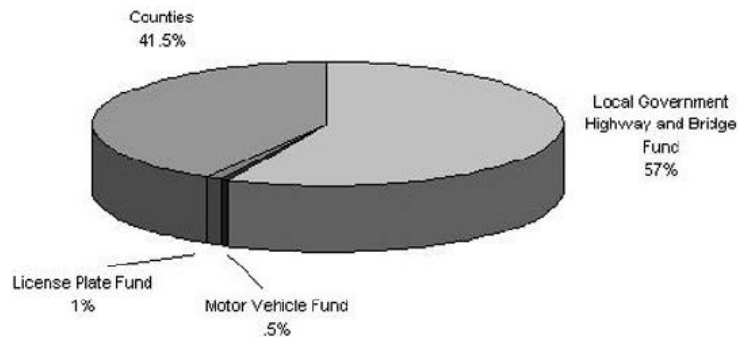
Motor Vehicle/ continued

Motor Vehicle Licensing

Commercial registration fees (licensing fees) are levied on intrastate and interstate motor carriers doing business in the state. The amount of the fee for interstate registration is determined by the percentage of miles the carrier travels in all the states. Over 98% of the fees are used by local governments to maintain public roads. Prorate registration revenues during fiscal year 2003 were \$11,211,269, the largest share of which was distributed to counties for county roads.

Distribution of Fees by Fund

Total Prorate Registration Fees - \$11,211,269



Distribution of Fees by County

| | | | | | |
|-------------|----------|------------|----------|--------------|--------------------|
| Aurora | \$53,180 | Fall River | \$55,482 | Marshall | \$58,595 |
| Beadle | 133,485 | Faulk | 49,007 | Meade | 137,927 |
| Bennett | 39,581 | Grant | 71,866 | Mellette | 30,832 |
| Bon Homme | 61,002 | Gregory | 60,605 | Miner | 47,268 |
| Brookings | 137,456 | Haakon | 42,471 | Minnehaha | 519,482 |
| Brown | 224,688 | Hamlin | 51,201 | Moody | 57,582 |
| Brule | 59,128 | Hand | 73,295 | Pennington | 382,186 |
| Buffalo | 16,353 | Hanson | 37,780 | Perkins | 67,579 |
| Butte | 64,083 | Harding | 38,220 | Potter | 45,968 |
| Campbell | 38,132 | Hughes | 86,089 | Roberts | 96,384 |
| Charles Mix | 93,487 | Hutchinson | 80,987 | Sanborn | 44,334 |
| Clark | 67,649 | Hyde | 31,070 | Shannon | 59,921 |
| Clay | 66,961 | Jackson | 39,307 | Spink | 117,234 |
| Codington | 134,792 | Jerauld | 36,661 | Stanley | 31,533 |
| Corson | 75,085 | Jones | 28,256 | Sully | 41,522 |
| Custer | 53,499 | Kingsbury | 73,815 | Todd | 55,649 |
| Davison | 91,930 | Lake | 76,212 | Tripp | 87,577 |
| Day | 83,183 | Lawrence | 103,633 | Turner | 74,405 |
| Deuel | 51,487 | Lincoln | 114,917 | Union | 72,046 |
| Dewey | 58,040 | Lyman | 56,387 | Walworth | 51,427 |
| Douglas | 41,204 | McCook | 58,048 | Yankton | 102,942 |
| Edmunds | 64,152 | McPherson | 50,431 | Ziebach | 39,372 |
| | | | | TOTAL | \$5,246,061 |

Motor Vehicle/ continued

Titles and Registration

Any vehicle (including mobile homes, trailers, and snowmobiles) that operates on South Dakota's roadways must have a title verifying ownership. Vehicles and boats used on public roadways or waterways must also be registered. Registration is confirmed by the issuance of a license plate, decal or permit.

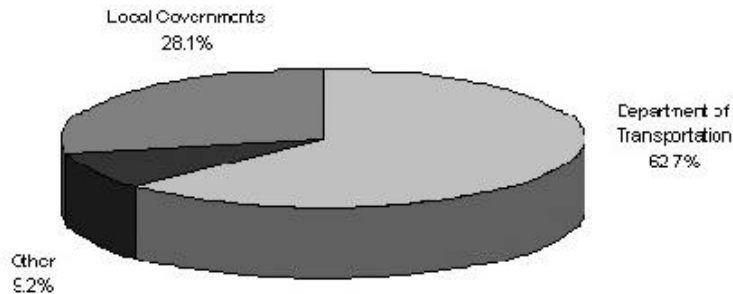
Title and Registration Revenues

| | FY2002 | FY2003 | Percent Change |
|---|---------------------|---------------------|-----------------------|
| License Plate Fees - State's Share* | \$2,044,712 | \$2,087,312 | 2.08% |
| License Plate Fees - Counties', Cities', Townships' Share | 22,609,903 | 23,109,074 | 2.21% |
| Snowmobiles | 110,020 | 134,600 | 22.34% |
| Boats | 753,677 | 833,170 | 10.55% |
| Temporary Special Permits | 113,077 | 107,075 | -5.31% |
| Mobile Home Plates | 11,850 | 10,715 | -9.58% |
| Dealer Fees, Duplicate Dealer Plates | 141,682 | 135,477 | -4.38% |
| Noncommercial Duplicate Plates | 136,596 | 146,039 | 6.91% |
| Commercial Duplicate License Plates | 2,530 | 3,570 | 41.11% |
| Title and Penalty Fees | 2,159,452 | 2,149,967 | -0.44% |
| Trailer ID Fees | 47,860 | 45,410 | -5.12% |
| Replacement Plate Fees | 231,602 | 266,740 | 15.17% |
| Motorcycle Safety Education Fees | 97,737 | 105,960 | 8.41% |
| Mobile Home Registration Fees - State's Share | 199,016 | 163,883 | -17.65% |
| Other Vehicle 3.0% Registration Fees | 51,801,292 | 51,451,728 | -0.67% |
| Snowmobile 3.0% Initial Registration Fees | 324,841 | 229,993 | -29.20% |
| Register of Deeds Fees | 144,085 | 143,960 | -0.09% |
| DENR Solid Waste Fees | 977,637 | 989,039 | 1.17% |
| Total Receipts | \$81,907,569 | \$82,113,712 | 0.25% |

*State Motor Vehicle Fund, License Plate Special Revenue Fund

Distribution of Title and Registration Revenues

Total Disbursements - \$82,113,712



Audits

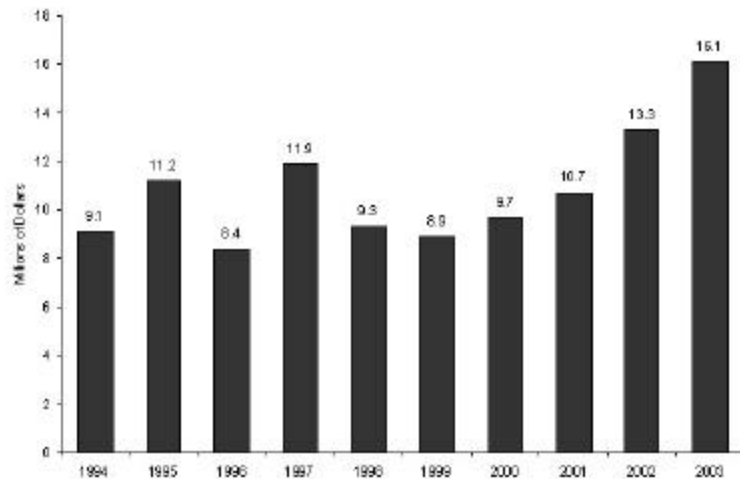


Bruce Christensen, Director
Audit Division

To insure that businesses are correctly reporting their taxes, the department regularly performs audits on financial records. An audit may be conducted on any tax license holder, in-state or out-of-state, large or small.

Audits are used to correct errors businesses may make in the payment of their taxes. Such corrections meant an additional \$16,082,278 in tax revenues (assessments and penalties) in fiscal year 2003

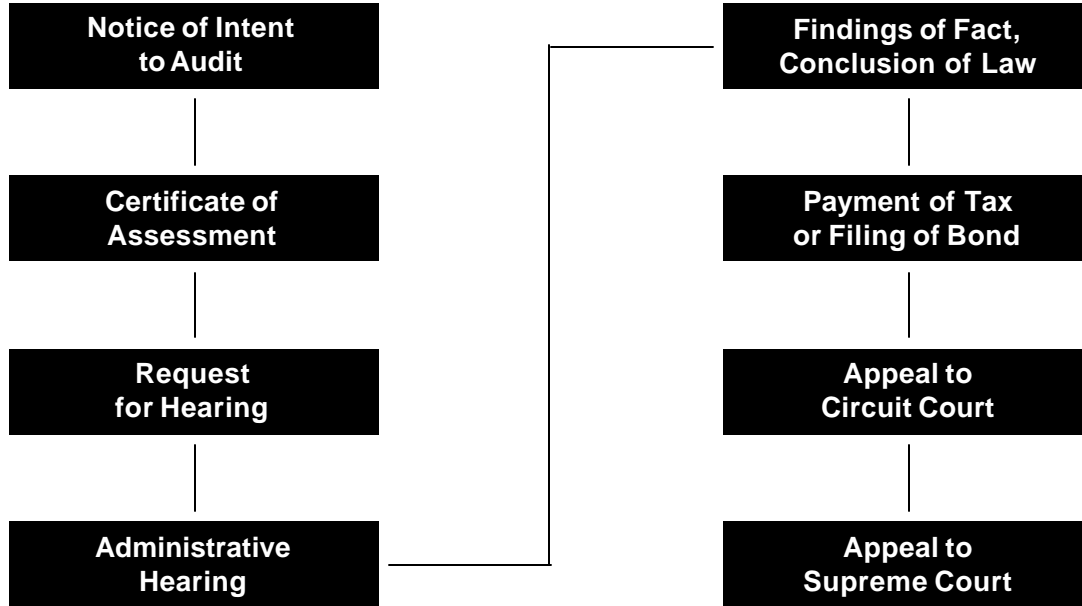
Total Assessments: A Ten-Year Comparison



Audits and Assessments

| | Number of Audits | Assessments |
|---|------------------|---------------------|
| Sales, Use and Contractors' Excise Tax | 1,176 | \$14,687,557 |
| Limited Scope Audits | 3 | 111,647 |
| Bank Franchise, Severance Taxes and Inheritance Taxes | 623 | 793,955 |
| Fuel Taxes, Prorate (IRP) and IFTA | 288 | 489,119 |
| TOTAL | 2,090 | \$16,082,278 |

Audit and Appeal Flow Chart



Collection Allowances

There are some allowances given to taxpayers that reduce the amount of taxes collected by the department. Allowances are given to tobacco distributors, and fuel suppliers and marketers.

