

Table of Contents

2	Secretary's Report
3	Department Overview
4	Total Tax Revenues: Collections and Distribution
5	An Overview of Tax Revenues
9	Legislative Summary
13	A Listing of South Dakota Taxes
16	Sales, Use and Contractors' Excise Taxes
20	Special Taxes
22	Property Taxes
29	Fuel Tax and Motor Vehicle Licensing
32	Audits
34	How SD Compares to Other States
36	Legal Services
37	Insurance Fraud Prevention Unit
41	Division of Insurance
42	Administrative Services
42	Appraiser Certification Program
43	Division of Banking
44	Division of Securities
45	South Dakota Lottery
47	Commission on Gaming
49	Real Estate Commission
50	Petroleum Release Compensation Fund
51	Department Resources
52	Taxpayer's Bill of Rights

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

December 2005

Maximizing revenues to the state under the existing tax structure by enhancing voluntary taxpayer compliance while applying the correct regulatory balance continued to be the department's focus this past year. Better taxpayer education, continued process improvement, significant progress on development of our data integration system, and building a stronger management team all contributed to making that theme more than just words in 2005.

The 2003 executive reorganization, which placed many of South Dakota's business regulatory functions within our agency, continues to work well and has allowed the larger agency that resulted to be more responsive to the citizens of our state. We continue to focus on better management of people, data and technology to administer taxes and carry out our regulatory responsibilities. In particular, we have concentrated this past year on improving collections and the regulatory process for the insurance industry. The department has also worked hard to fulfill its role in Governor Rounds' 2010 Initiative by helping make South Dakota a superior place to do business.



Gary R. Viken, Secretary

Despite another year of drought and a mixed economy, I am pleased to report that overall tax and lottery revenues increased significantly over total revenues 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 2005, those owning homes and agricultural property have paid approximately \$1.04 billion 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 2005 were just under \$757 million.

The Streamlined Sales Tax Project celebrated its fifth anniversary this year, and South Dakota continues to be a national leader in that important national project. Much progress has been made in working with businesses 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 or Internet. We continue to be 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.

As always, 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, flowing style.

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

Trucano Building, 217 West Missouri Avenue: Banking

221 West Capitol Avenue, Suite 101: Gaming Commission, Real Estate Commission

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 2005, 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 \$57,548,639, of which \$795,250 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.

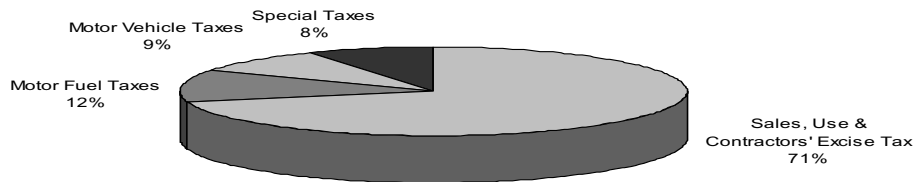
Total Tax Revenues: Collections and Distribution

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 2005, revenue from all 36 state taxes totaled \$1,189,575,128, an increase of \$55,356,235 from fiscal year 2004 revenues of \$1,134,218,883.

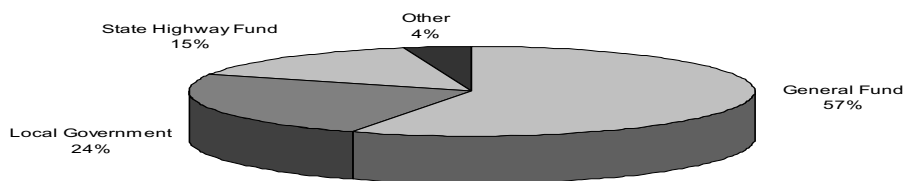
Tax Revenues by Category

Total Receipts - \$1,189,575,128



Distribution of Tax Revenues

Total Disbursements - \$1,189,575,128



An Overview of Tax Revenues

Total Revenues

Total state tax revenues have increased steadily over the past 10 years, with the largest increase of 8.53% occurring in 1998. 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>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>
<u>2005</u>	<u>1,189,575,128</u>	<u>4.88%</u>
Five-Year Average	\$1,096,290,990	N/A

Revenues by Category

The majority of the tax revenue collected in fiscal year 2005 came from sales, use and contractors' excise taxes, at \$849,480,194, an increase of \$54,364,522 over fiscal year 2004 receipts of \$795,115,672. Fuel tax revenues increased by \$330,963; special tax revenues decreased by \$1,952,656; and motor vehicle licensing fees increased by \$2,613,406.

Revenues by Tax Category: A Five Year Comparison

Fiscal Year	Sales Use, and Excise Taxes*	Motor Fuel Taxes**	Special Taxes	Motor Vehicle Fees
<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>94,583,354</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>
<u>2005</u>	<u>849,480,194</u>	<u>140,648,574</u>	<u>97,858,463</u>	<u>101,587,897</u>
Five-Year Average	\$758,513,392	\$140,410,229	\$102,855,095	\$94,512,276

* 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 2005, the \$1,189,575,128 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-%	98%	2% (A)
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).
- (A) From July 1, 2005 to June 30, 2007, 2% of the Motor Vehicle Excise Tax revenue is deposited into the State Motor Vehicle Fund (MVF) to be used for the development of a new computer system. The balance is deposited in the State Highway Fund.

Overview/continued

Revenues by Type of Tax

In fiscal year 2005, the revenue produced by the 36 separate taxes and fees administered by the department varied from a low of \$50 to a high of \$542,031,635. In addition, the amount of revenue generated by individual taxes fluctuated by as much as -52.35% from fiscal year 2004 to fiscal year 2005.

A Three-Year Comparison of Revenues by Type of Tax

	FY2003	% Increase (Decrease) over Previous Year	FY2004	% Increase (Decrease) over Previous Year	FY2005	% Increase (Decrease) over Previous Year
Sales and Use Taxes - State	\$483,258,902	3.91%	\$515,301,325	6.63%	\$542,031,635	5.19%
Contractors' Excise Tax - State	56,136,750	6.44%	59,378,041	5.77%	65,404,711	10.15%
Sales, Use, Contractors' Excise Tax - Cities	187,473,982	3.78%	200,399,967	6.89%	219,315,533	9.44%
Sales, Use, Contractors' Excise Tax - Reservations	3,806,823	8.21%	4,252,463	11.71%	5,080,829	19.48%
Tourism Tax	4,109,768	10.39%	4,350,557	5.86%	4,595,790	5.64%
Water and Environment Fund	605,902	14.13%	380,514	-37.20%	464,721	22.13%
Refund for Construction of Facility	3,215,430	77.03%	4,074,391	26.71%	3,272,600	-19.68%
Motor Vehicle Leasing Fund	1,016,595	10.32%	1,042,741	2.57%	1,102,458	5.73%
Telecom	0	0%	5,935,673	0%	8,211,917	38.35%
Aviation Fuel	723,612	4.27%	624,554	-13.69%	739,605	18.42%
Motor Fuel Tax	126,845,226	6.84%	122,349,209	-3.54%	120,987,856	-1.11%
Interstate Fuel Users Tax	3,564,457	-11.14%	3,046,279	-14.54%	3,246,484	6.57%
Tank Inspection Fees	15,342,628	9.75%	14,297,569	-6.81%	15,674,629	9.63%
Prorate	12,142,275	-4.21%	12,167,603	0.21%	12,845,748	5.57%
Motor Vehicle Titles and Registration	82,113,712	0.25%	86,806,888	5.72%	88,742,149	2.23%
Cigarette Tax - State	20,335,804	16.43%	26,270,289	29.18%	26,307,918	0.14%
Cigarette Tax - Reservations	427,213	-3.15%	651,988	52.61%	696,916	6.89%
Cigarette License Fees	10,875	2.09%	11,475	5.52%	9,677	-15.67%
Other Tobacco Products	1,325,013	6.21%	1,362,950	2.86%	1,417,646	4.01%
Liquor License Fees	38,615	2.86%	39,815	3.11%	42,875	7.69%
Malt Beverage License Fees	260,100	9.39%	254,325	-2.22%	261,826	2.95%
Alcoholic Beverage Brand Registration Fees	136,421	-0.82%	155,775	14.19%	172,570	10.78%
Beer Tax	5,315,419	-4.62%	5,962,738	12.18%	5,836,645	-2.11%
Liquor Tax	4,826,199	2.80%	5,368,582	11.24%	5,467,779	1.85%
Alcoholic Beverage 2% Purchase Price Tax	792,354	7.52%	949,263	19.80%	938,212	-1.16%
Wholesale Beer License Fee	3,000	0%	2,400	-20.00%	2,625	9.38%
Underage Penalty Fee	0	0%	59,500	0%	47,500	-20.17%
Bank Franchise/Bank Card Tax	43,975,899	8.46%	47,108,462	7.12%	49,080,258	4.19%
Inheritance Tax	27,220,987	15.92%	9,321,579	-65.76%	4,442,007	-52.35%
Ore Tax	1,310,055	37.63%	353,567	-73.01%	362,927	2.65%
Energy Mineral Tax	1,444,796	16.61%	1,658,364	14.78%	2,506,931	51.17%
Coin Laundry License Fees	123,228	2.04%	121,427	-1.46%	119,084	-1.93%
Trading Stamps License Fee	50	0%	50	0%	50	0%
Amusement Device Fee	95,308	-4.11%	100,543	5.49%	88,017	-12.46%
Bingo License Fee	32,500	-23.53%	32,500	0%	32,500	0%
Bingo Tax	24,711	15.71%	25,527	3.30%	24,500	-4.02%
Total	\$1,088,054,609	4.82%	\$1,134,218,893	4.24%	\$1,189,575,128	4.88%

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

2005 Legislature

The 2005 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 1002	Defined the criteria for determining whether a property can be classified as owner-occupied for property tax purposes.
House Bill 1033	Made sellers who register with the Streamlined Sales Tax Agreement within 12 months of the state being in compliance not liable for uncollected or unpaid sales or use tax unless they were registered within the last 12 months or are under audit.
House Bill 1034	Removed the requirement that a mobile/manufactured home dealer be inspected or investigated annually.
House Bill 1035	Eliminated the requirement to register remote service banking devices (ATM's).
House Bill 1037	Revised the definition of a bad debt and the circumstances under which such debts can be deducted to bring South Dakota into compliance with the definitions found in the Streamlined Sales Tax Agreement.
House Bill 1038	Instructed the department to provide licensees by mail and via the Internet a listing of all national training programs approved by the department, and places the burden of proof to show their employees attended an approved program on the licensee if they are charged with making an underage sale.
House Bill 1039	Prohibited insurance producers from attempting to influence witnesses to not cooperative in a Division of Insurance examination or investigation.
House Bill 1040	Effective July 1, 2005, made nutritional supplements taxable if dispensed by physicians, chiropractors, optometrists, dentists, podiatrists or audiologists, and exempted devices for ostomy care and management from tax.
House Bill 1041	Effective July 1, 2009, requires licensed dealers to utilize a title file system to verify vehicle ownership and record changes to vehicle ownership.
House Bill 1042	Removed the term "intentional" in prohibiting the abandonment of a vehicle and provided that no person may abandon a motor vehicle on any public highway or right-of-way.
House Bill 1043	Revised the definition of prepared food to bring South Dakota into compliance with definitions in the Streamlined Sales Tax Agreement.
House Bill 1044	Specified no purchaser has a cause of action against a seller for overcollected sales or use taxes until the purchaser has provided written notice to the seller and the seller has had 60 days to respond.
House Bill 1045	Required major medical policies to provide dependent coverage up to age 19 or up to age 24 if the person is a full-time student.
House Bill 1046	Removed the requirement for the Division of Insurance to issue a written examination report unless it is a financial exam or the person being examined requests a report.
House Bill 1047	Allowed insurance carriers to issue premium discounts for small employers.
House Bill 1060	Authorized the department to issue cease and desist orders to dealers for certain violations; allowed for monetary penalties if the dealer doesn't comply with the order; and provided a process by which dealers can request a hearing to contest a cease and desist order.
House Bill 1067	Annual bill to adjust school general fund levies for South Dakota school districts.

