July 1, 2005 - June 30, 2006

2006 Annual Report

South Dakota

Department of Revenue & Regulation

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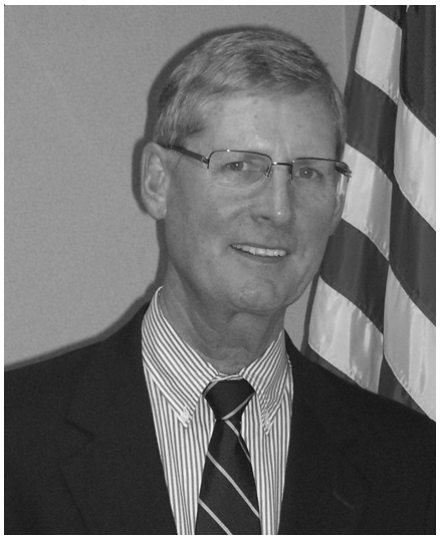
To the Governor, Legislature, and People of South Dakota:



Gary R. Viken, Secretary

While the state's current tax structure has been in place for many years, it continues to produce the growing revenues needed to underwrite the many top-notch services state government provides the people of South Dakota. Likewise, the business regulatory climate has been stable for a long time, ensuring that South Dakota remains a good place to grow existing businesses and start new ones.

Our department's role centers around maximizing revenues from the current tax structure while ensuring fairness to taxpayers and providing meaningful regulatory review of the state's financial services, real estate and gaming industries. Better taxpayer education, continued process improvement, significant progress on development of our new data systems, and strengthening our management team have been key focal points in 2006. 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.

Despite last year's drought conditions and high fuel prices, 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 2006, those owning homes and agricultural property have paid approximately $1.16 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 2006 were approximately $800 million.

South Dakota continues to be a national leader in the effort to simplify the sales tax so that it will work effectively in today's borderless economy. Working with other states and industry, much progress has been made in simplifying the administration of sales taxes so that they apply equitably to all sellers, whether they are traditional retailers or those selling from a remote location by catalog or Internet. Twenty-one states, including South Dakota, have now met the national simplification standards. 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.

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

Respectfully Submitted,

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 2006, 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 $64,216,887, of which $889,831 were general fund dollars.

The Department's Management Team

First Row *(left to right):*
Bruce Christenson, Audits; Michael Kenyon, Property and Special Taxes; Gary Viken, Secretary; Tim Weber, Deputy Secretary; Roger Novotny, Banking; and Norm Lingle, Lottery.

Second Row *(left to right):*
Joan Serfling, Administrative Services; Debra Hillmer, Motor Vehicles; Gail Sheppick, Securities; Sherry Bren, Appraiser Certification; and Andy Fergel, Chief Legal Counsel.

Third Row *(left to right):*
Dee Jones Noordermeer, Real Estate Commission; Larry Eliason, Gaming Commission; Dennis Rounds, Petroleum Release Compensation Fund; and Jan Talley, Business Tax.

Not pictured: Merle Scheiber, Insurance

Tax Revenues: Collections

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 2006 revenue from all 36 state taxes totaled $1,276,660,603, an increase of $87,085,475 from fiscal year 2005 revenues of $1,189,575,128. Total revenues from the past five years are shown below.

Total Revenues: A Five Year Comparison

Fiscal Year	Total Revenues	Percent of Change
2002	$1,038,055,730	0.63%
2003	1,088,054,609	4.82%
2004	1,134,218,883	4.24%
2005	1,189,575,128	4.88%
2006	1,276,660,603	7.32%
Five-Year Average	**$1,145,312,991**	**N/A**

Revenues by Category

Of the total tax revenue collected in fiscal year 2006, 72% came from sales, use and contractors' excise taxes. Motor fuel taxes accounted for 11%, special taxes 9%, and motor vehicle taxes 8%. The table below shows a five year comparison of revenues collected in each category.

Revenues by Tax Category: 2002 - 2006

Fiscal Year	Sales Use, and Excise Taxes*	Motor Fuel Taxes**	Special Taxes	Motor Vehicle Fees
2002	$708,975,445	$137,407,509	$97,089,422	$94,583,354
2003	739,624,152	146,475,923	107,698,547	94,255,987
2004	795,115,672	140,317,611	99,811,119	98,974,491
2005	849,480,194	140,648,574	97,858,463	101,587,897
2006	925,862,370	141,048,510	109,202,262	100,547,461
Five-Year Average	**$803,811,567**	**$141,179,625**	**$102,331,963**	**$97,989,838**

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

** Includes Tank Inspection Fees

Revenues by Type of Tax

In fiscal year 2006, the revenue produced by the 36 separate taxes and fees administered by the department varied from a low of $50 to a high of $584,938,828.

A Three-Year Comparison of Revenues by Type of Tax

	FY2004	% Increase (Decrease) over Previous Year	FY2005	% Increase (Decrease) over Previous Year	FY2006	% Increase (Decrease) over Previous Year
Sales and Use Taxes - State	$515,301,325	6.63%	$542,031,635	5.19%	$584,938,828	7.92%
Contractors' Excise Tax - State	59,378,041	5.77%	65,404,711	10.15%	75,103,983	14.83%
Sales, Use, Contractors' Exise Tax - Cities	200,399,967	6.89%	219,315,533	9.44%	241,041,944	10.07%
Sales, Use, Contractors' Excise Tax - Tribes	4,252,463	11.71%	5,080,829	19.48%	5,398,213	6.25%
Tourism Tax	4,350,557	5.86%	4,595,790	5.64%	4,978,054	8.32%
Water and Environment Fund	380,514	-37.20%	464,721	22.13%	516,559	11.15%
Refund for Construction of Facility	4,074,391	26.71%	3,272,600	-19.68%	3,503,025	7.04%
Motor Vehicle Leasing Fund	1,042,741	2.57%	1,102,458	5.73%	1,227,048	11.30%
Telecom	5,935,673	0%	8,211,917	0%	8,794,716	7.10%
Aviation Fuel	624,554	-13.69%	739,605	18.42%	702,246	-5.05%
Motor Fuel Tax	122,349,209	-3.54%	120,987,856	-1.11%	122,021,590	0.85%
Interstate Fuel Users Tax	3,046,279	-14.54%	3,246,484	6.57%	2,643,336	-18.58%
Tank Inspection Fees	14,297,569	-6.81%	15,674,629	9.63%	15,681,338	0.04%
Prorate	12,167,603	0.21%	12,845,748	5.57%	12,919,553	0.57%
Motor Vehicle Titles and Registration	86,806,888	5.72%	88,742,149	2.23%	87,627,908	-1.26%
Cigarette Tax - State	26,270,289	29.18%	26,307,918	0.14%	26,695,575	1.47%
Cigarette Tax - Tribes	651,988	52.61%	696,916	6.89%	730,812	4.86%
Cigarette License Fees	11,475	5.52%	9,677	-15.67%	9,980	3.13%
Other Tobacco Products	1,362,950	2.86%	1,417,646	4.01%	1,478,894	4.32%
Other Tobacco Products - Tribes	0	0%	0	0%	5,401	0%
Liquor License Fees	39,815	3.11%	42,875	7.69%	42,955	0.19%
Malt Beverage Beer License Fees	254,325	-2.22%	261,826	2.95%	271,350	3.64%
Alcoholic Beverage Brand Registration Fees	155,775	14.19%	172,570	10.78%	178,035	3.17%
Beer Tax	5,962,738	12.18%	5,836,645	-2.11%	5,840,021	0.06%
Liquor Tax	5,368,582	11.24%	5,467,779	1.85%	5,633,900	3.04%
Alcoholic Beverage 2% Purchase Price Tax	949,263	19.80%	938,212	-1.16%	1,002,435	6.85%
Wholesale Beer License Fee	2,400	-20.00%	2,625	9.38%	2,800	6.67%
Underage Penalty Fee	59,500	0%	47,500	0%	61,500	29.47%
Bank Franchise/Bank Card Tax	47,108,462	7.12%	49,080,258	4.19%	61,865,419	26.05%
Inheritance Tax	9,321,579	-65.76%	4,442,007	-52.35%	740,256	-83.34%
Ore Tax	353,567	-73.01%	362,927	2.65%	1,098,018	202.55%
Energy Mineral Tax	1,658,364	14.78%	2,506,931	51.17%	3,255,853	29.87%
Coin Laundry License Fees	121,427	-1.46%	119,084	-1.93%	139,717	17.33%
Trading Stamps License Fee	50	0%	50	0%	50	0%
Amusement Device Fee	100,543	5.49%	88,017	-12.46%	96,588	9.74%
Bingo License Fee	32,500	0%	32,500	0%	27,500	-15.38%
Bingo Tax	25,527	3.30%	24,500	-4.02%	25,203	2.87%
Total	**$1,134,218,893**	**4.24%**	**$1,189,575,128**	**4.88%**	**$1,276,660,603**	**7.32%**

Tax Revenues: Distribution

Distribution of Taxes

In fiscal year 2006, the $1,276,660,603 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, with 25% going to local governments, 14% to the State Highway Fund, and 4% to other uses.

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-%
Tribal Sales, Use, Excise Tax	(2)	(2)	-0-%	-0-%
Cigarette Excise Tax	100%	-0-%	-0-%	-0-%
Cigarette License Fee	100%	-0-%	-0-%	-0-%
Tribal 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 .55% to 1%.
(2) Tax revenues generated within reservations having a comprehensive tax collection agreement with the State are prorated to the Tribal Governments and the State in proportion to the Indian and non-Indian populations.
(3) An exception exists regarding banks organized pursuant to SDCL 51A-2-38 to 51A-2-43, inclusive. 95% of the revenue derived from that tax is deposited into the State General Fund, while 5% goes to the county where the bank is located.
(4) Revenues from mining companies licensed after January 1, 1981 are split as follows: 80% to the state, 20% to the county of production (subject to a $1 million cap).
(5) If the energy development fund has a balance of less than $100,000, then one-sixth (1/6) of the revenue is deposited in that fund until the balance reaches $100,000.
(6) 100% of the tax collected is placed in the Environment and Natural Resources fee fund.
(7) Revenue from devices located outside municipalities is deposited into the State General Fund. If the amusement device is located within the boundaries of a municipality, then the revenues are remitted to the municipality.
(8) Motor fuel refunds are deducted first and then the remaining monies are divided as follows: Each July, an amount equal to the number of snowmobiles licensed as of July times 125 gallons times the tax rate is transferred to a fund for snowmobile trails; an amount equal to the number of licensed motorized boats times 125 gallons times the tax rate is transferred to the parks recreation fund; an amount equal to 35% of claimed refunds not to exceed $1,500,000 is transferred to the conservation commission; the taxes collected under the provisions of the International Fuel Tax Agreement are transferred to member jurisdictions; and 2% is transferred to the Motor Fuel Tax Administration Account.
(9) Beginning January 1, 2003, 50% of the revenue collected shall be deposited in the ethanol fuel fund and the remaining 50% distributed as follows: 78.7% deposited in the capitol construction fund and 21.3% deposited in the petroleum release compensation fund.
(10) Other prorate fees: duplicate cab card, trailer fees, tractor registration fees, and transfer fees are deposited in the State Highway Fund. Trailer ID fees and duplicate fees are deposited in the License Plate Special Revenue Fund (LPR). Title and penalty fees and administration fees are deposited in the State Motor Vehicle Fund (MVF).
(11) .5% is deposited in the State Motor Vehicle Fund (MVF), and 1% goes to the License Plate Special Revenue Fund (LPR). The percentages were changed in 2000.
(12) 2% is deposited in the State Motor Vehicle Fund (MVF), and 2.5% goes to the License Plate Special Revenue Fund (LPR).
(13) 90% goes to Game, Fish and Parks, 10% to the State Motor Vehicle Fund (MVF).