Allowances FY 2003

| | | |
|---------------------------------|---|----------------|
| Tobacco Distributors | 3.5% of the value of the tax indicia they purchase | \$728,946.91 |
| Fuel Suppliers/Marketers | 2.25% of the tax paid. One-third is kept by the supplier and the remaining two-thirds is given to the marketer. | \$2,923,266.78 |
| Importer | Two-thirds of the allowance in 10-47B-34. | \$22,970.70 |
| LPG Vendor | 2% of the first 25,000 gallons taxed each month; 1% on the gallons taxed in excess of 25,000 each month. Maximum \$500 per month. | \$3,018.20 |

Tax Refund Programs

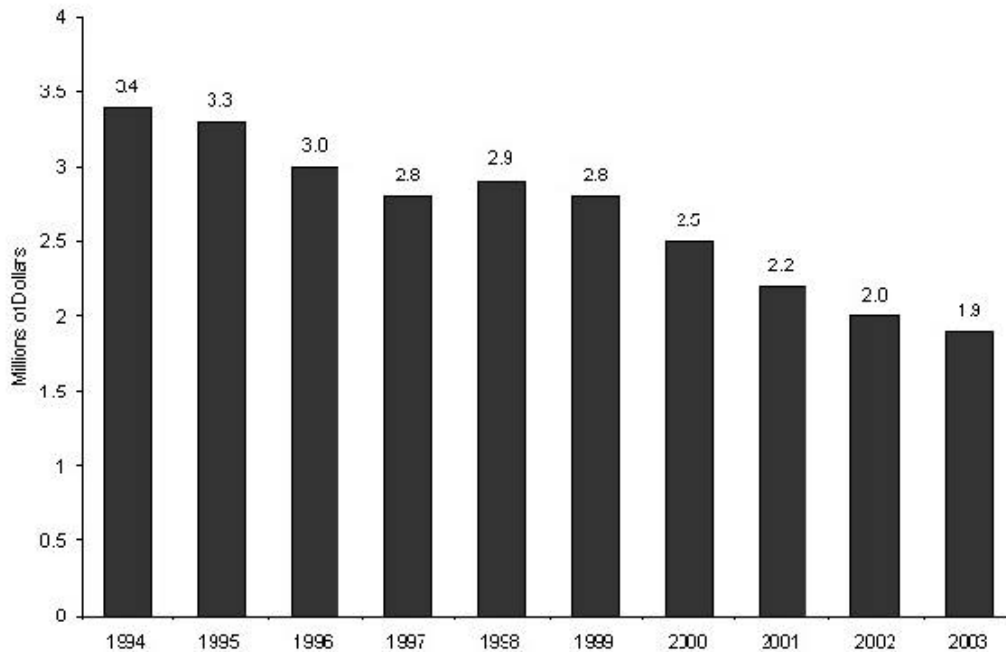
Tax refunds are an essential part of South Dakota's tax system. They apply to two groups: (1) consumers using vehicles and equipment off highways and roads for agricultural or commercial purposes who may receive motor fuel tax refunds; and (2) the elderly and disabled who are eligible for sales and property tax refunds.

Motor Fuel Tax Refunds

Motor fuel used to operate agricultural and commercial equipment, other than aircraft, off of roads and highways is not subject to fuel tax. Consumers documenting this off-highway usage receive motor fuel tax refunds. During fiscal year 2003, there were 6,610 refunds totaling \$1,879,751.42. The average refund was \$284.38 in fiscal year 2003, as compared to \$283.48 in 2002 and \$288.34 in 2001.

Effective July 1, 1999, \$.03 of every gallon of gasoline on which a refund is claimed is deposited into an Agricultural Fund. This amounted to \$288,265.05 in fiscal year 2003.

Motor Fuel Tax Refunds: A Ten-Year Comparison



Tax Refunds/ continued

Refunds to the Elderly and Disabled

Tax refund dollars for the elderly and disabled benefitted citizens in 65 of South Dakota's 66 counties in fiscal year 2003. Minnehaha County had the largest number of participants with 454, followed by Pennington County with 443, Shannon County with 223, and Brown County with 216.

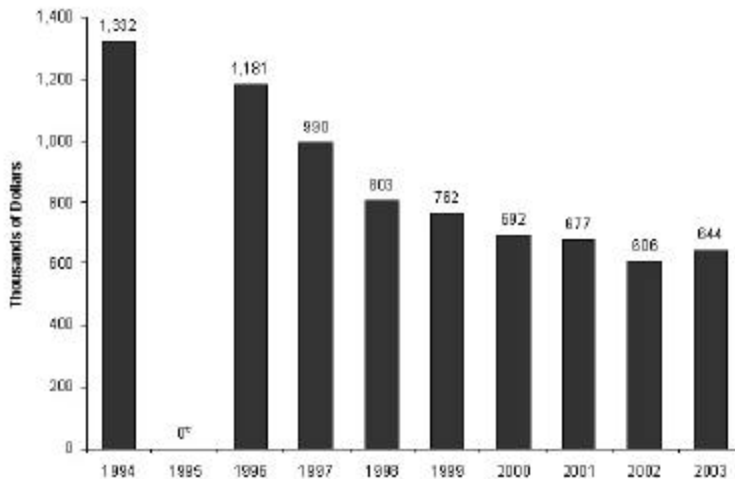
| County | Amount of Refunds FY2002 | Number of Applications FY2002 | Amount of Refunds FY2003 | Number of Applications FY2003 |
|---------------|---------------------------------|--------------------------------------|---------------------------------|--------------------------------------|
| Aurora | \$3,830 | 17 | \$5,422 | 22 |
| Beadle | 13,474 | 109 | 15,415 | 109 |
| Bennett | 3,696 | 20 | 4,862 | 20 |
| BonHomme | 5,887 | 34 | 6,841 | 37 |
| Brookings | 9,494 | 73 | 9,827 | 64 |
| Brown | 34,416 | 256 | 33,209 | 216 |
| Brule | 2,208 | 18 | 2,362 | 16 |
| Buffalo | 641 | 4 | 807 | 4 |
| Butte | 7,435 | 49 | 8,224 | 48 |
| Campbell | 954 | 8 | 2,746 | 16 |
| Charles Mix | 12,874 | 86 | 13,461 | 83 |
| Clark | 3,559 | 25 | 3,140 | 19 |
| Clay | 1,947 | 18 | 2,073 | 16 |
| Codington | 16,142 | 120 | 18,200 | 119 |
| Corson | 4,081 | 21 | 3,261 | 15 |
| Custer | 7,061 | 42 | 7,090 | 39 |
| Davison | 19,845 | 136 | 21,000 | 118 |
| Day | 9,765 | 63 | 11,332 | 66 |
| Deuel | 9,692 | 62 | 10,532 | 61 |
| Dewey | 18,633 | 80 | 21,813 | 88 |
| Douglas | 3,245 | 24 | 4,336 | 28 |
| Edmunds | 4,523 | 36 | 4,730 | 31 |
| Fall River | 12,509 | 98 | 13,573 | 90 |
| Faulk | 776 | 8 | 871 | 7 |
| Grant | 6,711 | 56 | 6,930 | 49 |
| Gregory | 13,467 | 70 | 14,463 | 62 |
| Haakon | 227 | 2 | 261 | 2 |
| Hamlin | 5,772 | 42 | 5,737 | 33 |
| Hand | 4,068 | 34 | 3,104 | 24 |
| Hanson | 1,076 | 6 | 1,170 | 4 |
| Harding | 85 | 1 | 0 | 0 |
| Hughes | 9,697 | 74 | 13,057 | 80 |
| Hutchinson | 5,759 | 38 | 4,752 | 29 |
| Hyde | 1,760 | 12 | 2,014 | 13 |
| Jackson | 2,260 | 15 | 4,667 | 19 |
| Jerauld | 2,472 | 19 | 2,327 | 16 |
| Jones | 318 | 2 | 530 | 3 |
| Kingsbury | 5,297 | 45 | 5,449 | 36 |
| Lake | 11,146 | 78 | 11,342 | 76 |
| Lawrence | 12,718 | 89 | 11,973 | 79 |
| Lincoln | 4,238 | 34 | 3,187 | 23 |
| Lyman | 2,495 | 18 | 1,666 | 11 |
| Marshall | 6,506 | 39 | 5,990 | 34 |
| McCook | 3,210 | 19 | 3,987 | 21 |
| McPherson | 3,601 | 20 | 2,688 | 14 |