Legislative Summary/continued

House Bill 1090	Allowed debt cancellation contract and debt suspension contract fees to be included in consumer installment sales contracts when included in a contract of a depository institution.
House Bill 1094	Allowed an existing farm mutual insurance company to divide and merge into two farm mutual insurance companies.
House Bill 1101	Allowed independent contractors who are captive insurance agents to enter into non-compete agreements.
House Bill 1111	Allowed dealers to sell or exchange a vehicle without a title if they meet certain criteria; revised what records are required to be kept by a dealer; and required certain liens to be paid by a dealer before a vehicle can be sold or exchanged.
House Bill 1119	Exempted an out-of-state titled vehicle being purchased by a dealer and sold to another dealer from having to be titled upon purchase or entry into the state and changes references in the code from "licensing" to "titling" as it pertains to damage disclosure.
House Bill 1122	Revised current statutes to provide tax refunds for expansions of existing buildings or structures for power generation facilities meeting certain criteria.
House Bill 1142	Provided for refunds of sales or use tax to contractors who buy material that they fabricate and exempted the fabricated material from sales or use tax in the state where the contract is performed.
House Bill 1153	Exempted from sales tax products or substances used in conjunction with the application or use of pesticides for agricultural purposes.
House Bill 1180	Defined what revenues raised by business improvement districts can be used for and clarified that gross receipts do not include general occupational tax collected by a business.
House Bill 1181	Exempted from sales tax the gross receipts of any person who officiates an amateur sporting event that is not sponsored or operated by an elementary, secondary or postsecondary school.
House Bill 1188	Clarified what a reinsurer's standing is during the liquidation of an insurance company.
House Bill 1202	Provided for a salvage title (on vehicles less than seven years old and those weighing less than 16,000 pounds GVWR) on any vehicle that an insurer or self-insurer determines a total loss.
House Bill 1203	Specified how the revenue collected from the tax imposed on financial institutions is distributed among the taxing subdivisions of the county collecting the money.
House Bill 1234	Allowed the wholesale tax on tobacco products, amusement device tax, and tourism tax to be included in tax collection agreements between Indian tribes and the State.
House Bill 1248	Further defined and enhanced money lender statutes and the Division of Banking's regulatory powers in regard to money lenders.
House Bill 1260	Provided for the creation of an authority to develop energy production and transmission facilities in South Dakota.
House Bill 1261	Provided for the refund of sales, use and contractors' excise taxes on certain costs for large building projects that meet specific criteria.
House Bill 1262	Required owners of qualifying power generation facilities to apply for a property tax exemption before beginning construction, exempted all values above a specified formula, and provided for a partial exemption while the plant is being built.
Senate Bill 1	Based the capacity of land to produce agricultural products on average yields under natural conditions for crop land and average acres per animal unit for grazing land.
Senate Bill 2	Revised the procedure for assessing certain agricultural land by using capitalized annual cash rent to determine the agricultural income value.
Senate Bill 30	Clarified state law dealing with eligibility into the South Dakota Risk Pool based on creditable coverage to better meet federal HIPAA requirements.

Legislative Summary/continued

- Senate Bill 48** Clarified the authority and provided for the procedures for the director of the Division of Banking to enter into agreements with other regulatory agencies.
- Senate Bill 51** Updated the Medicare supplement policy requirements due to federal changes in the Medicare Modernization Act.
- Senate Bill 52** Allowed the payment of incurred expenses from funeral expenses from a life policy with the remainder being issued to the beneficiary's estate, and updated the benefit limit to \$10,000.
- Senate Bill 53** Required any entity offering health discount plans, including marketers or other indirect offerings, to register with the Division of Insurance and provide financial backing.
- Senate Bill 82** Permitted a real estate broker to appoint agents within an office to represent separate parties to a real estate transaction.
- Senate Bill 83** Revised the seller's property condition disclosure statement adding, among other things, the disclosures of mold and the prior manufacturing of methamphetamines on the property.
- Senate Bill 95** Allowed the South Dakota Commission on Gaming to license, audit and regulate multi-jurisdictional totalizator hubs and account wagering for horse racing in South Dakota.
- Senate Bill 97** Protected the homestead of a person aged 70 or older from being sold for taxes with a maximum value for the homestead at \$175,000.
- Senate Bill 107** Specified guidelines under which cigarettes can be purchased by means other than face to face (ie over the phone, Internet) and delivered directly to the customer.
- Senate Bill 109** Clarified the notification processes for credit card issuers concerning the types of changes in the terms and/or charged on the card.
- Senate Bill 119** Exempted motor vehicles from the mechanics lien process, and authorized the transfer of a title to satisfy an unpaid vehicle repair bill under certain conditions.
- Senate Bill 124** Provided for changes to certain provisions relating to bank investments in certain annuities.
- Senate Bill 139** Required that insurance policies covering long-term care services to provide bed-reservation benefits on new policies and clear disclosure on existing policies.
- Senate Bill 154** Exempted certain entities from the fees and bond requirements provided for in the money and mortgage lending statutes.
- Senate Bill 155** Exempted from tax the gross receipts received by the State or any of its political subdivisions from management services provided to a revolving loan fund operated by a nonprofit entity.
- Senate Bill 163** Provided for self-funded multiple employer trusts for insurance purposes if certain criteria are met.
- Senate Bill 175** Effective January 2007, makes it a Class 2 misdemeanor to not remove the plates from a vehicle if ownership changes, gives the plate owner 30 days to put the plates on another vehicle or destroy them, and appropriates funds to develop a new computer system for the Division of Motor Vehicles.
- Senate Bill 187** Annual bill that appropriated \$1 million to the Department of Revenue and Regulation to provide sales tax and property tax refunds to eligible elderly and disabled South Dakotans.
- Senate Bill 207** Exempted manufactured and modular homes from sales and use tax, increased the initial registration fee for such homes from 3% to 4%, specified the conditions under which a permit is needed to move a home, and clarified the title requirements and procedures for such homes.
- Senate Bill 214** Expanded the sales, use and contractors' excise tax refunds available in 10-45B to include expansions to an existing soybean processing facility if the expansion will be used to produce biodiesel.
- Senate Bill 222** Created the county telecommunications gross receipts fund and outlined how the money collected from the excise tax will be distributed.
- Senate Bill 223** Provided that certain tax licensees must file applicable tax returns whether or not they have gross receipts subject to tax.

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)
Municipal Contractors' Excise Tax	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 2%)
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	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)																																							
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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

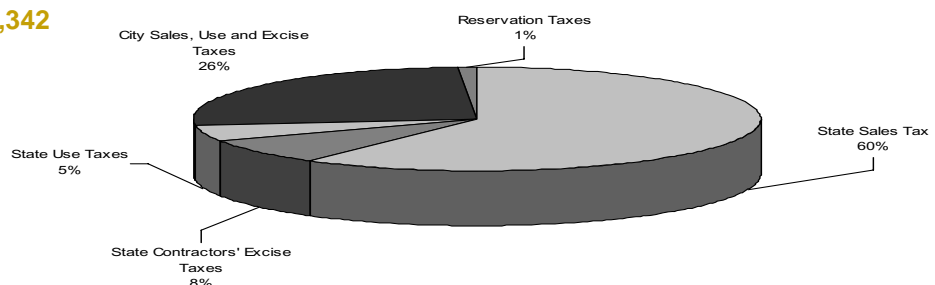
Sales, use and contractors' excise taxes produce the largest portion of the state's tax revenues, accounting for 71% of the total revenues in fiscal year 2005. These revenues come from over 65,000 businesses that currently pay sales, use and contractors' excise taxes on their products and services. In fiscal year 2005, sales, use and contractors' excise taxes in South Dakota totaled \$831,004,342. 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
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%
2005	607,436,346	5.81%

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

Total Receipts - \$831,004,342



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	2005 Rate(s)	Adopted	FY 2004 Remittance	FY 2005 Remittance	% Increase [Decrease]
Aberdeen	1%, 2%	4-71	\$10,877,937.56	\$11,826,403.71	8.72%
Alcester	1%	9-84	66,902.74	70,231.54	4.98%
Alexandria	2%	11-84	63,779.73	66,792.89	4.72%
Alpena	1%	7-00	65,008.69	76,380.96	17.49%
Arlington	2%	3-89	212,247.93	225,501.54	6.24%
Armour	2%	9-88	177,003.98	186,395.85	5.31%
Artesian	2%	1-02	30,801.70	31,880.40	3.50%
Aurora	1%	1-05	0.00	17,125.60	N/A
Avon	2%	9-84	84,322.99	93,691.10	11.11%
Baltic	1%, 2%	7-93	88,078.18	90,151.98	2.35%
Belle Fourche	1%, 2%	2-78	1,375,881.58	1,450,696.70	5.44%
Belvidere	2%	1-85	18,102.49	0.00	-100.00%
Beresford	1%, 2%	7-77	523,008.08	563,285.54	7.70%
Big Stone City	1%	1-04	32,738.61	68,279.13	108.56%
Blunt	1% (GR & ST)	7-96	21,012.11	24,941.79	18.70%
Bonesteel	1%	1-01	43,686.44	27,079.10	-38.01%
Bowdle	1%	1-89	63,849.76	59,281.31	-7.15%
Box Elder	1%, 2%	1-83	493,566.83	548,653.26	11.16%
Brandon	1%, 2%	4-77	1,373,615.16	1,587,675.40	15.58%
Brandt	1%	1-01	6,768.31	7,611.61	12.46%
Bridgewater	2%	7-85	86,694.57	78,699.90	-9.22%
Bristol	2%	7-96	46,854.99	60,899.92	29.98%
Britton	1.87%	1-84	386,705.42	423,374.45	9.48%
Brookings	1%, 1.9%	1-82	6,124,210.06	7,036,420.65	14.90%
Bryant	1%	1-95	31,490.82	31,859.49	1.17%
Buffalo	1%	7-97	43,574.53	43,051.31	-1.20%
Burke	2%	3-88	158,578.21	189,619.03	19.57%
Camp Crook	N/A	1-04	140.44	3.01	-97.86%
Canistota	2%	7-79	88,458.93	102,792.75	16.20%
Canova	1.95%	9-88	14,205.34	14,466.73	1.84%
Canton	2%	4-77	646,465.62	701,427.11	8.50%
Carthage	1%	7-99	9,006.59	10,109.51	12.25%
Castlewood	2%	1-89	80,518.24	81,528.61	1.25%
Centerville	1%, 2%	7-79	111,181.77	125,226.92	12.63%
Central City	2%	7-75	50,863.97	51,086.35	0.44%
Chamberlain	1%, 2%	4-79	875,005.54	933,458.46	6.68%
Chancellor	1%, 2%	1-84	45,201.26	56,592.18	25.20%
Cheyenne River ST	1.5%, 2%, 3%, 4%	6-76	1,265,390.58	1,454,133.16	14.92%
Clark	2%	3-86	279,288.95	300,590.84	7.63%
Clear Lake	2%	7-78	383,003.36	369,039.49	-3.65%
Colman	2%	1-96	118,024.68	122,276.87	3.60%
Colome	2%	1-89	41,978.64	42,961.38	2.34%
Colton	1%, 2%	1-98	84,970.90	92,636.91	9.02%
Corsica	2%	1-87	128,915.48	156,408.93	21.33%
Crooks	1.90%	9-89	80,336.69	100,308.77	24.86%
Custer	1%, 2%	7-77	945,251.66	1,018,632.36	7.76%
Dallas	2%	1-02	9,417.18	19,712.83	109.33%
Davis	2%	7-94	8,274.86	8,394.84	1.45%
DeSmet	1%, 2%	1-79	281,273.95	318,275.28	13.15%
Deadwood	1%, 2%	4-78	1,627,803.55	1,942,765.17	12.90%
Dell Rapids	1%, 2%	7-79	598,559.67	644,268.78	7.64%
Delmont	2%	11-88	33,307.10	36,546.24	9.73%
Dimock	2%	1-05	0.00	6,888.76	N/A
Doland	1%	1-95	21,133.05	22,822.27	8.28%
Dupree	1%	1-85	34,821.11	46,197.72	32.67%
Eden	1%	11-91	10,525.46	11,117.30	5.62%
Edgemont	2%	4-74	122,902.38	146,423.31	19.14%
Egan	2%	1-89	17,922.35	17,895.14	-0.15%
Elk Point	2%	7-79	259,685.64	287,228.68	10.61%
Elkton	2%	1-95	100,333.39	98,927.41	-1.40%
Emery	2%	1-90	68,748.28	58,674.16	-14.65%
Estelline	1%	1-92	49,420.44	51,463.10	4.13%
Ethan	2%	7-95	80,699.48	82,064.48	1.69%
Eureka	1.90%	7-85	180,469.78	192,355.46	6.59%
Faith	1%, 2%	3-85	141,931.23	147,026.36	3.59%
Faulton	2%	7-88	179,219.99	227,274.43	26.81%
Flandreau	1%, 1.91%	7-81	361,933.50	410,581.73	13.44%