(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.

A History of South Dakota Taxes

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.

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	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)
Excise Tax on Farm Machinery, Farm Attachment Units, and Irrigation Equipment	Imposed on the sale, use or lease of farm machinery, farm attachment units, and irrigation equipment. (Authority: SDCL 10-46E) (Rate Base: 4%)
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 four 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: 4% 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 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. (Authority: SDCL 10-52) (Rate Base: No specific rate, rates vary from 1% up 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%)
Tribal 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: 53-cents per pack of twenty; 67-cents per pack of twenty-five)
Tribal 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% for sales and use tax, 2% for excise tax.)
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)

	Rate Base:	City:
Off-sale Package Liquor	$ 500.00(min)	First Class (NEW)
Off-sale Package Liquor	$ 500.00	First Class (RENEWAL)
Off-sale Package Liquor	$ 400.00(max)	Second Class
Off-sale Package Liquor	$ 300.00(max)	Third Class
On-sale Retailer Liquor (New)	$1.00/person (min)	First Class
On-sale Retailer Liquor (Renewal)	$1500.00	First Class
On-sale Retailer Liquor	$1200.00 (max)	Second Class
On-sale Retailer Liquor	$ 900.00(max)	Third Class
On-sale Retailer Liquor (Sunday)	$ 200.00(max)	All Classes
On-sale Retailer Liquor (Airport)	$ 250.00	All Classes
Off-sale Municipal Package	$ 250.00	All Classes
On-sale (wine)	$ 500.00	All Classes

Sales 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%)
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)
Tourism Tax	Imposed on lodging, visitor attractions, motor vehicle rentals, recreational vehicles, recreational services, spectator events, and visitor intensive businesses. (Authority: SDCL 10-45D) (Rate Base: 1%)
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%)
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 - Jan Talley, Director

The Business Tax Division administers the sales tax, use tax, municipal tax, and contractors' excise tax, as well as the Tribal compact agreement the State has with Indian tribes. The division issues licenses to new taxpayers, educates current taxpayers, performs reviews of businesses, handles compliance for licensed and unlicensed businesses, and collects delinquent taxes. It is also the responsibility of the division to administer the construction refund programs. These programs allow businesses to seek a refund of sales, use and contractors' excise tax or delay payment of sales and use tax on such projects as large wind farms, new and expanded agricultural facilities, and power facilities.

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 2006. These revenues come from over 69,000 businesses that currently pay sales, use and contractors' excise taxes on their products and services. In fiscal year 2006, sales, use and contractors' excise taxes in South Dakota totaled $906,842,968. This included state, city, and taxes collected pursuant to tax collection agreements with Indian tribes. 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
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%
2006	660,042,811	8.66%

Of the $906,842,968 collected, 59% came from the state sales tax; 26% from city sales, use and excise taxes; 8% from state contractors' excise tax; 6% from state use taxes; and 1% from taxes collected pursuant to a tax collection agreement with an Indian tribe.

Municipal and Tribal Taxes

While cities and tribal governments 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 each tax collection agreement with an Indian tribe. These sales tax revenues don't necessarily indicate the level of economic activity in these areas since municipalities and Indian tribes vary in their tax rates and the size of their tax bases.

The State of South Dakota and four Indian tribes have entered into tax collection agreements that cover sales, use and contractors' excise tax. On the Indian Country areas that are covered by a tax collection agreement, the state and the Tribe each have the ability to tax certain individuals and certain transactions. The state collects all state taxes in the Indian Country areas and also collects and remits the taxes in those areas for the respective Tribe.

City/ Tribe	2006 Rate(s)	FY2005 Remittance	FY2006 Remittance	%Increase (Decrease)
Aberdeen	1%, 2%	$11,826,403.71	$12,753,050.69	7.84%
Alcester	2%	70,231.54	108,777.01	54.88%
Alexandria	2%	66,792.89	80,102.01	19.93%
Alpena	1%	76,380.96	77,264.70	1.16%
Arlington	2%	225,501.54	221,715.82	-1.68%
Armour	2%	186,395.85	172,000.70	-7.72%
Artesian	2%	31,880.40	22,649.58	-28.95%
Aurora	1%	17,125.60	56,780.33	231.55%
Avon	2%	93,691.10	97,847.56	4.44%
Baltic	1%, 2%	90,151.98	122,946.98	36.38%
Belle Fourche	1%, 2%	1,450,696.70	1,687,671.33	16.34%
Belvidere	2%	0.00	10,151.82	N/A
Beresford	1%,2%	563,285.54	656,445.62	16.54%
Big Stone City	1%	68,279.13	90,733.92	32.89%
Blunt	1% GR/ST	24,941.79	27,012.57	8.30%
Bonesteel	1%	27,079.10	31,588.56	16.65%
Bowdle	2%	59,281.31	121,617.65	105.15%
Box Elder	1%, 2%	548,653.26	574,535.00	4.72%
Brandon	1%, 2%	1,587,675.40	1,727,982.89	8.84%
Brandt	2%	7,611.61	11,444.19	50.35%
Bridgewater	2%	78,699.90	83,153.70	5.66%
Bristol	2%	60,899.92	53,642.56	-11.92%
Britton	1%, 2%	423,374.45	498,740.07	17.80%
Brookings	1%, 2%	7,036,420.65	8,355,119.91	18.74%
Bryant	1%	31,859.49	31,113.91	-2.34%
Buffalo	1%	43,051.31	55,177.87	28.17%
Burke	2%	189,619.03	181,772.40	-4.14%
Camp Crook	N/A	3.01	0.00	-100.00%
Canistota	2%	102,792.75	107,104.74	4.19%
Canova	1.95%	14,466.73	14,948.45	3.33%
Canton	2%	701,427.11	735,987.97	4.93%
Carthage	1%	10,109.51	10,757.59	6.41%
Castlewood	2%	81,528.61	93,117.00	14.21%
Centerville	1%, 2%	125,226.92	117,068.30	-6.52%
Central City	2%	51,086.35	61,756.78	20.89%
Chamberlain	1%, 2%	933,458.46	980,602.06	5.05%
Chancellor	1%, 2%	56,592.18	49,938.27	-11.76%
Cheyenne River ST	1.5%, 2%, 3%, 4%	1,454,133.16	1,690,725.40	16.27%
Clark	2%	300,590.84	318,712.44	6.03%
Clear Lake	2%	369,039.49	367,551.78	-0.40%
Colman	2%	122,276.87	120,540.37	-1.42%
Colome	2%	42,961.38	46,273.70	7.71%
Colton	1%, 2%	92,636.91	112,419.13	21.35%
Corona	2%	0.00	4,984.67	N/A
Corsica	2%	156,408.93	202,032.38	29.17%
Crooks	1.9%	100,308.77	116,191.32	15.83%
Custer	1%, 2%	1,018,632.36	1,057,278.11	3.79%
Dallas	2%	19,712.83	31,654.30	60.58%
Davis	2%	8,394.84	9,162.78	9.15%
De Smet	1%, 2%	318,275.28	362,783.08	13.98%
Deadwood	1%, 2%	1,942,765.17	2,209,413.36	13.73%
Dell Rapids	1%, 2%	644,268.78	666,701.68	3.48%
Delmont	2%	36,546.24	40,917.99	11.96%
Dimock	2%	6,888.76	20,011.30	190.49%
Doland	1%	22,882.27	21,054.87	-7.99%
Dupree	1%	46,197.72	48,329.86	4.62%
Eden	1%	11,117.30	14,401.27	29.54%
Edgemont	1%, 2%	146,423.31	155,821.04	6.42%
Egan	2%	17,895.14	16,867.12	-5.74%
Elk Point	2%	287,228.68	313,937.19	9.30%
Elkton	2%	98,927.41	114,292.57	15.53%
Emery	2%	58,674.16	61,020.86	4.00%
Estelline	1%	51,463.10	56,462.10	9.71%
Ethan	2%	82,064.48	109,617.88	33.58%
Eureka	2%	192,355.46	201,904.16	4.96%
Faith	1%, 2%	147,026.36	164,790.61	12.08%
Faulkton	2%	227,274.43	231,790.96	1.99%
Flandreau	1%, 2%	410,581.73	422,923.21	3.01%
Florence	2%	18,044.32	34,464.66	91.00%
Fort Pierre	1%, 2%	722,545.95	705,457.34	-2.37%
Freeman	2%	304,361.89	346,351.83	13.76%
Garretson	2%	239,826.71	268,987.82	12.16%
Gary	1%	27,347.73	31,152.98	13.91%
Gayville	2%	28,343.62	36,380.82	28.36%
Geddes	2%	41,133.86	44,185.81	7.42%
Gettysburg	1%, 2%	343,294.43	377,808.26	10.05%
Glenham	2%	11,137.49	11,811.64	6.05%
Gregory	2%	499,542.83	449,567.19	-10.00%
Groton	1%, 2%	358,650.97	417,966.72	16.54%
Harrisburg	1%, 2%	401,671.26	533,250.11	32.76%
Harrold	1%	20,913.06	21,954.89	4.98%
Hartford	1%, 2%	398,961.59	409,200.00	2.57%
Hayti	1%	26,190.03	27,533.03	5.13%
Hazel	1%	6,099.47	6,317.45	3.57%
Hecla	1%	21,004.09	25,509.21	21.45%
Henry	1%	18,807.71	18,064.46	-3.95%
Hermosa	2%	82,090.14	71,013.27	-13.49%
Herreid	1%	59,396.43	55,948.80	-5.80%
Highmore	1%, 2%	247,912.87	256,560.41	3.49%
Hill City	1%, 2%	605,070.25	660,277.99	9.12%
Hitchcock	1%	11,315.10	11,345.93	0.27%
Hosmer	1%	16,909.96	20,408.09	20.69%
Hot Springs	1%, 2%	1,119,991.63	1,356,200.99	21.09%
Hoven	2%	117,998.86	119,853.53	1.57%
Howard	2%	291,692.71	287,435.54	-1.46%
Hudson	1%	36,705.89	38,552.41	5.03%
Humboldt	1%, 2%	98,175.56	101,731.13	3.62%
Hurley	2%	56,403.36	47,394.24	-15.97%
Huron	1%, 2%	3,887,027.00	4,613,953.20	18.70%
Interior	1.9%	32,488.79	31,730.95	-2.33%
Ipswich	2%	217,477.26	239,321.63	10.04%
Irene	2%	66,301.06	74,042.50	11.68%
Iroquois	1%	21,252.07	23,560.15	10.86%

