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

December 2004

The cover of this year's report says a lot about the Department of Revenue & Regulation's focus in 2004. While our overriding goal has always been to maximize revenues under the existing tax structure by enhancing voluntary taxpayer compliance, we took the time this year to carefully and critically analyze what we do and how we do it. From that process evolved a clear and formal statement of our mission and four goals that have set the direction for our agency now and in the years to come.

Last year's executive reorganization, which placed many of South Dakota's business regulatory functions within our agency, added impetus to the need to look within to ensure that our employees, data and technology are being used to the best advantage for the citizens of our state. Governor Rounds set a clear course for what state government should achieve when kicking off the 2010 Initiative. Similarly, our agency has set a clear course for achievement in adopting our new mission statement and primary goals.



Gary R. Viken, Secretary

While the economy was once again mixed, I am pleased to report that overall tax and lottery revenues increased by an amount significantly higher than in the previous year. The charts and tables contained in this report detail how each revenue source performed. The Property Tax Reduction Program continues to effectively control property taxes for most South Dakotans. From 1995 through 2004, those owning homes and agricultural property have paid approximately \$920 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 2004 were slightly over \$725 million.

South Dakota continues to be a national leader in working with retailers and other states in simplifying the administration of sales taxes so that they apply equitably to all sellers, whether traditional or those selling by catalog and Internet. Progress is being made, and we are committed to achieving equity for our retailers and the higher revenue collections that will accrue from taxation of remote sales. On the regulatory side, we are equally committed to ensuring that proper balance exists between maintaining a business-friendly regulatory climate and protecting consumers within our state.

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

The Department of Revenue and Regulation 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 2004, 313 full-time employees worked for the Department of Revenue and Regulation administering, collecting, and distributing the state's 90 separate types of taxes and fees. Total administrative costs were \$57,207,903, of which \$746,162 were general fund dollars.

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.

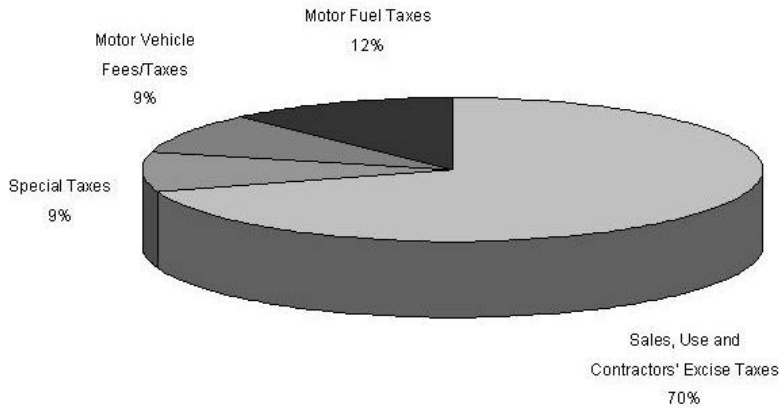
Total Tax Revenues: Collections and Distribution

The Department of Revenue and Regulation is the principal tax agency for the State of South Dakota and collects 36 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 2004, revenue from all 36 state taxes totaled \$1,134,218,893, an increase of \$46,164,284 from fiscal year 2003 revenues of \$1,088,054,609.

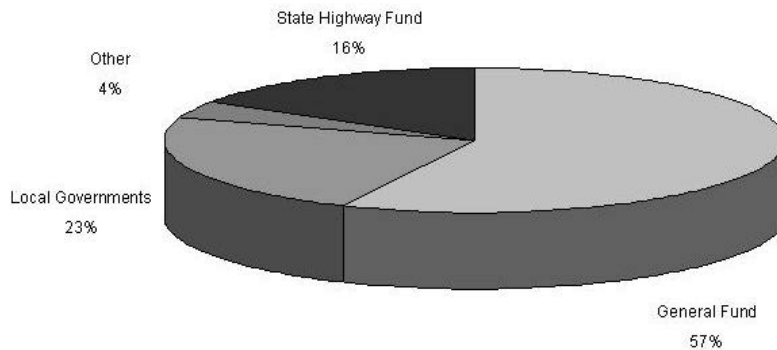
Tax Revenues by Category

Total Receipts - \$1,134,218,893



Distribution of Tax Revenues

Total Disbursements - \$1,134,218,893



An Overview of Tax Revenues

Total Revenues

Total state tax revenues have increased steadily over the past 10 years, with the largest increase of 13.01% occurring in 1994. The smallest increase (0.63%) was recorded in 2002. Revenues from the past five years are shown below.

Total Revenues: A Five-Year Comparison

Fiscal Year	Total Revenues	Percent of Change
<u>2000</u>	<u>\$998,014,867</u>	<u>6.79%</u>
<u>2001</u>	<u>1,031,550,600</u>	<u>3.36%</u>
<u>2002</u>	<u>1,038,055,730</u>	<u>0.63%</u>
<u>2003</u>	<u>1,088,054,609</u>	<u>4.82%</u>
<u>2004</u>	<u>1,134,218,883</u>	<u>4.24%</u>
Five-Year Average	\$1,057,978,938	N/A

Revenues by Category

The majority of the tax revenue collected in fiscal year 2004 came from sales, use and contractors' excise taxes, at \$795,115,672, an increase of \$55,491,420 over fiscal year 2003 receipts of \$739,624,152. Fuel tax revenues decreased by \$6,158,312; special tax revenues decreased by \$7,887,428; and motor vehicle licensing fees increased by \$4,718,504.

Revenues by Tax Category: A Five Year Comparison

Fiscal Year	Sales Use, and Excise Taxes*	Motor Fuel Taxes**	Special Taxes	Motor Vehicle Fees
<u>2000</u>	<u>\$663,573,225</u>	<u>\$139,717,601</u>	<u>\$107,111,354</u>	<u>\$87,612,687</u>
<u>2001</u>	<u>699,371,497</u>	<u>137,201,529</u>	<u>111,817,923</u>	<u>83,159,651</u>
<u>2002</u>	<u>708,975,445</u>	<u>137,407,509</u>	<u>97,089,422</u>	<u>95,583,354</u>
<u>2003</u>	<u>739,624,152</u>	<u>146,475,923</u>	<u>107,698,547</u>	<u>94,255,987</u>
<u>2004</u>	<u>795,115,672</u>	<u>140,317,611</u>	<u>99,811,119</u>	<u>98,974,491</u>
Five-Year Average	\$721,331,998	\$140,224,035	\$104,705,673	\$98,974,491

* 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 2004, the \$1,134,218,893 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 63.7% 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%
Aviation Fuel Tax	-0%	-0%	-0%	Aeronautics Fund (DOT)
Motor Fuel Tax	-0%	-0%	97%	(8)
Tank Inspection Fee	-0%	-0%	-0%	(9)

(continued on next page)

How Taxes Are Distributed/continued

Tax	General Fund	Local Gov't	State Highway Fund	Other
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 prorated 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 2004, the revenue produced by the 36 separate taxes and fees administered by the department varied from a low of \$50 to a high of \$515,301,325. In addition, the amount of revenue generated by individual taxes fluctuated by as much as -73.01% from fiscal year 2003 to fiscal year 2004.

A Three-Year Comparison of Revenues by Type of Tax

	FY2002	% Increase (Decrease) over Previous Year	FY2003	% Increase (Decrease) over Previous Year	FY2004	% Increase (Decrease) over Previous Year
Sales and Use Taxes - State	\$465,087,661	1.30%	\$483,258,902	3.91%	\$515,301,325	6.63%
Contractors' Excise Tax - State	52,727,997	5.16%	56,136,750	6.44%	59,378,041	5.77%
Sales and Use Tax - Cities	180,640,121	0.29%	187,473,982	3.78%	200,399,967	6.89%
Sales, Use, Contractors' Excise Tax - Reservations	3,518,026	2.29%	3,806,823	8.21%	4,252,463	11.71%
Tourism Tax	3,722,957	-1.85%	4,109,768	10.39%	4,350,557	5.86%
Water and Environment Fund	530,905	-17.73%	605,902	14.13%	380,514	-37.20%
Refund for Construction of Facility	1,816,270	63.83%	3,215,430	77.03%	4,074,391	26.71%
Motor Vehicle Leasing Fund	921,508	-9.04%	1,016,595	10.32%	1,042,741	2.57%
Telecom	0	0%	0	0%	5,935,673	N/A
Aviation Fuel	693,968	-5.38%	723,612	4.27%	624,554	-13.69%
Motor Fuel Tax	118,722,161	1.50%	126,845,226	6.84%	122,349,209	-3.54%
Interstate Fuel Users Tax	4,011,463	2.14%	3,564,457	-11.14%	3,046,279	-14.54%
Tank Inspection Fees	13,979,916	-10.25%	15,342,628	9.75%	14,297,569	-6.81%
Prorate	12,675,785	12.23%	12,142,275	-4.21%	12,167,603	0.21%
Motor Vehicle Titles and Registration	81,907,569	13.97%	82,113,712	0.25%	86,806,888	5.72%
Cigarette Tax - State	17,465,672	-3.82%	20,335,804	16.43%	26,270,289	29.18%
Cigarette Tax - Reservations	441,096	3.06%	427,213	-3.15%	651,988	52.61%
Cigarette License Fees	10,652	-16.96%	10,875	2.09%	11,475	5.52%
Other Tobacco Products	1,247,581	5.84%	1,325,013	6.21%	1,362,950	2.86%
Liquor License Fees	37,540	1.01%	38,615	2.86%	39,815	3.11%
Malt Beverage License Fees	237,775	-2.49%	260,100	9.39%	254,325	-2.22%
Alcoholic Beverage Brand Registration Fees	137,542	15.79%	136,421	-0.82%	155,775	14.19%
Beer Tax	5,572,702	1.71%	5,315,419	-4.62%	5,962,738	12.18%
Liquor Tax	4,694,819	41.00%	4,826,199	2.80%	5,368,582	11.24%
Alcoholic Beverage 2% Purchase Price Tax	736,916	3.55%	792,354	7.52%	949,263	19.80%
Wholesale Beer License Fee	3,000	-21.05%	3,000	0%	2,400	-20.00%
Underage Penalty Fee	0	0%	0	0%	59,500	N/A
Bank Franchise/Bank Card Tax	40,546,774	-6.55%	43,975,899	8.46%	47,108,462	7.12%
Inheritance Tax	23,482,368	-32.76%	27,220,987	15.92%	9,321,579	-65.76%
Ore Tax	951,888	53.40%	1,310,055	37.63%	353,567	-73.01%
Energy Mineral Tax	1,239,037	-20.87%	1,444,796	16.61%	1,658,364	14.78%
Coin Laundry License Fees	120,763	-2.40%	123,228	2.04%	121,427	-1.46%
Trading Stamps License Fee	50	0%	50	0%	50	0%
Amusement Device Fee	99,392	1.95%	95,308	-4.11%	100,543	5.49%
Bingo License Fee	42,500	41.67%	32,500	-23.53%	32,500	0%
Bingo Tax	21,356	7.05%	24,711	15.71%	25,527	3.30%
Total	\$1,038,055,730	0.63%	\$1,088,054,609	4.82%	\$1,134,218,893	4.24%

Legislative Summary

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**
2004 Last Major Change: Tax repealed on trucking of products and small package delivery companies. Also exempted transportation services provided by household moving companies.
- 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**
2004 Last Major Change: Tax repealed on trucking of products and small package delivery companies. Also exempted transportation services provided by household moving companies.
- 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

2004 Legislature

The 2004 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.

House Bill 1041	Clarifies that sales or use tax must be paid on the initial purchase of equipment or on lease payments between members of a controlled group (a collection of businesses related by common ownership).
House Bill 1042	Allows the department to use private collection agencies to collect on difficult delinquent accounts when all other methods of collection have proven unsuccessful.
House Bill 1043	Establishes a uniform list of "regulated" financial institutions that will be exempt from licensing. The exemptions are for entities or their subsidiaries that are regulated by either a federal or state agency.
House Bill 1044	Requires that S.D.-issued vehicle titles show the previous state and any brand or notations indicated on the title by the previous state.
House Bill 1045	Allows boat owners to apply for renewal decals beginning October 1 instead of December 1.
House Bill 1046	Clarifies that if an application for title and registration is filed by a dealer on behalf of a customer that the application be filed in the customer's county of residence.
House Bill 1047	Amends the definition of "creditable coverage" to meet federal requirements by allowing individual health benefit plans, unless they are excepted benefits, to be considered as creditable coverage.
House Bill 1048	Clarifies that cancellation notices for nonpayment of premium must be sent at least 10 days prior to cancellation and states that employers with five employees or less and \$5,000 or more in premiums are exempt from having a safety inspection performed by the insurer.
House Bill 1049	Sets the definition of a "payday loan" and clarifies that such loans are subject to the \$500 and four renewal limits already in statute.
House Bill 1051	Clarifies what medical providers can review disputed claims and that grievance procedures in ch. 58-17C don't apply to medicare supplement policies.
House Bill 1052	Changes the premium tax rate for life policies with a face value of \$7,000 or less, excluding credit life policies, from 2.5% to 1.25%.
House Bill 1087	Annual bill to set the maximum property tax levies for the general fund of school districts for taxes payable in 2005 and each year thereafter.
House Bill 1099	Sets a three-year statute of limitations for bringing legal action against a real estate licensee or their licensed real estate firm.
House Bill 1112	Allows a dealer located in a city which covers multiple counties to set up for special events in the county that is within the city but outside of the dealer's county of license.
House Bill 1118	Gives statutory authority (previously parity ruling) to banks to enter into debt cancellation and debt suspension contracts.
House Bill 1123	Allows a bank to have a limited liability company structure instead of a corporate structure and directs the Banking Commission to develop rules to govern banks as LLC's.
House Bill 1130	Extends the "Transfer on Death" provisions in chapter 29A to investment accounts held in the form of a trust held by a trust company or trust division of a bank.