Sales Tax/continued

City/Reservation	2005 Rate(s)	Adopted	FY 2004 Remittance	FY 2005 Remittance	% Increase [Decrease]
Florence	1%	1-97	\$17,933.13	\$18,044.32	0.62%
Fort Pierre	1%, 2%	10-78	588,286.25	722,545.95	22.82%
Freeman	2%	1-94	271,042.08	304,461.89	12.33%
Garretson	2%	3-84	203,501.60	239,826.71	17.85%
Gary	1%	7-87	24,654.75	27,347.73	10.92%
Gayville	2%	1-03	26,822.18	28,343.62	5.67%
Geddes	2%	5-87	41,656.64	41,133.86	-1.25%
Gettysburg	1%, 2%	5-85	335,895.67	343,294.43	2.20%
Glenham	2%	7-02	9,401.70	11,137.49	18.46%
Gregory	2%	1-87	489,664.22	499,542.83	2.02%
Groton	1%, 2%	1-79	320,119.03	358,650.97	12.04%
Harrisburg	2%	7-82	262,499.55	401,671.26	53.02%
Harrod	1%	1-94	13,810.84	20,913.06	51.42%
Hartford	1%, 2%	1-78	362,118.30	398,961.59	10.17%
Hayti	1%	1-94	25,186.16	26,190.03	3.99%
Hazel	1%	1-04	2,762.62	6,099.47	120.79%
Hecla	1%	1-05	0.00	21,004.09	N/A
Henry	1%	1-95	17,872.65	18,807.71	5.23%
Hermosa	2%	3-84	54,838.32	82,090.14	49.69%
Herried	1%	1-91	61,476.16	59,396.43	-3.38%
Higmore	1%, 2%	10-79	322,027.53	247,912.87	-23.02%
Hill City	1%, 2%	7-77	547,438.97	605,070.25	10.53%
Hitchcock	1%	9-90	10,203.17	11,315.10	10.90%
Hosmer	1%	7-82	16,987.16	16,909.96	-0.45%
Hot Springs	1%, 2%	11-71	1,006,944.76	1,119,991.63	11.23%
Hoven	2%	3-92	112,766.41	117,998.86	4.64%
Howard	2%	11-86	255,147.49	291,692.71	14.32%
Hudson	1%	1-04	15,531.52	36,705.89	136.33%
Humboldt	1%, 2%	7-82	85,108.40	98,175.56	15.35%
Hurley	2%	7-82	48,156.44	56,406.36	17.13%
Huron	1%, 2%	10-72	3,425,103.95	3,887,027.00	13.49%
Interior	1.90%	1-92	30,607.24	32,488.79	6.15%
Ipswich	2%	7-77	173,516.35	217,477.26	25.34%
Irene	2%	7-84	63,695.86	66,301.06	4.09%
Iroquois	1%	7-81	24,388.93	21,252.07	-12.86%
Isabel	2%	11-91	27,143.51	53,463.55	96.67%
Java	1%	7-99	6,049.48	6,396.24	5.73%
Jefferson	2%	1-96	66,200.08	58,207.50	-12.07%
Kadoka	1%, 2%	1-77	203,449.60	212,488.03	4.44%
Kennebec	1%, 1.86%	7-78	62,705.22	72,923.10	16.30%
Keystone	1%, 2%	7-72	604,810.73	677,083.06	11.95%
Kimball	1%, 2%	1-81	197,320.41	188,953.34	-4.24%
Lake Andes	2%	7-84	108,024.48	108,095.64	0.07%
Lake Norden	1%	1-94	267,637.16	137,774.45	-48.52%
Lake Preston	2%	1-81	127,899.29	151,224.61	18.24%
Langford	1%	1-98	16,558.80	19,607.72	18.41%
Lead	1%, 2%	4-72	538,705.38	574,791.17	6.70%
Lemmon	2%	1-89	356,242.98	389,166.12	9.24%
Lennox	2%	1-74	324,392.98	365,680.05	12.73%
Leola	2%	11-87	60,303.16	66,523.00	10.31%
Letcher	1%, 2%	1-02	17,981.04	23,461.06	30.48%
McIntosh	1%	3-92	14,088.55	13,979.81	-0.77%
McLaughlin	1%	1-93	51,215.00	52,119.14	1.77%
Madison	1%, 2%	4-72	1,913,862.50	2,081,584.05	8.76%
Marion	2%	7-80	162,427.00	169,363.93	4.27%
Martin	1%, 2%	7-80	258,064.29	293,544.13	13.75%
Menno	1%	1-90	69,167.55	70,495.64	1.92%
Midland	2%	7-83	34,968.89	41,414.89	18.43%
Milbank	1%, 2%	7-88	1,276,082.98	1,459,704.13	14.39%
Miller	2%	9-86	450,904.64	475,452.67	5.63%
Mission	1.75%	11-73	230,854.55	234,818.41	1.72%
Mitchell	1%, 2%	1-77	7,516,153.10	8,633,747.16	14.87%
Mobridge	2%	11-86	1,009,688.25	1,154,384.53	14.33%
Monroe	1%	1-81	4,389.88	4,752.49	8.26%
Montrose	1.86%	7-88	49,756.27	49,702.69	-0.11%
Mount Vernon	1%, 2%	1-97	42,993.64	46,460.47	8.06%
Murdo	1%, 2%	1-78	264,162.26	279,115.02	5.66%
New Underwood	2%	3-86	50,991.85	58,271.26	14.28%
Newell	2%	7-78	105,934.45	119,406.06	12.72%
Nisland	2%	11-88	10,807.97	11,043.79	2.18%
North Sioux City	2%	5-88	1,770,697.51	1,534,886.46	-13.32%
Oacoma	1%, 2%	4-82	486,245.86	509,908.12	4.87%
Oglala ST	1.5%, 2%, 3%, 4%	12-70	1,386,396.84	1,507,959.51	8.77%
Olivet	1%	1-00	3,317.51	3,700.53	11.55%
Onida	2%	1-95	127,649.06	143,803.71	12.66%
Parker	2%	7-83	195,201.07	223,219.96	14.35%
Parkston	1%, 2%	10-79	286,253.44	311,240.66	8.73%
Philip	2%	4-76	273,023.75	287,025.25	5.13%
Pickstown	1%	1-89	25,130.30	24,401.75	-2.90%
Pierre	1%, 1.8%	1-77	4,572,129.96	5,174,930.39	13.18%
Plankinton	2%	1-94	109,046.66	115,922.12	6.31%
Platte	1%, 2%	7-86	417,765.98	446,546.32	6.89%
Pollack	1%	7-92	33,819.74	44,696.94	32.16%
Presho	1%	7-78	53,082.80	54,717.98	3.08%
Pringle	2%	1-04	3,228.70	11,116.19	244.29%

Sales Tax/continued

City/Reservation	2005 Rate(s)	Adopted	FY 2004 Remittance	FY 2005 Remittance	% Increase [Decrease]
Quinn	1% (GR & ST)	1-04	6,406.11	8,353.10	30.39%
Ramona	1%	1-97	11,615.16	11,937.56	2.78%
Rapid City	1%, 1.84%	5-72	32,647,782.18	35,140,578.83	7.64%
Redfield	1%, 2%	1-81	596,033.79	660,220.32	10.77%
Reliance	1%, 2%	1-99	31,068.58	34,988.26	12.62%
Reville	1%	1-04	3,221.80	10,995.07	241.27%
Roscoe	1%	1-79	30,861.33	36,309.82	17.65%
Rosebud ST	1.5%, 2%, 3%, 4%	1-78	1,187,474.83	1,324,765.42	11.56%
Rosholt	1%	7-99	60,523.78	65,259.16	7.82%
Roslyn	2%	1-89	27,662.53	29,363.24	6.15%
Salem	1.89%	7-83	317,086.57	301,203.87	-5.01%
Scotland	2%	7-82	247,856.01	259,354.18	4.64%
Selby	1%	9-87	75,456.67	61,895.31	-17.97%
Sherman	1%	7-01	4,094.68	3,828.81	-6.49%
Sioux Falls	1%, 1.92%	1-74	68,699,885.85	74,514,617.01	8.46%
Sioux Falls Lodging	1%	1-96	430,565.06	449,699.62	4.44%
Sisseton	2%	7-78	678,583.76	757,675.83	11.66%
South Shore	1%	1-05	0.00	8,853.51	N/A
Spearfish	1%, 2%	10-71	4,537,170.34	5,444,310.60	19.99%
Spencer	2%	1-87	11,768.20	14,855.66	26.24%
Springfield	1%	7-84	96,218.95	93,048.39	-3.30%
Standing Rock ST	1.5%, 2%, 3%, 4%	3-91	389,144.42	644,349.22	65.58%
Stickney	2%	7-86	51,474.81	62,526.36	21.47%
Stratford	1%	7-01	3,908.77	4,632.18	18.51%
Sturgis	1%, 2%	11-71	2,266,632.77	2,578,547.06	13.76%
Summit	2%	7-93	14,964.75	35,590.67	137.83%
Tabor	1%	7-93	35,335.96	29,860.80	-13.03%
Tea	1%, 2%	7-82	494,674.68	628,280.67	27.01%
Timber Lake	2%	3-87	65,327.65	71,997.61	10.21%
Toronto	1%	9-85	28,800.60	27,766.22	-3.35%
Trent	1%	1-99	7,128.82	8,645.86	21.28%
Tripp	2%	1-88	90,142.06	90,905.63	0.85%
Tulare	1%	11-91	13,412.12	15,521.28	15.73%
Tyndall	1%	1-86	96,213.24	102,327.40	6.35%
Valley Springs	2%	1-91	47,610.97	72,866.58	53.05%
Veblen	1%	1-89	20,612.56	20,024.85	-2.85%
Vermillion	1%, 2%	7-80	1,842,590.86	2,119,135.91	15.01%
Viborg	2%	4-80	174,321.56	197,751.17	13.44%
Volga	1%	7-97	116,423.50	107,973.33	-7.26%
Volin	1%	7-01	7,707.01	6,996.02	-9.23%
Wagner	1.82%	7-87	448,983.74	457,644.41	1.93%
Wakonda	1%	1-82	22,569.60	26,554.16	17.65%
Wall	1%, 2%	10-71	786,656.45	817,482.30	3.92%
Warner	2%	7-98	32,266.46	35,023.19	8.54%
Wasta	1%	9-90	3,039.74	3,634.14	19.55%
Watertown	1%, 1.9%	1-78	9,538,548.47	10,006,192.77	4.90%
Waubay	2%	1-81	80,106.58	82,686.01	3.22%
Webster	1%, 2%	7-81	513,782.64	609,034.23	18.54%
Wentworth	2%	7-94	16,968.04	30,019.67	76.92%
Wessington	1%	5-91	31,842.58	31,924.37	0.26%
Wessington Springs	2%	7-78	209,332.04	216,980.60	3.65%
White	2%	1-05	0.00	37,277.00	N/A
White Lake	2%	1-94	63,208.48	66,313.49	4.91%
White River	2%	7-78	100,511.75	110,825.74	10.26%
Whitewood	1%, 2%	7-76	131,062.14	166,808.19	27.27%
Willow Lake	2%	5-85	39,419.53	51,191.19	29.86%
Wilmot	2%	7-98	91,788.56	102,353.94	11.51%
Winner	2%	1-80	966,736.01	1,069,725.02	10.65%
Witten	1%	1-98	1,988.58	2,677.54	34.65%
Wolsey	2%	1-04	22,238.92	69,005.60	210.29%
Woonsocket	2%	7-79	210,638.09	180,623.03	-14.25%
Worthing	1%, 2%	1-84	74,228.00	63,488.52	-14.47%
Yankton	1%, 2%	7-79	5,017,986.87	5,617,391.11	11.95%
TOTAL			\$201,408,007.40	\$220,516,757.31	9.49%

In fiscal year 2005, a total of 210 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 FY2005, 59 South Dakota communities imposed this gross receipts tax.