Tax Refunds/ continued

| County | Amount of Refunds FY 2002 | Number of Applications FY 2002 | Amount of Refunds FY 2003 | Number of Applications FY 2003 |
|--------------|------------------------------|-----------------------------------|------------------------------|-----------------------------------|
| Meade | \$11,636 | 86 | \$13,086 | 79 |
| Mellette | 3,944 | 18 | 5,153 | 19 |
| Miner | 2,489 | 17 | 2,228 | 14 |
| Minnehaha | 61,557 | 463 | 70,076 | 454 |
| Moody | 4,471 | 30 | 3,312 | 20 |
| Pennington | 76,896 | 495 | 76,508 | 443 |
| Perkins | 3,127 | 24 | 3,372 | 22 |
| Potter | 2,119 | 15 | 1,832 | 13 |
| Roberts | 6,838 | 52 | 6,080 | 40 |
| Sanborn | 2,309 | 14 | 2,276 | 12 |
| Shannon | 50,301 | 237 | 53,947 | 223 |
| Spink | 4,078 | 32 | 6,535 | 38 |
| Stanley | 584 | 4 | 1,098 | 7 |
| Sully | 418 | 2 | 464 | 2 |
| Todd | 12,449 | 60 | 10,945 | 53 |
| Tripp | 9,679 | 55 | 9,056 | 51 |
| Turner | 3,961 | 33 | 4,690 | 29 |
| Union | 5,632 | 40 | 5,844 | 34 |
| Walworth | 10,950 | 75 | 11,852 | 72 |
| Yankton | 12,093 | 90 | 14,381 | 92 |
| Ziebach | 10,813 | 38 | 11,107 | 38 |
| TOTAL | \$605,914 | 4,000 | \$644,263 | 3,715 |

The number of refund applications by group in 2003 were: Elderly single - 1,886; Elderly household - 292; Disabled single - 1,236; and Disabled household - 301. Supplemental checks in the amount of \$100 were sent to the 1,000 individuals with the lowest reported income.

Refunds to the Elderly and Disabled: A Ten-Year Comparison

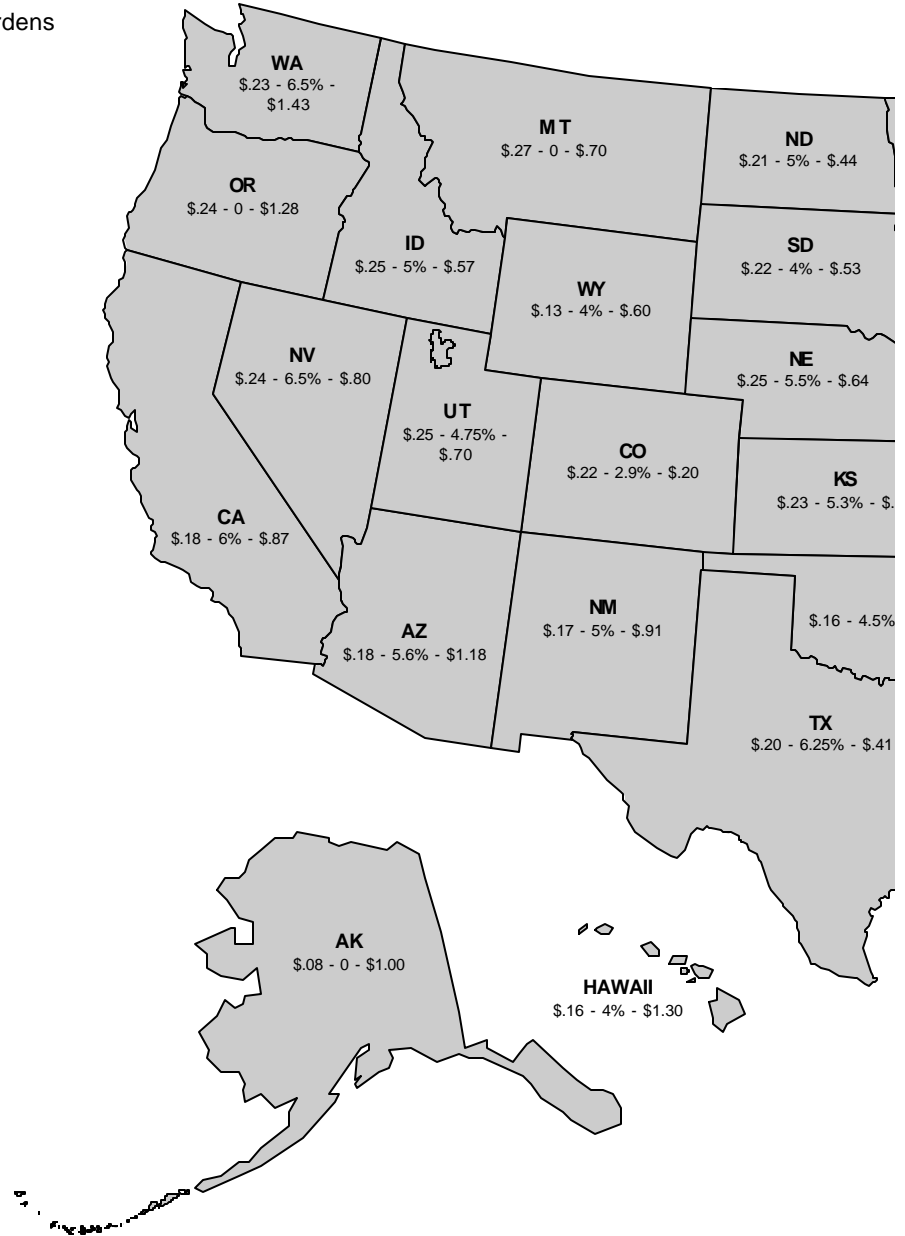


*Those qualifying for the refunds did receive their checks in 1995, but the payments fell in the 1996 fiscal year.

How SD Compares to Other States

At just \$1,283, South Dakota had the lowest per capita state tax burden in fiscal year 2002, according to the latest figures available from the U.S. Bureau of the Census and Bureau of Economic Analysis. Following is a listing of per capita state tax burdens for all 50 states, beginning with the highest:

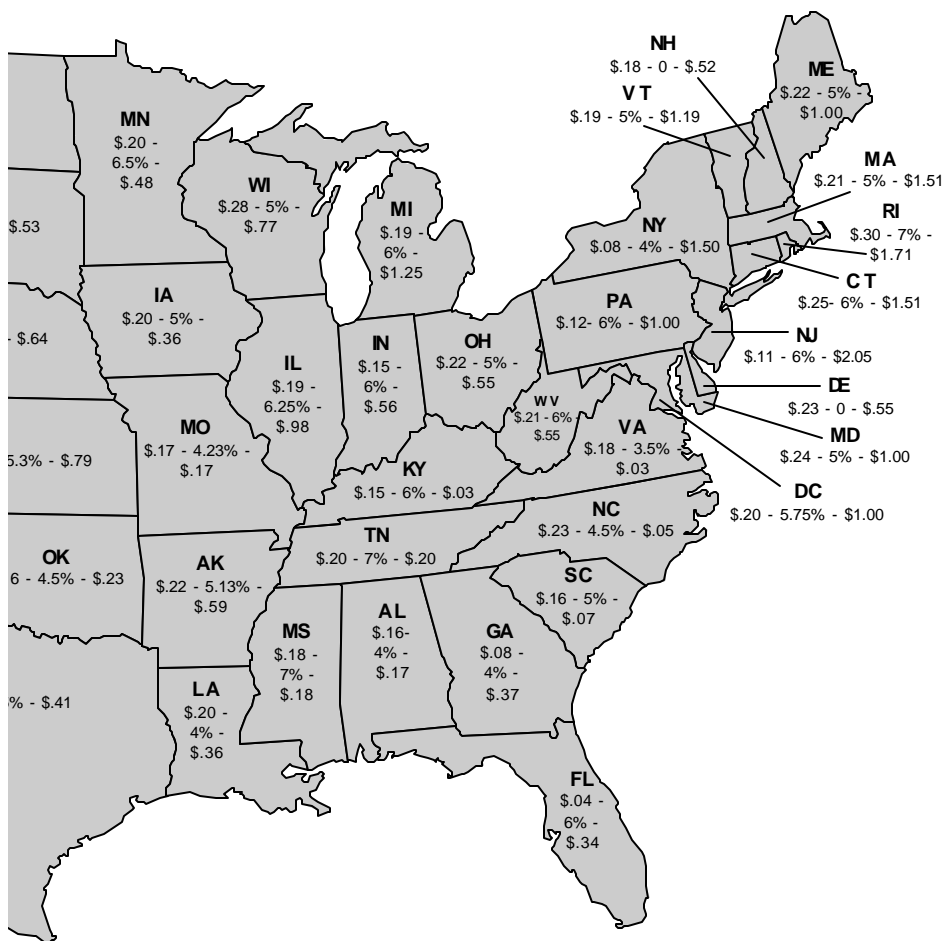
| | |
|-------------------------|--------------|
| Hawaii | \$2,748 |
| Delaware | 2,693 |
| Connecticut | 2,610 |
| Minnesota | 2,577 |
| Vermont | 2,486 |
| Massachusetts | 2,306 |
| New York | 2,258 |
| California | 2,214 |
| Wyoming | 2,193 |
| Michigan | 2,176 |
| Wisconsin | 2,171 |
| New Jersey | 2,134 |
| Washington | 2,081 |
| Maine | 2,030 |
| Rhode Island | 1,988 |
| Maryland | 1,983 |
| West Virginia | 1,971 |
| New Mexico | 1,956 |
| Kentucky | 1,948 |
| North Carolina | 1,867 |
| Arkansas | 1,858 |
| Nevada | 1,816 |
| Pennsylvania | 1,795 |
| Illinois | 1,782 |
| Kansas | 1,770 |
| North Dakota | 1,762 |
| Virginia | 1,752 |
| Oklahoma | 1,732 |
| Nebraska | 1,731 |
| Ohio | 1,718 |
| Iowa | 1,705 |
| Utah | 1,695 |
| Idaho | 1,694 |
| Alaska | 1,692 |
| Mississippi | 1,647 |
| Louisiana | 1,639 |
| Indiana | 1,623 |
| Georgia | 1,609 |
| Montana | 1,587 |
| Arizona | 1,554 |
| Colorado | 1,536 |
| Alabama | 1,533 |
| Missouri | 1,530 |
| Florida | 1,485 |
| New Hampshire | 1,478 |
| Oregon | 1,459 |
| South Carolina | 1,400 |
| Tennessee | 1,345 |
| Texas | 1,316 |
| South Dakota | 1,283 |
| National Average | 1,853 |