City/ Tribe	2006 Rate(s)	FY2005 Remittance	FY2006 Remittance	%Increase (Decrease)
Isabel	2%	53,463.55	60,306.79	12.80%
Java	1%	6,396.24	6,310.30	-1.34%
Jefferson	2%	58,207.50	67,725.37	16.35%
Kadoka	1%, 2%	212,488.03	217,058.89	2.15%
Kennebec	1%, 2%	72,923.10	85,165.11	16.79%
Keystone	1%, 2%	677,083.06	705,823.24	4.24%
Kimball	1%, 2%	188,953.34	220,965.32	16.94%
Kranzburg	2%	0.00	4,805.76	N/A
Lake Andes	2%	108,095.64	119,751.43	10.78%
Lake Norden	1%	137,774.45	170,986.58	24.11%
Lake Preston	2%	151,224.61	175,499.86	16.05%
Langford	1%	19,607.72	21,244.66	8.35%
Lead	1%, 2%	574,791.17	578,472.07	0.64%
Lemmon	2%	389,166.12	396,257.51	1.82%
Lennox	2%	365,680.05	395,561.13	8.17%
Leola	2%	66,523.00	74,661.36	12.23%
Letcher	1%, 2%	23,461.06	23,250.00	-0.90%
McIntosh	1%	13,979.81	15,465.76	10.63%
McLaughlin	1%	52,119.14	59,689.86	14.53%
Madison	1%, 2%	2,081,584.05	2,327,111.38	11.80%
Marion	2%	169,363.93	175,747.04	3.77%
Martin	1%, 2%	293,544.13	307,277.67	4.68%
Menno	2%	70,495.64	136,704.24	93.92%
Midland	2%	41,414.89	41,652.72	0.57%
Milbank	1%, 2%	1,459,704.13	1,512,829.42	3.64%
Miller	2%	475,452.67	506,192.54	6.47%
Mission	1.75%	234,818.41	263,538.86	12.23%
Mitchell	1%, 2%	8,633,747.16	9,143,013.72	5.90%
Mobridge	1%, 2%	1,154,384.53	1,231,415.71	6.67%
Monroe	1%	4,752.49	4,530.89	-4.66%
Montrose	2%	49,702.69	54,546.68	9.75%
Mound City	1%	0.00	4,739.11	N/A
Mount Vernon	1%, 2%	46,460.47	40,621.41	-12.57%
Murdo	1%, 2%	279,115.02	302,079.61	8.23%
New Underwood	2%	58,271.26	58,831.51	0.96%
Newell	2%	119,406.06	147,748.42	23.74%
Nisland	2%	11,043.79	17,223.45	55.96%
North Sioux City	1%, 2%	1,534,886.46	1,959,075.45	27.64%
Oacoma	1%, 2%	509,908.12	508,229.40	-0.33%
Oglala ST	1.5%, 2% 3%, 4%	1,507,959.51	1,583,916.84	5.04%
Olivet	1%	3,700.53	4,687.88	26.68%
Onida	2%	143,803.71	170,823.37	18.79%
Parker	2%	223,219.66	233,608.44	4.65%
Parkston	1%, 2%	311,240.66	315,130.04	1.25%
Philip	2%	287,025.25	324,453.30	13.04%
Pickstown	1%	24,401.75	24,398.91	-0.01%
Pierre	1%, 1.8%	5,174,930.39	5,329,928.59	3.00%
Plankinton	2%	115,922.12	124,235.95	7.17%
Platte	1%, 2%	446,546.32	485,107.80	8.64%
Pollock	1%	44,696.94	42,156.53	-5.68%
Presho	1%	54,717.98	55,191.88	0.87%
Pringle	2%	11,116.19	16,272.58	46.39%
Quinn	1% GR/ST	8,353.10	3,950.81	-52.70%
Ramona	1%	11,937.56	11,426.67	-4.28%
Rapid City	1%, 2%	35,140,578.83	39,573,295.62	12.61%
Redfield	1%, 2%	660,220.32	740,554.63	12.17%
Reliance	1%, 2%	34,988.26	41,599.33	18.90%
Revillo	1%	10,995.07	10,255.78	-6.72%
Roscoe	1%	36,309.82	40,444.53	11.39%
Rosebud ST	1.5%, 2% 3%, 4%	1,324,765.42	1,501,327.42	13.33%
Rosholt	1%	65,259.16	77,373.57	18.56%
Roslyn	2%	29,363.24	32,582.18	10.96%
Salem	2%	301,203.87	350,462.15	16.35%
Scotland	2%	259,354.18	283,976.63	9.49%
Selby	1%	61,895.31	71,241.15	15.26%
Sherman	1%	3,828.81	3,908.93	2.09%
Sioux Falls	1%, 1.92%	74,514,617.01	79,636,959.44	6.87%
Sioux Falls Lodging	1%	449,699.62	492,439.46	9.50%
Sisseton	1%, 2%	757,675.83	796,807.79	5.16%
South Shore	1%	8,853.51	10,797.56	21.96%
Spearfish	1%, 2%	5,444,310.60	5,886,459.99	8.12%
Spencer	2%	14,855.66	14,705.92	-1.01%
Springfield	2%	93,048.39	126,584.98	36.04%
Standing Rock ST	1.5%, 2%, 3%, 4%	644,349.22	552,550.84	-14.25%
Stickney	2%	62,526.36	70,736.40	13.13%
Stratford	1%	4,632.18	4,677.24	0.97%
Sturgis	1%, 2%	2,578,547.06	2,754,838.07	6.84%
Summerset	1%, 2%	0.00	69,752.05	N/A
Summit	2%	35,590.67	42,986.91	20.78%
Tabor	2%	29,860.80	46,051.58	54.22%
Tea	1%, 2%	628,280.67	651,231.93	3.65%
Timber Lake	2%	71,997.61	88,355.70	22.72%
Toronto	1%	29,766.22	33,950.31	14.06%
Trent	1%	8,645.86	10,291.11	19.03%
Tripp	2%	90,905.63	108,366.50	19.21%
Tulare	1%	15,521.28	18,312.01	17.98%
Tyndall	1%	102,327.40	104,532.34	2.15%
Valley Springs	2%	72,866.58	76,479.14	4.96%
Veblen	1%	20,024.85	20,929.02	4.52%
Vermillion	1%, 2%	2,119,135.91	2,548,390.25	20.26%
Viborg	2%	197,751.17	204,982.04	3.66%
Volga	1%	107,973.33	123,123.73	14.03%
Volin	1%	6,996.02	7,624.17	8.98%
Wagner	2%	457,644.41	517,063.09	12.98%
Wakonda	1%	26,554.16	25,776.21	-2.93%
Wall	1%, 2%	817,482.30	847,602.00	3.68%
Warner	2%	35,023.19	37,514.26	7.11%
Wasta	1%	3,634.14	4,537.43	24.86%
Watertown	1%, 1.9%	10,006,192.77	10,895,558.57	8.89%
Waubay	2%	82,686.01	86,744.38	4.91%
Webster	1%, 2%	609,034.23	683,193.24	12.18%
Wentworth	2%	30,019.67	27,908.86	-7.03%
Wessington	1%	31,924.37	35,818.87	12.20%
Wessington Springs	2%	216,980.60	220,367.24	1.56%
White	2%	37,277.00	54,393.28	45.92%
White Lake	1%, 2%	66,313.49	68,458.98	3.24%
White River	2%	110,825.74	110,053.75	-0.70%
Whitewood	1%, 2%	166,808.19	183,512.29	10.01%
Willow Lake	2%	51,191.19	58,850.50	14.96%
Wilmot	2%	102,353.94	99,670.91	-2.62%
Winner	2%	1,069,725.02	1,096,34.74	2.49%
Witten	2%	2,677.54	17,114.41	539.18%
Wolsey	2%	69,005.60	74,111.63	7.40%
Woonsocket	2%	180,623.03	169,405.12	-6.21%
Worthing	1%, 2%	63,488.52	82,249.36	29.55%
Yankton	1%, 2%	5,617,391.11	6,237,885.41	11.05%
Total		**$220,516.757.31**	**$240,899,755.68**	**9.24%**

In fiscal year 2006, a total of 214 communities plus four Tribal entities imposed local sales and use taxes. 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 FY2006, 66 South Dakota communities imposed this gross receipts tax.

Tourism Tax

The division also administers the tourism or seasonal tax, which is an additional 1% tax on certain lodging and amusement services that is imposed for tourism promotion. The tourism tax on lodging establishments, campgrounds, motor vehicle rentals, recreational equipment rentals, recreational services, spectator events and visitor attractions applies year-round. The tourism tax on visitor-intensive business applies during the months of June, July, August, and September. Total tourism tax collections for the past three years are shown below.

Fiscal Year	Total Revenues	Percent of Change
2004	4,347,317.66	5.58%
2005	4,615,838.15	6.18%
2006	5,001,812.84	8.36%

Compliance and Reviews

The division's Revenue Agents are responsible for locating, monitoring and investigating any leads they receive concerning businesses or individuals who may be operating in South Dakota without a tax license or those who fail to properly collect or remit sales, use or contractors' excise tax. They accomplish this using a variety of resources, including Internet searches, newspapers, bulletin boards, government contracts, building permits, information from other government agencies, and leads from audits or reviews. In fiscal year 2006, the Business Tax Division closed 2,279 cases and collected $1,520,597.

The review program was implemented by the division as a means to increase compliance with the state's tax laws. By evaluating a taxpayer's records, Revenue Agents are able to identify any outstanding tax obligations the taxpayer may have to the State. As such reviews require less time to conduct, use of the program enables the department to contact a greater number of taxpayers including smaller businesses that may never come up for audit. Reviews also provide one-on-one tax law education to the taxpayer, possibly increasing future compliance and collections; and operate more efficiently in terms of staff time and travel costs. In fiscal year 2006, the division conducted 1,089 reviews and collected $839,829.

Special Events

Revenue Agents license and collect state sales, municipal and tourism tax at various special events across the state throughout the year. The table at the top of the next page compares tax collected from some of South Dakota's major events from fiscal year 2006 to the previous year.

Total Tax Collected from Special Events 2005- 2006

	FY2005*	FY2006*	%Increase (Decrease)
Brookings Art Festival	$27,451	$25,225	-8%
South Dakota State Fair	70,004	66,697	-5%
Northern Hills Motorcycle Rally**	1,192,017	1,103,268	-7%
Southern Hills Motorcycle Rally***	141,904	179,286	26%
Central States Fair	36,483	39,074	7%
Sioux Empire Fair	32,329	34,963	8%
TOTAL	**$1,500,188**	**$1,448,513**	**-3%**

*Total tax includes state, municipal, municipal gross receipts, and tourism taxes
**Northern Hills rally includes Meade, Lawrence and Butte Counties, as well as the cities within those counties
***Southern Hills rally includes Pennington, Custer and Fall River Counties, as well as the cities within those counties

Construction Refund Programs

South Dakota offers various programs that allow businesses to seek a refund of sales, use and contractors' excise tax, or delay the payment of sales and use taxes. The Business Tax Division monitored and processed 23 refunds or tax savings totaling more than $10.7 million since fiscal year 2004. Receiving refunds or savings were 21 agricultural and new business facilities, and two wind farms. The total amount refunded in fiscal year 2006 was $1,877,399.74. Information on the types of programs offered in fiscal year 2006 is shown below.

New and Expanded Agricultural Construction

This program is available to new and expanded agricultural processing facilities with project costs of $4.5 million or more. It provides for refunds of 100% of the excise tax, and 100% of the sales and use tax paid on agricultural processing equipment. No sales or use tax refund is given on construction materials or supplies.

New and Expanded Business Construction

To be eligible for refunds, the project can be any new or expanded business facility with the exception of retail, housing, or health care facilities, and any facility that is exempt from property tax. Project costs must be greater than $10 million and includes any expenditure directly related to the project.

The program provides for refunds of the contractors' excise tax, sales and use tax on project costs based on the following scale: $0-$10 million (no refund); $10-$15 million (25%); $15-$20 million (33%); $20-$40 million (50%); $40-$60 million (67%); $60-$600 million (75%); and $600 million and up (90%). The refund scale changed from 2005 to 2006.

