

# **1999 Annual Report**

## **July 1, 1998- June 30, 1999**

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### **Comments from the Secretary**

To the Governor, Legislature and People of South Dakota:

Most South Dakotans continued to enjoy lower property taxes in 1999 due to action taken by Governor Janklow and the legislature in 1995 and 1998 . . . in fact, homeowners and agricultural

property owners paid a cumulative total of \$346.8 million less in property taxes during the four years since 1995 as the result of those tax relief measures.

This past year has been an active and productive year for the Department of Revenue. "South Dakota Tax Amnesty 1999" provided a unique, one-time opportunity for individuals and businesses to step forward and pay back taxes and interest owed the state while avoiding possible criminal prosecution. Improving taxpayer access through our toll-free taxpayer assistance phone line and through enhancements to our Website; providing more opportunity for taxpayer education; and giving taxpayers the ability to file tax returns and pay taxes through the Internet have been significant accomplishments this year. Searching for ways to maximize revenues under the existing tax structure continues to be one of our primary goals. Improving voluntary taxpayer compliance is the key to enhancing revenues . . . and providing easier access and better education to taxpayers is making this happen. Once again I am pleased to report that revenues increased significantly over the previous year, as you will see in reviewing the statistics contained in this report.

Looking to the future, we will continue to be challenged to determine what changes need to be made to our state's sales tax laws in order to ensure that the sales tax works effectively and equitably in an electronic commerce environment.

This report is intended to provide a good overview of how South Dakota's system of taxation performed in FY1999. Hopefully, the report will be a useful tool to legislators, policymakers and citizens at large . . . not only during the legislative session but throughout the upcoming year.

Respectfully Submitted,

Gary R. Viken  
Secretary of Revenue

## **Tax Revenues by Category and Distribution**

The South Dakota Department of Revenue is the principal agency of tax administration for the state of South Dakota. The department collects 34 different state taxes which can be grouped into four main categories: sales, use and contractors' excise taxes; motor fuel taxes; motor vehicle licensing; and special taxes. In fiscal year 1999, the total revenue from these taxes was \$934,536,894. That amount compares with revenues of \$897,132,063 for fiscal year 1998. The figures below illustrate the breakdown of total revenues by category of tax:

### ***Tax Revenues by Category***

Sales, Use and Contractors' Excise Taxes	67%
Motor Fuel Taxes	13%
Special Taxes	12%
Motor Vehicle Taxes	8%

Once collected, the tax revenues are distributed to three primary locations: the state's general fund, local units of government, and the state highway fund. The chart below shows the percentage of the total taxes received by each group, with disbursements totaling \$934,536,894:

***Distribution of Tax Revenues***

General Fund	59%
Local Governments	21%
State Highway Fund	16%
Other	4%

**An Overview of Tax Revenues**

***Total Revenues***

Revenues collected by the department from taxes and licensing fees totaled \$934,536,896 in fiscal year 1999. This amount is an increase of \$37,404,833 from last year's revenues of \$897,132,063. The major source of this revenue — sales, use and contractors' excise taxes — increased by \$26,629,214. Revenues from fuel taxes decreased by \$6,467,826; special tax revenues increased by \$13,552,913; and motor vehicle licensing fees increased by \$3,690,532. The chart below illustrates the change in total revenues over a five-year period.

***Total Revenues - A Five-Year Comparison***

<b>Fiscal Year</b>	<b>Total Revenues</b>	<b>Percent of Change</b>
1995	\$742,330,127	5.41%
1996	783,210,742	5.51%
1997	826,658,410	5.55%
1998	897,132,063	8.53%
1999	934,536,894	4.17%
<b>Five-year Average</b>	<b>\$836,773,647</b>	<b>N/A</b>

***Revenues by Category***

A five-year comparison among the revenues from the four major tax categories shows a consistency in the dollars generated by each category. Sales taxes are clearly first, and motor vehicle fees produce the least revenue. Motor fuel taxes rank second in revenues every year.