Five states (Alaska, Delaware, Montana, New Hampshire, and Oregon) do not charge a state sales tax.

How SD Compares to Other States/continued

* Data provided by the Federation of Tax Administrators



The three figures in each state are, left to right or top to bottom, the gasoline tax per gallon, the sales tax rate, and the cigarette tax per package. Local tax rates are not included unless mandatory. "0" indicates the tax is not levied.

Five Highest Gasoline Tax Rates

| | |
|---------------------|---------------|
| Rhode Island | \$0.30 |
| Wisconsin | \$0.28 |
| Montana | \$0.27 |
| Connecticut | \$0.25 |
| Idaho | \$0.25 |
| South Dakota | \$0.22 |

Five Highest Sales Tax Rates

| | |
|---------------------|-----------|
| Mississippi | 7% |
| Rhode Island | 7% |
| Tennessee | 7% |
| Minnesota | 6.5% |
| Nevada | 6.5% |
| Washington | 6.5% |
| South Dakota | 4% |

Five Highest Cigarette Tax Rates

| | |
|---------------------|---------------|
| New Jersey | \$2.05 |
| Rhode Island | \$1.71 |
| Connecticut | \$1.51 |
| Massachusetts | \$1.51 |
| New York | \$1.50 |
| South Dakota | \$0.53 |

Comparing the Region

| | Gas Tax (cts. per gallon) | Sales Tax (%) | Cigarette Tax (cts. per package) |
|---------------------|------------------------------|------------------|-------------------------------------|
| South Dakota | 22 | 4 | 53 |
| Iowa | 20 | 5 | 36 |
| Minnesota | 20 | 6.5 | 48 |
| Montana | 27 | 0 | 70 |
| Nebraska | 25 | 5.5 | 64 |
| North Dakota | 21 | 5 | 44 |
| Wyoming | 13 | 4 | 60 |

Legal Services



Jack Magee
Chief Legal Counsel

With Governor Rounds' reorganization, the make-up of the Legal Division changed in FY 2003 with the inclusion of the Insurance Fraud Prevention Unit (IFPU). The division is now comprised of five full-time attorneys (1 dedicated to the IFPU), six full-time Special Agents (4 dedicated to the Investigative Services Bureau "ISB" and 2 dedicated to the IFPU), 1 full-time Assistant Attorney General, 3 part-time fraud auditors, and 2 legal secretaries.

In addition to providing routine legal counsel to the department, the legal staff worked on 392 cases during FY 2003, 248 of which were new cases. The ISB Special Agents examined 79 individuals and businesses, of which 47 were investigated for tax crimes. The IFPU reviewed or investigated 128 allegations of insurance fraud and referred 12 cases for prosecution. More information on the IFPU can be found in this publication on the pages following the Legal Services section.

The Supreme Court issued six decisions during the year which affected the department. These decisions involved sales, use and fuel taxes, and the Department's alcohol license suspension initiative. There is currently one case pending before the Supreme Court involving an alcohol beverage license suspension.

Supreme Court Summaries

Opinions Issued

Butler Machinery Company v. Department of Revenue, 2002 SD 134, 653 NW2d 757. Butler sells and leases equipment. A Department audit of Butler assessed use tax on repair parts installed by Butler into its sales fleet and rental/lease fleet. The hearing examiner ruled that Butler was exempt from the tax involving the sales fleet but not the rental/lease fleet. The Secretary of Revenue adopted this decision and the assessment was confirmed by the circuit court. The Supreme Court upheld the assessment.

In re Alcohol Beverage License Suspension of Cork N' Bottle, Inc., 2002 SD 139, 654 NW2d 432. This case involves an alcohol beverage licensee's appeal of an order from the Secretary of Revenue. The Secretary ordered that the Cork N' Bottle's alcohol beverage licenses be suspended for two weeks for selling alcohol to an underage individual. The circuit court upheld the suspension and the licensee appealed to the Supreme Court. The Supreme Court upheld the suspension.

Graceland College Center for Professional Development and Lifelong Learning, Inc. v. Department of Revenue, 2002 SD 145, 654 NW2d 779. During an audit of Graceland, the Department assessed tax on fees for professional seminars provided by the company. Graceland argued that it was an exempt entity either as a vocational school or as a continuing education service. The circuit court affirmed the audit. Graceland appealed to the Supreme Court. The Supreme Court upheld the assessment.

Legal Services/continued

Loren Pourier, d/b/a Muddy Creek Oil & Gas Inc., and Muddy Creek Oil & Gas, Inc. v. Department of Revenue, 2003 SD 21, 658 NW2d 395. This case involves whether motor fuel tax can be imposed on an Indian-owned corporation located on an Indian reservation. Muddy Creek, a Pine Ridge Reservation convenience store, claims it's exempt from the tax because it's an Indian operating in Indian country. The Department maintains the Hayden-Cartwright Act provides express authority to impose the tax. The circuit court agreed with the Department. Muddy Creek appealed to the Supreme Court. The Supreme Court held that the State lacked jurisdiction to impose the motor fuel tax on Indians purchasing fuel in Indian country and directed tax refunds be issued to consumers. The matter is still before the Supreme Court regarding the statute of limitations for the issuance of a tax refund.

Western Wireless Corporation and Sioux Falls Cellular Communications Corporation v. Department of Revenue, 2003 SD 68, ___ NW2d ___. At issue was whether use tax should be applied to billing services used by a cellular telephone business in South Dakota. The Department conducted an audit of Western Wireless and assessed, among other things, use tax on billing services purchased from an out-of-state billing service provider. Western Wireless argued that it didn't purchase services but rather exempt tangible personal property and that the services were otherwise exempt under the United States Commerce Clause. The circuit court upheld the assessment and held that the transactions did involve a service subject to use tax, and that the use tax didn't violate the Commerce Clause. Western Wireless appealed to the Supreme Court. The Supreme Court upheld the assessment. A subsequent petition for certiorari to the United States Supreme Court was denied.

Cooperative Agronomy Services v. Department of Revenue, 2003 SD 104, ___ NW2d ___. This case involves whether services are exempt from sales tax merely because they are indirectly associated with agriculture. Cooperative Agronomy Services (CAS) provides fertilizer storage services to twelve local coops in SD. The twelve coops own CAS. CAS argued that its services are exempt from sales tax because the sale of the fertilizer is exempt. The Department argued that the storage services were separate from the sale of the fertilizer and did not fit within any exemption. The circuit court held that because the fertilizer is eventually used for agricultural purposes, the storage services are exempt. The Department appealed to the Supreme Court. The Supreme Court held that the services provided by the taxpayer were not exempt from sales tax.

Remanded/Dismissed Cases

In re Alcohol Beverage License Suspension of Richard and Clara Kafka, Supreme Ct. No. 22404. This case also involves an alcohol beverage licensee's appeal of an order from the Secretary of Revenue. The Secretary ordered that the Kafkas' alcohol beverage license be suspended for two weeks for selling alcohol to an underage individual. The circuit court upheld the suspension and the licensee appealed to the Supreme Court. This case was remanded back to the circuit court in order to receive additional evidence.

Legal Services/continued

In re Alcohol Beverage License Suspension of M.G. Oil Company, Supreme Ct. No. 22411; Supreme Ct. No. 22412; Supreme Ct. No. 22413; Supreme Ct. No. 22414; and Supreme Ct. No. 22435. These cases involve an alcohol beverage licensee's appeal of an order from the Secretary of Revenue. The Secretary ordered that the alcohol beverage license of M.G. Oil Company be suspended for two weeks for selling alcohol to underage individuals. The circuit court held that four of M.G. Oil Company's businesses didn't substantially comply with SDCL 35-2-10.1, a statute that provides a defense for businesses that make illegal sales of alcohol. The circuit court held that the fifth business did substantially comply with this statute. Both the Department and M.G. Oil Company appealed but later dismissed the appeals.