Legislative Summary/continued

House Bill 1135	Changes the amount a taxpayer must pay to redeem a tax deed on his property (tax deeds are issued when a taxpayer hasn't paid taxes in three years).
House Bill 1144	Establishes higher maximum fees for money lender, mortgage lender, mortgage broker, and money order issuer license applications and renewals.
House Bill 1146	Allows licensed vehicle and used vehicle dealers to obtain commercial dealer plates that can be used by the dealer to transport inventory replacement vehicles.
House Bill 1166	Requires a person wanting to register a large boat in South Dakota to submit a damage disclosure statement when applying for a boat title.
House Bill 1177	Repeals the law that prohibits governments from purchasing goods or services from anyone who doesn't have a sales tax license.
House Bill 1180	Repeals the tax on trucking of products and small package delivery companies. Also exempt are transportation services provided by household moving companies.
House Bill 1186	Allows first responders (search and rescue, EMT's, etc.) to obtain and utilize the organizational plates process.
House Bill 1196	Requires auction agencies to disclose damage statements or notations listed on the title at the time of the sale.
House Bill 1211	Clarifies that eligibility for an insurance guaranty association can take into account both subsidiaries and affiliates of a company.
House Bill 1248	Permits counties and townships to levy a special front foot assessment not to exceed \$.80 per foot to maintain and repair streets and roadways.
House Bill 1298	Sets a rate of 4% for telephone corporations and coops whose annual gross receipts are less than \$50 million and details uniform procedures to administer the tax.
House Bill 1308	Implements a program to be administered through the Department of Social Services to provide quarterly sales tax refunds on food purchases to people who are at 150% or less of the federal property level.
House Bill 1311	Provides that pharmacy benefits managers must be licensed as third party administrators. It also requires full disclosure of all discounts and rebates from drug manufacturers and requires full disclosure to covered entities.
Senate Bill 3	Clarifies the definition of congregate housing and continuum care; requires facilities seeking the exemption to report to the Director of Equalization a list of the health care services they provide and how they satisfy the balanced nutrition program. Also places size limitations on exempt housing.
Senate Bill 25	Clarifies that a company must give 20 days prior notice before cancelling a policy that has been in force less than 60 days although the cancellation can be for any reason.
Senate Bill 26	Sets a civil penalty of \$250 for operating a vehicle with dyed fuel if it's not a qualified vehicle; penalty is \$500 for qualified vehicles.
Senate Bill 28	Allows the wholesale tax on tobacco products and amusement device tax to be added into compacts between the state and Indian tribes.
Senate Bill 30	Defines a racing jurisdiction as a governmental jurisdiction responsible for the regulation of pari-mutuel racing in that jurisdiction and removes the requirement that the jurisdiction be a member of an international racing commissioners association.
Senate Bill 31	Defines when biodiesel is either subject to or not subject to the fuel tax depending on to whom the fuel was sold (treats biodiesel the same as ethyl alcohol for reporting and tax purposes).
Senate Bill 32	Gives the department permission to promulgate rules to implement a staggered registration system for commercial and interstate licensed vehicles.
Senate Bill 34	Provides that people with guaranteed insurance policies (basic and standard) be given an option of increasing their deductible in an effort to reduce rising health insurance costs.

Legislative Summary/continued

Senate Bill 35	Confirms that “insurance producer” means “insurance agent” and applies to all of Title 58 of SDCL. Clarifies that referral fees can be paid as long as the fee is not conditioned upon the sale of insurance and isn’t related to the amount of commission or premium and removes a reference to specific dates for agent license renewals.
Senate Bill 36	Adds language to current statute so that any group that is eligible for group health insurance is also eligible for group life insurance.
Senate Bill 37	Allows all property casualty rates to be “file and use” instead of “prior approval” and exempts certain large commercial risks from any rate or form approval requirements.
Senate Bill 38	Repeals South Dakota’s current securities statutes and replaces them with the Uniform Securities Act of 2002 to provide better coordination of federal and state securities regulation efforts.
Senate Bill 39	Modifies the regional home office credit requirements by requiring that operations be located in one state instead of two. Also requires that regional home offices keep records in South Dakota.
Senate Bill 78	Increases the bonds for boat dealers from \$10,000 to \$20,000 and the mobile/manufactured home dealer bond from \$10,000 to \$25,000.
Senate Bill 84	Requires sellers or lessors of a residential property where methamphetamines were previously manufactured to make that known on a formal disclosure form.
Senate Bill 86	Requires new applicants for owner-occupied dwellings to confirm it’s their principal residence, lowers levy rates for the state aid formula, and repeals out-of-date statutes.
Senate Bill 88	Raises the income limits for eligibility for the assessment freeze and increases the ceiling of full and true value to \$150,000.
Senate Bill 123	Allows counties to implement a higher wheel tax (more than \$2) but keep their property taxes at the same level.
Senate Bill 124	Requires written documentation showing that certain merchandise brought into foreign trade zones will be shipped outside of the United States and not returned.
Senate Bill 130	Allows farm mutuals to invest in government-backed securities, provides for a continuous certificate of authority, and exempts farm mutuals from the examination fund only if the farm mutual has \$1 million or less in written premiums.
Senate Bill 137	Changes the accounting regulations and allows insurers to count a percentage of “good will” as an asset.
Senate Bill 148	Adopts the NAIC model non-forfeiture language which includes the minimum values under annuity contracts being adopted by utilizing a variable minimum rather than the prior fixed 1.5%.
Senate Bill 170	Lengthens the time period from 30 to 60 days that a person has before the failure to pay tax or file a tax return becomes a misdemeanor.
Senate Bill 192	Clarifies that participating providers cannot balance bill or charge different rates to those that pay medical bills from health savings accounts versus any other type of health insurance.
Senate Bill 193	Allows insurers to invest a portion of their assets in non-rated municipal debt securities.
Senate Bill 194	Clarifies that non-profit renter damage guarantee programs are not subject to regulation by the Division of Insurance or insurance regulations in SDCL Title 58.
Senate Bill 199	Annual bill allocating \$1 million from the state general fund to provide property and sales tax refunds under the Senior and Disabled Citizens Tax Refund Program.
Senate Bill 208	Repeals obsolete references to “standard or basic” plans.

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 malt beverages 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)
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%)

Tax Listing/continued

Tax	Description
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)
Excise Tax	
Municipal Contractors'	Municipal Contractors' Excise Tax imposed by city ordinance, administered by the Department of Revenue and Regulation, tax in addition to state tax. (Authority: SDCL 10-46A and 10-52) (Rate Base: .5%)
Municipal Gross Receipts Tax	Municipal Gross Receipts Tax imposed by city ordinance, administered by the Department of Revenue and Regulation, in addition to state tax. Imposed on alcoholic beverages, eating establishments, lodging accommodations, ticket sales and admission to places of amusement, or athletic and cultural events. (Authority: SDCL 10-52A)(Rate Base: 1%)
Municipal Sales and Use Tax	Municipal sales and use taxes imposed by city ordinance, administered by the Department of Revenue and Regulation, 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)

Tax Listing/continued

Tax	Description																																							
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 style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: left;"><u>Rate Base:</u></th> <th style="text-align: left;"><u>City:</u></th> </tr> </thead> <tbody> <tr> <td>Off-sale Package Liquor</td> <td>\$ 500.00(min)</td> <td>First Class (NEW)</td> </tr> <tr> <td>Off-sale Package Liquor</td> <td>\$ 500.00</td> <td>First Class (RENEWAL)</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 (min)</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>		<u>Rate Base:</u>	<u>City:</u>	Off-sale Package Liquor	\$ 500.00(min)	First Class (NEW)	Off-sale Package Liquor	\$ 500.00	First Class (RENEWAL)	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 (min)	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
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Sales and Service Tax	(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%) 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%) Tax applies to receipts from oil and gas field services. (Rate Base: 3%)																																							
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	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%) A. Farm machinery and irrigation equipment not taxed under 10-45. (Rate Base: 3%)																																							
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

Business Tax Division - Scott Peterson, Director

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 70% of the total revenues in fiscal year 2004. 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 2004, sales, use and contractors' excise taxes in South Dakota totaled \$779,331,796. 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.

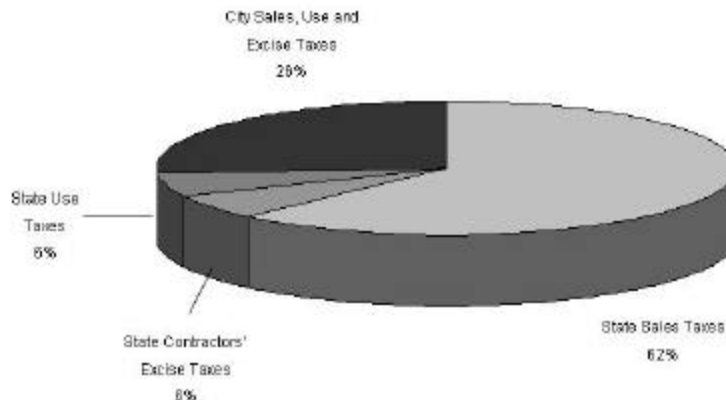
Total State Revenues: Sales, Use and Contractors' Excise Taxes

Fiscal Year	Total State Revenues	Percent of Change
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%
2004	574,063,634	6.53%

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

Total Receipts - \$779,331,796

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



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	2004 Rate(s)	Adopted	FY 2003 Remittance	FY 2004 Remittance	% Increase [Decrease]
Aberdeen	1%, 2%	4-71	\$10,217,397.28	\$10,877,937.56	6.46%
Alcester	1%	9-84	60,830.32	66,902.74	9.98%
Alexandria	2%	11-84	71,390.88	63,779.73	-10.66%
Alpena	1%	7-00	56,545.27	65,008.69	14.97%
Arlington	2%	3-89	186,798.08	212,247.93	13.62%
Armour	2%	9-88	146,325.15	177,003.98	20.97%
Artesian	2%	1-02	24,170.92	30,801.70	27.43%
Avon	2%	9-84	84,554.19	84,322.99	-0.27%
Baltic	1%, 2%	7-93	74,451.42	88,078.18	18.30%
Belle Fourche	1%, 1.9%	2-78	1,269,245.00	1,375,881.58	8.40%
Belvidere	2%	1-85	11,347.67	18,102.49	59.53%
Beresford	2%	7-77	447,763.05	523,008.08	16.80%
Big Stone City	1%	1-04	0.00	32,738.61	N/A
Blunt	1% (GR & ST)	7-96	17,142.44	21,012.11	22.57%
Bonesteel	1%	1-01	29,903.31	43,686.44	46.09%
Bowdle	1%	1-89	55,033.87	63,849.76	16.02%
BoxElder	1%, 2%	1-83	461,266.68	493,566.83	7.00%
Brandon	1%, 2%	4-77	1,135,951.90	1,373,615.16	20.92%
Brandt	1%	1-01	6,180.68	6,768.31	9.51%
Bridgewater	2%	7-85	75,670.79	86,694.57	14.57%
Bristol	2%	7-96	24,684.80	46,854.99	89.81%
Britton	1.87%	1-84	354,381.45	386,705.42	9.12%
Brookings	1%, 1.9%	1-82	5,531,839.94	6,124,210.06	10.71%
Bryant	1%	1-95	30,422.19	31,490.82	3.51%
Buffalo	1%	7-97	38,932.00	43,574.53	11.92%
Burke	2%	3-88	146,329.54	158,578.21	8.37%
Camp Crook	1%	1-04	0.00	140.44	N/A
Canistota	2%	7-79	85,134.73	88,458.93	3.90%
Canova	1.95%	9-88	11,921.06	14,205.34	19.16%
Canton	2%	4-77	615,258.30	646,465.62	5.07%
Carthage	1%	7-99	7,728.88	9,006.59	16.53%
Castlewood	2%	1-89	78,300.61	80,518.24	2.83%
Centerville	2%	7-79	100,572.27	111,181.77	10.55%
Central City	2%	7-75	62,865.30	50,863.97	-19.09%
Chamberlain	1%, 2%	4-79	845,397.63	875,005.54	3.50%
Chancellor	1%, 2%	1-84	62,559.13	45,201.26	-27.75%
Cheyenne River ST	1.5%, 2%, 3%, 4%	6-76	966,796.23	1,265,390.58	30.88%
Clark	2%	3-86	248,521.61	279,288.95	12.38%
Clear Lake	2%	7-78	327,337.36	383,003.36	17.01%
Colman	2%	1-96	96,644.90	118,024.68	22.12%
Colome	2%	1-89	37,598.36	41,978.64	11.65%
Colton	1%, 2%	1-98	87,782.50	84,970.90	-3.20%
Corsica	2%	1-87	137,772.74	128,915.48	-6.43%
Crooks	1.90%	9-89	68,128.53	80,336.69	17.92%
Custer	1%, 2%	7-77	873,403.42	945,251.66	8.23%
Dallas	2%	1-02	10,559.27	9,417.18	-11.15%
Davis	2%	7-94	5,592.51	8,274.86	47.96%
DeSmet	2%	1-79	266,793.27	281,273.95	5.43%
Deadwood	1%, 2%	4-78	1,627,803.55	1,720,848.76	5.72%
DellRapids	1%, 2%	7-79	530,694.04	598,559.67	12.79%
Delmont	1.76%	11-88	29,948.70	33,307.10	11.21%
Doland	1%	1-95	25,573.79	21,133.05	-17.36%
Dupree	1%	1-85	31,206.96	34,821.11	11.58%
Eden	1%	11-91	10,081.92	10,525.46	4.40%
Edgemont	2%	4-74	110,198.77	122,902.38	11.53%
Egan	2%	1-89	12,935.36	17,922.35	38.55%
Elk Point	2%	7-79	295,823.29	259,685.64	-12.22%
Elkton	2%	1-95	77,256.57	100,333.39	29.87%
Emery	2%	1-90	44,856.65	68,748.28	53.26%
Estelline	1%	1-92	46,664.28	49,420.44	5.91%
Ethan	2%	7-95	74,126.76	80,699.48	8.87%
Eureka	1.90%	7-85	185,675.36	180,469.78	-2.80%
Faith	1%, 2%	3-85	83,978.85	141,931.23	69.01%
Faulton	2%	7-88	166,972.23	179,219.99	7.34%
Flandreau	1%, 1.91%	7-81	379,866.07	361,933.50	-4.72%
Florence	1%	1-97	19,902.83	17,933.13	-9.90%