***Revenues by Tax Category: A Five-Year Comparison***

<b>Fiscal Year</b>	<b>Sales, Use and Excise Taxes</b>	<b>Motor Fuel Taxes</b>	<b>Special Taxes</b>	<b>Motor Vehicle Fees</b>
1995	\$482,697,331	\$102,911,151	\$94,258,399	\$62,466,246
1996	514,397,107	102,918,020	100,248,385	65,647,230
1997	551,375,461	109,971,764	97,208,863	68,102,322
1998	597,620,617	128,423,402	99,095,451	71,992,593
1999	624,249,831	121,955,576	112,648,364	75,683,125
<b>Five-Year Average</b>	<b>\$554,068,069</b>	<b>\$113,235,983</b>	<b>\$100,691,892</b>	<b>\$68,778,303</b>

***A Comparison of South Dakota's Taxes with Those of Surrounding States***

While the following chart gives a good indication of the relative rate of taxes in each state, it does not reflect all the variables. For example, while South Dakota applies its sales tax to most services, other states may not.

***A Comparison of Tax Rates (As of August 1999)***

	<b>State Sales Tax (percent)</b>	<b>Gasoline Tax (cts. per gallon)</b>	<b>Cigarette Tax (ct's per package)</b>	<b>Corporate Income Tax</b>			
				<b>Maximum Rate</b>	<b>Amounts Up to</b>	<b>Maximum Rate</b>	<b>Amounts Over</b>
<b>South Dakota</b>	<b>4</b>	<b>22*</b>	<b>33</b>	<b>[</b>	<b>NO TAX</b>	<b>]</b>	
Iowa	5	20	36	6	25,000	12	250,000
Minnesota	6.5	20	48	9.8	[	Flat Rate	]
Montana	NO TAX	27	18	6.75	[	Flat Rate	]
Nebraska	5	24.1**	34	5.58	50,000	7.81	50,000
North Dakota	5	20	44	3	3,000	10.5	50,000
Wyoming	4	14***	12	[	NO TAX	]	

\*Rate changed April 1 from .18 to .22

\*\*Rate subject to periodic change

\*\*\*There is an additional 1-cent per gallon license tax

The chart above illustrates the differences in the rate of taxes among states in the region. The chart below shows how different tax rates affect individual taxpayers and compares this effect with the rest of the nation. In 1999, South Dakotans paid an average of \$7,844 per person in federal, state and local taxes. The national average in 1999 was \$9,881, and only seven states had lower total taxes as a percentage of income than South Dakota.

### *A Comparison of Taxes Per Capita with Those of Surrounding States*

	<b>Per Capita Income</b>	<b>Per Capita Total Taxes</b>	<b>Total Taxes as % of Income</b>	<b>Rank</b>
US	\$27,876	\$9,881	35.4%	
<b>SD</b>	<b>23,838</b>	<b>7,844</b>	<b>32.9%</b>	<b>42</b>
IA	25,850	8,700	33.7%	25
MN	29,799	11,081	37.2%	5
MT	21,215	7,098	33.5%	38
NE	26,688	9,343	35.0%	21
ND	23,933	7,824	32.7%	40
WY	23,118	7,683	33.2%	48

Source: U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis

### *Distribution of Taxes*

In fiscal year 1999, the department collected \$934,536,896 in taxes. Those dollars were then distributed to various funds and units of government. The largest portion of revenues, 59%, is deposited in the state's general fund. The chart below shows the taxes that produce the revenues and the manner in which the revenues are distributed.