In re Alcohol Beverage License Suspension of Continental Leisure, Inc., Supreme Ct. No. 22426. This case involves an alcohol beverage licensee's appeal of an order from the Secretary of Revenue. The Secretary ordered that the alcohol beverage license of Continental Leisure be suspended for two weeks for selling alcohol to an underage person. The circuit court held that Continental Leisure substantially complied with SDCL 35-2-10.1, a statute that provides a defense for businesses that make illegal sales of alcohol. The Department appealed but later dismissed its appeal.

In re Alcohol Beverage License Suspension of Kelly's Sports Lounge, Inc., Supreme Ct. No. 22436. This case involves an alcohol beverage licensee's appeal of an order from the Secretary of Revenue. The Secretary ordered that the alcohol beverage license of Kelly's Sports Lounge be suspended for two weeks for selling alcohol to an underage person. The circuit court held that Kelly's Sports Lounge substantially complied with SDCL 35-2-10.1, a statute that provides a defense for businesses that make illegal sales of alcohol. The Department appealed but later dismissed its appeal.

Pending Cases

In the Matter of the Alcohol Beverage License Suspension of Tim M. Engels, d/b/a Harbor Bar, S. Ct. No. 22865. This case involves an alcohol beverage licensee's appeal of an order from the Secretary of Revenue. The Secretary ordered that the Harbor Bar's alcohol beverage licenses be suspended for two weeks for selling alcohol to an underage individual. The circuit court upheld the suspension and the licensee appealed to the Supreme Court.

Insurance Fraud Prevention Unit

Introduction

The South Dakota Insurance Fraud Prevention Unit was created by the 1999 SD Legislature in response to the growing problem of insurance fraud across our state. In August of 2003, the Fraud Unit moved from the former Department of Commerce and Regulation to the newly formed Department of Revenue and Regulation. It's funded solely by an assessment against all insurance companies licensed to conduct business within our state. The Fraud Unit places these monies into a dedicated fund for exclusive use in its efforts to combat insurance fraud.

The Fraud Unit is a certified law enforcement and prosecuting agency with statewide jurisdiction. Its statutory duties include receiving referrals of suspected fraudulent insurance acts; investigating such acts; promoting awareness of insurance fraud; conducting independent studies to determine the extent of fraudulent insurance acts; prosecuting fraudulent insurance acts and cooperating with federal, state and local law enforcement, prosecuting attorneys and the attorney general in investigating and prosecuting fraudulent insurance acts.

During fiscal year 2003, the Fraud Unit endeavored to meet its statutory mandates by developing educational materials, maintaining a website, providing educational programs for the general public and the insurance industry, diligently investigating referrals of suspected insurance fraud and vigorously prosecuting insurance fraud that has occurred within our state. Additional efforts have been made to cultivate positive working relationships with insurance companies, special investigation units, claims adjusters, and local, state and federal law enforcement agencies and prosecutor's offices. The Unit has also developed and maintains a comprehensive database in which all referrals are maintained.

Mission Statement

To confront the problem of insurance fraud in the State of South Dakota by prevention, investigation, and prosecution of fraudulent insurance acts.

Staffing

In order to accomplish its mission and responsibilities, the Fraud Unit employs a Unit Chief, two Investigators, and a secretary. Current staff members include Unit Chief Andrew L. Fergel, investigators Michael Pease and Tyler Spomer, and secretary Julie Snyder.

Referrals

A. Procedure

The Fraud Unit received 128 referrals during FY2003 from the insurance industry, the general public, law enforcement or other government agencies. When received, the referral is reviewed by the Unit Chief to determine if sufficient facts exist to warrant an investigation. If such facts exist, it's assigned

Insurance Fraud Prevention Unit/continued

to one of the Unit Investigators for investigation. If insufficient facts exist, the matter is either declined outright, additional information is requested of the referring party or the matter is entered into the database for intelligence purposes only. Persons who want to make a referral concerning suspected insurance fraud are encouraged to call, write or visit the Fraud Unit at 445 East Capitol, Pierre, SD 57501, (605) 773-6325. Referrals may also be made on-line at: <http://www.state.sd.us/drr2/reg/insurance/fraud/index.htm> A complaint form is available upon request and all referrals are kept confidential until criminal charges are filed.

B. Statistics

Once the referrals are reviewed and classified by the Unit Chief, they're entered into a confidential database which is maintained for the purposes of file management and compiling statistics. Main statistics gathered are the fraud losses, type of the fraud, location of the fraud, source of the referrals and suspect type.

1. Referrals by Fiscal Year

The number of referrals received by the Unit has increased steadily since its inception in 1999. A total of 128 referrals were received in FY2003, as compared to 111 in FY2002, 103 in FY2001, and 82 in FY2000.

2. Referrals by Type of Fraud

The Fraud Unit classifies the type of fraud for every case referred to determine what type of fraud is most prevalent. We can then concentrate our investigation, prosecution and educational efforts in that area to attempt to reduce that type of fraud. The classifications of fraud and the number of referrals and percent of total in fiscal year 2003 for each type are: Internal Fraud – 1 (1%), Renters Insurance – 1 (1%), Legal/Medical Mill – 1 (1%), Other – 4 (3%), Life Insurance – 4 (3%), Disability Insurance – 4 (3%), Commercial Insurance – 9 (7%), Medical/Health Insurance – 11 (9%), Homeowners Insurance – 12 (9%), Workers Compensation – 21 (16%), Agent Fraud – 24 (19%) and Auto Insurance – 36 (28%).

3. Referrals by Source

Of the 128 referrals received by the Fraud Unit in FY2003, 62 were from the insurance industry, 28 were from the general public, 4 were from law enforcement, 22 were from other government agencies, 4 were anonymous, and 8 were from other sources.

4. Referrals by Location

The Fraud Unit records the location of the referrals by the county in which the fraud occurs. Because several counties have few or no referrals throughout the year, the location of the referrals were divided into East and West River for this report. Of the 128 referrals in FY2003, 80 (62%) were located East River, 32 (25%) were located West River, and 16 (3%) were out-of-state. A detailed report of referrals by county is available upon request.

Insurance Fraud Prevention Unit/continued

5. Suspect Type

Of the 128 referrals in FY2003, 91 (71%) concerned the insured or claimant, 23 (18%) concerned agents or brokers, and 14 (11%) concerned insurance companies or their representatives.

Prevention

A. Educational Presentations

One of the primary goals of the Insurance Fraud Prevention Unit is to educate the public, insurance industry, law enforcement and prosecutors that insurance fraud is a crime and has a negative impact on our insurance rates and society. Insurance fraud is the second largest economic crime in America and is estimated to cost over \$120 billion annually; \$.15 of every premium dollar paid in South Dakota goes towards insurance fraud.

Unfortunately, a large percentage of the public still believes it's acceptable to commit insurance fraud. A 2000 Insurance Research Council survey showed 35% of the general public believed it was acceptable to inflate an insurance claim to make up for a deductible and 24% believed it was acceptable to inflate a claim to make up for previous premium payments.

To counter these attitudes, in FY2003, the Unit made 10 formal presentations to the public, insurance industry, law enforcement, and prosecutors, and participated in several Fraud Day symposiums directed towards senior citizens.

B. Educational Materials

As part of its public awareness campaign, the Unit publishes a "Consumer Guide to Insurance Fraud", "Are You Committing Insurance Fraud?", and "Buyer Beware" pamphlets, and a "Fact Sheet" that provides the Unit's statutory authority and statistical information. These contain valuable information about what insurance fraud is, why we should care, and how to avoid becoming a victim of insurance fraud. The Unit also has received permission from the National Insurance Crime Bureau to use their "Indicators of Fraud" checklists and "Fraud Awareness Video Series." These resource materials are available upon request.

C. Other Activities

Unit staff have joined and/or associated with various professional groups, both from the insurance industry and law enforcement community. These groups include but are not limited to the National White Collar Crime Center, National Insurance Crime Bureau, Mid-States Organized Crime Information Center, South Dakota Law Enforcement Intelligence Network, South Dakota Health Care Fraud Task Force, Senior Health Insurance Information Network, International Association of Special Investigation Units, South Dakota States Attorney's Association, and National District Attorney's Association. In addition, the Unit's website at <http://www.state.sd.us/drr2/reg/insurance/fraud/index.htm> contains information about the Fraud Unit and its activities, and has a section for reporting suspected insurance fraud on-line.

Insurance Fraud Prevention Unit/continued

Investigation

A. Overview

The Insurance Fraud Prevention Unit's two investigators are state certified law enforcement officers who handle all the cases that are assigned for investigation by the Unit Chief. The investigation process includes interviewing witnesses, running background checks on suspects, conducting search warrants, seizing physical evidence, contacting insurance company special investigation units, and obtaining documentation from the insurance company. After the investigation is completed, a report is prepared by the investigator and forwarded to the Unit Chief. The Unit Chief, who is also an Assistant Attorney General, reviews the report and makes a determination on how to proceed. Options include; referring it to a local prosecutor's office, filing criminal charges, proceeding with a civil cause of action, referring it to a regulatory agency or declining to file charges due to a lack of evidence or other bar to prosecution.

Types of fraud investigated during FY2003 include: false claims for property damage or bodily injury as a result of an automobile accident, fake vehicle theft, medical providers double billing, false commercial property claims, faked home burglaries, false or inflated homeowners claims, arson for profit, workers compensation fraud by both the employee and the employer, theft of premiums by insurance agents, forging of insurance documents by insurance agents and false applications for insurance.