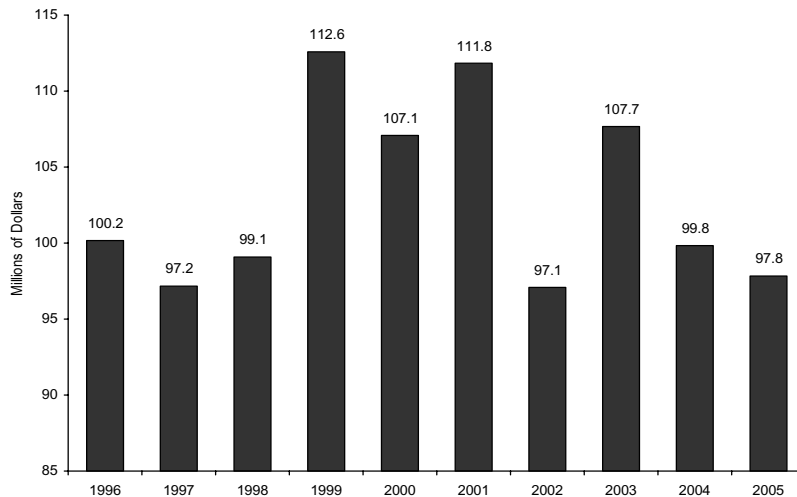
Special Taxes

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 2005, revenues in this division showed a decrease of \$1,952,656 from 2004 with total collections of \$97,858,463.

Total Special Tax Revenues: A Ten-Year Comparison

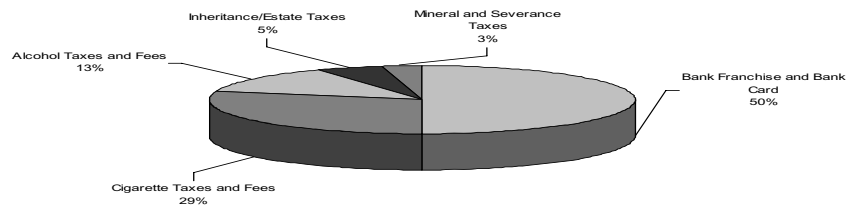


There are five major types of Special Taxes: bank franchise taxes, estate taxes, alcohol taxes, cigarette taxes, and mineral and severance taxes. In fiscal year 2005, bank franchise and bank card taxes generated more than 50% of special tax revenues.

Tax Revenues by Category

Total Receipts - \$97,858,463

Other taxes accounted for 0.3% of total receipts.

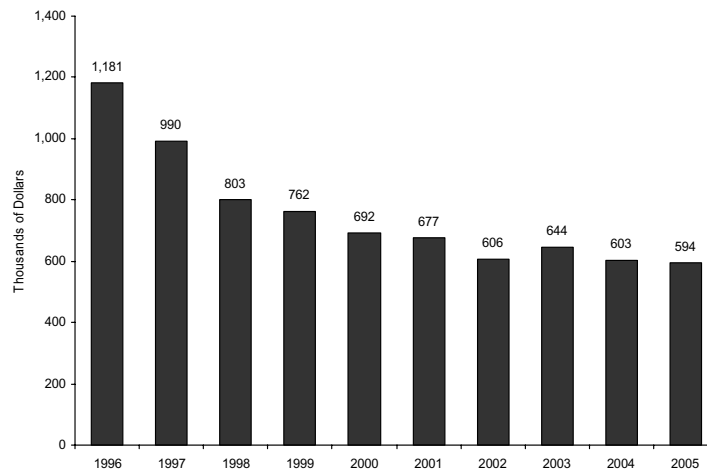


Refunds to the Elderly and Disabled

Tax refund dollars for the elderly and disabled benefitted citizens in all of South Dakota's 66 counties in fiscal year 2005. Minnehaha County had the largest number of participants with 498, followed by Pennington County with 400, Shannon County with 209, and Brown County with 198. A total of 3,503 applications were received for the program in fiscal year 2005, down from 3,556 the previous fiscal year. Refunds distributed in fiscal year 2005 totaled \$593,909.

The number of refund applications by group in 2005 were: Elderly single - 1,679; Elderly household - 252; Disabled single - 1,265; and Disabled household - 307. 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 2005, that allowance amounted to \$982,069.68, down from the \$982,191.97 allowed in fiscal year 2004.

Property Taxes

Property and Special Taxes Division - Michael Kenyon, Director

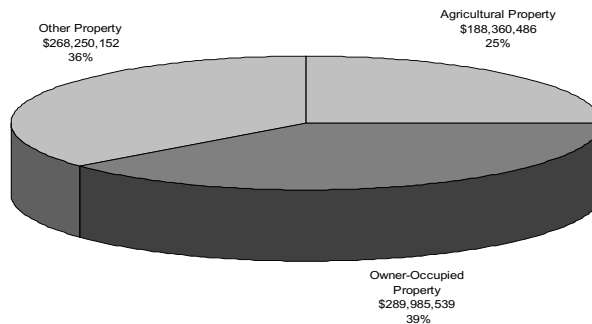
Property taxes are the primary source of funding for school systems, counties, municipalities and other units of local government. The state does not collect or spend any property tax money. Each county administers its own property tax system; the department's authority is limited to assisting local 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 2005, South Dakota property owners paid more than \$746 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.

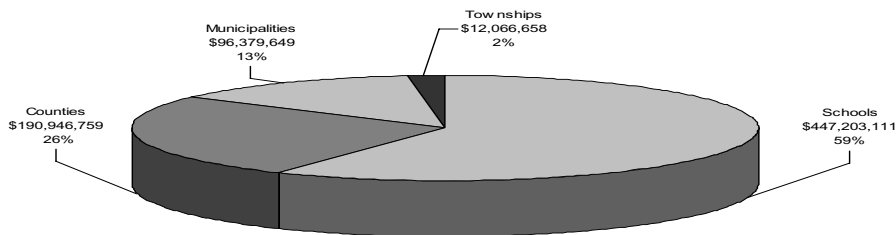
Percentage Breakdown of Property Taxes Collected by Property Classification

CY2005 Total Property Taxes Collected = \$746,596,177



Percentage Breakdown of Property Taxes Distributed by Government Entity

CY2005 Total Property Taxes Distributed = \$746,596,177



Property Taxes/continued

Total Property Taxes 2003- 2005

	Payable 2003	Payable 2004	Payable 2005
Agricultural Property	\$172,050,045.58	\$181,258,287.38	\$188,360,485.60
Non-Ag Acreages	4,304,303.18	1,769,313.89	2,383,372.43
Owner-Occupied Property	254,014,786.51	267,665,970.68	284,412,152.94
Manufactured Homes (Real) - Not Owner Occupied	1,893,270.12	2,372,198.91	2,249,913.05
Manufactured Homes (Real) - Owner Occupied	4,742,877.34	5,514,556.18	5,573,385.69
Other Property	220,384,652.16	227,464,566.45	234,641,233.07
Utilities			
Railroad	1,788,793.94	1,098,055.36	1,042,265.65
Telegraph			
Electric Light, Power, etc.	22,953,341.35	23,265,295.66	22,354,811.32
Telephone Companies (Within)	4,989,265.31	4,772,700.39	4,167,408.86
Telephone Companies (Without)	1,321,005.48	1,146,515.30	1,411,148.75
Special Assessments	10,279,052.77	8,835,377.91	10,120,766.02
TOTAL	\$698,721,393.74	\$725,162,838.11	\$756,716,943.38

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 - 2005

	Amount Taxed	Percent of Total
County (Includes Library, Secondary Road, Fire Fighting Purposes, Telephone Outside-General Fund)	\$190,946,758.72	25.23%
Municipalities	96,379,649.03	12.74%
Schools	447,203,111.42	59.10%
Townships	12,066,658.19	1.59%
Special Assessments	10,120,766.02	1.34%
Total	\$756,716,943.38	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: 2005 Taxes Payable 2006

County	Ag Real Valuation	Owner Occupied Valuation	Other Valuation	Total Valuation
Aurora	\$266,223,505	\$26,209,172	\$17,536,875	\$309,969,552
Beadle	410,861,866	236,764,795	212,729,358	860,356,019
Bennett	100,669,685	15,248,714	7,614,238	123,532,637
Bon Homme	207,474,297	70,740,763	33,090,189	311,305,249
Brookings	354,150,830	568,330,320	367,673,713	1,290,154,863
Brown	647,480,859	760,702,396	500,160,840	1,908,344,095
Brule	203,103,153	65,262,013	50,290,537	318,655,703
Buffalo	61,635,635	1,141,326	955,061	63,732,022
Butte	160,391,095	157,561,642	89,383,765	407,336,502
Campbell	121,254,343	17,056,872	7,285,135	145,596,350
Charles Mix	421,357,925	86,986,682	55,783,087	564,127,694
Clark	257,335,014	31,013,357	53,497,310	341,845,681
Clay	233,428,183	194,630,613	125,676,663	553,735,459
Codington	231,576,748	683,343,918	409,814,518	1,324,735,184
Corson	95,857,090	9,430,125	17,677,482	122,964,697
Custer	76,536,826	246,839,812	207,689,061	531,065,699
Davison	161,048,455	385,144,765	259,144,632	805,337,852
Day	221,250,760	70,919,910	74,392,228	366,562,898
Deuel	243,471,322	53,163,602	53,628,525	350,263,449
Dewey	92,202,740	8,332,434	9,309,545	109,844,719
Douglas	168,953,137	36,502,921	16,177,395	221,633,453
Edmunds	254,094,649	61,001,696	54,649,805	369,746,150
Fall River	79,220,845	115,947,014	107,884,603	303,052,462
Faulk	191,920,667	16,820,372	8,201,451	216,942,490
Grant	193,742,330	114,857,301	161,844,043	470,443,674
Gregory	269,235,643	40,137,347	20,158,258	329,531,248
Haakon	168,567,941	18,541,611	19,823,030	206,932,582
Hamlin	240,107,787	80,086,952	63,965,626	384,160,365
Hand	344,702,171	39,863,977	28,218,925	412,785,073
Hanson	195,089,962	43,561,429	17,543,352	256,194,743
Harding	146,621,280	9,459,400	25,448,053	181,528,733
Hughes	144,900,799	438,254,417	237,461,831	820,617,047
Hutchinson	444,202,879	92,995,730	47,417,900	584,616,509
Hyde	179,153,168	16,046,534	21,375,020	216,574,722
Jackson	104,466,158	10,663,018	11,371,003	126,500,179
Jerauld	146,001,747	16,487,703	13,760,283	176,249,733
Jones	123,298,107	10,236,091	10,992,950	144,527,148
Kingsbury	300,620,347	58,439,504	45,674,391	404,734,242
Lake	307,659,290	232,755,575	140,482,590	680,897,455
Lawrence	23,258,474	652,543,783	549,492,046	1,225,294,303
Lincoln	442,578,246	1,423,396,826	551,344,480	2,417,319,552
Lyman	300,967,258	30,424,007	30,921,902	362,313,167
Marshall	228,848,363	62,687,458	40,388,105	331,923,926
McCook	297,845,512	96,285,349	36,659,314	430,790,175
McPherson	216,789,501	27,948,886	37,029,539	281,767,926
Meade	221,104,200	624,683,042	306,312,805	1,152,100,047
Mellette	113,558,889	7,185,562	4,376,648	125,121,099
Miner	231,897,871	21,480,477	17,225,359	270,603,707
Minnehaha	503,763,323	4,600,766,065	3,271,844,427	8,376,373,815
Moody	322,235,732	97,257,551	40,543,734	460,037,017
Pennington	191,478,460	2,757,978,400	2,337,345,075	5,286,801,935
Perkins	184,854,094	23,954,002	14,804,072	223,612,168
Potter	236,270,962	30,724,623	27,143,867	294,139,452
Roberts	323,989,914	102,976,811	67,091,196	494,057,921