### *How Taxes Are Distributed*

<b>Tax</b>	<b>General Fund</b>	<b>Local Gov't</b>	<b>State Highway Fund</b>	<b>Other</b>
State Sales Tax	100%	-0-%	-0-%	-0-%
State Use Tax	100%	-0-%	-0-%	-0-%
State Contractors' Excise Tax	100%	-0-%	-0-%	-0-%
Municipal Contractors' Excise Tax	-0-%	100%	-0-%	-0-%
State Contractors' Use Tax	100%	-0-%	-0-%	-0-%
Municipal Sales and Use Tax (1)	-0-%	100%	-0-%	-0-%
Reservation Sales, Use, Excise Tax (2)	-0-%	100%	-0-%	-0-%
Cigarette Excise Tax	100%	-0-%	-0-%	-0-%
Cigarette License Fee	100%	-0-%	-0-%	-0-%
Reservation Cigarette Excise Tax	(2)	(2)	-0-%	-0-%
Inheritance Tax	90%	10%	-0-%	-0-%
Bank Franchise Tax (3)	26.66%	73.33%	-0-%	-0-%
Bank Card Taxpayers	95%	5%	-0-%	-0-%
Ore Tax	100%(4)	-0-%	-0-%	-0-%
Coin Operated Laundromat Fee	100%	-0-%	-0-%	-0-%
Trading Stamp License Fee	100%	-0-%	-0-%	-0-%
Energy Minerals Severance Tax	50%	50%	-0-%	(5)
Malt Beverage Occupational Tax	75%	25%	-0-%	-0-%
Conservation Tax	-0-%	-0-%	-0-%	(6)
Amusement Machine Registration	(7)	(7)	-0-%	-0-%

Distilled Spirits Occupational Tax	75%	25%	-0-%	-0-%
Wines and Diluted Beverages	75%	25%	-0-%	-0-%
Malt Beverage License Fee	50%	50%	-0-%	-0-%
Liquor License Fee (other than retail)	100%	-0-%	-0-%	-0-%
Other Tobacco Products Tax	100%	-0-%	-0-%	-0-%
Alcoholic Beverage 2% Purchase Price Tax	100%	-0-%	-0-%	-0-%
Wholesale Liquor License Fee	100%	-0-%	-0-%	-0-%
Alcohol Beverage Brand Registration Fee	100%	-0-%	-0-%	-0-%
Aviation Fuel Tax	-0-%	-0-%	-0-%	Aeronautics Fund - DOT
Motor Fuel Tax	-0-%	-0-%	97%	(8)
Tank Inspection Fee	-0-%	-0-%	-0-%	(9)
Prorate Fee (10)	-0-%	41.5%	54%	(11)
Motor Vehicle Excise Tax			100%	
Motor Vehicle Registration Fee	-0-%	95.5%	-0-%	(11)
Motor Vehicle Licensing Receipts:				
Snowmobiles	-0-%	-0-%	-0-%	(12)
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 a minimum administrative fee, which varies from 1.25% to 1.8%.

(2) Revenue from reservation taxes is distributed to the reservation on a proratable basis based on the percentage of Indian population on the reservation and a proratable percentage retained by the state based on the percentage of non-Indian population on the reservation. The state also retains 1% of the revenue credited to reservations as an administrative charge.

(3) An exception exists regarding banks organized pursuant to SDCL 51A-2-38 to 51A-2-43, inclusive. 95% of the revenue derived from that tax is deposited into the State General Fund, while 5% goes to the county where the bank is located.

(4) Revenues from mining companies licensed after January 1, 1981, are split as follows: 80% to the state, 20% to the county of production (subject to a \$1 million cap).

(5) If the energy development fund has a balance of less than \$100,000, then one-sixth (1/6) of the revenue is deposited in that fund until the balance reaches \$100,000.

(6) 100% of the tax collected is placed in the Environment and Natural Resources fee fund.

(7) Revenue from devices located outside municipalities is deposited into the State General Fund. If the amusement device is located within the boundaries of a municipality, then the revenues are remitted to the municipality.

(8) Motor Fuel refunds are deducted first and then the remaining monies are divided as follows: Each July, an amount equal to the number of snowmobiles licensed as of July times 100 gallons times the tax rate is transferred to a fund for snowmobile trails; an amount equal to the number of licensed motorized boats times 100 gallons times the tax rate is transferred to the parks recreation fund; an amount equal to 35% of claimed refunds not to exceed \$850,000 in 1993 and not to exceed \$1,500,000 thereafter 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) 1.0% is deposited in the Motor Fuel Tax Administration Account, and 42% goes to the Capitol Construction Fund. The remaining balance is 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 plates 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) 2.0% is deposited in the State Motor Vehicle Fund (MVF), and 2.5% goes to the License Plate Special Revenue Fund (LPR).