Sales Tax/continued

City/Reservation	2004 Rate(s)	Adopted	FY 2003 Remittance	FY 2004 Remittance	% Increase [Decrease]
Fort Pierre	1%, 2%	10-78	594,136.72	588,286.25	-0.98%
Freeman	2%	1-94	261,629.79	271,042.08	3.60%
Garretson	2%	3-84	192,550.45	203,501.60	5.69%
Gary	1%	7-87	20,288.08	24,654.75	21.52%
Gayville	2%	1-03	8,315.37	26,822.18	222.56%
Geddes	2%	5-87	42,062.04	41,656.64	-0.96%
Gettysburg	1%, 2%	5-85	323,618.64	335,895.67	3.79%
Glenham	2%	7-02	6,396.05	9,401.70	46.99%
Gregory	2%	1-87	353,346.34	489,664.22	38.58%
Groton	1%, 2%	1-79	316,017.10	320,119.03	1.30%
Harrisburg	2%	7-82	204,585.40	262,499.55	28.31%
Harrold	1%	1-94	10,861.70	13,810.84	27.15%
Hartford	1%, 2%	1-78	322,031.89	362,118.30	12.45%
Hayti	1%	1-94	27,756.63	25,186.16	-9.26%
Hazel	1%	1-04	0.00	2,762.62	N/A
Henry	1%	1-95	15,628.71	17,872.65	14.36%
Hermosa	2%	3-84	43,376.33	54,838.32	26.42%
Herried	1%	1-91	56,075.03	61,476.16	9.63%
Highmore	1%, 2%	10-79	236,304.15	322,027.53	36.28%
Hill City	1%, 2%	7-77	481,762.86	547,438.97	13.63%
Hitchcock	1%	9-90	8,939.69	10,203.17	14.13%
Hosmer	1%	7-82	17,927.91	16,987.16	-5.25%
Hot Springs	1%, 1.83%	11-71	983,679.55	1,006,944.76	2.37%
Hoven	2%	3-92	100,255.59	112,766.41	12.48%
Howard	2%	11-86	206,587.79	255,147.49	23.51%
Hudson	1%	1-04	0.00	15,531.52	N/A
Humboldt	1%, 2%	7-82	77,014.26	85,108.40	10.51%
Hurley	2%	7-82	42,639.36	48,156.44	12.94%
Huron	1%, 2%	10-72	3,287,379.49	3,425,103.95	4.19%
Interior	1.90%	1-92	31,410.03	30,607.24	-2.56%
Ipswich	2%	7-77	160,274.08	173,516.35	8.26%
Irene	2%	7-84	61,866.73	63,695.86	2.96%
Iroquois	1%	7-81	20,374.83	24,388.93	19.70%
Isabel	2%	11-91	23,031.21	27,143.51	17.86%
Java	1%	7-99	4,570.31	6,049.48	32.36%
Jefferson	2%	1-96	61,076.73	66,200.08	8.39%
Kadoka	1%, 2%	1-77	198,326.07	203,449.60	2.58%
Kennebec	1%, 1.86%	7-78	34,963.26	62,705.22	79.35%
Keystone	1%, 2%	7-72	605,519.97	604,810.73	-0.12%
Kimball	1%, 2%	1-81	194,488.39	197,320.41	1.46%
LakeAndes	2%	7-84	106,152.84	108,024.48	1.76%
LakeNorden	1%	1-94	180,988.27	267,637.16	47.88%
Lake Preston	2%	1-81	122,683.87	127,899.29	4.25%
Langford	1%	1-98	18,411.43	16,558.80	-10.06%
Lead	1%, 2%	4-72	500,773.20	538,705.38	7.57%
Lemmon	2%	1-89	327,918.90	356,242.98	8.64%
Lennox	2%	1-74	275,052.35	324,392.98	17.94%
Leola	2%	11-87	33,920.50	60,303.16	77.78%
Letcher	1%, 2%	1-02	15,696.74	17,981.04	14.55%
McIntosh	1%	3-92	16,625.43	14,088.55	-15.26%
McLaughlin	1%	1-93	61,745.57	51,215.00	-16.69%
Madison	1%, 2%	4-72	1,757,525.10	1,913,862.50	8.90%
Marion	2%	7-80	137,864.80	162,427.00	17.82%
Martin	1%, 2%	7-80	242,054.08	258,064.29	6.61%
Menno	1%	1-90	65,371.55	69,167.55	5.81%
Midland	2%	7-83	32,667.96	34,968.89	7.04%
Milbank	1%, 2%	7-88	1,120,094.23	1,276,082.98	13.93%
Miller	2%	9-86	418,421.24	450,904.64	7.57%
Mission	1.75%	11-73	230,862.13	230,854.55	0.00%
Mitchell	1%, 2%	1-77	6,440,965.13	7,516,153.10	16.69%
Mobridge	2%	11-86	935,200.73	1,009,688.25	7.96%
Monroe	1%	1-81	5,233.21	4,389.88	-16.11%
Montrose	1.86%	7-88	49,697.61	49,756.27	0.12%
MountVernon	1%, 2%	1-97	38,231.44	42,992.64	12.46%
Murdo	1%, 2%	1-78	266,768.41	264,162.26	-0.98%
New Underwood	2%	3-86	49,793.09	50,991.85	2.41%
Newell	2%	7-78	84,463.02	105,934.45	25.42%
Nisland	2%	11-88	10,484.49	10,807.97	3.09%
North Sioux City	2%	5-88	2,497,002.29	1,770,697.51	-29.09%
Oacoma	1%, 2%	4-82	420,946.98	486,245.86	15.51%
Oglala ST	1.5%, 2%, 3%, 4%	12-70	1,326,741.57	1,386,396.84	4.50%
Olivet	1%	1-00	2,941.00	3,317.51	12.80%
Onida	2%	1-95	114,949.61	127,649.06	11.05%
Parker	2%	7-83	161,792.64	195,201.07	20.65%
Parkston	1%, 2%	10-79	285,072.28	286,253.44	7.99%
Philip	2%	4-76	274,223.81	273,023.75	-0.44%
Pickstown	1%	1-89	25,125.42	25,130.30	0.02%
Pierre	1%, 1.8%	1-77	4,380,948.86	4,572,129.96	4.36%
Plankinton	2%	1-94	122,626.77	109,046.66	-11.07%
Platte	1%, 2%	7-86	398,532.01	417,765.98	4.83%
Pollock	1%	7-92	29,094.32	33,819.74	16.24%
Presho	1%	7-78	49,627.14	53,082.80	6.96%
Pringle	2%	1-04	0.00	3,228.70	N/A
Quinn	1% (GR & ST)	1-04	0.00	6,406.11	N/A
Ramona	1%	1-97	7,343.09	11,615.16	58.18%
Rapid City	1%, 1.84%	5-72	30,632,013.00	32,647,782.18	6.58%

Sales Tax/continued

<i>City/Reservation</i>	<i>2004 Rate(s)</i>	<i>Adopted</i>	<i>FY 2003 Remittance</i>	<i>FY 2004 Remittance</i>	<i>% Increase [Decrease]</i>
Redfield	1%, 2%	1-81	510,677.45	596,033.79	16.71%
Reliance	1%, 2%	1-99	30,980.39	31,068.58	0.28%
Reville	1%	1-04	0.00	3,221.80	N/A
Roscoe	1%	1-79	30,152.09	30,861.33	2.35%
Rosebud ST	1.5%, 2%, 3%, 4%	1-78	1,156,586.12	1,187,474.83	2.67%
Rosholt	1%	7-99	57,503.23	60,523.78	5.25%
Roslyn	2%	1-89	19,440.02	27,662.53	42.30%
Salem	1.89%	7-83	323,412.68	317,086.57	-1.96%
Scotland	2%	7-82	217,830.39	247,856.01	13.78%
Selby	1%	9-87	68,944.18	75,456.67	9.45%
Sherman	1%	7-01	4,143.32	4,094.68	-1.17%
Sioux Falls	1%, 1.92%	1-74	64,832,999.17	68,699,885.85	5.96%
Sioux Falls Lodging	1%	1-96	418,083.40	430,565.06	2.99%
Sisseton	2%	7-78	601,389.92	678,583.76	12.84%
Spearfish	1%, 2%	10-71	4,037,683.37	4,537,170.34	12.37%
Spencer	2%	1-87	0.00	11,768.20	N/A
Springfield	1%	7-84	85,584.28	96,218.95	12.43%
Standing Rock ST	1.5%, 2%, 3%, 4%	3-91	281,772.84	389,144.42	38.11%
Stickney	2%	7-86	45,933.83	51,474.81	12.06%
Stratford	1%	7-01	5,022.66	3,908.77	-22.18%
Sturgis	1%, 2%	11-71	2,034,028.91	2,266,632.77	11.44%
Summit	2%	7-93	12,860.21	14,964.75	16.36%
Tabor	1%	7-93	30,240.31	34,335.96	13.54%
Tea	1%, 2%	7-82	400,474.02	494,674.68	23.52%
Timber Lake	1.70%	3-87	68,718.61	65,327.65	-4.93%
Toronto	1%	9-85	28,938.61	28,800.60	-0.48%
Trent	1%	1-99	5,875.56	7,128.82	21.33%
Tripp	1%	1-88	86,324.92	90,142.06	4.42%
Tulare	1%	11-91	13,929.83	13,412.12	-3.72%
Tyndall	1%	1-86	92,205.93	96,213.24	4.35%
Valley Springs	2%	1-91	35,674.82	47,610.97	33.46%
Veblen	1%	1-89	18,016.10	20,612.56	14.41%
Vermillion	1%, 2%	7-80	1,780,601.05	1,842,590.86	3.48%
Viborg	2%	4-80	159,150.89	174,321.56	9.53%
Volga	1%	7-97	103,743.39	116,423.50	12.22%
Volin	1%	7-01	6,316.57	7,707.01	22.01%
Wagner	1.82%	7-87	442,122.00	448,983.74	1.55%
Wakonda	1%	1-82	23,678.46	22,569.60	-4.68%
Wall	1%, 2%	10-71	678,852.43	786,656.45	15.88%
Warner	2%	7-98	32,942.69	32,266.46	-2.05%
Wasta	1%	9-90	4,185.75	3,039.74	-27.38%
Watertown	1%, 1.9%	1-78	9,146,519.59	9,538,548.47	4.29%
Vaubay	2%	1-81	70,902.64	80,106.58	12.98%
Webster	2%	7-81	482,288.96	513,782.64	6.53%
Wentworth	2%	7-94	11,404.31	16,968.04	48.79%
Wessington	1%	5-91	27,132.59	31,842.58	17.36%
Wessington Springs	2%	7-78	194,153.58	209,332.04	7.82%
White Lake	2%	1-94	27,428.85	63,208.48	130.45%
White River	2%	7-78	96,918.88	100,511.75	3.71%
Whitewood	1%, 2%	7-76	130,676.36	131,062.14	0.30%
Willow Lake	2%	5-85	37,730.25	39,419.53	4.48%
Wilmot	2%	7-98	63,294.99	91,788.56	45.02%
Winner	2%	1-80	968,377.73	966,736.01	-0.17%
Witten	1%	1-98	1,862.73	1,988.58	6.76%
Wolsey	2%	1-04	0.00	22,238.92	N/A
Woonsocket	2%	7-79	151,345.40	210,638.09	39.18%
Worthing	1%, 2%	1-84	58,189.45	74,228.00	27.56%
Yankton	1%, 1.86%	7-79	4,738,015.31	5,017,986.87	5.91%
TOTAL			\$188,193,542.27	\$201,408,007.40	7.02%

In fiscal year 2004, a total of 206 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 2%.

Cities may also impose a 1% municipal gross receipts tax which is levied in addition to the municipal sales tax. The gross receipts tax can be imposed on alcoholic beverages, eating establishments, lodging accommodations, ticket sales and admissions to places of amusement, or athletic and cultural events. In FY2004, 53 South Dakota communities imposed this gross receipts tax.