Large Wind Farms

New and expanded wind generation facilities producing more than 10 megawatts of electricity qualify for this program. Such projects receive a tax rate reduction with project owners pay 1% excise tax instead of 2%. The owner must pay the tax in four equal installments. No exemption or refund is given for sales or use tax.

Small Wind Farms

This program is available for new and expanded wind generation facilities that produce 10 megawatts of electricty or less and have project costs greater than $500,000. It provides for refunds of 100% of the excise tax. No exemption or refund is given for sales or use tax.

Streamlined Sales Tax Project

The Streamlined Sales Tax Project is a multi-state effort to design, test and implement a system to radically simplify sales and use tax collection and administration by retailers and states. South Dakota has been involved in the project since its inception, and is one of its full member states. Full members are those states whose sales tax law and policies are in substantial compliance with each of the provisions of the Streamlined Sales Tax Agreement (SSTA).

The SSTA was officially implemented on Oct. 1, 2005, and effective that date, retailers can register to collect or pay sales taxes in the Agreement's member states through a Web-based centralized registration system. Since such registration began, the Business Tax Division has issued 668 tax licenses.

Special Taxes

Property and Special Taxes Division - Michael Kenyon, Director

Division Overview

The Division of Special Taxes has three main functions: 1) administering taxes on tobacco, alcohol, banks, estates, minerals, and several small industries; 2) regulating the tobacco and alcohol industries; and 3) administering the state's sales and property tax refund program for the elderly and disabled. Within the last 10 years, revenues from the division have ranged from a high of $112.6 million in 1999 to $97.1 million in 2002, the year after voters repealed the inheritance tax. In fiscal year 2006, revenues in this division showed an increase of $11,343,799 from 2005 with total collections of $109,202,262.

Alcohol and Tobacco Regulation

Alcohol Regulation

The State does not conduct any alcohol beverage compliance checks to determine whether businesses will sell alcohol to people under the legal age. However, the State does receive this information from city and county law enforcement officers when they conduct their checks. In 2005, five cities (Mitchell, Rapid City, Sioux Falls, Spearfish, and Watertown) conducted compliance checks. In addition, three counties (Davison, Lincoln, and Minnehaha) conducted their own compliance checks. The following chart indicates the number of compliance checks conducted and the failure rate.

Alcohol Beverage Stings: 2002-2006

Fiscal Year	Number of Checks	Number of Illegal Sales	Failure Rates
2002	153	33	21.6%
2003	340	51	15.0%
2004	271	47	17.3%
2005	429	56	13.1%
2006	585	73	12.5%
TOTAL	**1,778**	**260**	**N/A**

Tobacco Regulation

Federal law requires anyone shipping cigarettes into South Dakota without South Dakota's tax stamp to notify the Department of Revenue and Regulation. In fiscal year 2006, the department made 325 assessments totaling more than $50,000 against South Dakotans who purchased untaxed cigarettes. Over 70% of the assessments have been collected, with nearly $6,000 of payments made through an amnesty program.

In addition to assessing consumers of untaxed cigarettes, the department has audited 25 tobacco wholesalers and distributors, and 365 tobacco retailers. These audits ensure the proper amount of tax is being paid, and that only legal cigarettes are sold within the state.

Relief Programs

Seven programs are available to provide sales tax or property tax relief to eligible South Dakotans. The Special Taxes Division administers the sales and property tax refund program for low income senior and disabled South Dakotans. The Department of Social Services administers South Dakota's sales tax on food refund program. The remaining five programs are administered by the counties. Details on some of these programs are shown below.

The sales and property tax refund program provides a cash refund to elderly and disabled South Dakotans. In fiscal year 2006, 3,251 elderly and disabled individuals and households received refunds totaling $556,520. Refund amounts ranged from $46 up to $581.

The assessment freeze for the elderly and disabled program reduces the assessed value of the owner's property for tax purposes. Almost 3,900 South Dakotans received the benefit of this program in 2006. The average benefit was a reduction of over $23,350 to the assessed value of the elderly or disabled person's home.

The paraplegic and paraplegic veterans programs provide a partial or complete exemption of property taxes. For paraplegics, the benefit ranges from a 25% to 100% reduction of their property taxes, depending on their income. Paraplegic veterans receive a 100% exemption for their home, regardless of income. In 2006, 93 veterans received exemptions totaling $10,358,910.

The property tax homestead exemption delays the payment of property taxes. The taxes become a lien upon the property and must be repaid, with interest, when the property is sold. The municipal property tax reduction program is a voluntary program for cities; currently, only Rapid City participates in the program. The division does not collect statistics for either of these programs.

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 2006, South Dakota property owners paid more than $803 million to fund local governments and provide K-12 education for the state's children. The following two tables show the portion of the total taxes paid by each classification of property, and where the money collected is spent.

Property Taxes: Who Pays

Year Taxes Are Payable	Agricultural*	% of Total	Owner-Occupied	% of Total	Commercial	% of Total	Utilities	% of Total	Special Assessments	% of Total	TOTAL
1996	$177,155,703	29.78	$227,989,164	38.33	$158,910,064	26.72	$24,799,007	4.17	$5,948,428	1.00	$594,802,366
1997**	146,728,901	26.55	191,658,393	34.68	176,930,052	32.02	30,657,682	5.55	6,597,665	1.19	552,572,695
1998	154,812,969	26.61	205,112,642	35.26	186,243,621	32.01	28,209,233	4.85	7,378,706	1.27	581,757,172
1999	154,433,143	26.10	203,873,029	34.46	195,619,643	33.06	29,712,277	5.02	8,011,655	1.35	591,649,747
2000	159,507,395	25.61	215,800,767	34.65	207,037,885	33.24	32,359,737	5.20	8,165,304	1.31	622,871,087
2001	151,921,309	25.04	212,091,514	34.96	204,708,863	33.74	29,235,927	4.82	8,783,550	1.45	606,741,163
2002	168,958,956	25.33	243,144,972	36.45	215,460,653	32.30	30,814,549	4.62	8,774,866	1.32	667,153,996
2003	176,354,349	25.24	258,757,664	37.03	222,277,922	31.81	31,052,406	4.44	10,279,053	1.47	698,721,394
2004	183,027,601	25.24	273,180,527	37.67	229,836,765	31.69	30,282,567	4.18	8,835,378	1.22	725,162,838
2005	190,743,858	25.25	289,985,539	38.39	236,891,146	31.36	28,705,633	3.65	10,120,766	1.34	756,716,943
2006	202,173,330	25.20	309,831,254	38.62	252,523,983	31.47	27,191,751	3.29	11,422,093	1.42	803,142,410

* Agricultural property taxes include NA-Z taxes

** In 1997, the State directly paid $80,408,754 to replace property taxes. In subsequent years, this benefit was provided by lowering the property tax rate paid by owners of these property classifications.

Property Taxes: Where the Money Goes

For Taxes Payable in	County	% of Total	Municipalities	% of Total	Schools	% of Total	Townships	% of Total	Special Assessments	% of Total	TOTAL
Pay 1996	127,707,478	21.47	59,501,041	10.00	393,055,072	66.08	8,590,347	1.44	5,948,428	1.00	594,802,366
Pay 1997	312,306,002	23.94	63,030,246	11.41	341,703,332	61.84	8,935,430	1.62	6,597,665	1.19	552,572,675
Pay 1998	138,413,304	23.79	66,159,294	11.37	359,703,612	61.83	10,102,257	1.74	7,378,706	1.27	581,757,172
Pay 1999	142,493,545	24.08	69,357,020	11.72	361,591,363	61.12	10,196,165	1.72	8,011,655	1.35	591,649,748
Pay 2000	147,698,120	23.71	72,234,893	11.60	384,503,303	61.73	10,269,391	1.65	8,165,304	1.31	622,871,087
Pay 2001	154,771,889	25.51	76,628,850	12.63	356,034,460	58.68	10,522,342	1.73	8,783,550	1.45	606,741,163
Pay 2002	165,080,098	24.74	81,296,731	12.19	400,493,843	60.03	11,508,383	1.72	8,774,866	1.32	667,153,996
Pay 2003	172,099,505	24.63	87,349,216	12.50	417,257,623	59.72	11,735,923	1.68	10,279,053	1.47	698,721,394
Pay 2004	182,029,686	25.10	92,005,243	12.69	430,465,020	59.36	11,827,439	1.63	8,835,378	1.22	725,162,838
Pay 2005	190,946,685	25.23	96,379,649	12.74	447,203,111	59.10	12,066,658	1.59	10,120,766	1.34	756,716,943
Pay 2006	201,763,368	25.12	102,625,076	12.78	475,005,462	59.14	12,326,339	1.53	11,422,093	1.42	803,142,410

Taxable Valuations by County

The following chart 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.

Taxable Valuations: 2006 Taxes Payable 2007

County	Ag Real Valuation	Owner Occupied Valuation	Other Valuation	Total Valuation
Aurora	$272,949,248	$29,499,070	$20,970,585	$323,418,903
Beadle	423,708,530	261,435,699	232,355,364	917,499,593
Bennett	96,863,028	16,181,669	9,542,626	122,587,323
Bon Homme	230,017,902	70,338,163	34,051,437	334,407,502
Brookings	393,818,305	636,153,600	408,749,503	1,438,721,408
Brown	641,640,765	829,633,954	503,015,330	1,974,290,049
Brule	216,231,563	68,487,171	51,743,037	336,461,771
Buffalo	70,589,065	1,180,927	4,877,542	76,647,534
Butte	139,479,310	184,743,763	107,786,243	432,009,316
Campbell	131,922,050	17,753,784	7,691,441	157,367,275
Charles Mix	491,322,909	90,641,107	62,951,949	644,915,965
Clark	280,922,291	31,396,131	56,831,013	369,149,435
Clay	255,002,583	214,349,913	135,735,295	605,087,791
Codington	227,382,794	741,643,048	436,950,529	1,405,976,371
Corson	114,262,077	9,283,375	17,584,045	141,129,497
Custer	80,649,532	262,622,348	217,098,903	560,370,783
Davison	153,237,715	433,094,930	279,229,074	865,561,719
Day	250,253,794	85,592,283	87,688,492	423,534,569
Deuel	257,499,518	61,352,143	58,029,363	376,881,024
Dewey	88,444,971	9,603,967	10,050,786	108,099,724
Douglas	184,750,149	36,111,846	17,167,167	238,029,162
Edmunds	286,300,431	62,487,370	58,193,235	406,981,036
Fall River	95,938,660	130,294,005	122,219,441	348,452,106
Faulk	244,383,933	18,774,030	9,077,386	272,235,349
Grant	189,908,341	126,498,564	162,551,095	478,958,000
Gregory	272,466,435	42,976,150	22,129,989	337,572,574
Haakon	204,992,138	15,911,747	17,200,915	238,104,800
Hamlin	239,518,156	88,692,199	74,171,382	402,381,737
Hand	380,833,986	38,231,565	30,039,783	449,105,334
Hanson	218,474,388	47,354,853	19,322,213	285,151,454
Harding	168,527,410	10,820,590	33,486,056	212,834,056
Hughes	123,111,865	470,290,513	251,143,367	844,545,745
Hutchinson	506,007,144	95,590,908	50,668,876	652,266,928
Hyde	183,928,562	16,453,224	27,387,170	227,768,956
Jackson	90,590,621	10,926,051	13,633,641	115,150,313
Jerauld	167,747,009	15,526,847	16,165,771	199,439,627
Jones	140,759,660	9,202,051	9,991,330	159,953,041
Kingsbury	270,536,022	63,285,869	49,377,997	383,199,888
Lake	305,628,765	255,624,865	163,695,163	724,948,793
Lawrence	23,688,060	728,242,113	614,832,337	1,366,762,510
Lincoln	469,288,150	1,551,059,855	622,306,986	2,642,654,991
Lyman	302,220,711	32,608,646	32,041,532	366,870,889
Marshall	268,454,464	66,621,347	45,792,941	380,868,752
McCook	381,314,670	105,854,679	39,920,806	527,090,155
McPherson	241,250,601	26,980,183	37,407,560	305,638,344
Meade	224,627,196	708,207,322	353,983,216	1,286,817,734