B. Statistics

Of the 128 cases referred to the Fraud Unit in FY2003, 12 cases were referred for prosecution, 35 were closed due to insufficient evidence or other bar to prosecution, 17 were referred for regulatory action, 14 were classified and maintained for intelligence purposes only, and 50 remain in an active or inactive investigation status.

C. Intelligence and Other Activities

Since white-collar crimes like insurance fraud often cross jurisdictional boundaries, the Unit maintains memberships in agencies and resource groups where intelligence information is securely stored and disseminated as the law allows. Its investigators have also assisted other law enforcement agencies in their insurance fraud investigations, partnering with local and county law enforcement, the Department of Criminal Investigation, Federal Bureau of Investigation, Medicare and Medicaid Fraud Units, Internal Revenue Service, Consumer Affairs, and local special investigative units of the insurance industry.

Prosecution

A. Overview

The Fraud Unit is authorized to prosecute fraudulent insurance acts either independently or in conjunction with other prosecuting agencies. It has the option of bringing criminal or civil charges

Insurance Fraud Prevention Unit/continued

against individuals suspected of committing insurance fraud. The Unit Chief is designated as an Assistant Attorney General through the South Dakota Attorney General's Office. In all prosecutions, the Fraud Unit seeks to punish the wrongdoer, recover restitution for the victims and accomplish both specific and general deterrence of insurance fraud.

B. Statistics

The Fraud Unit successfully prosecuted five criminal cases and one civil case during FY2003. In addition, three cases were prosecuted by other agencies and one case involved the Unit providing both investigation and prosecution assistance to another agency.

C. Restitution

As part of the prosecution efforts, requests are made to the Courts to order that fraud perpetrators make restitution to the victims of their crimes. During FY2003, such restitution totaled \$32,983.75. Since 1999, the Unit has obtained court orders or actually recovered \$2,020,565.15 in restitution.

Costs and Expenditures

The Fraud Unit is funded by a \$250 assessment against all insurance companies licensed to do business in South Dakota. The assessment monies are placed into a dedicated fund to be used exclusively for the Unit's operation. In FY2003, operating expenses for the Fraud Unit totaled \$239,576, leaving a positive budget balance of \$43,691.

Future Endeavors

In FY2004, it is the goal of the SD Insurance Fraud Prevention Unit to develop additional programs and educational materials to increase public awareness of the problem of insurance fraud; the Unit vows to aggressively investigate and prosecute fraudulent insurance acts that occur across our state.

Insurance



**Gary Steuck, Director
Insurance Division**

The Division of Insurance regulates and licenses the insurance industry in South Dakota and is comprised of two main programs: Financial and Licensing, and Regulation.

Duties of the Division include: providing regulatory oversight to protect South Dakota policyholders against financial loss due to inappropriate business practices and/or involency of insurance companies permitted to operate in South Dakota; licensing resident and non-resident agents; auditing agents and sponsors for compliance with existing statutes and regulations; reviewing property/casualty/life/health company rates, rules and form filings for compliance; investigating and acting on consumer complaints; and reviewing and approval of continuing education programs for agents and companies.

FY2003 Revenues

| | |
|---|---------------------|
| Taxes Collected (General Fund) | \$49,545,742 |
| Fees (Insurance Operating Fund): | |
| Admission | 67,788 |
| Company Renewal | 83,495 |
| Agent Licensing/Renewal | 3,826,934 |
| Miscellaneous and Legal | 10,362 |
| Retaliatory/Filing | 925,438 |
| Administrative Penalties | 190,438 |
| Lists and Labels | 4,315 |
| Certification Letters | 42,300 |
| Investment Council Interest | 36,157 |
| Course Approval | 22,190 |
| Subsequent Injury Fund: | |
| Sub-Injury Fund Assessment | 7,544,792.50 |
| Investment Council Interest | 51,759.36 |
| Continuing Education Fund: | |
| Agent Renewal Fees | 44,620 |
| Investment Council Interest | 3,185 |
| Special Collections for Workers Compensation: | |
| Policy Fee (Transferred to Dept. of Labor) | 235,897 |
| Examination Fund (effective 7/1/97) | 444,000 |
| Investment Council Interest | 47,969 |
| Total | \$63,126,943 |

FY2003 Performance Indicators

| | |
|-------------------------------------|----------------|
| Total Licensed/Domestic Companies | 1438/50 |
| Domestic Companies Financial Exams | 27 |
| Company Market Conduct Exams | 0 |
| Companies Licensed/Approved Mergers | 21 |
| Agent Licenses Issued | 10,486 |
| Agent Appointments Issued | 59,701 |
| Renewed Appointments | 136,050 |
| Agent Appointment Cancellations | 11,900 |
| Property/Casualty Filings Reviewed | 8,843 |
| Life/Health Filings Reviewed | 4,306 |
| Consumer Complaints Closed | 2,067 |
| Enforcement/New Open Files | 379 |
| Enforcement/Closed Files | 329 |
| Continuing Education: | |
| Agents Paying License Renewal | 4,470 |
| Agents Exempt | 2,254 |
| Agents Reporting Completion | 4,470 |
| Courses Reviewed | 857 |
| Courses Monitored | 15 |
| Agent Licenses Cancelled | 0 |
| Subsequent Injury Fund: | |
| New Claims | 48 |
| Claims Paid | 190 |
| Dollars Paid | \$6,947,137.17 |

Administrative Services



***Joan Serfling, Director
Administrative Services***

The Administrative Services division manages the department's physical assets, budgetary data, computer services, public relations, and training programs. Its purpose is to increase the efficiency of the operational divisions by providing them with the resources they need to meet their goals. The division also manages the department's Remittance Center in Sioux Falls, which processed over \$939 million in payments in fiscal year 2003. Other agencies for which the Remittance Center collects revenues include Agriculture; Game, Fish and Parks; Social Services; Health; Environment and Natural Resources; Human Services; Unified Judicial System; Legislative Audits; and Retirement.

Fiscal Year 2003 - Remittance Center

| | |
|--|----------------------|
| Dollars processed for Revenue and Regulation | \$778,506,904 |
| Dollars processed for other agencies | 160,553,070 |
| Total dollars processed | \$939,059,974 |
| Total documents processed | 534,989 |

Appraiser Certification Program

The Appraiser Certification Program was implemented July 1, 1990, pursuant to Congress' enactment of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA). The Program's mission is to certify, license and register real estate appraisers in South Dakota. Responsibilities include examining candidates; issuing certificates; investigating and administering disciplinary actions to persons in violation of the rules, statutes and uniform standards; and approving qualifying and continuing education courses.

Revenues from the Program totaled \$109,935 for fiscal year 2003. From July 1, 2002 to June 30, 2003, the Appraiser Certification Program licensed 38 new appraisers; renewed 316 appraiser licenses; approved three upgrade applications and four new applications claiming experience; issued seven new reciprocal licenses; issued 55 temporary permits; handled 150 course applications; and investigated 10 complaints.



***Sherry Bren,
Executive Director
Appraiser Certification
Program***

Banking



**Cathy Brandner,
Acting Director
Banking Division**

The Division of Banking charters and examines state banks and trust companies, and licenses money lenders, mortgage lenders, mortgage brokers, and money order issuers. The five-member State Banking Commission has rule-making authority and acts on applications submitted for new, expanded, or relocated bank and trust charters. The Division has a staff of 11 bank examiners, one review examiner, one full-time senior secretary, and the director. Banking assets supervised by the Division in FY2003 totaled \$9,503,232,000.

Revenues generated by the Division of Banking (with the exception of the Trust Company Charter Fee) is deposited in the Banking Special Revenue Fund to self-fund the cost of supervision and regulation.

These revenues come from five sources: Bank Examination Fee; Trust Company Examination Fee; Money Lenders License Renewal and Applications/Other License Fees; Investment Council Interest; and Miscellaneous (which includes funds transferred to the Division from application fees to cover administrative, review and processing costs other than the expense of holding hearings for changes in banks and trust companies).

A Four-Year Comparison of Revenues by Category

| | FY2000 | FY2001 | FY2002 | FY2003 |
|-------------------------------|------------------|------------------|------------------|------------------|
| Bank Examination Fee | \$463,743 | \$393,201 | \$416,811 | \$438,026 |
| Trust Company Examination Fee | 17,100 | 2,381 | 11,137 | 21,239 |
| License Fees | 195,905 | 186,050 | 181,609 | 193,350 |
| Investment Council Interest | 79,593 | 62,477 | 61,391 | 39,720 |
| Miscellaneous | 9,685 | 10,173 | 12,191 | 3,495 |
| Trust Company Charter Fees | 25,000 | 10,000 | 20,000 | 20,000 |
| Totals | \$791,026 | \$664,282 | \$703,139 | \$715,830 |

Performance Indicators: FY2000 - FY2003

| | FY2000 | FY2001 | FY2002 | FY2003 |
|------------------------------------|---------------|---------------|---------------|---------------|
| Applications Before the Commission | 22 | 22 | 15 | 16 |
| Banks Examined | 33 | 24 | 31 | 29 |
| Trust Companies Examined | 5 | 3 | 5 | 8 |
| Licenses Issued or Renewed | 769 | 774 | 827 | 922 |
| State-chartered banks | 79 | 76 | 75 | 74 |
| State-chartered trust companies | 11 | 12 | 17 | 19 |

Securities



**Gail Sheppick, Director
Securities Division**

The Division of Securities implements and maintains rules and procedures to ensure that investments sold in South Dakota meet full disclosure standards. These standards apply to three types of investments: securities products, franchises, and business opportunities.