Property Taxes/continued

County	Ag Real Valuation	Owner Occupied Valuation	Other Valuation	Total Valuation
Sanborn	171,288,627	17,734,794	11,934,552	200,957,973
Shannon	17,709,520	2,036,310	3,044,232	22,790,062
Spink	438,202,450	52,942,663	52,442,980	543,588,093
Stanley	152,045,712	72,151,972	45,271,246	269,468,930
Sully	280,897,658	21,309,637	25,237,935	327,445,230
Todd	67,471,732	8,458,980	8,832,285	84,762,997
Tripp	328,454,400	68,983,746	39,161,569	436,599,715
Turner	328,893,500	127,957,935	48,114,543	504,965,978
Union	381,479,892	403,388,015	232,735,934	1,017,603,841
Walworth	131,578,707	50,006,922	42,714,452	224,300,081
Yankton	237,049,667	485,388,217	270,980,519	993,418,403
Ziebach	72,656,850	2,152,458	4,262,175	79,071,483
STATE TOTALS	\$15,017,038,752	\$17,014,286,314	\$11,723,038,262	\$43,754,363,328

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 2006 are set statewide as follows:

Ag	\$3.19/\$1,000 of value
Owner-Occupied	\$5.13/\$1,000 of value
Other	\$11.00/\$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

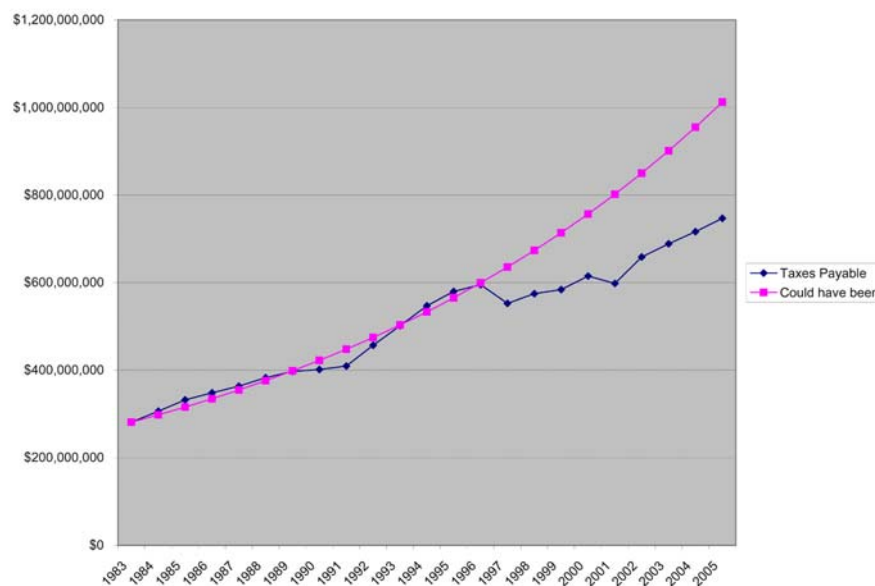
to ensure that the caps are not exceeded. Local governments are limited to the amount of property taxes they collected last year, plus an increase for inflation based upon the consumer price index (but not more than 3%) and for new construction within the taxing jurisdiction.

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 2005

City	Effective Tax Rate	X \$40,000 =	A Tax Of
Aberdeen	1.77%		\$707.88
Belle Fourche	1.94		776.90
Brandon	1.51		604.18
Brookings	1.69		677.96
Canton	1.90		761.94
Chamberlain	2.03		812.60
Dell Rapids	1.59		635.12
Flandreau	2.28		912.56
Hot Springs	2.27		906.78
Huron	2.30		918.68
Madison	1.72		687.82
Milbank	1.71		683.40
Mitchell	1.87		746.30

City	Effective Tax Rate	X \$40,000 =	A Tax Of
Mobridge	2.32%		\$929.56
Pierre	1.61		642.94
Rapid City	1.59		637.50
Redfield	3.00		1,200.54
Sioux Falls	1.47		589.22
Sisseton	1.99		795.94
Sturgis	2.20		881.96
Vermillion	1.96		782.68
Watertown	1.42		568.82
Webster	2.05		819.74
Winner	1.75		700.06
Yankton	1.60		640.90

Other Non-Agricultural Taxes Payable in 2005

City	Effective Tax Rate	X \$40,000 =	A Tax Of
Aberdeen	2.30%		\$918.34
Belle Fourche	2.46		984.64
Brandon	2.03		813.28
Brookings	2.29		914.60
Canton	2.42		969.68
Chamberlain	2.55		1,020.34
Dell Rapids	2.11		844.22
Flandreau	2.81		1,122.00
Hot Springs	2.79		1,115.20
Huron	2.82		1,126.42
Madison	2.24		895.56
Milbank	2.23		891.14
Mitchell	2.42		969.00

City	Effective Tax Rate	X \$40,000 =	A Tax Of
Mobridge	3.03%		\$1,213.12
Pierre	2.13		850.68
Rapid City	2.12		849.32
Redfield	3.75		1,498.38
Sioux Falls	2.03		811.24
Sisseton	2.51		1,003.68
Sturgis	2.74		1,095.48
Vermillion	2.48		992.12
Watertown	1.94		776.90
Webster	2.57		1,029.18
Winner	2.27		909.50
Yankton	2.12		848.64

Property Taxes/continued

Agricultural Taxes Payable in 2005

Township	Effective Tax Rate	X \$40,000 = A Tax Of	Township	Effective Tax Rate	X \$40,000 = A Tax Of
Aberdeen	1.29%	\$516.80	Mobridge	1.39%	\$555.22
Belle Fourche	1.17	469.54	Pierre	1.15	460.70
Brandon	1.05	419.56	Rapid City	1.23	491.30
Brookings	1.40	558.28	Redfield	1.25	500.82
Canton	1.01	404.94	Sioux Falls	1.04	417.18
Chamberlain	1.18	473.62	Sisseton	1.08	432.82
Dell Rapids	1.04	416.84	Sturgis	1.22	487.56
Flandreau	1.36	545.36	Vermillion	1.35	540.94
Hot Springs	1.40	560.32	Watertown	1.06	422.62
Huron	1.31	523.94	Webster	1.28	510.34
Madison	1.05	418.88	Winner	1.13	452.20
Milbank	1.25	499.12	Yankton	1.23	493.00
Mitchell	1.25	498.44			

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	2005 Market Value of 2,000 sq ft home	Taxes on 2,000 sq ft home	State Income Taxes	Total Taxes (Property/Income)
Bismarck, ND	2.05%	\$142,000	\$2,911	\$500	\$3,411
Bloomington, MN	1.15%	200,000	2,300	2,000	4,300
Cedar Rapids, IA	1.76%	200,000	3,520	2,100	5,620
Duluth, MN	1.25%	176,000	2,200	2,000	4,200
Edina, MN	1.23%	240,000	2,952	2,000	4,952
Fargo, ND	1.85%	165,000	3,053	500	3,553
Grand Island, NE	2.10%	145,000	3,045	1,200	4,245
Iowa City, IA	2.00%	250,000	5,000	2,200	7,200
Lincoln, NE	2.35%	165,000	3,878	1,300	5,178
Minneapolis, MN	1.65%	205,000	3,383	2,000	5,383
Minot, ND	1.60%	133,000	2,128	500	2,628
Omaha, NE	2.40%	208,000	4,992	1,300	6,292
Pierre, SD	1.95%	135,000	2,633	0	2,633
Plymouth, MN	1.10%	250,000	2,750	2,000	4,750
Rapid City, SD	2.05%	165,000	3,383	0	3,383
Rochester, MN	1.30%	170,000	2,210	2,000	4,210
Sioux Falls, SD	1.85%	172,000	3,182	0	3,182
St. Paul, MN	1.50%	210,000	3,150	2,000	5,150
Vermillion, SD	1.95%	144,000	2,808	0	2,808

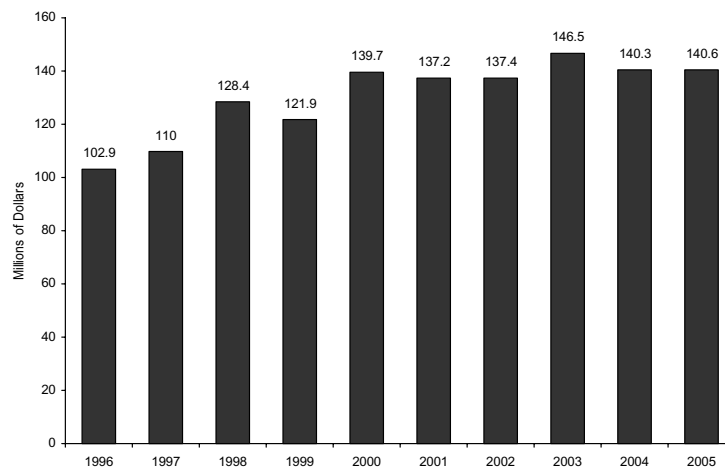
Fuel Tax and Motor Vehicle Licensing

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; prorate and commercial licensing; and dealer licensing.

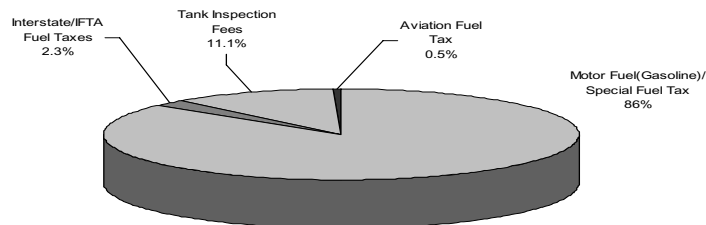
Total Fuel Tax Revenues

Gasoline, ethanol blend, aviation fuel, jet fuel, liquid petroleum gas (LPG), and diesel fuel all fall into the fuel tax category. In fiscal year 2005, total fuel tax revenues amounted to \$140,648,574. The chart below compares South Dakota's fuel tax revenues for the past 10 years.



Tax Revenues by Category

Total Receipts - \$140,648,574



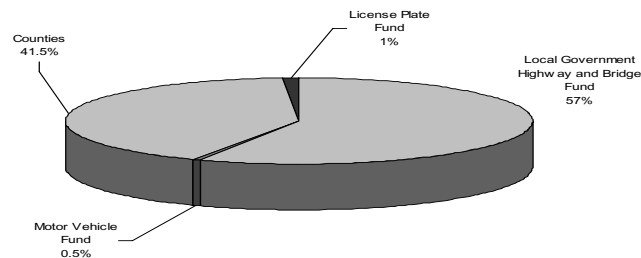
Motor Vehicle/continued

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 2005 were \$12,845,748, the largest share of which was distributed to counties for county roads.

Distribution of Fees by Fund

Total Prorate Registration Fees - \$12,845,748

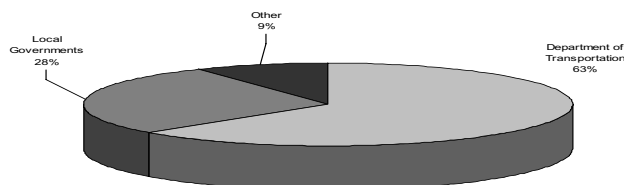


Titles and Registration

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 2005 totaled \$88,742,149, which were distributed as shown below.