County	Ag Real Valuation	Owner Occupied Valuation	Other Valuation	Total Valuation
Mellette	$122,763,972	$7,660,477	$4,560,393	$134,984,842
Miner	246,889,412	21,886,910	18,364,882	287,141,204
Minnehaha	574,496,214	4,669,788,852	3,606,347,907	9,150,632,973
Moody	318,438,615	102,674,703	46,465,535	467,578,853
Pennington	187,135,955	3,104,701,870	2,562,283,585	5,854,121,410
Perkins	205,097,911	23,689,763	14,155,387	242,943,061
Potter	239,224,030	33,463,674	28,985,583	301,673,287
Roberts	380,734,433	114,743,978	72,281,977	567,760,388
Sanborn	196,997,881	22,090,777	18,960,852	238,049,510
Shannon	20,083,355	2,164,305	2,235,323	24,482,983
Spink	383,073,642	64,854,977	62,587,482	510,516,101
Stanley	168,013,567	79,499,413	50,112,065	297,625,045
Sully	350,980,676	24,802,525	30,330,345	406,113,546
Todd	79,525,628	8,973,047	8,931,667	97,430,342
Tripp	359,928,403	75,818,645	41,563,561	477,310,609
Turner	366,610,630	135,207,335	53,847,424	555,665,389
Union	462,941,522	436,511,986	250,836,224	1,150,289,732
Walworth	137,994,973	66,655,185	54,004,804	258,654,962
Yankton	237,848,685	506,374,839	282,778,045	1,027,001,569
Ziebach	77,849,771	2,277,641	4,360,252	84,487,664
STATE TOTALS	**$16,118,074,752**	**$18,633,455,339**	**$12,850,833,205**	**$47,602,363,296**

The following chart shows the change in each classification of property, as well as the change in each classification's percentage of total valuation from 1997 to 2006.

Taxable Valuations by Category: 1997-2006

For Taxes Payable in	Agricultural*	% of Total	Owner-Occupied	% of Total	Commercial	% of Total	Utilities	% of Total	TOTAL
1997	$9,259,272,144	37.93	$7,858,629,904	32.19	$6,303,119,711	25.82	$993,262,603	4.07	$24,414,284,362
1998	9,700,112,744	37.40	9,031,445,601	34.82	6,222,551,169	23.99	982,426,625	3.79	25,936,536,139
1999	10,114,313,818	36.92	9,654,685,197	35.24	6,580,244,560	24.02	1,045,087,867	3.81	27,394,331,442
2000	10,759,050,990	36.65	10,400,962,518	35.43	7,072,312,159	24.09	1,125,213,808	3.83	29,357,539,475
2001	11,062,162,236	35.93	11,177,769,905	36.30	7,445,797,194	24.18	1,106,170,590	3.59	30,791,899,925
2002	11,549,861,305	35.68	11,934,525,973	36.87	7,753,707,599	23.95	1,134,307,137	3.50	32,372,402,014
2003	12,277,695,126	35.43	13,038,052,643	37.62	8,212,742,597	23.70	1,126,545,169	3.25	34,655,035,535
2004	13,085,504,017	35.07	14,269,607,712	38.25	8,811,374,289	23.62	1,141,657,751	3.06	37,308,143,769
2005	14,015,749,247	35.03	15,523,846,537	38.79	9,362,992,929	23.40	1,113,225,824	2.78	40,015,814,537
2006	15,097,290,060	34.80	16,954,988,100	39.08	10,238,689,250	23.60	1,093,714,459	2.52	43,384,681,869

* Agricultural value includes AGY for Pay 1997 thru Pay 1998; includes NA-Z value for Pay 2000 to present

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 2007 are set statewide as follows:

Ag	$3.03/$1,000 of value
Owner-Occupied	$4.76/$1,000 of value
Other	$10.19/$1,000 of value

Property Tax Caps

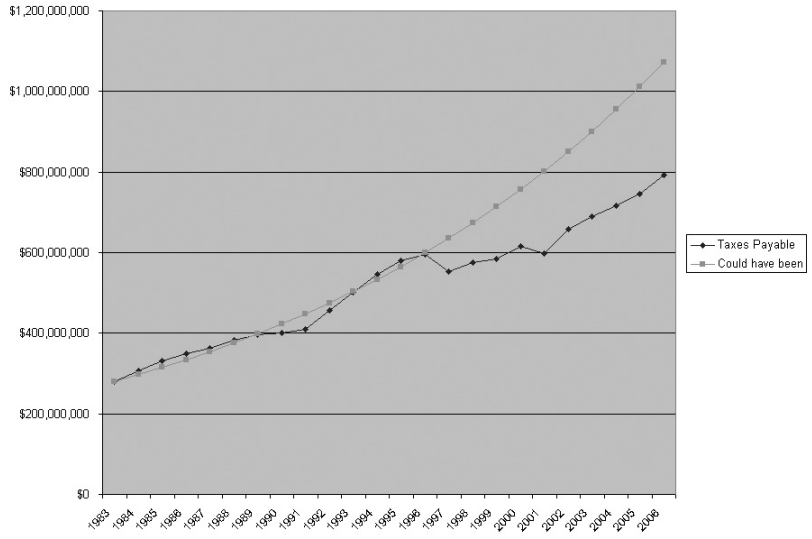
State law limits the amount of property taxes that local governments (counties, cities, townships, fire districts, etc.) can collect from their property owners. Market increases in the value of the property within the taxing district automatically decrease the property tax rates upon that property to 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 over $1 billion in property taxes. Instead, property owners are paying a little more than $800 million of property taxes. The chart on the top of the next page 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 following table shows the effective tax rate for owner-occupied, agricultural, and commercial property in 25 South Dakota jurisdictions payable in 2006. The "Commercial" category includes residential property not occupied by the owner 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.

County Located In	City/Township	Agricultural Effective Tax Rate	A Property Assessed at $40,000 Pays	Owner-Occupied Effective Tax Rate	A Property Assessed at $40,000 Pays	Other Non-Ag Effective Tax Rate	A Property Assessed at $40,000 Pays
Brown	Aberdeen	1.25	501.16	1.73	693.26	2.24	895.22
Butte	Belle Fourche	1.16	462.40	1.91	765.68	2.42	966.96
Minnehaha	Brandon	1.02	408.00	1.47	589.56	1.98	790.50
Brookings	Brookings	1.37	549.08	1.65	661.98	2.22	888.42
Lincoln	Canton	0.98	391.00	1.81	725.22	2.31	924.80
Brule	Chamberlain	1.17	469.88	2.00	801.04	2.50	1,000.62
Minnehaha	Dell Rapids	1.03	413.10	1.56	625.26	2.07	826.20
Moody	Flandreau	1.29	516.46	2.20	880.26	2.71	1,082.90
Fall River	Hot Springs	1.40	559.98	2.17	868.02	2.67	1,068.96
Beadle	Huron	1.26	505.58	2.29	914.26	2.78	1,113.84
Lake	Madison	1.02	408.68	1.70	679.32	2.20	878.90
Grant	Milbank	1.23	492.66	1.70	679.32	2.20	878.90
Davison	Mitchell	1.33	530.06	1.83	733.04	2.36	942.48
Walworth	Mobridge	1.37	547.74	2.38	953.70	3.09	1,234.20
Hughes	Pierre	1.13	453.90	1.58	631.72	2.08	831.30
Pennington	Rapid City	1.21	484.16	1.51	602.48	2.02	807.16
Spink	Redfield	1.15	460.36	3.06	1,225.70	3.63	1,451.12
Minnehaha	Sioux Falls	1.02	406.98	1.44	574.94	1.97	788.80
Roberts	Sisseton	1.03	411.40	1.99	797.64	2.49	997.22
Meade	Sturgis	1.19	476.34	2.07	826.88	2.57	1,029.18
Clay	Vermillion	1.44	574.26	2.10	840.14	2.79	1,116.22
Codington	Watertown	1.05	419.90	1.40	561.00	1.90	760.92
Day	Webster	1.27	506.26	2.06	822.12	2.56	1,022.04
Tripp	Winner	1.10	439.28	1.73	693.26	2.24	894.54
Yankton	Yankton	1.18	470.56	1.55	618.80	2.05	818.72
STATEWIDE EFFECTIVE TAX RATE		**1.14**		**1.55**		**2.08**	

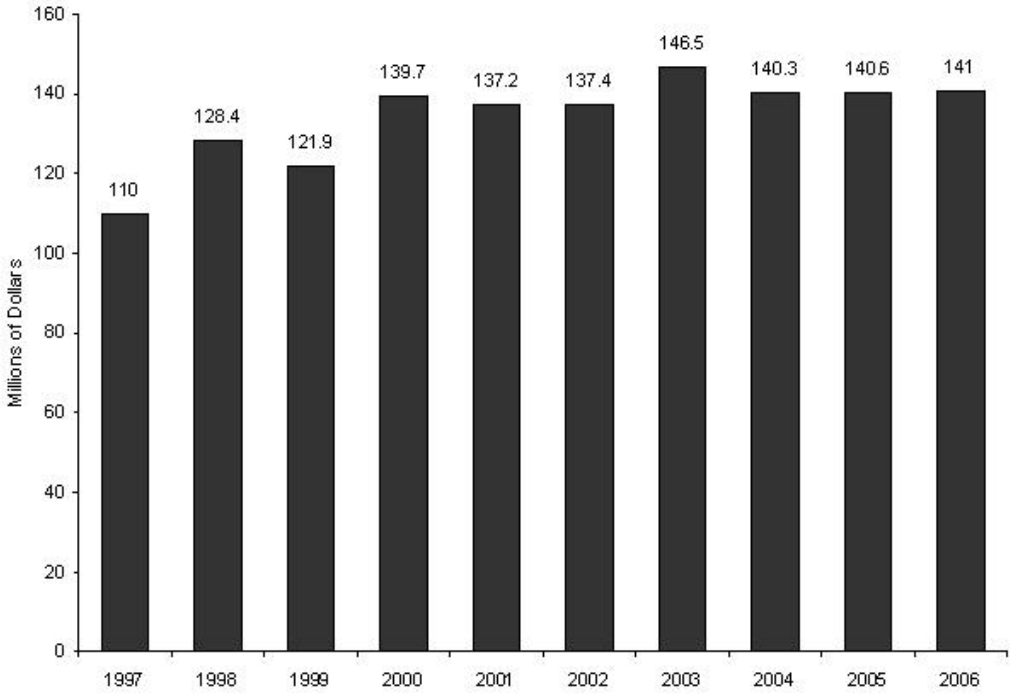
Fuel Tax and Motor Vehicle Licensing

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 2006, total fuel tax revenues amounted to $141,048,510. Motor fuel (gasoline) and special fuel taxes accounted for 86.5% of the total fuel tax revenues for fiscal year 2006, with 11.1% from tank inspection fees, 1.9% from interstate/IFTA fuel taxes, and the remaining 0.5% from the aviation fuel tax. The chart below compares South Dakota's fuel tax revenues for the past 10 years.