The Division is responsible for examining securities products, franchise offering circulars, and business opportunities plans; registering, renewing, exempting or amending securities and franchise documents; licensing investment advisors and agents, broker-dealers, and securities agents; investigating and resolving complaints and alleged fraudulent schemes; working with other state, local or federal agencies on securities issues; and educating the investing public on franchise and securities purchases. FY2003 revenues from the Securities Division totaled \$21,614,473.

FY2003 Revenues

| | |
|---|---------------------|
| Securities Registration Fees | \$191,622 |
| Franchise Registration Fees | 115,350 |
| Franchise Exemption Fees | 11,250 |
| Business Opportunity Registration Fees | 1,600 |
| Securities Opinion Fees | 1,800 |
| Investment Company Notification Fees | 13,760,200 |
| Agent Licensing Fees | 6,907,425 |
| Broker-Dealer Licensing Fees | 205,350 |
| Investment Advisor Fees | 3,000 |
| Investment Advisor Agent Fees | 37,450 |
| I/A Notice Filings | 109,450 |
| Miscellaneous | 2,471 |
| Investment Council Interest | 232,955 |
| Private Placement/Reg D 506. Other | 34,550 |
| Total | \$21,614,473 |

FY2003 Performance Indicators

| | |
|------------------------------------|--------|
| New Securities Applications | 104 |
| Extensions and Amendments | 33 |
| Private Placement | 8 |
| Other Exemptions | 157 |
| Invest CompNot Filings – New | 2,182 |
| Invest CompNot Filings – Total | 15,424 |
| New Franchise Applications | 185 |
| New Franchise Registrations | 545 |
| Franchise Extensions | 372 |
| Exemptions | 38 |
| Business Opportunities – New | 14 |
| Business Opportunities – Total | 17 |
| Broker – Dealers Licensed | 1,300 |
| Broker – Dealer Agents Licensed | 44,449 |
| Investment Advisers Licensed | 20 |
| Investment Adviser Agents Licensed | 488 |
| Investment Advisers Notice Filing | 470 |
| Franchise Applications Withdrawn | 177 |
| Investigations | 145 |
| Administrative Orders Issued | 61 |
| Opinions Requested | 36 |

Lottery



**Clint Harris, Director
SD Lottery**

The South Dakota Lottery markets instant tickets and lotto games, and regulates video lottery to raise revenue for state programs and projects. In the 16 years the Lottery has been in operation, more than \$1 billion in revenue has been distributed.

The Lottery operates under the oversight of the seven-member South Dakota Lottery Commission, which meets quarterly to establish policy within the framework set by the legislature through law. The Commission also reviews and approves major contracts and procurements, and consults on management and operation of all aspects of the Lottery. The Lottery has 33 employees; its central office is in Pierre with regional sales and redemption offices in Sioux Falls and Rapid City, and a sales representative's office in Aberdeen.

Sales and Revenue

Total FY2003 Lottery revenue distributed to state funds was more than \$112 million, a 2.5% increase over FY2002 and a record amount of revenue distributed by the Lottery. These revenues come from three main sources, as evidenced in the chart below.

FY2003 Lottery Sales and Revenue (unaudited*)

| | Sales | Prizes | Retailer Commission | Revenue Distributed |
|------------------|--------------|-------------|---------------------|----------------------|
| Instant Tickets | \$13,278,754 | \$8,055,990 | \$744,812 | \$3,076,834 |
| Lotto Tickets | 15,360,128 | 7,788,318 | 875,140 | 3,666,489 |
| Video Lottery ** | 618,254,711 | 406,000,048 | 106,127,331 | 105,283,657 |
| | | | Total: | \$112,026,980 |

* The Lottery also publishes an annual financial report, as required by law, which includes a full and complete statement of the Lottery's financial position and operations. The annual financial report is published after completion of an independent audit, and is available from the Lottery.

** Video lottery sales are cash in; prizes are cash out; private share of net machine income is retailer commission.

Instant Tickets

The Lottery launched 16 new instant ticket games during FY2003. Prices for instant tickets range from \$1 to \$10, with prizes ranging from \$1 to \$150,000 and merchandise prizes. At the close of the fiscal year, there were 578 licensed instant ticket retailers across the state. Retailers receive a 5% commission for selling tickets, and 1% commission for cashing winning tickets up to \$100 prizes, and 1% for selling tickets of more than \$100 prizes. Sales of instant tickets were up 7.7% in FY2003 as compared to FY2002. The increase in sales is attributed to successful design of popular games and the strong sales of holiday-themed tickets during the holiday season. Revenue from the sale of instant tickets is distributed to the General Fund.

Lottery/continued

Lotto Tickets

South Dakota currently offers four lotto games; three are multi-state games (Powerball, Wild Card 2, and Hot Lotto) and one is exclusive to South Dakota (Dakota Cash). At the end of FY2003, there were 341 licensed lotto retailers. (NOTE: All lotto retailers are also instant ticket retailers, and were included in the total number of licensed instant ticket retailers.) Lotto retailers also receive a 5% commission for selling tickets, plus varying bonuses for selling larger winning tickets.

Sales of lotto tickets were up 10.2% in FY2003 from the previous fiscal year, due primarily to two large Powerball jackpot runs during the fiscal year and steadily increasing sales of the Lottery's three smaller lotto games - Dakota Cash, Wild Card 2, and Hot Lotto. The first \$1.4 million of revenue from the sale of lotto tickets is distributed to the General Fund, and the balance is distributed to the Capital Construction Fund.

Video Lottery

The Lottery regulates and controls the video lottery game activities through licensing procedures for the machines, machine owners, operators, and establishments, as well as a comprehensive secure central computer system. Video lottery sales (cash in) increased 2.4% in FY2003. The average number of active video lottery machines during FY2003 was 8,247 with the average number of licensed establishments at 1,415.

The revenue from video lottery is calculated on Net Machine Income, which is cash-in (sales) minus cash-out (prizes). Net machine income is divided between the state and machine operators on a 50/50 split. One-half of one percent (0.5%) of the state's share is retained by the Lottery for administration. Revenue from the video lottery net machine income is distributed to the Property Tax Reduction Fund. A portion of machine manufacturer license fees is distributed to the General Fund.

FY2003 Lottery Revenue Distribution (unaudited*)

| | General Fund | Cap. Construct. Fund | Property Tax Reduction Fund | Dept. of Human Services** |
|-----------------|--------------------|-------------------------|--------------------------------|------------------------------|
| Instant Tickets | \$3,076,834 | | | |
| Lotto Tickets | 1,400,000 | 2,266,489 | | |
| Video Lottery | 30,000 | | 105,066,058 | 187,599 |
| Totals: | \$4,506,834 | \$2,266,489 | \$105,066,058 | \$187,599 |

* The Lottery also publishes an annual financial report, as required by law, which includes a full and complete statement of the Lottery's financial position and operations. The annual financial report is published after completion of an independent audit, and is available from the Lottery.

**The Lottery annually provides the SD Department of Human Services up to \$200,000 for problem gambling treatment services. Funding comes from the Lottery's 0.5% of net machine income for administration.

Commission on Gaming



**Larry Eliason,
Executive Secretary
SD Gaming Commission**

The South Dakota Commission on Gaming is responsible for regulating the gaming industry in the City of Deadwood, casino gaming on the Indian reservations through compacts, and pari-mutuel wagering.

The Commission on Gaming maintains two office locations (in Pierre and Deadwood) and employs approximately 16 individuals, including investigators, auditors, accountants, administrative assistants and inspectors, and an executive secretary. The Commission itself is comprised of five commissioners.

The Commission may issue six types of Deadwood gaming licenses (slot machine manufacturer or distributor; operator; route operator; retail, key employee, and support), tribal gaming licenses, and four types of live racing and simulcast licenses (simulcast provider, simulcast site, simulcast pari-mutuel, and multiple category live racing). The commission is supported by the commission fund which is comprised of revenues from the 8% gaming tax in Deadwood, annual device fees, licensing fees, and other miscellaneous revenues.