Distribution of Title and Registration Revenues

Total Disbursements - \$88,742,149



Motor Vehicle/continued

Title and Registration Revenues

	FY2004	FY2005	Percent Change
License Plate Fees - State's Share*	\$2,161,806	\$2,350,522	8.73%
License Plate Fees - Counties', Cities', Townships' Share	23,968,464	24,887,366	3.83%
Snowmobiles	138,205	99,660	-27.89%
Boats	801,098	768,137	-4.11%
Temporary Special Permits	112,777	119,012	5.53%
Mobile Home Plates	9,045	10,530	16.42%
Dealer Fees, Duplicate Dealer Plates	147,224	145,493	-1.18%
Noncommercial Duplicate Plates	152,984	143,796	-6.01%
Commercial Duplicate License Plates	3,420	3,530	3.22%
Title and Penalty Fees	2,231,862	2,212,853	-0.85%
Trailer ID Fees	50,010	53,320	6.62%
Replacement Plate Fees	300,362	357,983	19.18%
Motorcycle Safety Education Fees	117,423	132,129	12.52%
Mobile Home Registration Fees - State's Share	172,832	132,601	-23.28%
Other Vehicle 3.0% Registration Fees	55,042,101	55,962,320	1.67%
Snowmobile 3.0% Initial Registration Fees	250,454	194,091	-22.50%
Register of Deeds Fees	135,067	129,095	-4.42%
DENR Solid Waste Fees	1,011,751	1,039,711	2.76%
Total Receipts	\$86,806,888	\$88,742,149	2.23%

*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 2005, there were 5,940 refunds totaling \$1,620,158.11 as compared to 6,291 refunds totaling \$1,695,245.73 issued the previous fiscal year. Total annual motor fuel refunds have averaged \$2,324.190 over the past 10 years, with the highest number of refunds being issued in 1996 when 10,833 refunds were given totaling \$2,959,095.

The average refund was \$272.75 in fiscal year 2005, as compared to \$269.47 in 2004 and \$284.38 in 2003.

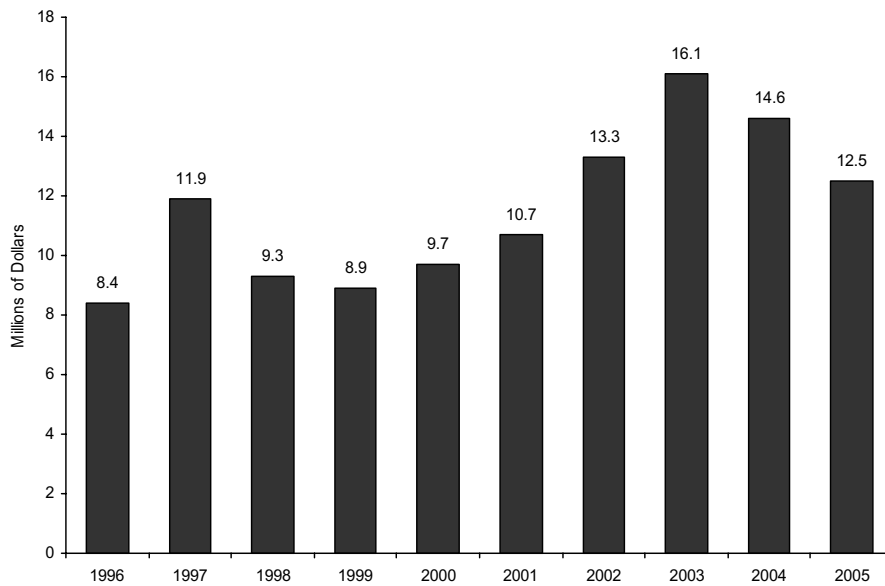
Effective July 1, 1999, \$.03 of every gallon of gasoline on which a refund is claimed is deposited into an Agricultural Fund. This amounted to \$253,619.79 in fiscal year 2005.

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 \$12,543,317 in assessments (tax, penalty and interest) in FY2005.

Total Assessments: A Ten-Year Comparison

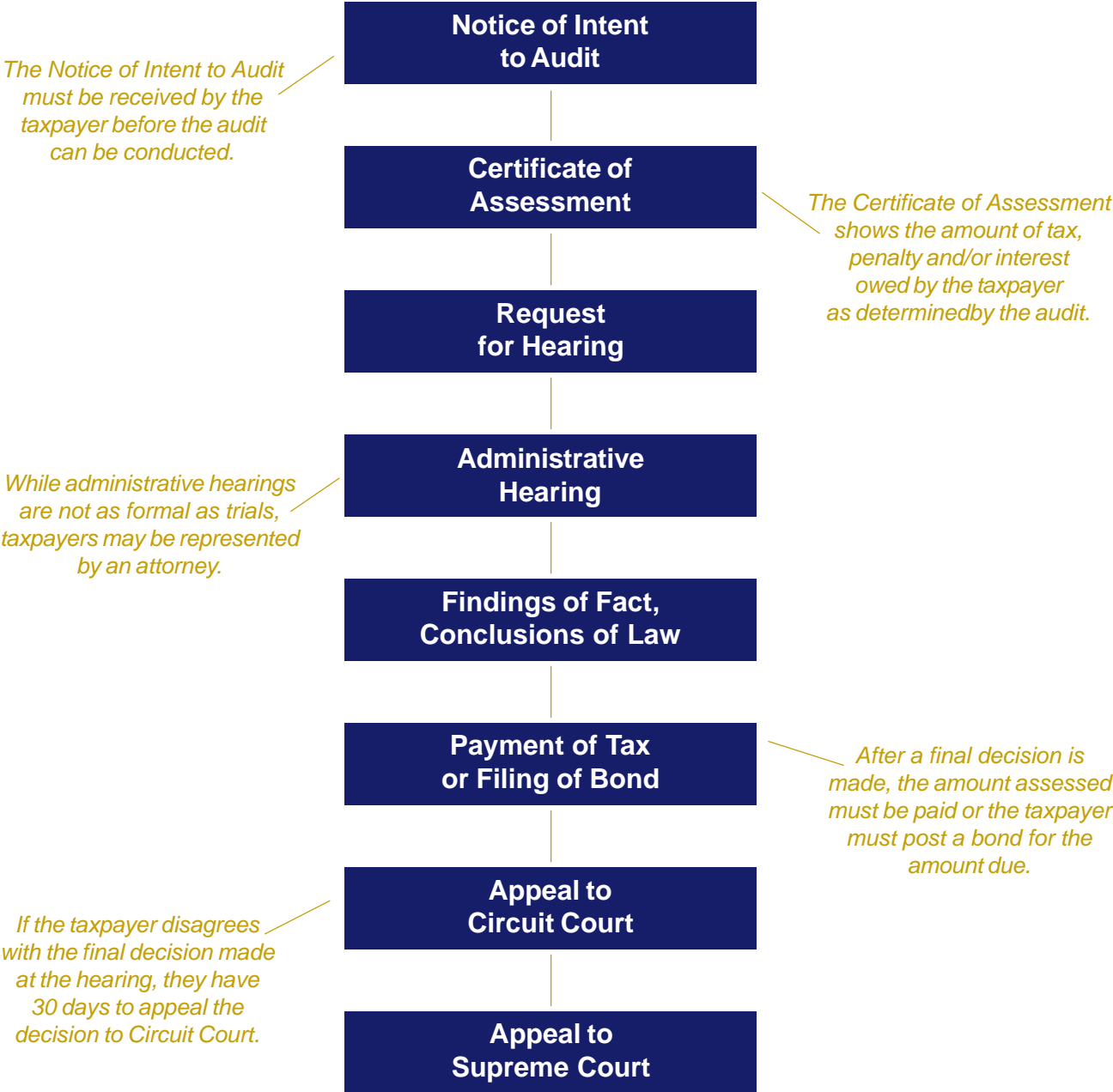


Audits and Assessments

	Number of Audits	Assessments
Sales, Use and Contractors' Excise Tax	1,200	\$11,657,912.20
Limited Scope Audits	8	5,780.08
Bank Franchise, Severance Taxes, Inheritance Taxes and Tobacco	474	230,581.19
Fuel Taxes, Prorate (IRP) and IFTA	320	649,043.48
TOTAL	2,002	\$12,543,316.95

Audit and Appeal Flow Chart

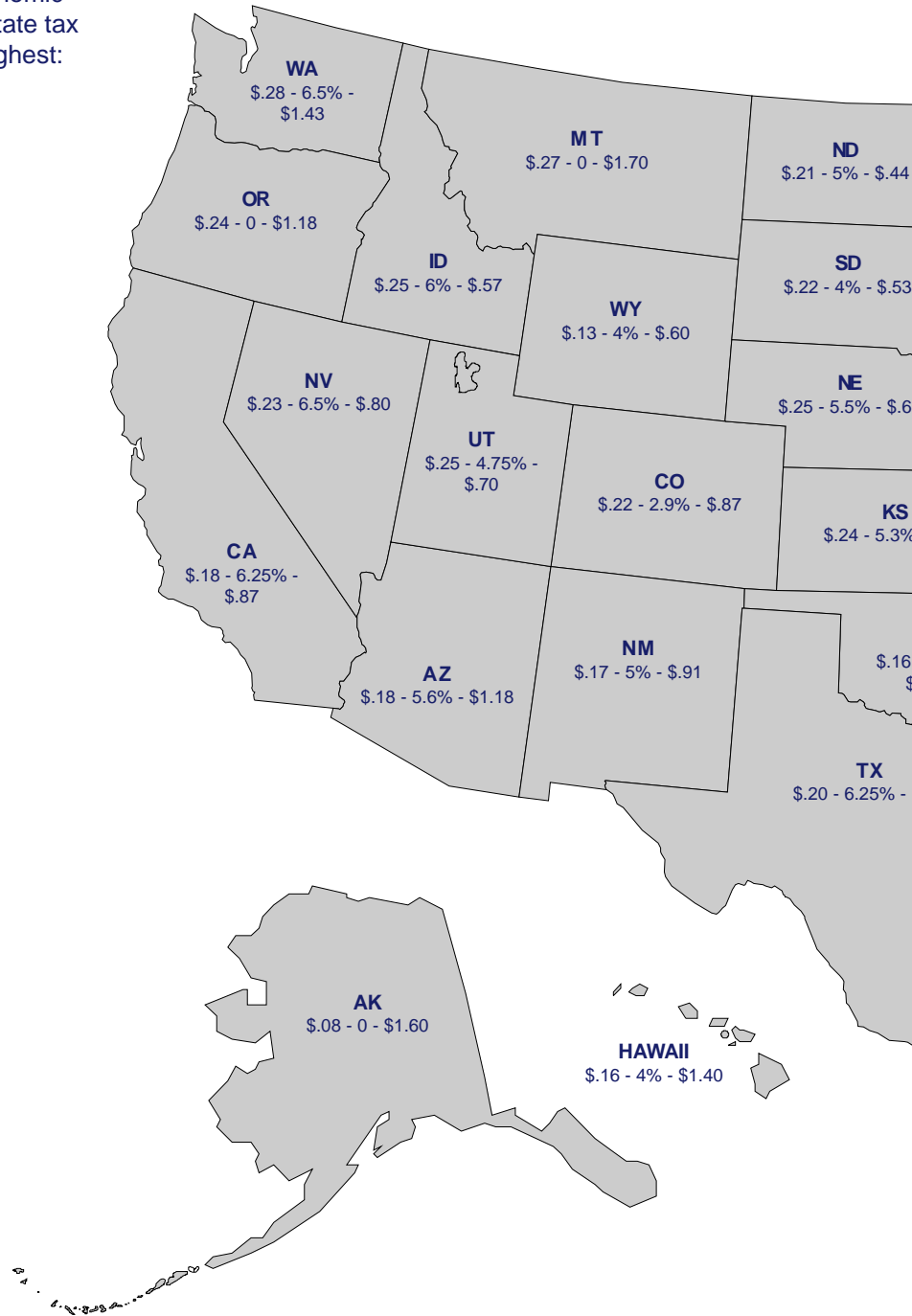
Under South Dakota’s “Taxpayer’s Bill of Rights”, taxpayers have the right to appeal tax assessments they feel are incorrect or unfair. The flow chart below details the eight steps of the department’s Audit and Appeal Process.