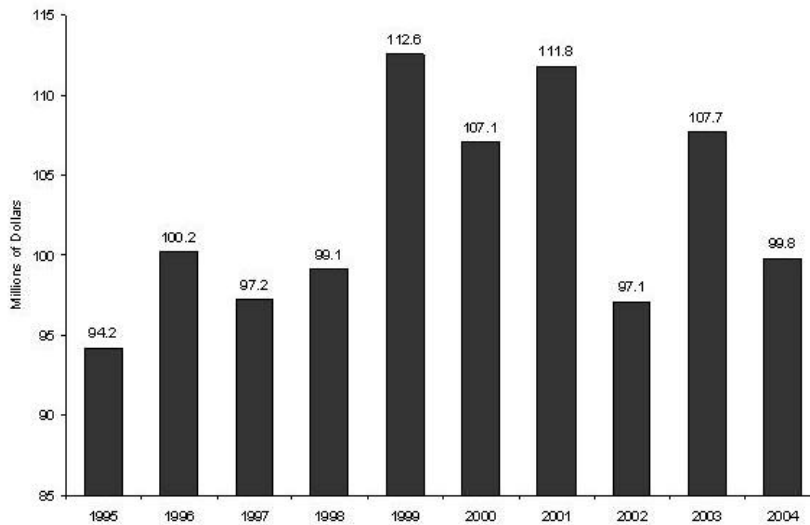
Special Taxes

Property and Special Taxes Division - Michael Kenyon, Director

Total Revenues

The Special Taxes division administers a variety of diverse taxes including cigarette excise taxes; estate 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. South Dakota's inheritance tax was repealed in 2001. In fiscal year 2004, revenues in this division showed a decrease of \$7,887,428 from 2003 with total collections of \$99,811,119.

Total Special Tax Revenues: A Ten-Year Comparison

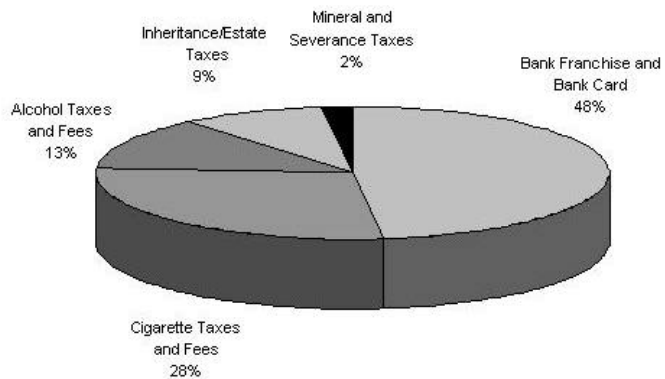


There are five major types of Special Taxes: bank franchise taxes, estate taxes, alcohol taxes, cigarette taxes, and mineral and severance taxes. In fiscal year 2004, bank franchise and bank card taxes generated about 48% of special tax revenues.

Tax Revenues by Category

Total Receipts - \$99,811,119

Other taxes accounted for 0.3% of total receipts.

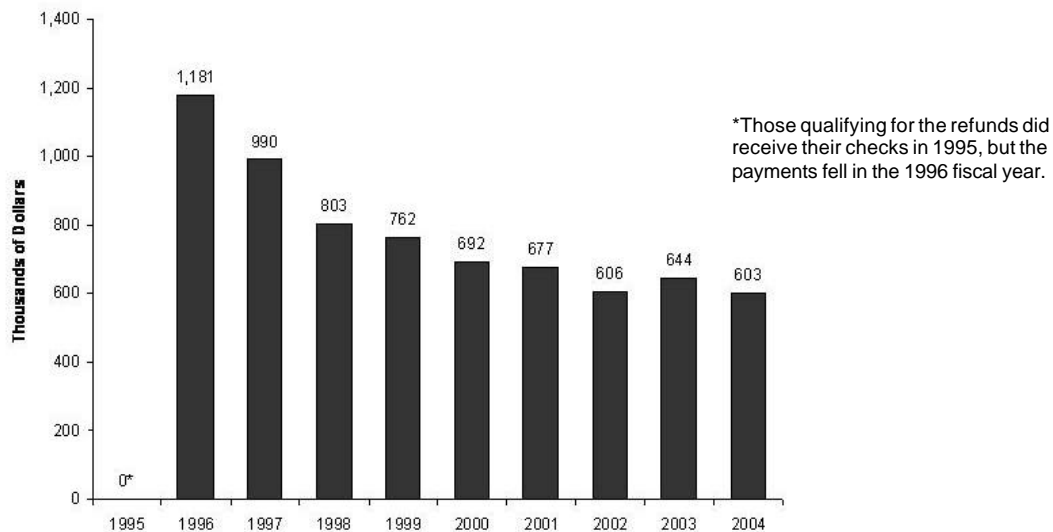


Refunds to the Elderly and Disabled

Tax refund dollars for the elderly and disabled benefitted citizens in 65 of South Dakota's 66 counties in fiscal year 2004. Pennington County had the largest number of participants with 447, followed by Minnehaha County with 442, Brown County with 210, and Shannon County with 204. A total of 3,556 applications were received for the program in fiscal year 2004, down from 3,715 the previous fiscal year. Refunds distributed in fiscal year 2004 totaled \$602,674.

The number of refund applications by group in 2004 were: Elderly single - 1,763; Elderly household - 264; Disabled single - 1,241; and Disabled household - 288. Supplemental checks in the amount of \$100 were sent to the 1,000 individuals with the lowest reported income. The following chart indicates the total refunds distributed through the program for the past 10 years.

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



Collection Allowances

There are certain allowances given to taxpayers that reduce the amount of taxes collected by the department. One such allowance is given to tobacco distributors, who receive 3.5% of the value of the tax stamps they purchase. In fiscal year 2004, that allowance amounted to \$982,191.97, up from the \$728,946.91 allowed in fiscal year 2003.

Property Taxes

Property and Special Taxes Division - Michael Kenyon, Director

Property taxes are the primary source of funding for school systems, counties, municipalities and other units of local government. The state does not collect or spend any property tax money. Each county administers its own property tax system; the department's authority is limited to assisting local governments in making property tax assessments that are fair and in compliance with the law.

Who pays property taxes and where does the money go?

In calendar year 2004, South Dakota property owners paid more than \$716 million to fund local governments and provide K-12 education for the state's children. The following two charts show the portion of the total tax bill paid by each classification of property, and where the money collected is spent.

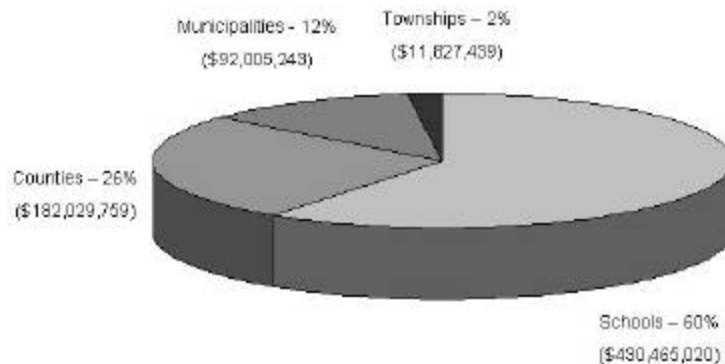
Percentage Breakdown of Property Taxes Collected by Property Classification

CY2004 Total Property Taxes Collected = \$716,327,461



Percentage Breakdown of Property Taxes Distributed by Government Entity

CY2004 Total Property Taxes Distributed = \$716,327,461



Property Taxes/continued

Total Property Taxes 2002 - 2004

	Payable 2002	Payable 2003	Payable 2004
Agricultural Property	\$166,225,267.53	\$172,050,045.58	\$181,258,287.38
Non-Ag Acreages	2,733,688.53	4,304,303.18	1,769,313.89
Owner-Occupied Property	239,415,363.36	254,014,786.51	267,665,970.68
Manufactured Homes (Real) - Not Owner Occupied	1,587,635.82	1,893,270.12	2,372,198.91
Manufactured Homes (Real) - Owner Occupied	3,729,608.67	4,742,877.34	5,514,556.18
Other Property	213,873,016.90	220,384,652.16	227,464,566.45
Utilities			
Railroad	1,561,830.38	1,788,793.94	1,098,055.36
Telegraph			
Electric Light, Power, etc.	22,752,088.59	22,953,341.35	23,265,295.66
Telephone Companies (Within)	5,152,969.25	4,989,265.31	4,772,700.39
Telephone Companies (Without)	1,347,660.89	1,321,005.48	1,146,515.30
Special Assessments	8,774,865.67	10,279,052.77	8,835,377.91
TOTAL	\$667,153,995.59	\$698,721,393.74	\$725,162,838.11

Taxes Levied by Local Units of Government

The chart below compares the total amount of tax levied by each unit of government.

Taxes Levied by Local Units of Government - 2004

	Amount Taxed	Percent of Total
County (Includes Library, Secondary Road, Fire Fighting Purposes, Telephone Outside-General Fund)	\$182,029,759.26	25.10%
Municipalities	92,005,242.69	12.69%
Schools	430,465,019.66	59.36%
Townships	11,827,438.59	1.63%
Special Assessments	8,835,377.91	1.22%
Total	\$725,162,838.11	100.00%

Assessed Valuations by County

The chart on the following pages indicates the amount of taxable value in each of South Dakota's 66 counties, broken out by the class of property. The "Other" category includes residential property not occupied by the owner, commercial property and utility property.

Property Taxes/continued

Assessed Valuations: 2004 Taxes Payable 2005

County	Ag Real Valuation	Owner Occupied Valuation	Other Valuation	Total Valuation
Aurora	\$223,043,447	\$25,876,208	\$15,375,027	\$264,294,682
Beadle	363,697,330	227,275,642	209,789,253	800,762,225
Bennett	87,614,378	14,825,768	7,225,527	109,665,673
BonHomme	187,173,230	66,440,173	28,582,110	282,195,513
Brookings	347,415,550	520,757,620	332,979,966	1,201,153,136
Brown	641,998,241	692,372,284	459,938,505	1,794,309,030
Brule	210,327,233	60,604,605	47,105,018	318,036,856
Buffalo	62,752,518	1,179,506	964,628	64,896,652
Butte	149,309,389	142,437,327	84,754,882	376,501,598
Campbell	117,712,789	16,506,495	6,536,233	140,755,517
Charles Mix	361,473,568	81,544,622	53,088,025	496,106,215
Clark	275,214,706	23,935,351	48,434,673	347,584,730
Clay	228,976,295	184,567,480	114,114,865	527,658,640
Codington	224,023,273	637,523,486	366,481,128	1,228,027,887
Corson	91,460,774	10,022,649	17,024,654	118,508,077
Custer	82,361,341	217,002,435	194,238,037	493,601,813
Davison	144,915,960	358,726,195	245,958,612	749,600,767
Day	216,836,674	70,391,924	68,743,957	355,972,555
Deuel	231,379,227	52,476,267	52,297,305	336,152,799
Dewey	83,390,996	7,885,837	8,238,115	99,514,948
Douglas	158,437,430	29,662,762	14,326,175	202,426,367
Edmunds	213,887,195	57,564,289	52,039,726	323,491,210
Fall River	80,568,665	96,999,985	107,034,745	284,603,395
Faulk	138,471,158	16,135,429	8,147,903	162,754,490
Grant	196,880,004	113,753,351	163,559,987	474,193,342
Gregory	215,127,371	29,487,369	15,024,364	259,639,104
Haakon	196,615,440	19,188,944	16,098,369	231,902,753
Hamlin	207,446,640	73,766,924	61,931,387	343,144,951
Hand	307,924,153	38,460,303	29,148,498	375,532,954
Hanson	176,366,991	38,062,028	16,140,609	230,569,628
Harding	147,323,950	9,736,460	20,614,339	177,674,749
Hughes	143,701,754	400,278,846	225,271,262	769,251,862
Hutchinson	392,895,105	87,996,869	49,021,256	529,913,230
Hyde	156,719,492	15,767,079	21,667,102	194,153,673
Jackson	89,808,467	10,525,258	12,558,836	112,164,561
Jerauld	136,193,946	16,604,406	11,761,555	164,559,907
Jones	117,270,037	9,566,616	10,098,690	136,935,343
Kingsbury	279,413,299	62,554,338	46,799,740	388,767,377
Lake	274,686,750	219,764,365	134,489,637	628,940,752
Lawrence	25,601,134	548,572,395	482,976,331	1,057,149,860
Lincoln	432,548,568	1,169,462,560	445,177,316	2,047,188,444
Lyman	241,910,510	28,561,267	27,475,094	297,946,871
Marshall	208,136,754	56,924,883	36,800,466	301,862,103
McCook	275,903,390	95,614,003	36,778,697	408,296,090
McPherson	183,851,624	25,807,908	37,046,785	246,706,317
Meade	226,800,936	540,538,362	267,537,174	1,034,876,472
Mellette	98,177,998	6,881,600	3,952,153	109,011,751
Miner	184,375,617	20,138,734	15,270,581	219,784,932
Minnehaha	475,690,710	4,330,765,156	2,979,163,744	7,785,619,610
Moody	287,776,255	84,260,986	35,223,023	407,260,264
Pennington	179,362,918	2,518,975,307	2,190,455,479	4,888,793,704
Perkins	189,578,639	26,303,940	15,377,026	231,259,605
Potter	217,305,148	32,567,896	24,378,481	274,251,525
Roberts	275,645,544	101,118,246	61,963,642	438,727,432

Property Taxes/continued

County	Ag Real Valuation	Owner Occupied Valuation	Other Valuation	Total Valuation
Sanborn	148,359,625	13,075,889	12,633,051	174,068,565
Shannon	17,126,065	1,876,630	2,195,624	21,198,319
Spink	405,075,090	56,648,357	53,044,669	514,768,116
Stanley	149,759,824	65,354,012	43,348,305	258,462,141
Sully	244,410,846	20,193,740	24,057,418	288,662,004
Todd	67,434,702	6,607,014	7,262,036	81,303,752
Tripp	295,586,956	69,453,026	37,044,061	402,084,043
Turner	291,110,580	120,208,710	43,179,026	454,498,316
Union	363,509,387	375,181,983	222,077,121	960,768,491
Walworth	114,407,388	53,197,297	45,663,956	213,268,641
Yankton	231,438,847	446,239,837	260,205,850	937,884,534
Ziebach	70,075,646	1,942,510	3,214,037	75,232,193
STATE TOTALS	\$13,861,047,467	\$15,574,699,743	\$10,791,105,846	\$40,226,853,056

Limits on Property Taxes

The South Dakota Legislature has enacted two independent systems that limit the growth of property taxes. The first is the state aid to education payments. These payments effectively replace property taxes for schools that would otherwise be paid by owners of agricultural and owner-occupied homes. The second system is the caps placed on the property taxes collected by all levels of local government (except schools). These caps limit the local governments' property tax collections to the amount they collected the previous year, plus small increases for inflation and new construction.