FY2003 Recap of Commission Fund

Revenues

| | |
|--|------------------------|
| Beginning Cash Balance (7/1/02) | <u>\$546,172.97</u> |
| Revenues | |
| FY03 Device Tax | \$5,812,000.00 |
| Gross Revenue Tax | 5,142,924.40 |
| City Slot Tax | 713,829.00 |
| Application Fees | 114,855.00 |
| License Fees | 97,830.00 |
| Interest | 65,600.38 |
| Device Testing Fees | 6,254.12 |
| Penalty on Disciplinary | 5,195.00 |
| Manual Sales | 42.00 |
| Total Addition to Fund: | <u>\$11,958,529.90</u> |
| Fund Total | \$12,504,702.87 |

Distributions

| | |
|--------------------------------------|------------------------|
| Distributions | |
| Admin. Expenses | \$1,083,234.72 |
| Capital Equipment | 9,922.00 |
| Refund of Prior | |
| Years Revenue | 0 |
| Lawrence County | 515,794.34 |
| Other Municipalities | 167,515.97 |
| School Districts | 167,515.97 |
| SD Tourism | 1,873,143.66 |
| State General Fund | 1,172,611.81 |
| State Historic Preserv. | 100,000.00 |
| City of Deadwood | 6,741,215.36 |
| Total Distributions from Fund | <u>\$11,830,953.83</u> |
| Ending Cash Balance (6/30/03) | \$673,749.04 |

Commission on Gaming/continued

FY2003 Recap of Racing Funds

| | Special Fund | Revolving Fund | Bred Fund | Totals |
|--|-----------------|---------------------|---------------------|-----------------------|
| Beginning Cash Balance (7/1/02) | | \$594,925.94 | \$1,030,457.92 | \$1,625,383.86 |
| Revenues: | | | | |
| Horse Revenue | 192,903.17 | 180,013.19 | 183,560.56 | 556,476.92 |
| Greyhound Revenue | 168,638.63 | 168,638.63 | 168,638.63 | 505,915.89 |
| Interest | | 56,176.57 | 75,972.09 | 132,148.66 |
| Transfer from Agency Fund | (382,581.80) | 233,790.92 | 148,790.88 | |
| License and Fines – Horse | 14,020.00 | | | 14,020.00 |
| License and Fines – Dog | 7,020.00 | | | 7,020.00 |
| Total Revenues: | | \$638,619.31 | \$576,962.16 | \$1,215,581.47 |
| Expenses: | | | | |
| Aberdeen Horse Racing Track | | | | |
| SD Bred Point Money | | | 69,500.00 | 69,500.00 |
| Purse Supplements, Racing Operations, and Advertising and Promotion | | 146,700.00 | | 146,700.00 |
| SD Bred Stakes Money | | | 133,800.00 | 133,800.00 |
| Fort Pierre Horse Racing Track | | | | |
| SD Bred Point Money | | | 50,000.00 | 50,000.00 |
| Purse Supplements, Racing Operations, and Advertising and Promotion | | 150,800.00 | | 150,800.00 |
| SD Bred Stakes Money | | | 149,200.00 | 149,200.00 |
| Total Track Disbursements: | | \$297,500.00 | \$402,500.00 | \$700,000.00 |
| Distribution per HB1120 | | | | |
| Grant to Social Services | | 125,000.00 | 125,000.00 | 250,000.00 |
| Grant to Dept. of Agriculture (State Fair) | | 450,000.00 | 450,000.00 | 900,000.00 |
| Total Expenses: | | \$872,500.00 | \$977,500.00 | \$1,850,000.00 |
| Ending Cash Balance (6/30/03) | | \$361,045.25 | \$629,920.08 | \$990,965.33 |

Real Estate Commission



***Dee Jones Noordermeer,
Executive Director
SD Real Estate
Commission***

The South Dakota Real Estate Commission provides public protection in the real estate marketplace through the education and licensure of real estate brokers, salespeople, property managers, auctioneers, and timeshare agents. The Commission also regulates condominium projects, subdivided lands, timeshare projects, and investigates consumer complaints.

The Commission was established in 1955, and consists of five members, three of which are active real estate brokers. The remaining two members are members of the public. All Commission members are appointed by the Governor, and an executive director oversees the business of the Commission.

FY2003 revenues from the Real Estate Commission totaled \$348,101, down from \$463,452 the previous fiscal year.

FY2003 Revenues

| | |
|--|------------------|
| Application Fees (if not included in examination or new license fee) | \$102,940 |
| Examination Fees | 0 |
| Re-Examination Fees | 0 |
| New License Fees | 16,128 |
| Renewal Fees | 121,643 |
| Materials Sold | 4,070 |
| Interest Income | 26,086 |
| Change of Address | 4,995 |
| Certificates of Licensure | 1,785 |
| Late Renewal Fees | 6,245 |
| Intrastate Sales and Service | 720 |
| Penalties/Reimbursement of Investigations | 9,139 |
| Seminar Income | 54,300 |
| Miscellaneous | 50 |
| Total | \$348,101 |

FY2003 Performance Indicators

| | |
|--|--------|
| Total Licenses Renewed | 1,021 |
| Total New Licenses | 519 |
| Total Practitioners (including firms) | 4,044 |
| Examinations: | |
| Nationally Prepared (times given) | 365 |
| Total Applicants Examined | 267 |
| Total Applicants Passed (including re-exams) | 212 |
| Percentage required for passing | 75% |
| State Prepared (times given) | 76 |
| Total Applicants Examined | 64 |
| Total Applicants Passed (including re-exams) | 58 |
| Percentage required for passing | 75% |
| Total Applicants re-examined | 81 |
| Total Applicants passing re-exam | 58 |
| Complaints: | |
| Total Received | 40 |
| Total Investigated | 34 |
| Total Resolved | 31 |
| Total Hearings Held | 17 |
| Total Pending | 16 |
| Total Licensees Reprimanded/Probationed | 10 |
| Total Licenses Suspended/Revoked | 3 |
| No Action Taken Against Licensee | 20 |
| Miscellaneous: | |
| Total Inquiries Received and Answered | 31,754 |

Petroleum Release Compensation Fund



**Dennis Rounds, Director
Petroleum Release
Compensation Fund**

Established under the Petroleum Inspection and Release Compensation Act of 1988, the Petroleum Release Compensation Fund (PRCF) is a state-operated program that can financially assist petroleum tank owners with the cleanup of petroleum releases. The PRCF has been approved by the Environmental Protection Agency as an acceptable mechanism for the petroleum tank owners in South Dakota to demonstrate financial responsibility as required by both federal and state law. The PRCF is considered a full-coverage program and regulated petroleum tank owners are not required to have additional insurance.

The program's revenue source is a \$0.02 per gallon tank inspection fee. The PRCF receives 10.65% of the revenues collected or about \$1.6 million per year; the remainder goes to the Ethanol Fuel Fund and the Capital Construction Fund.

In June of 2003, South Dakota's Petroleum Release Compensation Fund received national recognition at the State Fund Administrators Conference, being honored as the "Best Fund for Getting the Job Done" by the Association of State and Territorial Solid Waste Management Officials and the U.S. Environmental Protection Agency's Office of Underground Storage Tanks. The award was given in recognition of South Dakota's successes with petroleum tank clean-up programs, most notably the Abandoned Tank Removal Program (part of the Spruce-Up South Dakota Program). Through this program, the PRCF worked with the SD Department of Environment and Natural Resources to remove inactive or abandoned underground petroleum tanks at no cost to the owner. In less than two years, over 3,600 tanks were removed across the state.

FY2003 Payments

The total amount paid by the PRCF in FY2003 was \$3,014,022.85. Of that amount, \$1,768,966.34 constituted reimbursement payments made for clean-ups at regular petroleum release sites. The remaining \$1,245,056.51 were payments made for abandoned tank program clean-ups.

FY2003 Statistics

There were 332 responsible parties reimbursed in FY2003 (including Abandoned Tank Program applicants); 521 pay requests (claims paid); 29 new petroleum release cases initiated (regular program only); and 171 new abandoned tank program cases initiated.

Department Resources

Main Offices

Revenue and Regulation Pierre Office*, Anderson Building, 445 East Capitol Avenue, Pierre, SD 57501-3185, 605-773-3311 (main phone)

(*includes Administrative Services, Appraiser Certification Program, Audits, Business Tax, Insurance, Insurance Fraud Unit, Legal, Motor Vehicles, Petroleum Release Compensation Fund, Property and Special Taxes, and Securities)

Division of Banking, Trucano Building, 217 West Missouri Avenue, Pierre, SD 57501, 605-773-3421

SD Lottery, St. Charles Building, 207 East Capitol Avenue, Pierre, SD 57501, 605-773-5770

SD Commission on Gaming, 425 East Capitol Avenue, Pierre, SD 57501, 605-773-6050

SD Real Estate Commission, 425 East Capitol Avenue, Pierre, SD 57501, 605-773-3600

Field Offices

Aberdeen Area Revenue Office, 419 Moccasin Drive, Aberdeen, SD 57401-5085, 605-626-2218

Deadwood Gaming Office, 696 Main Street, Deadwood, SD 57732, 605-578-3074

Mitchell Area Revenue Office, 417 North Main, Suite 112, Mitchell, SD 57301-7103, 605-995-8080

Rapid City Area Revenue Office, 4447 South Canyon Road, Suite 6, Rapid City, SD 57702-1889, 605-394-2332

Sioux Falls Area Revenue Office, 230 South Phillips, Suite 301, Sioux Falls, SD 57104-6321, 605-367-5800

Sioux Falls Lottery Office, 3824 South Western Avenue, Sioux Falls, SD 57105, 605-367-5840

Watertown Area Revenue Office, 1505 10th Avenue SE, Suite 1, Watertown, SD 57201-5300, 605-882-5188

Yankton Area Revenue Office, Kanner Building, 3113 North Spruce Street, Suite 127, Yankton, SD 57078-5320, 605-668-2939

Toll-Free Phone Center

Offering answers to your tax questions Monday thru Thursday from 8:00am to 6:00pm CST and Friday from 8:00am to 5:00pm CST. Just call 1-800-TAX(829)-9188.

Department Website

Visit us on the Internet at www.state.sd.us/drr. Access any of our divisions through our Department of Revenue and Regulation home page.

State (SDCL 20-13) and federal (Title VI of the Civil Rights Act of 1964, the Rehabilitation Act of 1973 as amended, and the Americans with Disabilities Act of 1990) laws require that the Department of Revenue provides services to all persons without regard to race, color, creed, religion, sex, disability, ancestry, or national origin.

The South Dakota Department of Revenue and Regulation Annual Report is written and designed to make information accessible to the general reader. Six hundred copies of this document were printed by the department at a cost of \$3.61 per document.