How SD Compares to Other States

At just \$1,378, South Dakota had the second lowest per capita state tax burden in fiscal year 2004, 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:

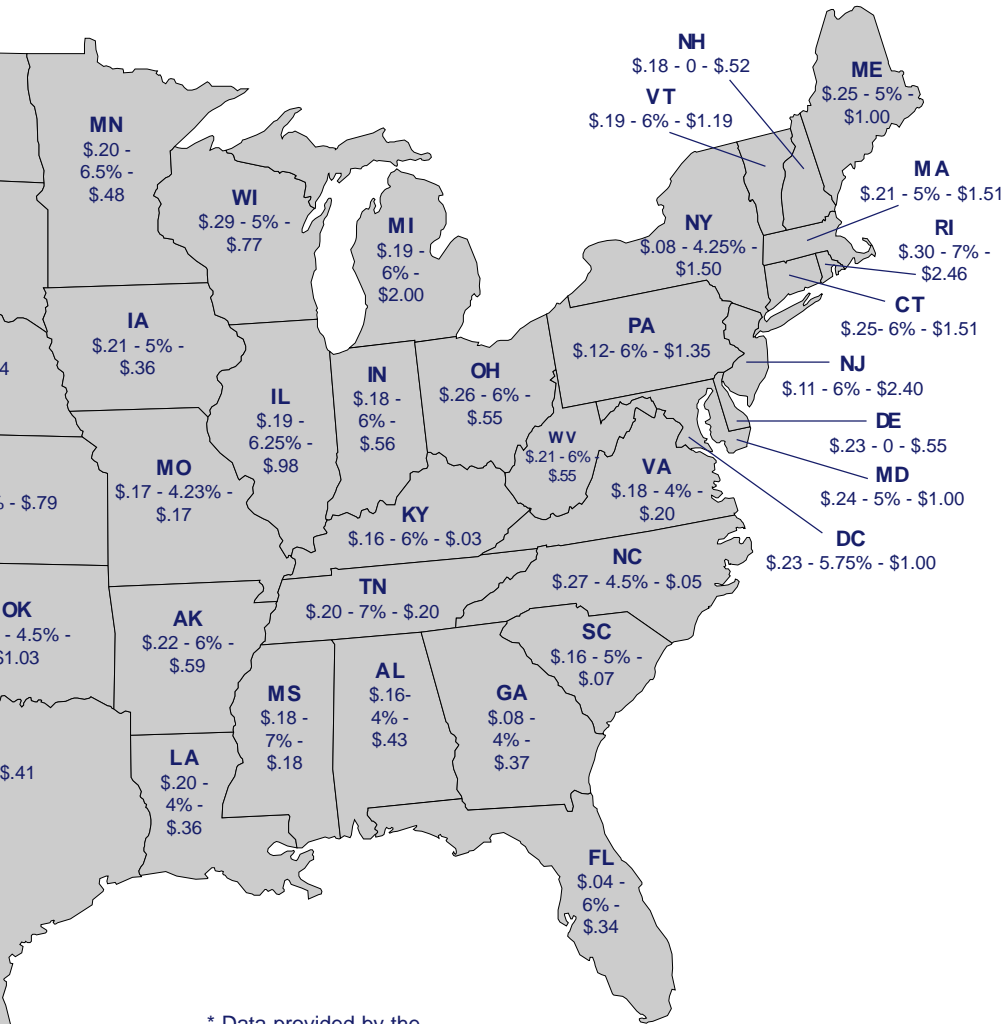
Hawaii	\$3,048
Wyoming	2,968
Connecticut	2,937
Minnesota	2,889
Delaware	2,862
Vermont	2,845
Massachusetts	2,602
New Jersey	2,412
California	2,388
New York	2,384
Michigan	2,379
Wisconsin	2,275
Washington	2,240
Rhode Island	2,228
Maryland	2,216
Maine	2,200
New Mexico	2,103
Nebraska	2,083
West Virginia	2,066
Pennsylvania	2,043
Kentucky	2,041
Nevada	2,030
Arkansas	2,027
Illinois	2,005
Alaska	1,967
Ohio	1,961
North Carolina	1,941
North Dakota	1,938
Kansas	1,931
Indiana	1,917
Virginia	1,908
Idaho	1,901
Oklahoma	1,824
Louisiana	1,777
Florida	1,769
Mississippi	1,765
Montana	1,754
Utah	1,754
Iowa	1,738
Oregon	1,698
Arizona	1,672
Georgia	1,650
South Carolina	1,621
Tennessee	1,616
Missouri	1,585
Alabama	1,549
New Hampshire	1,543
Colorado	1,533
South Dakota	1,378
Texas	1,367
National Average	2,025



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

How SD Compares to Other States/continued

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

Five Highest Gasoline Tax Rates

Rhode Island	\$0.30
Wisconsin	\$0.29
Washington	\$0.28
Montana	\$0.27
North Carolina	\$0.27
Ohio	\$0.26
South Dakota	\$0.22

Five Highest Sales Tax Rates

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

Five Highest Cigarette Tax Rates

Rhode Island	\$2.46
New Jersey	\$2.40
Michigan	\$2.00
Alaska	\$1.60
Connecticut	\$1.51
South Dakota	\$0.53

Comparing the Region

	Gas Tax (cts. per gallon)	Sales Tax (%)	Cigarette Tax (cts. per package)
South Dakota	22	4	53
Iowa	20.5	5	36
Minnesota	20	6.5	48
Montana	27	0	1.70
Nebraska	25.4	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 a Chief Legal Counsel, three full-time attorneys, six full-time Special Agents (four dedicated to the Investigative Services Bureau (ISB) and two to the Insurance Fraud Prevention Unit (IFPU)), one full-time Assistant Attorney General, one part-time fraud auditor, and two legal secretaries. In addition to providing routine legal counsel to the department, the legal staff worked on 333 cases during FY2005, 213 of which were new cases. The ISB Special Agents examined 81 individuals and businesses, of which 55 were investigated for tax and motor vehicle crimes. The IFPU reviewed or investigated 103 allegations of insurance fraud and referred six cases for prosecution. More information on the IFPU can be found in the following pages. The Supreme Court issued seven decisions during the year which affected the department.

Supreme Court Summaries

State v. Phair, 2004 SD 88, 684 NW2d 660. Phair was convicted of grand theft by deception related to her failure to disclose a prior lien on her vehicle. The Supreme Court held that the trial court's exclusion of defense evidence of defendant's payments on the loan from the lender was not an abuse of discretion, and whether the defendant acted with intent to defraud was a question for the jury.

In re Alcohol Beverage License Suspension of Tim Engels, d/b/a Harbor Bar, 2004 SD ____, ____, NW2d ____. The Harbor Bar appealed the department's decision to suspend its alcoholic beverage licenses for 14 days as a result of a violation that occurred when a bar employee sold an alcoholic beverage to a minor. The Supreme Court reversed the department's decision and held that the amended statute which took away the power to suspend licenses was not retroactive, and the evidence did not support the finding that the employee had the opportunity to comply with the safe harbor provision which required certification in a department-approved training program.

Ernst & Young v. South Dakota Dept. of Revenue, 2004 SD 122, 689 NW2d 449. Ernst & Young sought review of the department's denial of its claim for a tax refund. The Supreme Court affirmed the denial and held that the three-year statute of limitations for refund of overpaid taxes began to run when the taxpayer paid its taxes; more general statute did not apply to extend the limitations period for the refund of overpaid taxes; and the statute allowing deductions for sales tax refunds was limited by a three-year limitations period.

Dakota Truck Underwriters and Travelers Insurance Company v. South Dakota Subsequent Injury Fund, 2004 SD 120, 689 NW2d 196. Dakota Truck Underwriters and Travelers Insurance Company appealed from a circuit court order which dismissed their claims for reimbursement from the South Dakota Subsequent Injury Fund because they failed to file their claims within the applicable statute of limitations period. The Supreme Court reversed and held that the doctrine of equitable tolling applied to extend the filing period.

Dakota Systems, Inc. et. al. v. Viken, 2005 SD 27, 694 NW2d 23. Dakota Systems, Inc., a provider of commercial mobile radio services, filed an action requesting a refund for telecommunications gross receipts taxes and seeking declaratory judgment that such taxes were unconstitutional. The Supreme Court affirmed in part and reversed in part, and held that, among other things, 1) the special appropriation provisions of the Act that imposed an excise tax on the gross receipts of personal communications system, wireless, and cellular telecommunications companies violated the state constitution's single subject requirement, but were severable from remaining provisions; 2) statutes governing licensing of CMRS providers were not prohibited by general principles of field preemption; 3) basic notice and record-keeping requirements for CMRS providers to obtain gross receipts tax licenses did not violate the Communications Act; and 4) the Communications Act did not preempt statutes governing delinquent payment of state taxes by CMRS providers.

State v. Swalve, 2005 SD 17, 692 NW2d 794. Lance Swalve, a Watertown car dealer, appealed his conviction of grand theft by deception and failure to deliver motor vehicle titles. The Supreme Court held that the evidence was sufficient to support the convictions for grand theft by deception and show the defendant failed to deliver titles to customers without legal excuse; evidence contained in documents seized pursuant to illegal search was admissible to the extent that it was obtained via independent source; and the defendant was not prejudiced by the State's failure to disclose one of its witnesses.

Independent Trust Company, LLC v. South Dakota State Banking Commission et. al. and Security National Bank, 2005 SD 52, 696 NW2d 539. Independent Trust Company appealed a decision by the Banking Commission which denied its application to organize and operate a trust company. The Supreme Court held that evidence supported the commission's finding that organizers failed to show they had adequate financial standing, business experience, and character to operate a trust company; that the applicant failed to show its officers had requisite character, qualifications and experience to operate a trust company; and that the applicant failed to show there was a public need for the trust company.

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 an 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 2005, 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 Jack Magee, investigators Michael Pease and Tyler Spomer, and secretary Valerie Johnson.

Referrals

A. Procedure

The Fraud Unit received 103 referrals during FY2005 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

A total of 103 referrals were received in FY2005, as compared to 94 in FY2004, 128 in FY2003, 111 in FY2002, and 103 in FY2001.

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 2005 are: Homeowners Insurance - 2 (2%), Disability Insurance - 3 (3%), Life Insurance - 3 (3%), Commercial Insurance - 5 (5%), Medical/Health Insurance - 6 (6%), Agent Fraud - 7 (7%), False Application - 7 (7%), Workers Compensation - 24 (24%), Auto Insurance - 27 (25%), and Other - 9 (9%).

3. Referrals by Source

Of the 103 referrals received in FY2005, 54 were from the insurance industry, 26 from the general public, seven from law enforcement, five from other government agencies, and 11 were anonymous.

4. Suspect Type

Of the 103 referrals received in FY2005, 84 (81%) concerned the insured or claimant, seven (7%) concerned agents or brokers, and 12 (12%) 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 FY2005, the Unit made 13 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 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 FY2005 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 103 cases referred to the Fraud Unit in FY2005, six cases were referred for prosecution, 41 were closed due to insufficient evidence or other bar to prosecution, 14 were referred for regulatory action, four were referred to other agencies, four were assisting other agencies, three were self-insured, 11 were classified and maintained for intelligence purposes only, and 20 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 four criminal cases during FY2005. These cases are those in which the individual has been sentenced and the matter is finalized within the court system.

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 \$2,615,526.14.

Costs and Expenditures

The Fraud Unit did not have an assessment for FY2005.

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.