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 2006 were $12,919,553. The largest share (57%) was distributed to the local government highway and bridge fund, with 41.5% to the counties, 1% to the license plate fund, and 0.5% to the motor vehicle fund.

Titles and Registration

Any vehicle (including mobile homes, trailers, snowmobiles, and large boats) that operate on South Dakota's roadways and waterways 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 2006 totaled $87,627,908, which were distributed as follows: 60% to the Department of Transportation, 29% to local governments, and the remaining 11% to other sectors.

Title and Registration Revenues

	FY2005	FY2006	Percent Change
License Plate Fees - State's Share*	$2,350522	$2,316,906	-1.43%
License Plate Fees - Counties', Cities', Townships' Share	24,887,366	25,638,616	3.02%
Snowmobiles	99,660	156,640	57.17%
Boats	768,137	866,936	12.86%
Temporary Special Permits	119,012	137,182	15.27%
Mobile Home Plates	10,530	11,250	6.84%
Dealer Fees, Duplicate Dealer Plates	145,493	137,616	-5.41%
Noncommercial Duplicate Plates	143,796	96,362	-32.99%
Commercial Duplicate License Plates	3,530	4,170	18.13%
Title and Penalty Fees	2,212,853	2,285,023	3.26%
Trailer ID Fees	53,320	51,608	-3.21%
Replacement Plate Fees	357,983	329,489	-7.96%
Motorcycle Safety Education Fees	132,129	326,924	147.43%
Mobile Home Registration Fees - State's Share	132,601	132,934	0.25%
Other Vehicle 3.0% Registration Fees	55,962,320	53,741,912	-3.97%
Snowmobile 3.0% Initial Registration Fees	194,091	209,693	8.04%
Register of Deeds Fees	129,095	126,452	-2.05%
DENR Solid Waste Fees	1,039,711	1,058,195	1.78%
Total Receipts	**$88,742,149**	**$87,627,908**	**-1.26%**

**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 2006, there were 5,391 refunds totaling $1,342,102.43 as compared to 5,940 refunds totaling $1,620,158.11 issued the previous fiscal year. The average refund was $248.95 in fiscal year 2006, as compared to $272.75 in 2005 and $269.47 in 2004.

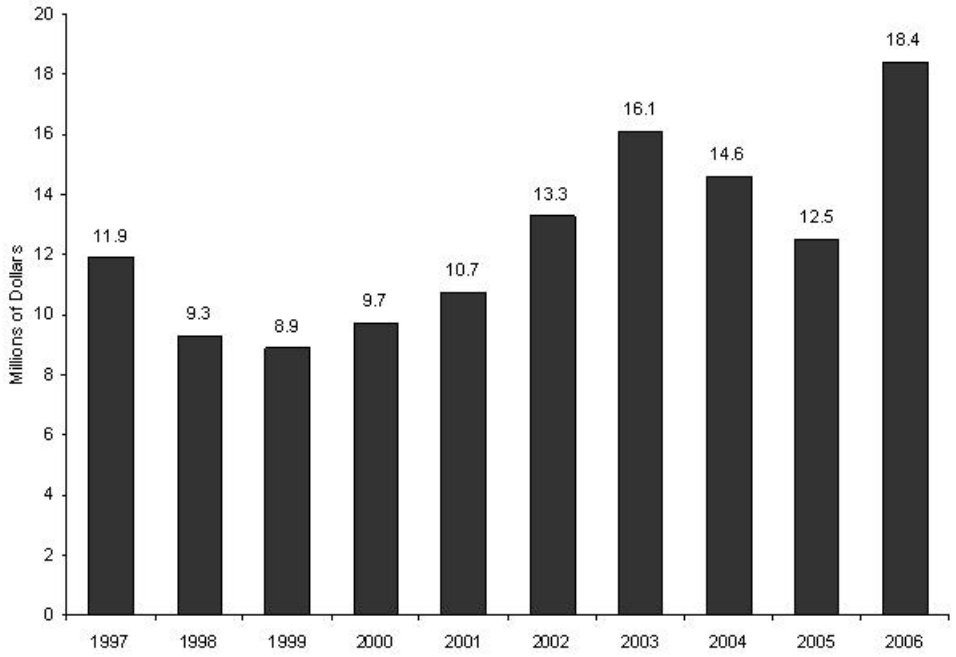
Effective July 1, 1999, $.03 of every gallon of gasoline on which a refund is claimed is retained from the applicant's refund and is deposited into an Agricultural Fund. This amounted to $223,376.61 in fiscal year 2006.

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 $18,449,360.82 in assessments (tax, penalty and interest) in FY2006.

Total Assessments: A Ten-Year Comparison



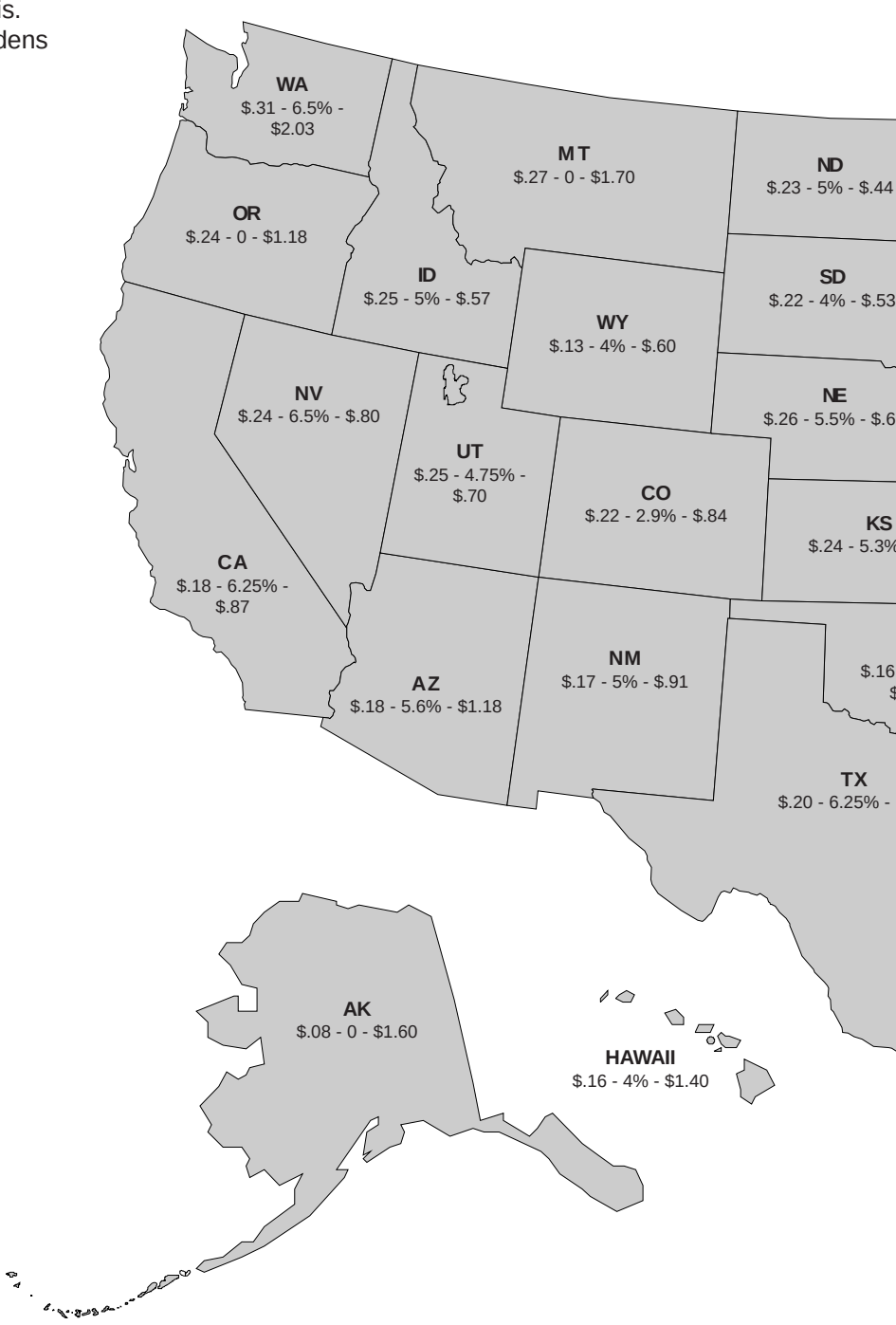
Audits and Assessments

	Number of Audits	Assessments
Sales, Use and Contractors' Excise Tax	1,281	$17,026,107.23
Limited Scope Audits	13	49,661.73
Bank Franchise, Severance Taxes, Inheritance Taxes and Tobacco	858	256,307.62
Fuel Taxes, Prorate (IRP) and IFTA	307	1,117,284.24
TOTAL	**2,459**	**$18,449,360.82**

How SD Compares to Other States

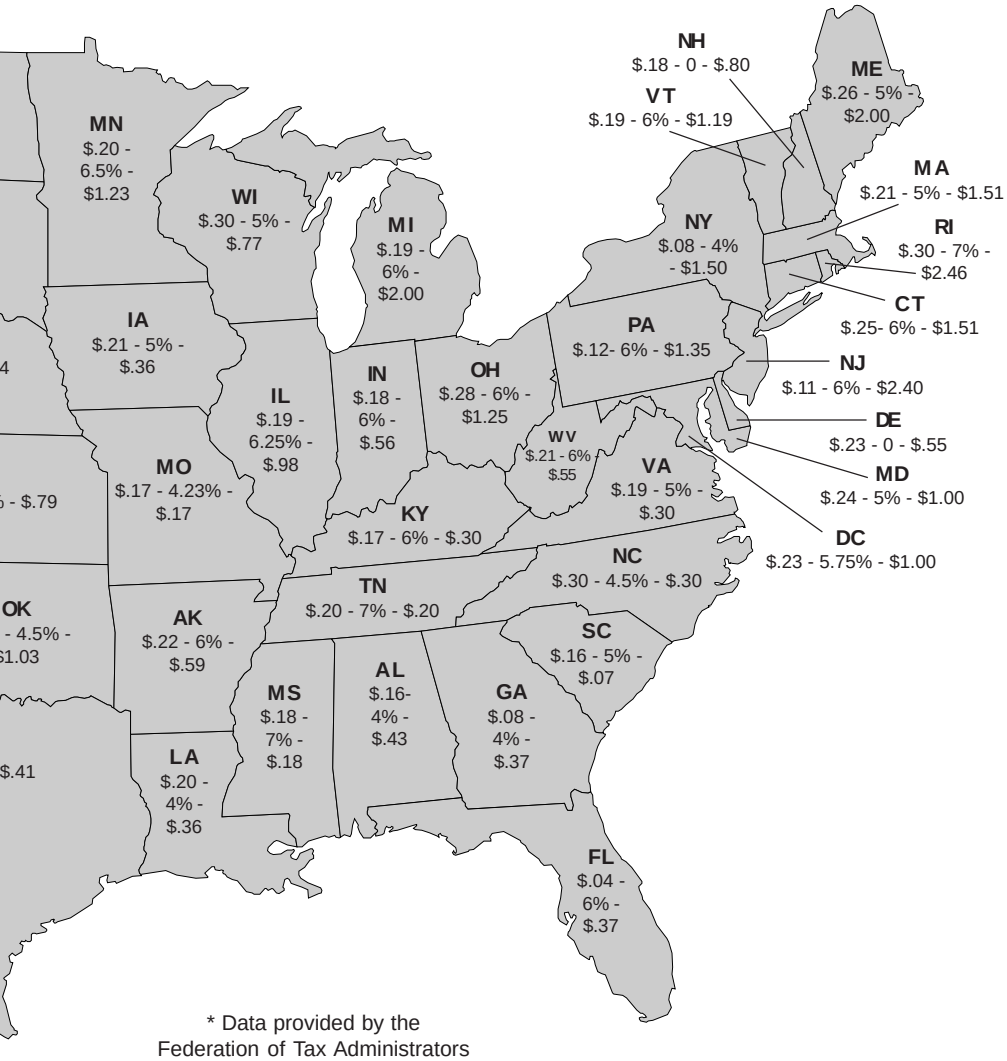
At just $1,430, South Dakota had the lowest per capita state tax burden in fiscal year 2005, according to the latest figures available from the U.S. Bureau of the Census and Bureau of Economic Analysis. Following is a listing of per capita state tax burdens for all 50 states, beginning with the highest:

Vermont	$3,600
Hawaii	3,478
Wyoming	**3,418**
Connecticut	3,300
Delaware	3,229
Minnesota	**3,094**
Massachusetts	2,815
Alaska	2,787
California	2,724
New Jersey	2,631
New York	2,607
Rhode Island	2,443
Wisconsin	2,430
Maryland	2,410
Michigan	2,405
West Virginia	2,367
Washington	2,360
Arkansas	2,358
Maine	2,323
New Mexico	2,319
North Dakota	**2,203**
Pennsylvania	2,193
Kentucky	2,179
Nebraska	**2,158**
North Carolina	2,147
Virginia	2,104
Ohio	2,094
Nevada	2,075
Illinois	2,069
Idaho	2,054
Indiana	2,049
Kansas	2,040
Iowa	**1,939**
Oklahoma	1,933
Montana	1,910
Louisiana	1,910
Florida	1,905
Utah	1,897
Mississippi	1,860
Arizona	1,854
Oregon	1,791
Georgia	1,728
South Carolina	1,720
Alabama	1,711
Tennessee	1,678
Missouri	1,645
Colorado	1,640
New Hampshire	1,544
Texas	1,434
South Dakota	**1,430**
National Average	**2,192**



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

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

Washington	$.31
North Carolina	$.30
Rhode Island	$.30
Wisconsin	$.30
Ohio	$.28
South Dakota	***$.22***

Five Highest Sales Tax Rates

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

Five Highest Cigarette Tax Rates

Rhode Island	$2.46
New Jersey	$2.40
Washington	$2.03
Maine	$2.00
Michigan	$2.00
South Dakota	***$.53***

Comparing the Region

	Gas Tax (cts. per gallon)	Sales Tax (%)	Cigarette Tax (cts. per package)
South Dakota	**22**	**4**	**53**
Iowa	20.7	5	36
Minnesota	20	6.5	1.23
Montana	27	0	1.70
Nebraska	26.1	5.5	64
North Dakota	23	5	44
Wyoming	13	4	60

Legal Services

Legal Division - Andrew L. Fergel, 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 354 new cases during FY2006. The ISB Special Agents examined 131 individuals and businesses, of which 75 were investigated for tax and motor vehicle crimes. The IFPU reviewed or investigated 92 allegations of insurance fraud and referred two cases for prosecution. More information on the IFPU can be found in the following pages. The Supreme Court issued six decisions during the year which affected the department.

Supreme Court Summaries

In the Matter of Steven J. Tinklenberg, 2006 SD 52, 716 NW2d 798. Tinklenberg was an insurance agent who appealed the Insurance Division's decision to revoke his license for violation of a repealed statute. The Supreme Court affirmed the department's decision, holding that 1) a saving statute allowed the Division to seek revocation of license for conduct occurring before repeal of the statue, and 2) evidence supported revocation for the agent's acts of making himself the owner and beneficiary of a client's life insurance policy and giving the insured's conservator the false impression that the insured's heirs would receive the death benefit.

Meligan v. Dept. of Revenue and Regulation, 2006 SD26, 712 NW2d 12. Meligan, a state certified general appraiser, appealed the determination of the Department that he made errors and omissions in an appraisal which constituted violations of the Uniform Standards of Professional Appraisal Practice (USPAP) and warranted the 90-day suspension of his appraiser license. The Circuit Court reversed the Department's decision, and the Department appealed. The Supreme Court affirmed in part, reversed in part, and remanded, holding that: 1) the Department's finding that Meligan failed the USPAP by failing to disclose in his appraisal that the property had been used as a bed and breakfast was clearly not erroneous; 2) Meligan's failure to disclose that information was sufficient as a basis for discipline; 3) the Department's finding that Meligan failed to disclose that the residence was a 1930's barn that had been extensively remodeled was clearly erroneous; 4) the Department's finding that Meligan violated the USPAP by failing to disclose that the barn was a three-story structure was clearly not erroneous, but the finding of inference to mislead was unsupported; 5) the Circuit Court erred when it substituted its judgment for that of the Department and held that Meligan's failure to include intended user provision in the appraisal, failure to disclose that a comparable was not a sale, listing of an inaccurate address for a comparable, and listing of inaccurate date of sale for another comparable did not warrant discipline; 6) the Circuit Court was in error when it set aside a credibility determination that was adverse to the appraiser; 7) sufficient evidence supported finding that Meligan failed to include the proper analysis which violated the USPAP; and 8) the licensing sanction which was based in part on erroneous allegations of the Department, was an abuse of discretion.

Choice Hotels Intern., Inc. v. South Dakota Dept. of Revenue and Regulation, 2006 SD25, 711 NW2d 926. Choice Hotels International Inc., a hotel franchisor, sought a review of the Department's decision to issue a certificate of assessment against the company for sales tax on travel agent commissions collected from franchisees and paid to travel agents, and for unpaid sales tax on fees collected for its customer incentive program. The Supreme Court affirmed in part, reversed in part, and held that: 1) no sales tax applied to the travel agent commissions, but 2) fees that the franchisor collected from franchisees for its customer incentive program were collected as part of a service and were subject to sales tax.

Doctor's Associates, Inc. v. Dept. of Revenue and Regulation, 2006 SD18, 711 NW2d 237. Doctor's Associates, Inc., a restaurant franchisor, appealed a hearing examiner's decision that affirmed the Department's certificate of assessment concerning a sales tax liability regarding royalty fees. The Supreme Court affirmed and held that: 1) royalty fees constituted gross receipts for the sale of tangible personal property or service and thus were subject to sales tax; 2) the statute providing that use tax shall be imposed in certain situations on the reasonable value of the service purchased did not apply; 3) the franchisor was not entitled to a second extension of time concerning the submission of further evidence; and 4) for purposes of the statute requiring taxpayers who are subject to sales tax to keep records of all sales and other pertinent papers and documents, a statistical summary was a "pertinent document", and thus failure to submit the summary during the audit precluded the admission of the summary.

Dan Nelson Automotive, Inc. v. Viken, 2005 SD109, 706 NW2d 239. Dan Nelson Automotive, a car dealer and financing company, brought declaratory judgment action against the secretary of the Department of Revenue and Regulation, seeking a ruling that the excise tax could not be lawfully imposed on that portion of the initial price for a vehicle that the dealer did not actually receive when buyers defaulted on installment contracts. The Circuit Court dismissed the case; Dan Nelson Automotive appealed. The Supreme Court reversed and remanded the decision, and held that: 1) the doctrine of primary jurisdiction did not preclude the Circuit Court's action; 2) the action brought against the secretary in his official capacity joined the State; 3) the State was a "person" within the meaning of the Declaratory Judgment Act; and 4) the action was not precluded by sovereign immunity.

State v. Brekke, 2005 SD 31, 694 NW2d 46. The defendent, Lance Brekke, was convicted of 10 counts of failure to file contractors' excise tax returns. He appealed the conviction. The Supreme Court reversed and remanded, and held that there was no proof or jury instruction with respect to the defendent's tax liability, and thus a defect in information was not cured by proof of all of the essential elements of the crime of failure to file a contractors' excise tax return.

Insurance Fraud Prevention Unit

A unit of the Legal Division

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. The Fraud Unit is a certified law enforcement agency with statewide jurisdiction whose duties include investigating suspected fraudulent insurance acts; prosecuting fraudulent insurance acts; promoting awareness of insurance fraud; and conducting independent studies to determine the extent of fraudulent insurance acts. It has a staff of four employees, including a Unit Chief, two investigators, and a secretary.

The Unit is funded solely by a $250 assessment against all insurance companies licensed to conduct business within South Dakota. The Fraud Unit places these monies into a dedicated fund for exclusive use in its efforts to combat insurance fraud. The FY2006 budget for the Fraud Unit was $296,266, and the amount of money expended by the Unit this fiscal year was $201,884.10. A majority of the funds expended by the Fraud Unit during this period was in support of the investigation and prosecution of insurance fraud cases.

Referrals

The investigations conducted by the Fraud Unit are based on referrals from the insurance industry, the general public, law enforcement and other government agencies. When received, the referrals are reviewed by the Unit Chief to determine if an investigation is warranted. If it is, the referral is assigned to an investigator. Persons who want to make a referral concerning suspected insurance fraud can call, write or visit the Fraud Unit at 445 East Capitol Avenue, Pierre, SD 57501, (605) 773-6325. Referrals can also be made on-line at www.state.sd.us/drr2/reg/insurance/fraud/.

The Unit received 92 referrals in FY2006, down from 103 the previous fiscal year. Of the 92 received, 67 came from the insurance industry, 10 from the general public, four from law enforcement, three from other government agencies, and eight were made anonymously.

Referrals are classified by both suspect type and type of fraud. Of the 92 referrals handled in FY2006, 83 concerned the insured or claimant, seven involved agents or brokers, and the remaining two concerned insurance companies or their representatives. As for type of fraud, the 92 referrals were typed as follows: auto insurance (36), workers compensation (20), homeowners insurance (6), medical/health insurance (4), agent fraud (2), disability insurance (2), false application (2), life insurance (2), commercial insurance (1), and other (17).

Investigations and Prosecutions

Of the 92 cases referred to the Fraud Unit in FY2006, two were referred for prosecution, 32 were closed due to insufficient evidence or other bar to prosecution, five were referred for regulatory action, one was referred to other agencies, four involved assisting other agencies, 32 were classified and maintained for intelligence purposes only, prosecution was declined in three cases, and 13 remain in an active or inactive investigation status. At the end of FY2006, the Fraud Unit had five cases which were open for more than 12 months. All five cases concern allegations that consumers submitted false or exaggerated claims to their insurance company.

As part of its prosecution efforts, the Unit requests that the Courts order fraud perpetrators to make restitution to their victims. In FY2006, the Fraud Unit recovered or obtained court orders for restitution in the amount of $533,610.29.

Prevention and Education

One of the primary goals of the South Dakota Insurance Fraud Prevention Unit is to educate the public, insurance industry, law enforcement and prosecutors that insurance fraud is a crime and that it has a negative impact on our insurance rates and society. The Unit accomplishes that goal by associating with professional groups from both the insurance industry and law enforcement community, making public presentations, and providing a variety of resource materials about insurance fraud.

Among the groups the Unit is affiliated with are 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 the National District Attorney's Association.

In FY2006, Unit staffers made eight formal presentations to the general public, insurance industry, law enforcement, and prosecutors.