State Aid to Education Payments

Agricultural and owner-occupied property owners benefit from the funding for education provided by the state. The state provides an extra \$120 million for K-12 education that would otherwise have to be paid by these property owners. The benefit is provided to the taxpayer through a tax rate reduction for the school general fund levy. The school general fund levy rates for taxes payable in 2005 are set statewide as follows:

Ag	\$3.32/\$1,000 of value
Owner-Occupied	\$5.34/\$1,000 of value
Other	\$11.45/\$1,000 of value

Property Tax Caps

State law limits the amount of property taxes that local governments (counties, cities, townships, fire districts, etc.) can collect from their property owners. Market increases in the value of the property within the taxing district automatically decrease the property tax rates upon that property

Property Taxes/continued

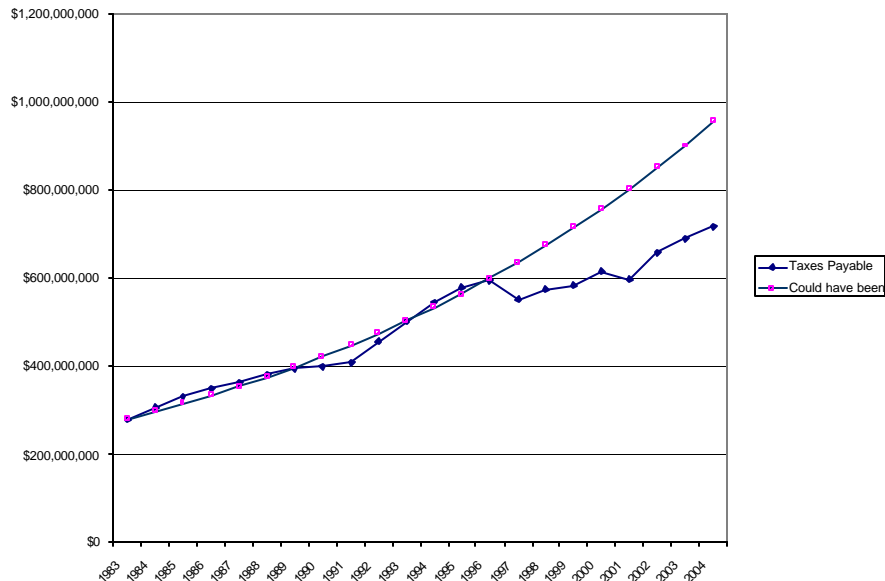
to ensure that the caps are not exceeded. Local governments are limited to the amount of property taxes they collected last year, plus an increase for inflation based upon the consumer price index (but not more than 3%) and for new construction within the taxing jurisdiction.

An example will illustrate how the property tax caps work. Assume that last year, the total property valuation within a city was \$100 million and the city collected \$300,000 from property taxes. To collect the \$300,000, the city assessed property within the city a tax of \$3.00/\$1,000 of assessed value. This year, the consumer price index is 2%, a new subdivision was created within the city with a total valuation of \$1 million, and a hot real estate market increased the value of the existing property within the city to \$109 million. The city can increase the \$300,000 it received from property taxes last year by 3% (2% for CPI and 1% for the new construction) for a total of \$309,000. To prevent the city from going over the cap, the tax rate applied to the \$110 million of property within the district (market value of \$109 million plus the new \$1 million subdivision), the tax rate is automatically lowered from last year's rate of \$3.00/\$1,000 of value to \$2.81/\$1,000 of value.

Combined Effect of Tax Caps and State Aid Payments

Historically, property taxes have increased at a rate of about 6% per year since 1947. Property tax caps and state aid to education have significantly slowed this increase. If the historical rate of property tax growth had continued through the 1990's, current property owners would be paying almost \$1 billion in property taxes. Instead, property owners are paying less than \$720 million of property taxes. The chart below shows the historical growth of property taxes and the actual growth of property taxes. These programs were implemented in 1997.

Historical Growth of Property Taxes v. Actual Growth



Effective Property Tax Rates

The tables on this and the following page show the effective tax rate for owner-occupied, agricultural, and other property in 25 South Dakota jurisdictions. The “Other” category includes residential property not occupied by the owner, commercial property and utility 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 is 2%, and the assessed (market) value of the property is \$150,000, then the taxes will be about \$3,000 per year. The “Agricultural” effective tax rate is for the agricultural property in the township around the cities on the list.

Owner-Occupied Taxes Payable in 2004

City	Effective Tax Rate	X\$40,000=	A Tax Of
Aberdeen	1.82%		\$727.26
Belle Fourche	1.99		795.60
Brandon	1.54		616.66
Brookings	1.76		703.12
Canton	1.95		781.32
Chamberlain	1.99		797.30
Dell Rapids	1.62		647.53
Flandreau	2.29		917.86
Hot Springs	2.31		922.76
Huron	2.30		919.29
Madison	1.75		698.02
Milbank	1.50		598.60
Mitchell	1.92		769.76

City	Effective Tax Rate	X\$40,000=	A Tax Of
Mobridge	2.12%		\$849.32
Pierre	1.66		662.69
Rapid City	1.57		629.17
Redfield	3.03		1,211.59
Sioux Falls	1.50		600.98
Sisseton	2.11		842.55
Sturgis	2.21		884.34
Vermillion	1.94		775.20
Watertown	1.49		595.44
Webster	2.09		834.02
Winner	1.77		708.56
Yankton	1.63		652.46

Other Non-Agricultural Taxes Payable in 2004

City	Effective Tax Rate	X\$40,000=	A Tax Of
Aberdeen	2.36%		\$945.88
Belle Fourche	2.53		1,013.88
Brandon	2.09		836.30
Brookings	2.38		952.34
Canton	2.50		999.60
Chamberlain	2.54		1,015.58
Dell Rapids	2.17		866.15
Flandreau	2.84		1,137.50
Hot Springs	2.85		1,141.38
Huron	2.84		1,137.57
Madison	2.29		916.30
Milbank	2.40		961.38
Mitchell	2.53		1,013.88

City	Effective Tax Rate	X\$40,000=	A Tax Of
Mobridge	2.67%		\$1,067.60
Pierre	2.20		880.97
Rapid City	2.13		850.34
Redfield	3.81		1,525.07
Sioux Falls	2.09		834.56
Sisseton	2.61		1,043.83
Sturgis	2.76		1,105.68
Vermillion	2.50		998.58
Watertown	2.03		813.72
Webster	2.63		1,053.66
Winner	2.32		928.20
Yankton	2.18		870.74

Property Taxes/continued

Agricultural Taxes Payable in 2004

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%		\$526.66	Mobridge Twp. 62-3 (Unorg.)	1.25%		\$501.50
Belle Fourche Twp. 9-1 (Unorg.)	1.19		475.32	Pierre Twp. 32-2 (Unorg.)	1.18		472.33
Brandon Twp. 49-2	1.10		438.80	Rapid City Twp. 51-4 (Unorg.)	1.26		503.88
Brookings Twp. 5-1	1.45		581.06	Redfield Twp. 56-4	1.31		522.99
Canton Twp. 41-1	1.05		419.90	Sioux Falls Twp. 49-5	1.06		424.01
Chamberlain Twp. 7-1	1.15		459.00	Sisseton Twp. 54-8	1.10		438.87
Dell Rapids Twp. 49-3	1.02		409.67	Sturgis Twp. 46-1 (Unorg.)	1.23		491.98
Flandreau Twp. 50-3	1.41		562.22	Vermillion Twp. 13-1	1.33		533.80
Hot Springs Twp. 23-2 (Unorg.)	1.53		611.32	Elmira Twp. 14-4	1.12		448.97
Clyde Twp. 2-2	1.33		530.81	Webster Twp. 18-4	1.31		522.92
Lakeview Twp. 39-2	1.06		425.34	Lamro Twp. 59-2	1.16		463.08
Alban Twp. 25-4	1.27		509.52	Unorganized Twp. 63-3	1.24		496.74
Mitchell Twp. 17-2	1.20		478.72				

How South Dakota Compares to Other States

The following table illustrates how several South Dakota cities compare to similar communities in surrounding states in terms of property tax rates, market value, property taxes and state income taxes. The state income tax numbers in the table is the state income tax rate multiplied by the median family income.

City	Effective Property Tax Rate	2004 Market Value of 2,000 sq ft home	Taxes on 2,000 sq ft home	State Income Taxes	Total Taxes (Property/Income)
Bismarck, ND	2.10%	\$128,000	\$2,688	\$448	\$3,136
Bloomington, MN	1.10%	180,000	1,980	1,984	3,964
Cedar Rapids, IA	1.80%	174,000	3,132	2,126	5,258
Duluth, MN	1.30%	160,000	2,080	1,984	4,064
Edina, MN	1.20%	210,000	2,520	1,984	4,504
Fargo, ND	1.90%	150,000	2,850	448	3,298
Grand Island, NE	2.20%	130,000	2,860	1,257	4,117
Iowa City, IA	2.00%	220,000	4,400	2,126	6,526
Lincoln, NE	2.40%	150,000	3,600	1,257	4,857
Minneapolis, MN	1.60%	178,000	2,848	1,984	4,832
Minot, ND	1.70%	120,000	2,040	448	2,488
Omaha, NE	2.50%	180,000	4,500	1,257	5,757
Pierre, SD	2.00%	120,000	2,400	0	2,400
Plymouth, MN	1.10%	218,000	2,398	1,984	4,382
Rapid City, SD	2.20%	150,000	3,300	0	3,300
Rochester, MN	1.30%	150,000	1,950	1,984	3,934
Sioux Falls, SD	1.90%	150,000	2,850	0	2,850
St. Paul, MN	1.50%	190,000	2,850	1,984	4,834
Vermillion, SD	2.00%	130,000	2,600	0	2,600

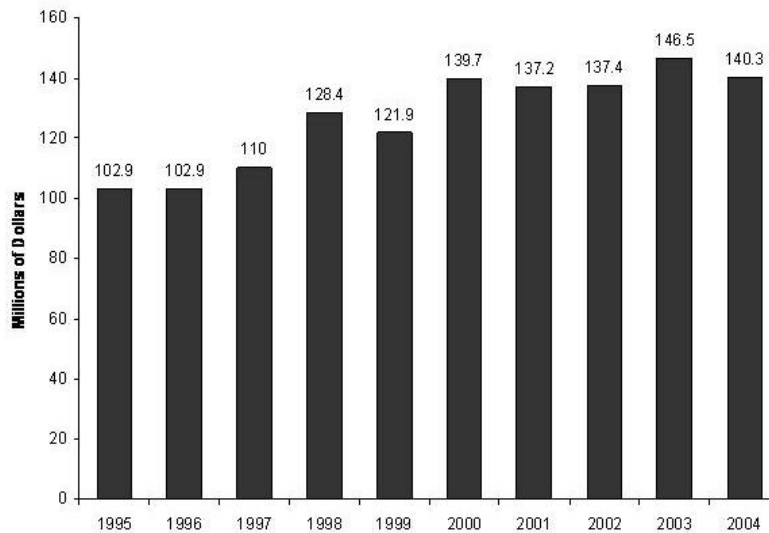
Fuel Tax and Motor Vehicle Licensing

Motor Vehicles Division - Debra Hillmer, Director

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

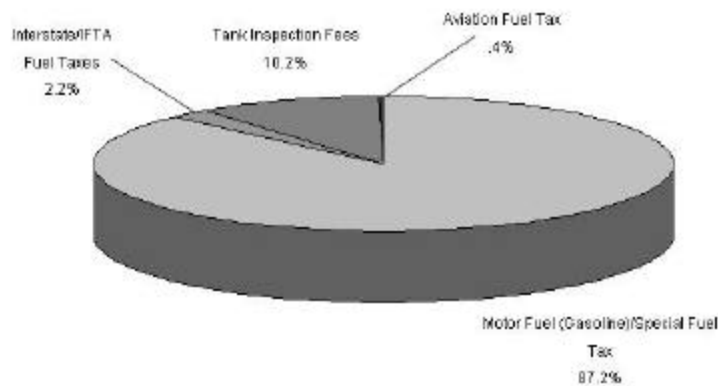
Total Fuel Tax Revenues

Gasoline, ethanol blend, aviation fuel, jet fuel, liquid petroleum gas (LPG), and diesel fuel all fall into the fuel tax category. In fiscal year 2004, total fuel tax revenues amounted to \$140,317,611. The chart below compares South Dakota's fuel tax revenues for the past 10 years.



Tax Revenues by Category

Total Receipts - \$140,317,611



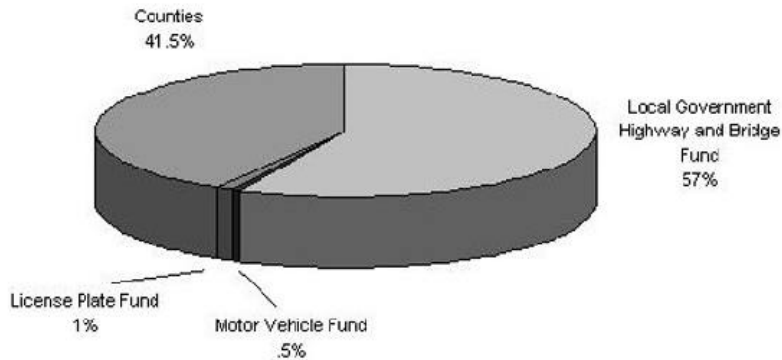
Motor Vehicle/continued

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 2004 were \$11,207,938, the largest share of which was distributed to counties for county roads.