FY2005 Revenues

Taxes Collected (General Fund)	\$55,166,528
Fees (Insurance Operating Fund):	
Admission	85,695
Company Renewal	79,900
Agent Licensing/Renewal	3,964,580
Exam Fees	12,050
Miscellaneous and Legal	19,023
Retaliatory/Filing	863,812
Administrative Penalties	151,405
Lists and Labels	5,970
Certification Letters	27,460
Investment Council Interest	19,406
Course Approval	21,275
Subsequent Injury Fund:	
Sub-Injury Fund Assessment	7,555,804
Investment Council Interest	33,150
Continuing Education Fund:	
Agent Renewal Fees	570
Investment Council Interest	1,341
Special Collections for Workers Compensation:	
Policy Fee (Transferred to Dept. of Labor)	2553,463
Examination Fund (effective 7/1/97)	418,800
Investment Council Interest	19,567
Total	\$68,699,799

FY2005 Performance Indicators

Total Licensed/Domestic Companies	1,373/47
Domestic Companies Financial Exams	10
Company Market Conduct Exams	1
Companies Licensed/Approved Mergers	25
Agent Licenses Issued	9,461
Agent Appointments Issued	49,605
Renewed Appointments	137,807
Agent Appointment Cancellations	13,550
Property/Casualty Filings Reviewed	6,830
Life/Health Filings Reviewed	4,081
Consumer Complaints Closed	1,127
Enforcement/New Open Files	593
Enforcement/Closed Files	692
Continuing Education:	
Agents Paying License Renewal	0
Agents Exempt	0
Agents Reporting Completion	0
Courses Reviewed	796
Courses Monitored	12
Agent Licenses Cancelled	0
Subsequent Injury Fund:	
New Claims	51
Claims Paid	133
Dollars Paid	\$7,735,667

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 \$917 million in payments in fiscal year 2005. 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 2005 - Remittance Center

Dollars processed for Revenue and Regulation	\$803,073,162
Dollars processed for other agencies	114,564,973
Total dollars processed	\$917,638,135
Total documents processed	542,606

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 \$112,853 for FY2005. From July 1, 2004 to June 30, 2005, the Appraiser Certification Program licensed 30 new appraisers; renewed 360 appraiser licenses; received 10 upgrade applications and one new application claiming experience; issued 17 new reciprocal licenses; issued 45 temporary permits; processed 91 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.

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 and Supervision 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

	FY2002	FY2003	FY2004	FY2005
Bank Examination Fee	\$416,811	\$438,026	\$556,441	\$728,275
Trust Company Examination Fee	11,137	21,239	0	19,016
License Fees	181,609	193,350	339,580	407,932
Trust Company Supervision Fee				79,584
Investment Council Interest	61,391	39,270	18,401	13,542
Miscellaneous	12,191	3,495	7,548	25,648
Trust Company Charter Fees*	20,000	20,000	5,000	5,000
Totals	\$703,139	\$715,830	\$926,970	\$1,278,997

*Deposited in General Funds

Performance Indicators: FY2002 - FY2005

	FY2002	FY2003	FY2004	FY2005
Applications Before the Commission	15	16	20	18
Banks Examined	31	29	38	26
Trust Companies Examined	5	8	5	9
Licenses Issued or Renewed	827	922	652	702
State-chartered banks	75	75	72	71
State-chartered trust companies	17	19	22	21
Bank Assets	\$9,514,677,000	\$9,728,372,000	\$10,130,289,000	\$11,248,156,000
Trust Assets	\$13,503,523,000	\$13,711,290,000	\$15,367,625,000	\$24,810,448,000

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. FY2005 revenues from the Securities Division totaled \$24,019,651.

FY2005 Revenues

Securities Registration Fees	\$69,734
Franchise Registration Fees	136,350
Franchise Exemption Fees	13,000
Business Opportunity	700
Securities Opinion Fees	100
Investment Company	
Notification Fees	15,142,300
Agent Licensing Fees	7,962,550
Broker-Dealer Licensing Fees	205,050
Investment Advisor Fees	4,800
Investment Advisor Agent Fees	47,600
I/A Notice Filings	117,400
Miscellaneous	7,240
Investment Council Interest	184,252
Private Placement/Reg D 506. Other	67,675
Fines	60,900
Total	\$24,019,651

FY2005 Performance Indicators

New Securities Applications	73
Extensions and Amendments	56
Private Placement	1
Other Exemptions	278
Invest CompNot Filings – New	2,310
Invest CompNot Filings – Total	16,433
New Franchise Applications	221
New Franchise Registrations	658
Franchise Extensions	446
Exemptions	54
Business Opportunities – New	7
Business Opportunities – Total	5
Broker – Dealers Licensed	1,306
Broker – Dealer Agents Licensed	50,671
Investment Advisers Licensed	41
Investment Adviser Agents Licensed	475
Investment Advisers Notice Filing	561
Franchise Applications Withdrawn	150
Investigations	135
Administrative Orders Issued	63
Opinions Requested	2

South Dakota Lottery

Norm Lingle, 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 \$1.3 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 FY2005 Lottery revenue distributed to state funds was more than \$119 million, a 3.1% increase over FY2004 and a record amount of revenue distributed by the Lottery. These revenues come from three main sources, as evidenced in the chart below.

*FY2005 Lottery Sales and Revenue**

	Sales	Prizes	Retailer Commission	Revenue Distributed
Instant Tickets	\$16,153,801	\$10,090,490	\$904,900	\$3,218,429
Lotto Tickets	16,346,911	8,262,512	865,895	3,708,789
Video Lottery **	643,074,402	422,610,819	110,237,212	112,393,840
			Total:	\$119,321,058

*Unaudited

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

Instant Tickets

The Lottery launched 20 new instant ticket games during FY05. Prices for instant tickets range from \$1 to \$10, and prizes range from \$1 to \$133,333.33 and merchandise prizes.

At the close of FY05, there were 604 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 5.8% in FY05 compared to FY04. 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 FY05, there were 364 licensed lotto retailers.² Lotto retailers also receive a 5% commission for selling tickets, plus varying bonuses for selling larger winning tickets.

Sales of lotto tickets were down 13.4% in FY05 compared to FY04, due primarily the lack of large Powerball jackpot runs during the fiscal year. 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 2.0% in FY05. The average number of active video lottery machines during FY05 was 8,564 and the average number of licensed establishments was 1,433. 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.

*FY2005 Lottery Revenue Distribution**

	General Fund	Cap. Construct. Fund	Property Tax Reduction Fund	Dept. of Human Services**
Instant Tickets	\$3,218,429			
Lotto Tickets	1,400,000	\$2,308,789		
Video Lottery	***3,045,000		\$109,134,840	\$214,000
Totals:	\$7,663,429	\$2,308,789	\$109,134,840	\$214,000

*Unaudited

**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.

***This includes a one-time \$3,000,000 transfer from the video lottery operating fund.

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.

¹The 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.

²All 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.

FY2005 Recap of Commission Fund

Beginning Cash Balance (7/1/04)		<u>\$682,508.79</u>
Revenues		
FY05 Device Tax	\$5,992,000.00	
Gross Revenue Tax	6,311,658.37	
City Slot Tax	461,079.01	
Application Fees	109,860.00	
License Fees	93,565.00	
Interest	50,337.96	
Device Testing Fees	12,772.55	
Penalty on Disciplinary	9,000.00	
	Total Addition to Fund:	\$13,040,272.89
Fund Total		<u>\$13,722,781.68</u>
Distributions		
Administrative Expenses	\$1,097,208.32	
Capitol Equipment	23,162.73	
Refund of Prior Years Revenue	155.94	
Lawrence County	623,284.04	
Other Municipalities (Per 42-7B-48.1)	175,919.26	
School Districts (Per 42-7B-48.1)	175,919.26	
SD Tourism	2,493,136.14	
State General Fund (Per 42-7B-48.1)	1,231,434.83	
State Historical Preservation	100,000.00	
City of Deadwood	7,053,504.52	
	Total Distributions from Fund:	<u>\$12,973,725.04</u>
Ending Cash Balance (6/30/05)		<u>\$749,056.64</u>

Commission on Gaming/continued

FY2005 Recap of Racing Funds

	Special Fund	Revolving Fund	Bred Fund	Totals
Beginning Cash Balance (7/1/04)		\$515,447.98	\$492,949.90	\$1,008,397.88
Revenues:				
Horse Revenue	91,923.48	72,158.76	91,046.80	255,129.04
Greyhound Revenue	57,205.91	57,205.91	57,205.91	171,617.73
Interest			32,190.75	32,190.75
Transfer from Agency Fund	(173,054.39)	124,027.20	49,027.19	
License and Fines – Horse	16,065.00			16,065.00
License and Fines – Dog	7,860.00			7,860.00
Refunds of Purse Supplements				
Per Commission Order #6-30-04			16,000.00	16,000.00
#11-19-04		51,650.00		51,650.00
Total Revenues:		\$820,489.85	\$738,420.55	\$1,558,910.40
Expenses:				
Aberdeen Horse Racing Track				
SD Bred Point Money			44,500.00	44,500.00
Purse Supplements, Racing Operations, and Advertising and Promotion		129,125.00		129,125.00
SD Bred Stakes Money			107,500.00	107,500.00
Fort Pierre Horse Racing Track				
SD Bred Point Money			44,500.00	44,500.00
Purse Supplements, Racing Operations, and Advertising and Promotion		129,125.00		129,125.00
SD Bred Stakes Money			107,500.00	107,500.00
FY04 Race re-scheduled in FY05			16,000.00	16,000.00
Total Track Disbursements:		\$258,250.00	\$320,000.00	\$578,250.00
Ending Cash Balance (6/30/05)		\$562,239.85	\$418,420.55	\$980,660.40

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.

FY2005 revenues from the Real Estate Commission totaled \$473,514 down from \$550,346 the previous fiscal year.

FY2005 Revenues

Application Fees (if not included in examination or new license fee)	\$158,805
Examination Fees	0
Re-Examination Fees	0
New License Fees	38,331
Renewal Fees	124,780
Materials Sold	6,911
Interest Income	17,797
Change of Address	6,570
Certificates of Licensure	2,160
Late Renewal Fees	6,020
Intrastate Sales and Service	720
Penalties/Reimbursement of Investigations	7,433
Seminar Income	80,450
Miscellaneous	0
Refund of Prior Year Expenditure	23,537
Total	\$473,514

FY2005 Performance Indicators

Total Licenses Renewed	1,035
Total New Licenses	774
Total Practitioners (including firms)	4,684
Examinations:	
Nationally Prepared (times given)	575
Total Applicants Examined	361
Total Applicants Passed (including re-exams)	294
Percentage required for passing	75%
State Prepared (times given)	60
Total Applicants Examined	51
Total Applicants Passed (including re-exams)	48
Percentage required for passing	75%
Total Applicants re-examined	126
Total Applicants passing re-exam	88
Complaints:	
Total Received	32
Total Investigated	29
Total Resolved	29
Total Hearings Held	10
Total Pending	16
Total Licensees Reprimanded/Probationed	11
Total Licenses Suspended/Revoked	2
No Action Taken Against Licensee	23
Total prosecutions	1
Miscellaneous:	
Total Inspections	15
Total Audits	586
Total Inquiries Received and Answered	28,538
Total Applicants Denied S.D. Licensure	1
Number of Board Meetings Held	7

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.

In the spring of 2005, the PRCF published the results of a comprehensive tank study in a report titled "Evaluating the Integrity of Tank Systems in South Dakota". The study was performed to investigate and document the actual conditions of 18 petroleum tank systems that were believed to be in compliance with state and federal environmental requirements. The study was funded in part by a \$25,000 grant from the EPA.

Also in FY2005, the PRCF completed a study on the effectiveness of a new way to conduct site assessments called the Triad Approach. This study incorporated the three major components of the Triad Approach, which include systemic planning, dynamic work plans, and use of real-time field measurement technologies. The goal of the study was to find a way to characterize petroleum release sites faster and cheaper, thereby moving them toward regulatory closure as rapidly as possible. The results of the study demonstrate that the Triad Approach is effective in completing timelier, comprehensive, and cost-effective risk assessments. The Triad study was funded in part of a \$50,000 grant from the EPA.

FY05 Payments

The total amount paid by the PRCF in FY05 was \$1,317,537. Of that amount, \$1,002,313 constituted reimbursement payments made for cleanups at regular petroleum release sites. In addition, \$315,224 was paid for cleanups under the abandoned tank removal program.

FY05 Statistics

There were 265 responsible parties reimbursed in 2005; 398 pay requests (claims paid); 27 new regular petroleum release cases initiated; and 53 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, 221 West Capitol Avenue, Suite 101, Pierre, SD 57501, 605-773-6050

S.D. Real Estate Commission, 221 West Capitol Avenue, Suite 101, 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 \$3.30 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.