As part of its public awareness campaign, the Fraud Unit publishes several pamphlets which provide information about what insurance fraud is, why we should care, and how to prevent becoming a victim of insurance fraud. It has also 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.

Division of Insurance

Merle Scheiber, 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.

FY2006 Revenues

Taxes Collected (General Fund)	$55,298,267
Fees (Insurance Operating Fund):	
Admission	99,402
Company Renewal	83,770
Agent Licensing/Renewal	1,995,280
Exam Fees	13,210
Miscellaneous and Legal	19,636
Retaliatory/Filing	945,915
Administrative Penalties	51,978
Lists and Labels	6,140
Certification Letters	11,920
Investment Council Interest	21,417
Course Approval	23,875
Subsequent Injury Fund:	
Sub-Injury Fund Assessment	7,928,214
Investment Council Interest	31,660
Continuing Education Fund:	
Agent Renewal Fees	87,776
Investment Council Interest	1,530
Special Collections for Workers Compensation:	
Policy Fee (Transferred to Dept. of Labor)	265,434
Examination Fund (effective 7/1/97)	837,900
Investment Council Interest	8,637
Total	**$67,731,961**

FY2006 Performance Indicators

Total Licensed/Domestic Companies	1,424/45
Domestic Companies Financial Exams	5
Company Market Conduct Exams	0
Companies Licensed/Approved Mergers	43
Agent Licenses Issued	18,823
Agent Appointments Issued	54,610
Renewed Appointments	138,471
Agent Appointment Cancellations	14,000
Property/Casualty Filings Reviewed	6,460
Life/Health Filings Reviewed	3,862
Consumer Complaints Closed	1,087
Enforcement/New Open Files	805
Enforcement/Closed Files	870
Continuing Education:	
Agents Paying License Renewal	4,389
Agents Exempt	2,404
Agents Reporting Completion	4,389
Courses Reviewed	955
Courses Monitored	7
Agent Licenses Cancelled	1,206
Subsequent Injury Fund:	
New Claims	46
Claims Paid	140
Dollars Paid	$8,198,791

Administrative Services Division

Joan Serfling, Director

The Administrative Services division manages the department's physical assets, budgetary data, collections, 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 $913 million in payments in fiscal year 2006. 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 2006 - Remittance Center

Dollars processed for Revenue and Regulation	$803,501,475
Dollars processed for other agencies	109,982,180
Total dollars processed	**$913,483,655**
Total documents processed	**534,453**

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 $125,484 for FY2006. From July 1, 2005 to June 30, 2006, the Appraiser Certification Program licensed 33 new appraisers; renewed 361 appraiser licenses; received 19 upgrade applications; issued 8 new reciprocal licenses; issued 66 temporary permits; processed 158 course applications; and received 17 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 consumer license specialists, one support position, 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 six sources: Bank Examination Fee; Trust Company Examination Fee; Trust Company Supervision Fee; License Application and Renewal 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

	FY2003	FY2004	FY2005	FY2006
Bank Examination Fee	$438,026	$556,441	$728,275	$975,137
Trust Company Examination Fee	21,239	0	19,016	6,099
License Fees	193,350	339,580	407,932	619,170
Trust Company Supervision Fee	0	0	79,584	64,571
Investment Council Interest	39,270	18,401	13,542	1,796
Miscellaneous**	3,495	7,548	25,648	202,002
Trust Company Charter Fees*	20,000	5,000	5,000	0
Totals	**$715,380**	**$926,970**	**$1,278,997**	**$1,868,775**

*Deposited in General Funds

** Includes $155,000 Ameriquest Mortgage Settlement restricted funds

Performance Indicators: FY2003 - FY2006

	FY2003	FY2004	FY2005	FY2006
Applications Before the Commission	16	20	18	13
Banks Examined	29	38	26	26
Trust Companies Examined	8	5	9	6
Licenses Issued or Renewed	922	652	702	913
State-chartered banks	75	72	71	70
State-chartered trust companies	19	22	21	19
Bank Assets	$9,728,372,000	$10,130,289,000	$11,248,156,000	$13,225,732,000
Trust Assets	$13,711,290,000	$15,367,625,000	$24,810,448,000	$34,669,887,000

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. FY2006 revenues from the Securities Division totaled $25,534,686.

FY2006 Revenues

Securities Registration Fees	$66,184
Franchise Registration Fees	155,600
Franchise Exemption Fees	12,750
Business Opportunity	300
Securities Opinion Fees	100
Investment Company Notification Fees	16,001,800
Agent Licensing Fees	8,383,750
Broker-Dealer Licensing Fees	205,950
Investment Advisor Fees	4,200
Investment Advisor Agent Fees	56,100
I/A Notice Filings	131,200
Miscellaneous	3,445
Investment Council Interest	113,206
Private Placement/Reg D 506. Other	93,750
Fines	306,351
Total	**$25,534,686**

FY2006 Performance Indicators

New Securities Applications	97
Extensions and Amendments	62
Private Placement	1
Other Exemptions	378
Invest CompNot Filings – New	2,757
Invest CompNot Filings – Total	17,863
New Franchise Applications	274
New Franchise Registrations	735
Franchise Extensions	482
Exemptions	50
Business Opportunities – New	1
Business Opportunities – Total	2
Broker – Dealers Licensed	1,314
Broker – Dealer Agents Licensed	53,765
Investment Advisers Licensed	40
Investment Adviser Agents Licensed	631
Investment Advisers Notice Filing	623
Franchise Applications Withdrawn	180
Investigations	121
Administrative Orders Issued	95
Opinions Requested	1

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 $1.4 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 31 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 FY2006 Lottery revenue distributed to state funds was more than $118 million. These revenues come from three main sources, as evidenced in the chart below.

FY2006 Lottery Sales and Revenue*

	Sales	Prizes	Retailer Commission	Revenue Distributed
Instant Tickets	$18,223,064	$11,644,355	$1,037,086	$3,100,000
Lotto Tickets	20,976,370	10,537,267	1,195,263	5,100,000
Video Lottery **	646,727,955	425,225,504	110,751,225	109,867,446
			Total:	**$118,067,446**

*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 23 new instant ticket games during FY06. Prices for instant tickets range from $1 to $10, and prizes range from $1 to $100,000 and merchandise prizes.

At the close of FY06, there were 609 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 12.8% in FY06 compared to FY05. 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.

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 FY06, there were 407 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 up 28.3% in FY06 compared to FY05, due to two 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 0.6% in FY06. The average number of active video lottery machines during FY06 was 8,745 and the average number of licensed establishments was 1,463. 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.

*FY2006 Lottery Revenue Distribution**

	General Fund	Cap. Construct. Fund	Property Tax Reduction Fund	Dept. of Human Services**
Instant Tickets	$3,100,000			
Lotto Tickets	1,400,000	$3,700,000		
Video Lottery**	45,000		$109,660,147	$162,299
Totals:	**$4,545,000**	**$3,700,000**	**$109,660,147**	**$162,299**

*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.

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

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

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

South Dakota Commission on Gaming

Larry Eliason, Executive Secretary

The South Dakota Commission on Gaming is responsible for regulating the gaming industry in the City of Deadwood, administering Indian gaming 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.

FY2006 Recap of Commission Fund

Revenues		
FY06 Device Tax	$6,262,000.00	
Gross Revenue Tax	6,688,193.65	
City Slot Tax	398,760.83	
Application Fees	139,510.00	
License Fees	97,300.00	
Device Testing Fees	11,638.00	
Penalties	7,000.00	
Interest	47,262.58	
Fund Total		**$13,651,665.06**
Distributions		
Lawrence County	$665,965.00	
% Increase or Decrease from previous year	6.85%	
School Districts (Per 42-7B-48.1)	220,668.00	
Other Municipalities - Lawrence County (Per 42-7B-48.1)	220,668.00	
SD Tourism	2,663,859.00	
% Increase or Decrease from previous year	6.85%	
State General Fund (Per 42-7B-48.1)	1,544,676.00	
State Historical Preservation	100,000.00	
City of Deadwood	7,062,956.00	
% Increase or Decrease from previous year	0.13%	
Total Distributions to Local Governments:		**$12,478,792.00**

FY2006 Recap of Racing Funds

	Special Fund	Revolving Fund	Bred Fund	Totals
Beginning Cash Balance (7/1/05)		$562,240.00	$418,420.00	$980,660.00
Revenues:				
Horse Revenue	64,827.00	54,083.00	57,503.00	176,413.00
Greyhound Revenue	36,764.00	36,764.00	36,764.00	110,292.00
Interest		15,617.00	14,416.00	30,033.00
Transfer from Agency Fund	(124,661.00)	73,650.00	51,014.00	
License and Fines – Horse	16,200.00			16,200.00
License and Fines – Dog	6,870.00			6,870.00
Total Revenues:		**$742,354.00**	**$578,117.00**	**$1,320,471.00**
Expenses:				
Aberdeen Horse Racing Track				
SD Bred Point Money			44,500.00	44,500.00
Purse Supplements, Racing Operations, and Advertising and Promotion		144,625.00		144,625.00
SD Bred Stakes Money			92,000.00	92,000.00
Fort Pierre Horse Racing Track				
SD Bred Point Money			44,500.00	44,500.00
Purse Supplements, Racing Operations, and Advertising and Promotion		144,625.00		144,625.00
SD Bred Stakes Money			92,000.00	92,000.00
Total Track Disbursements:		**$289,250.00**	**$273,000.00**	**$562,250.00**
Ending Cash Balance (6/30/06)		**$453,104.00**	**$305,117.00**	**$758,221.00**

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.

FY2006 revenues from the Real Estate Commission totaled $582,089 up from $473,514 the previous fiscal year.

FY2006 Revenues

Application Fees (if not included in examination or new license fee)	$107,031
Examination Fees	0
Re-Examination Fees	0
New License Fees	29,648
Renewal Fees	279,208
Materials Sold	16,220
Interest Income	17,616
Change of Address	8,070
Certificates of Licensure	2,595
Late Renewal Fees	6,235
Intrastate Sales and Service	720
Penalties/Reimbursement of Investigations	36,874
Seminar Income	77,830
Miscellaneous	42
Refund of Prior Year Expenditure	0
Total	**$582,089**

FY2006 Performance Indicators

Total Licenses Renewed	2,341
Total New Licenses	540
Total Practitioners (including firms)	4,515
Examinations:	
Nationally Prepared (times given)	567
Total Applicants Examined	346
Total Applicants Passed (including re-exams)	284
Percentage required for passing	75%
State Prepared (times given)	66
Total Applicants Examined	59
Total Applicants Passed (including re-exams)	53
Percentage required for passing	75%
Total Applicants re-examined	136
Total Applicants passing re-exam	98
Complaints:	
Total Received	21
Total Investigated	24
Total Resolved	24
Total Hearings Held	12
Total Pending	10
Total Licensees Reprimanded/Probationed	2
Total Licenses Suspended/Revoked	4
No Action Taken Against Licensee	17
Total prosecutions	0
Miscellaneous:	
Total Inspections	21
Total Audits	329
Total Inquiries Received and Answered	50,547
Total Applicants Denied S.D. Licensure	2
Number of Board Meetings Held	8

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.

FY06 Payments

The total amount paid by the PRCF in fiscal year 2006 was $782,462. Of that amount, $505,269 constituted reimbursement payments made for cleanups at regular petroleum release sites. In addition, $277,193 was paid for cleanups under the abandoned tank removal program.

FY06 Statistics

There were 167 responsible parties reimbursed in 2006; 274 pay requests (claims paid); 56 new regular petroleum release cases initiated; and 38 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.

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