Distribution of Fees by Fund

Total Prorate Registration Fees - \$11,207,938

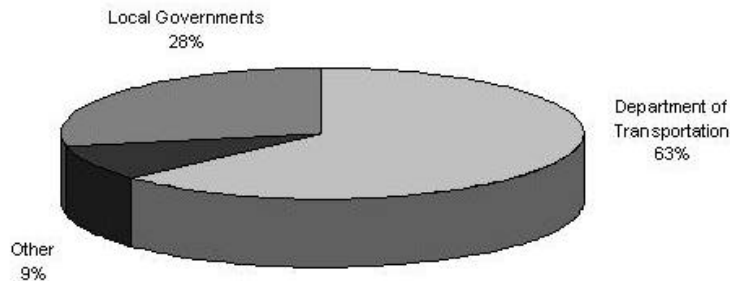


Titles and Registration

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 for fiscal year 2004 totaled \$86,806,888, which were distributed as shown below.

Distribution of Title and Registration Revenues

Total Disbursements - \$86,806,888



Motor Vehicle/continued

Title and Registration Revenues

	FY2003	FY2004	Percent Change
License Plate Fees - State's Share*	\$2,087,312	\$2,161,806	3.57%
License Plate Fees - Counties', Cities', Townships' Share	23,109,074	23,968,464	3.72%
Snowmobiles	134,600	138,205	2.68%
Boats	833,170	801,098	-3.85%
Temporary Special Permits	107,075	112,777	5.33%
Mobile Home Plates	10,715	9,045	-15.59%
Dealer Fees, Duplicate Dealer Plates	135,477	147,224	8.67%
Noncommercial Duplicate Plates	146,039	152,984	4.76%
Commercial Duplicate License Plates	3,570	3,420	-4.20%
Title and Penalty Fees	2,149,967	2,231,862	3.81%
Trailer ID Fees	45,410	50,010	10.13%
Replacement Plate Fees	266,740	300,362	12.60%
Motorcycle Safety Education Fees	105,960	117,423	10.82%
Mobile Home Registration Fees - State's Share	163,883	172,832	5.46%
Other Vehicle 3.0% Registration Fees	51,451,728	55,042,101	6.98%
Snowmobile 3.0% Initial Registration Fees	229,993	250,454	8.90%
Register of Deeds Fees	143,960	135,067	-6.18%
DENR Solid Waste Fees	989,039	1,011,754	2.30%
Total Receipts	\$82,113,712	\$86,806,888	5.72%

*State Motor Vehicle Fund, License Plate Special Revenue Fund

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 2004, there were 6,291 refunds totaling \$1,695,245.73 as compared to 6,610 refunds totaling \$1,879,751.42 issued the previous fiscal year. Total annual motor fuel refunds have averaged \$2,510,000 over the past 10 years, with the highest number of refunds being issued in 1995 when 11,572 refunds were given totaling \$3,284,846.

The average refund was \$269.47 in fiscal year 2004, as compared to \$284.38 in 2003 and \$283.48 in 2002.

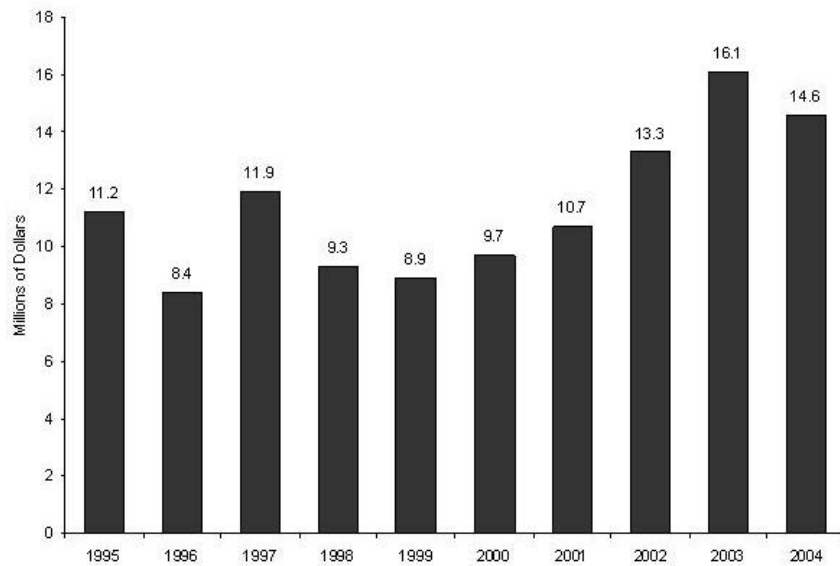
Effective July 1, 1999, \$.03 of every gallon of gasoline on which a refund is claimed is deposited into an Agricultural Fund. This amounted to \$264,161.46 in fiscal year 2004.

Audits

Audit Division - Bruce Christensen, Director

To insure that businesses are correctly reporting their taxes, the department regularly performs audits. An audit may be conducted on any business, in-state or out-of-state, large or small, which may have a tax liability to South Dakota. Audits are used to correct errors businesses may make in reporting their taxes. Such corrections meant an additional \$14,629,515 in assessments (tax, penalty and interest) in FY2004.

Total Assessments: A Ten-Year Comparison

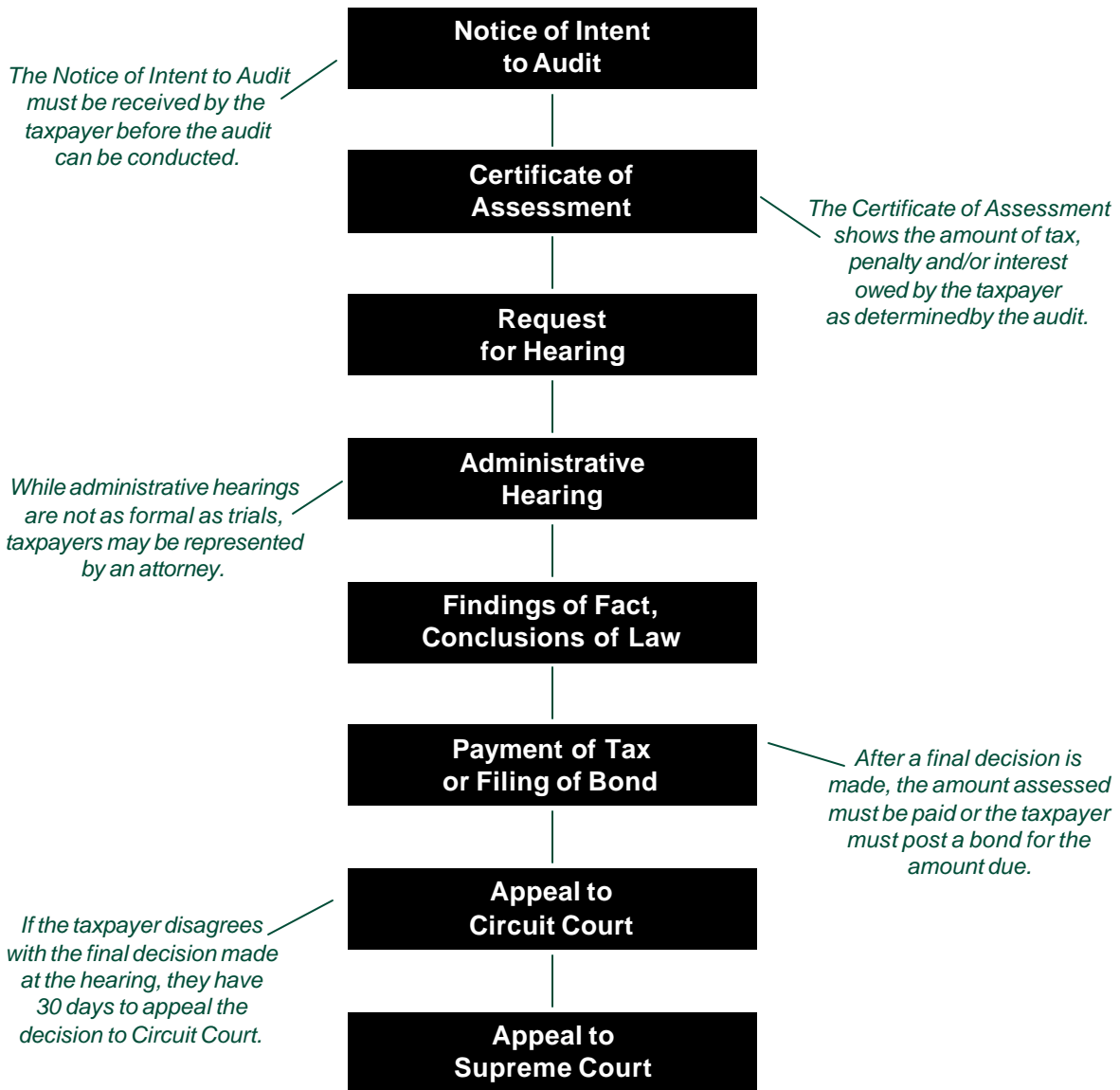


Audits and Assessments

	Number of Audits	Assessments
Sales, Use and Contractors' Excise Tax	1,198	\$13,905,892
Limited Scope Audits	3	56,858
Bank Franchise, Severance Taxes and Inheritance Taxes	371	292,000
Fuel Taxes, Prorate (IRP) and IFTA	312	374,765
TOTAL	1,884	\$14,629,515

Audit and Appeal Flow Chart

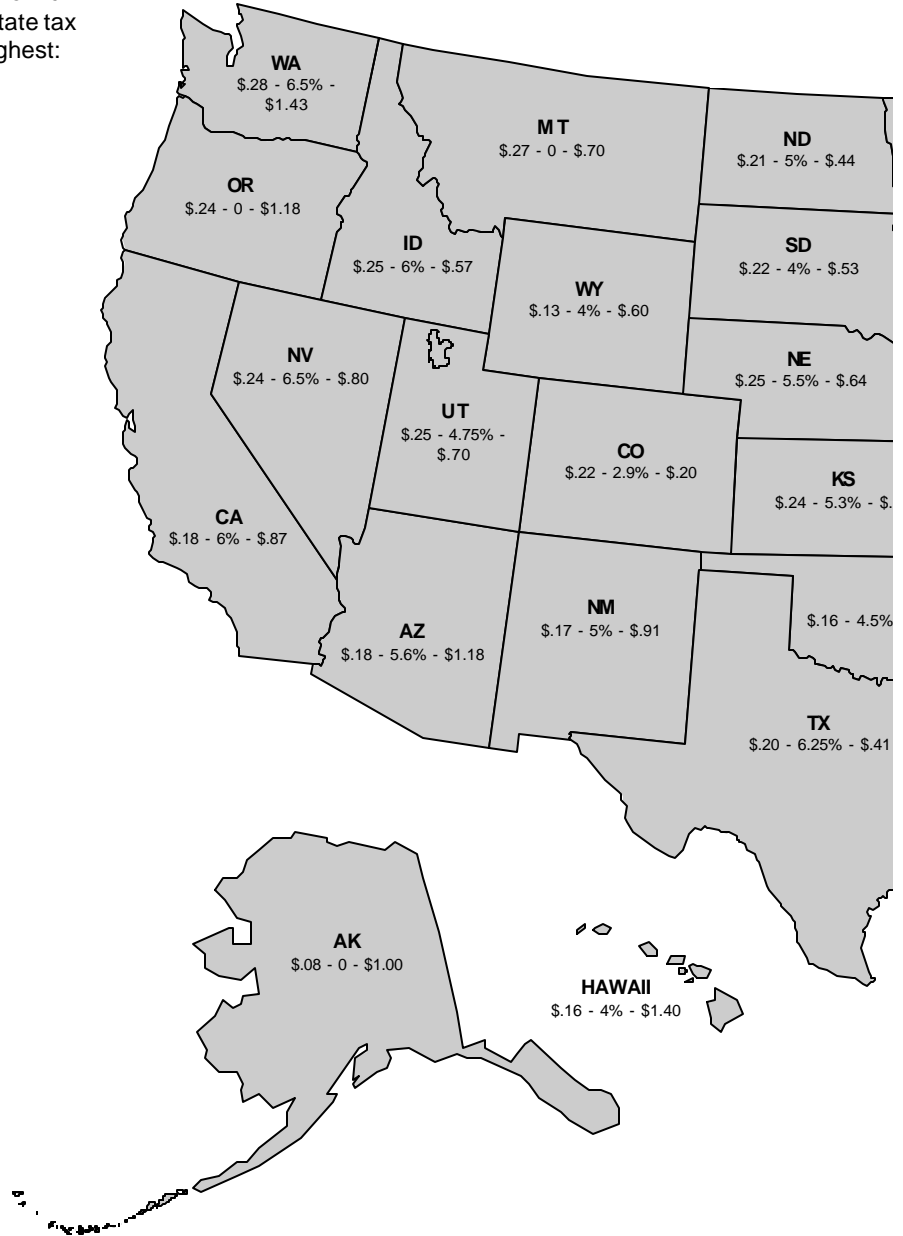
Under South Dakota's "Taxpayer's Bill of Rights", taxpayers have the right to appeal tax assessments they feel are incorrect or unfair. The flow chart below details the eight steps of the department's Audit and Appeal Process.



How SD Compares to Other States

At just \$1,322, South Dakota had the second lowest per capita state tax burden in fiscal year 2003, 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	\$2,838
Connecticut	2,730
Minnesota	2,649
Delaware	2,602
Vermont	2,518
Wyoming	2,429
Massachusetts	2,427
New Jersey	2,308
Michigan	2,257
California	2,232
Wisconsin	2,227
New York	2,114
Washington	2,114
Rhode Island	2,097
Maine	2,065
Kentucky	2,022
Maryland	1,993
West Virginia	1,983
Nebraska	1,925
New Mexico	1,924
Arkansas	1,888
North Carolina	1,885
Pennsylvania	1,875
North Dakota	1,858
Nevada	1,843
Kansas	1,839
Indiana	1,810
Ohio	1,806
Virginia	1,756
Illinois	1,750
Iowa	1,719
Mississippi	1,717
Idaho	1,716
Oklahoma	1,682
Utah	1,680
Louisiana	1,656
Alaska	1,648
Montana	1,620
Oregon	1,602
Florida	1,581
Arizona	1,557
Georgia	1,544
South Carolina	1,532
New Hampshire	1,521
Missouri	1,513
Tennessee	1,508
Colorado	1,458
Alabama	1,426
South Dakota	1,322
Texas	1,316
National Average	1,884

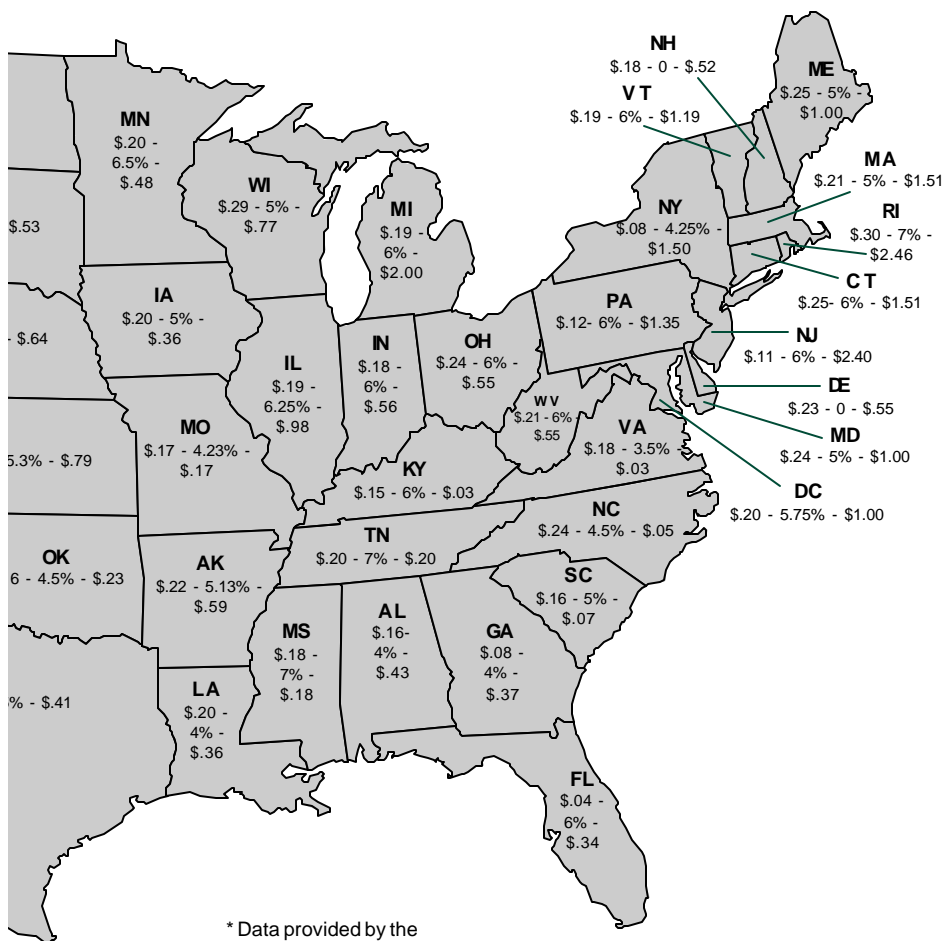


Five states (Alaska, Delaware, Montana, New Hampshire, and Oregon) do not charge a state sales tax.

How SD Compares to Other States/continued

Five states either have increased or will increase their cigarette tax rates since the end of FY2004: Alaska to \$1.60 (1/1/05), Colorado to \$.84 (1/1/05), Montana to \$1.70 (1/1/05), Oklahoma to \$1.03 (1/1/05), and Virginia to \$.20 (9/1/04).

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.



* Data provided by the Federation of Tax Administrators, American Lung Association, and the Campaign for Tobacco-Free Kids

Five Highest Gasoline Tax Rates

Rhode Island	\$.30
Wisconsin	\$.29
Washington	\$.28
Montana	\$.27
Idaho	\$.25
Connecticut	\$.25
South Dakota	\$.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

Rhode Island	\$2.46
New Jersey	\$2.40
Michigan	\$2.00
Connecticut	\$1.51
Massachusetts	\$1.51
South Dakota	\$.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

Legal Division - Jack Magee, Chief Legal Counsel

The Legal Division is comprised of five full-time attorneys (one dedicated to the Insurance Fraud Prevention Unit “IFPU”), six full-time Special Agents (four dedicated to the Investigative Services Bureau “ISB”, and two dedicated to the IFPU), one full-time Assistant Attorney General, three part-time fraud auditors, and two legal secretaries.

In addition to providing routine legal counsel to the department, the legal staff worked on 364 cases during FY2004, 268 of which were new cases. The ISB Special Agents examined 75 individuals and businesses, of which 36 were investigated for tax and motor vehicle crimes. The IFPU reviewed or investigated 94 allegations of insurance fraud and referred 6 cases for prosecution. More information on the IFPU can be found in the following pages.

The Supreme Court issued three 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

Rehearing of Decision of South Dakota Supreme Court in the Matter of Loren Pourier, d/b/a Muddy Creek Oil and Gas, Inc., and Muddy Creek Oil and Gas, Inc., v. Department of Revenue, 2004 SD 3, 674 NW2d 314. Last year, the South Dakota Supreme Court ruled that the federal Hayden-Cartwright Act, which allows states to tax motor fuels sold by “licensed traders” on United States military or other reservations, did not clearly evidence a congressional intent to allow state taxation on Indian reservations (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). The Court was split, however, on the application of the state’s 15-month limitations period for seeking a refund of motor fuel tax. On rehearing, the Court held that the 15-month limitation was applicable.

In re Alcohol Beverage License Suspension of Tim Engels, d/b/a Harbor Bar, 2004 SD ____, ____, NW2d ____. 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. The Supreme Court reversed the suspension, finding it was impossible for the Harbor Bar to comply with the statute providing a safe harbor from suspension.

Ernst & Young v. South Dakota Dept. of Revenue, No. 2004 SD 122 (S.D., 11/10/04). South Dakota has a three-year limit on claiming refunds for “allegedly overpaid tax.” The taxpayer had reimbursed fees paid by a customer for services rendered and subsequently sought a refund of the taxes remitted on those fees, but it did so more than three years after the taxes had been remitted. The taxpayer asserted that the three-year limitation did not apply because the taxes in question were not “overpaid,” in the sense that the taxes were due at the time they were remitted. The South Dakota Supreme Court rejected the taxpayer’s claim for refund, employing a U.S. Supreme Court interpretation of the term “overpaid” as used in the Internal Revenue Code, as meaning when a taxpayer pays more than is owed.

Insurance Fraud Prevention Unit

A unit of the Legal Division

Introduction

The Insurance Fraud Prevention Unit (IFPU) was created by the 1999 South Dakota Legislature in response to the growing problem of insurance fraud across the state. It's funded solely by a \$250 assessment against all insurance companies licensed to conduct business within South Dakota. 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 2004, the 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, investigating referrals of suspected insurance fraud and prosecuting insurance fraud that has occurred within the 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.

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

Current staff members include Unit Chief Andrew L. Fergel, investigators Michael Pease and Tyler Spomer, and secretary Valerie Johnson.

Referrals

A. Procedure

The Fraud Unit received 94 referrals during FY2004 from the insurance industry, general public, law enforcement or other government agencies. Each referral is reviewed by the Unit Chief to determine if sufficient facts exist to warrant an investigation. If such facts exist, it's assigned to a Unit Investigator 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 Avenue, Pierre, SD 57501, (605)773-6325.

Insurance Fraud Prevention Unit/continued

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

The Unit maintains a confidential database used for file management and compiling statistics such as fraud losses, type of fraud, location of the fraud, source of the referrals and suspect type.

1. Referrals by Fiscal Year

FY2004 is the first year since its inception that the Unit posted less referrals than the previous year. A total of 94 referrals were received in FY2004, as compared to 128 in FY2003, 111 in FY2002, 103 in FY2001, and 82 in FY2000.

2. Referrals by Type of Fraud

The type of fraud for every case referred is classified to determine what type of fraud is most prevalent. The Unit then concentrates its investigation, prosecution and educational efforts in that area to attempt to reduce that type of fraud. The classifications of fraud, number of referrals and percent of total for each type in fiscal year 2004 are: Disability Insurance (1, 1%), Life Insurance (2, 2%), False Application (3, 3%), Commercial Insurance (5, 5%), Homeowners Insurance (7, 7%), Agent Fraud (8, 9%), Medical/Health Insurance (12, 13%), Workers Compensation (18, 19%), Auto Insurance (23, 25%), and Other (15, 16%).

3. Referrals by Source

Of the 94 referrals received in FY2004, 48 were from the insurance industry, 27 from the general public, five from law enforcement, eight from other government agencies, and six were anonymous.

4. Suspect Type

Of the 94 referrals received in FY2004, 77 (81%) concerned the insured or claimant, nine (10%) concerned agents or brokers, and eight (9%) concerned insurance companies or their representatives.

Prevention

A. Educational Presentations

One of the primary goals of the IFPU 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.

Insurance Fraud Prevention Unit/continued

Unfortunately, many people still believe it's acceptable to commit insurance fraud. A 2003 Insurance Research Council survey showed 29% of the general public believed it was acceptable to inflate an insurance claim to make up for a deductible and 20% believed it was acceptable to inflate a claim to make up for previous premium payments. To counter these attitudes, in FY2004, the Unit made four formal presentations to the public, insurance industry, law enforcement, and prosecutors.

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.

Investigation

A. Overview

The IFPU'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 determines how to proceed with the case. 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 FY2004 include: false claims for property damage or bodily injury as a result of an automobile accident, medical providers double billing, false commercial property claims, faked home burglaries, false or inflated homeowners claims, arson for profit, workers compensation fraud by employees, theft of premiums by insurance agents, forging of insurance documents by insurance agents, and false applications for insurance.

Insurance Fraud Prevention Unit/continued

B. Statistics

Of the 94 cases referred to the Fraud Unit in FY2004, five cases were referred for prosecution, 48 were closed due to insufficient evidence or other bar to prosecution, four were referred for regulatory action, 11 were classified and maintained for intelligence purposes only, and 26 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 IFPU 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 against individuals suspected of committing insurance fraud. 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 three criminal cases and one civil case during FY2004. In addition, six cases entered the prosecution stage in FY2004 for which final outcomes have not been determined or was determined after June 30, 2004.

C. Restitution

During prosecution, the Unit can request that Courts order fraud perpetrators to make restitution to their victims. Since 1999, court orders or actual restitution have been obtained totaling \$2,020,565.15.

Costs and Expenditures

In FY2004, operating expenses for the Unit totaled \$228,270, leaving a budget balance of \$62,297.

Future Endeavors

In FY2005, the Unit plans to develop additional programs and educational materials to increase public awareness of insurance fraud and vows to aggressively investigate and prosecute fraudulent insurance acts that occur in South Dakota.

Division of Insurance

Gary Steuck, Director

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 insolvency of insurance companies permitted to operate in South Dakota; licensing resident and non-resident agents and insurance companies; licensing and registration of other insurance entities; auditing licensees and registrants 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; taking appropriate enforcement actions with respect to licensees and registrants; and reviewing and approval of continuing education programs for agents and companies.

FY2004 Revenues

Taxes Collected (General Fund)	\$51,105,292
Fees (Insurance Operating Fund):	
Admission	76,169
Company Renewal	82,495
Agent Licensing/Renewal	3,898,952
Miscellaneous and Legal	12,237
Retaliatory/Filing	762,630
Administrative Penalties	50,428
Lists and Labels	5,605
Certification Letters	32,175
Investment Council Interest	37,252
Course Approval	21,975
Subsequent Injury Fund:	
Sub-Injury Fund Assessment	5,124,227
Investment Council Interest	39,661
Continuing Education Fund:	
Agent Renewal Fees	43,565
Investment Council Interest	2,499
Special Collections for Workers Compensation:	
Policy Fee (Transferred to Dept. of Labor)	178,026
Examination Fund (effective 7/1/97)	420,300
Investment Council Interest	42,773
Total	\$61,936,261

FY2004 Performance Indicators

Total Licensed/Domestic Companies	1,412/48
Domestic Companies Financial Exams	6
Company Market Conduct Exams	0
Companies Licensed/Approved Mergers	26
Agent Licenses Issued	9,863
Agent Appointments Issued	57,459
Renewed Appointments	151,357
Agent Appointment Cancellations	13,200
Property/Casualty Filings Reviewed	6,348
Life/Health Filings Reviewed	4,222
Consumer Complaints Closed	1,596
Enforcement/New Open Files	411
Enforcement/Closed Files	327
Continuing Education:	
Agents Paying License Renewal	4,354
Agents Exempt	2,445
Agents Reporting Completion	4,354
Courses Reviewed	880
Courses Monitored	9
Agent Licenses Cancelled	1,078
Subsequent Injury Fund:	
New Claims	60
Claims Paid	133
Dollars Paid	\$5,253,235

Administrative Services Division

Joan Serfling, Director

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 \$924 million in payments in fiscal year 2004. 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 2004 - Remittance Center

Dollars processed for Revenue and Regulation	\$806,826,817
Dollars processed for other agencies	117,223,558
Total dollars processed	\$924,050,375
Total documents processed	538,830

Appraiser Certification Program

Sherry Bren, Executive Director

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 \$115,449 for FY2004. From July 1, 2003 to June 30, 2004, the Appraiser Certification Program licensed 33 new appraisers; renewed 331 appraiser licenses; received 12 upgrade applications and two new applications claiming experience; issued 19 new reciprocal licenses; issued 52 temporary permits; processed 125 course applications; and received 10 complaints.

Division of Banking

Roger Novotny, Director

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 12 bank examiners, two support positions, a deputy director, and the director. Banking assets supervised by the division in FY2004 totaled \$10,130,289,000.

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

	FY2001	FY2002	FY2003	FY2004
Bank Examination Fee	\$393,201	\$416,811	\$438,026	\$556,441
Trust Company Examination Fee	2,381	11,137	21,239	0
License Fees	186,050	181,609	193,350	339,580
Investment Council Interest	62,477	61,391	39,270	18,401
Miscellaneous	10,173	12,191	3,495	7,548
Trust Company Charter Fees*	10,000	20,000	20,000	5,000
Totals	\$664,282	\$703,139	\$715,830	\$926,970

*Deposited in General Funds

Performance Indicators: FY2001 - FY2004

	FY2001	FY2002	FY2003	FY2004
Applications Before the Commission	22	15	16	20
Banks Examined	24	31	29	38
Trust Companies Examined	3	5	8	5
Licenses Issued or Renewed	774	827	922	652
State-chartered banks	76	75	75	72
State-chartered trust companies	12	17	19	22

Division of Securities

Gail Sheppick, Director

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. FY2004 revenues from the Securities Division totaled \$22,206,904.

FY2004 Revenues

Securities Registration Fees	\$106,821
Franchise Registration Fees	116,550
Franchise Exemption Fees	13,250
Business Opportunity	800
Securities Opinion Fees	1,250
Investment Company	
Notification Fees	14,130,600
Agent Licensing Fees	7,293,800
Broker-Dealer Licensing Fees	203,850
Investment Advisor Fees	4,150
Investment Advisor Agent Fees	42,100
I/A Notice Filings	106,600
Miscellaneous	2,825
Investment Council Interest	137,008
Private Placement/Reg D 506. Other	47,350
Total	\$22,206,904

FY2004 Performance Indicators

New Securities Applications	78
Extensions and Amendments	52
Private Placement	7
Other Exemptions	181
Invest CompNot Filings – New	2,301
Invest CompNot Filings – Total	15,855
New Franchise Applications	183
New Franchise Registrations	505
Franchise Extensions	454
Exemptions	51
Business Opportunities – New	7
Business Opportunities – Total	16
Broker – Dealers Licensed	1,293
Broker – Dealer Agents Licensed	47,229
Investment Advisers Licensed	34
Investment Adviser Agents Licensed	364
Investment Advisers Notice Filing	510
Franchise Applications Withdrawn	138
Investigations	163
Administrative Orders Issued	88
Opinions Requested	25

South Dakota Lottery

Clint Harris, Executive Director

The South Dakota Lottery markets instant tickets and lotto games and regulates video lottery to raise revenue for state programs and projects. Since the Lottery began in 1987, the Lottery has distributed more than \$1.2 billion in revenue.

The Lottery operates under the oversight of the South Dakota Lottery Commission, whose seven members meet 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, including administration, accounting, security, sales and marketing, and support staff. 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 FY2004 Lottery revenue distributed to state funds was more than \$115 million, a 3.3% increase over FY2003 and a record amount of revenue distributed by the Lottery. These revenues come from three main sources, as evidenced in the chart below.

FY2004 Lottery Sales and Revenue

	Sales	Prizes	Retailer Commission	Revenue Distributed
Instant Tickets	\$15,262,714	\$9,631,687	\$854,571	\$3,418,115
Lotto Tickets	18,877,969	9,502,748	1,005,030	4,823,094
Video Lottery *	630,327,297	413,570,841	108,378,228	107,526,908
			Total:	\$115,768,117

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

Instant Tickets

The Lottery launched 18 new instant ticket games during FY04. Prices for instant tickets range from \$1 to \$10, and prizes range from \$1 to \$100,000 and merchandise prizes.

At the close of FY04, there were 593 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 14.9% in FY04 compared to FY03. 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. Powerball, Wild Card 2, and Hot Lotto are multi-state games. Dakota Cash is played only in South Dakota.

~~At the end of FY04, there were 371 licensed lotto 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 22.9% in FY04 compared to FY03, due primarily to four large Powerball jackpot runs during the fiscal year and steadily increasing sales of 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 and operators and establishments as well as a comprehensive secure central computer system.

Video lottery sales (cash in) increased 2.1% in FY04. The average number of active video lottery machines during FY04 was 8,325 and the average number of licensed establishments was 1,419. 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 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.

FY2004 Lottery Revenue Distribution

	General Fund	Cap. Construct. Fund	Property Tax Reduction Fund	Dept. of Human Services**
Instant Tickets	\$3,418,115			
Lotto Tickets	1,400,000	\$2,423,094		
Video Lottery	30,000		\$107,294,446	\$202,462
Totals:	\$4,848,115	\$2,423,094	\$107,294,446	\$202,462

**The Lottery annually provides the S.D. Department of Human Services with funding for problem gambling treatment services. Funding comes from the Lottery's 0.5% of net machine income for administration.

The Lottery's website, www.sdlottery.org offers winning numbers, prize claim forms, retailer licensing information and forms, game information, recent winner's stories, and other general information about the Lottery.

*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.

^All lotto retailers are also instant ticket retailers, and were included in the total number of licensed instant retailers.

South Dakota Commission on Gaming

Larry Eliason, Executive Secretary

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.

FY2004 Recap of Commission Fund

Beginning Cash Balance (7/1/03)		<u>\$673,749.04</u>
Revenues		
FY04 Device Tax	\$5,868,000.00	
Gross Revenue Tax	5,667,623.42	
City Slot Tax	533,645.00	
Application Fees	134,504.38	
License Fees	104,125.00	
Interest	61,187.28	
Device Testing Fees	6,671.87	
Penalty on Disciplinary	2,745.00	
	Total Addition to Fund:	\$12,378,501.95
Fund Total		<u>\$13,052,250.99</u>
Distributions		
Administrative Expenses	\$1,206,950.30	
Capitol Equipment	7,280.66	
Refund of Prior Years Revenue	3,424.13	
Lawrence County	564,838.88	
Other Municipalities (Per 42-7B-48.1)	146,672.03	
School Districts (Per 42-7B-48.1)	146,672.03	
SD Tourism	2,259,355.50	
State General Fund (Per 42-7B-48.1)	1,026,704.07	
State Historical Preservation	100,000.00	
City of Deadwood	6,907,844.60	
	Total Distributions from Fund:	<u>\$12,369,742.20</u>
Ending Cash Balance (6/30/04)		<u>\$682,508.79</u>

Commission on Gaming/continued

FY2004 Recap of Racing Funds

	Special Fund	Revolving Fund	Bred Fund	Totals
Beginning Cash Balance (7/1/03)		\$361,045.25	\$629,920.08	\$990,965.33
Revenues:				
Horse Revenue	161,310.37	151,048.91	154,036.78	466,396.06
Greyhound Revenue	141,740.41	141,740.41	141,740.41	425,221.23
Interest		15,910.57	37,124.69	53,035.26
Transfer from Agency Fund	(325,830.78)	200,415.41	125,415.37	
License and Fines – Horse	15,720.00			15,720.00
License and Fines – Dog	7,060.00			7,060.00
Total Revenues:		\$870,160.55	\$1,088,237.33	\$1,958,397.88
Expenses:				
Aberdeen Horse Racing Track				
SD Bred Point Money			44,500.00	44,500.00
Purse Supplements, Racing Operations, and Advertising and Promotion		169,401.00		169,401.00
SD Bred Stakes Money			136,099.00	136,099.00
Fort Pierre Horse Racing Track				
SD Bred Point Money			44,500.00	44,500.00
Purse Supplements, Racing Operations, and Advertising and Promotion		169,401.00		169,401.00
SD Bred Stakes Money			136,099.00	136,099.00
Total Track Disbursements:		\$338,802.00	\$361,198.00	\$700,000.00
Distribution per HB1011				
Grant to Social Services			250,000.00	250,000.00
Total Expenses:		\$338,802.00	\$611,198.00	\$950,000.00
Ending Cash Balance (6/30/04)		\$531,358.55	\$477,039.33	\$1,008,397.88

South Dakota Real Estate Commission

Dee Jones Noordermeer, Executive Director

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, rental agents, home inspectors, 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.

FY2004 revenues from the Real Estate Commission totaled \$550,346 up from \$348,101 the previous fiscal year.

FY2004 Revenues

Application Fees (if not included in examination or new license fee)	\$152,780
Examination Fees	0
Re-Examination Fees	0
New License Fees	30,116
Renewal Fees	245,065
Materials Sold	6,120
Interest Income	22,218
Change of Address	5,565
Certificates of Licensure	1,665
Late Renewal Fees	8,640
Intrastate Sales and Service	720
Penalties/Reimbursement of Investigations	20,482
Seminar Income	56,950
Miscellaneous	25
Total	\$550,346

FY2004 Performance Indicators

Total Licenses Renewed	2,039
Total New Licenses	717
Total Practitioners (including firms)	4,301
Examinations:	
Nationally Prepared (times given)	431
Total Applicants Examined	258
Total Applicants Passed (including re-exams)	204
Percentage required for passing	75%
State Prepared (times given)	49
Total Applicants Examined	41
Total Applicants Passed (including re-exams)	41
Percentage required for passing	75%
Total Applicants re-examined	85
Total Applicants passing re-exam	47
Complaints:	
Total Received	28
Total Investigated	30
Total Resolved	34
Total Hearings Held	14
Total Pending	11
Total Licensees Reprimanded/Probationed	18
Total Licenses Suspended/Revoked	2
No Action Taken Against Licensee	18
Miscellaneous:	
Total Inspections	7
Total Audits	420
Total Inquiries Received and Answered	29,979
Total Applicants Denied S.D. Licensure	1

Petroleum Release Compensation Fund

Dennis Rounds, Director

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.

The PRCF continues to fulfill the mandatory environmental financial assurance requirements for regulated petroleum tank owners in South Dakota as required by the U.S. Environmental Protection Agency (EPA). The PRCF is approved by the EPA for both environmental cleanup and third-party liability coverage, and has been designated as a model program.

From April through August 2004, the PRCF undertook a comprehensive tank study to investigate and observe the actual condition of 18 petroleum tank systems that were believed to be in compliance with state and federal environmental requirements. The tank systems were being voluntarily closed for economic reasons. The PRCF received a \$25,000 grant from the EPA to report on the findings of the study. The study identified several sites with contamination from leaks or overspills, and at least two of the 18 sites will require additional corrective action. Many minor installation and maintenance problems were identified that may have been precursors to future leaks had the tank systems remained active. A positive aspect of the study was that many of the contamination problems were minor and no major system failures were identified. A full report is being prepared on the study; the information gathered from the report will be useful in a qualitative evaluation of future financial risk facing the PRCF.

FY04 Payments

The total amount paid by the PRCF in FY04 was \$1,457,722. Of that amount, \$840,617 constituted reimbursement payments made for cleanups at regular petroleum release sites. In addition, \$617,105 was paid for cleanups under the abandoned tank removal program.

FY04 Statistics

There were 189 responsible parties reimbursed in 2004; 567 pay requests (claims paid); 21 new regular petroleum release cases initiated; and 69 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, 217 West Missouri Avenue, Pierre, SD 57501, 605-773-3421

S.D. Lottery, 207 East Capitol Avenue, PO Box 7107, Pierre, SD 57501, 605-773-5770

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

S.D. 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, 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. Five hundred copies of this document were printed by the department at a cost of \$3.00 per document.*

Taxpayer's Bill of Rights

- 1** You have the right to confidentiality.
- 2** You have the right to tax information that is written in plain language.
- 3** You have the right to appeal.
- 4** You have the right to courteous, prompt, and accurate answers to your questions.
- 5** You have the right to be certain that collection procedures or assessments are not influenced by performance goals or quotas.
- 6** You have the right to rely on the written advice given to you by the Department of Revenue and Regulation.
- 7** You have the right to be notified before the department audits your records unless the secretary of revenue and regulation determines that a delay will jeopardize the collection of tax.
- 8** You have the right to clear and consistent policy regarding the deadlines for filing tax returns and making payments.
- 9** You have the right to seek a refund of any taxes you believe you have overpaid within the last three years.
- 10** You have the right to a process requiring that the seizure of your property for taxes be approved by a person no lower in authority than the division director.
- 11** You have the right to expect that good-faith effort to comply with tax laws will be given consideration in disputed cases.
- 12** You have the right to a tax credit of interest or penalties that are determined to have been inappropriately levied.
- 13** You have the right to the removal of a lien on your property within 30 days after you have paid all tax, penalty and interest due.
- 14** You have the right to have the South Dakota Department of Revenue and Regulation correct the public record.