(12) 80% goes to Game, Fish & Parks, 20% to State Motor Vehicle Fund (MVF).

## ***The General Fund: Where Does the Money Come From?***

General fund receipts for fiscal year 1999 totaled \$766,864,197. Following is a breakdown of where the funds come from:

Sales, Use and Contractors' Excise Taxes	59%
Special Taxes and Fees	11%
Other Sources	30%

### ***Revenues by Type of Tax***

The department administers 34 separate taxes and fees. In fiscal year 1999, the revenue produced by these taxes varied from a low of \$100 to a high of \$413,528,845. In addition, the amount of revenue generated by individual taxes fluctuated by as much as -45.31% from fiscal year 1998 to fiscal year 1999.

### ***Revenues by Type of Tax: A Three-Year Comparison***

	<b>FY1997</b>	<b>%Increase (Decrease) Over Previous Year</b>	<b>FY1998</b>	<b>%Increase (Decrease) over Previous Year</b>	<b>FY1999</b>	<b>%Increase (Decrease) over Previous Year</b>
Sales and Use Taxes-State	\$371,173,256	7.13%	\$394,977,528	6.41%	\$413,528,845	4.70%
Contractors' Excise Tax-State	36,385,955	-4.14%	43,371,032	19.20%	43,398,474	0.06%
Sales, Use, Contractors' Excise Taxes-Cities	135,261,020	7.26%	149,045,455	10.19%	157,931,942	5.96%
Sales, Use, Contractors' Excise Taxes-Reservations	3,281,744	7.39%	3,366,167	2.57%	3,203,773	-4.82%
Tourism Tax	2,243,409	N/A	2,936,484	N/A	3,291,977	12.11%
Water and Environment Fund	367,760	35.33%	450,000	22.36%	518,313	15.18%
Refund for Construction of Facility	1,905,080	-85.07%	2,659,652	39.61%	1,454,570	-45.31%
Motor Vehicle Licensing Fund	757,237	25.04%	814,299	7.54%	921,937	13.22%
Aviation Fuel	601,018	29.65%	605,554	0.75%	602,229	-0.55%
Motor Fuel Tax	91,206,455	1.20%	109,837,113	20.43%	103,787,368	-5.51%
Interstate Fuel Users Tax	3,341,114	-5.00%	3,117,094	-6.70%	2,934,444	-5.86%
Tank Inspection Fees	14,823,177	-6.52%	14,863,641	0.27%	14,631,535	-1.56%
Prorate	10,494,728	6.06%	10,850,476	3.39%	11,233,309	3.53%
Motor Vehicle Titles and Registration	57,607,594	4.90%	61,142,117	6.14%	64,449,816	5.41%
Cigarette Tax-State	19,985,850	37.71%	19,895,030	-0.45%	19,374,203	-2.62%
Cigarette Tax-Reservations	479,370	30.92%	442,136	-7.77%	479,511	8.45%
Cigarette License Fees	9,910	-9.93%	9,837	-0.74%	11,780	19.75%
Other Tobacco Products	984,714	N/A	1,042,996	5.92%	1,037,387	-0.54%
Liquor License Fees	30,390	-9.31%	34,930	14.94%	30,305	-13.24%
Malt Beverage Beer License Fees	224,505	0.36%	260,700	16.12%	220,285	-15.50%
Alcoholic Beverage Brand Registration Fees	93,385	9.72%	97,910	4.85%	105,975	8.24%
Beer Tax	4,818,872	1.21%	4,916,398	2.02%	5,432,712	10.50%
Liquor Tax	4,362,399	4.77%	4,263,724	-2.26%	4,607,059	8.05%
Alcoholic Beverage 2% Purchase Price Tax	600,431	8.11%	594,342	-1.01%	655,669	10.32%
Wholesale Beer License Fee	3,550	-24.46%	4,000	12.68%	4,075	1.88%
Bank Franchise/Bank Card Tax	36,887,953	-4.55%	38,269,116	3.74%	50,818,698	32.79%

Inheritance Tax	21,487,558	-0.85%	25,792,904	20.04%	26,427,049	2.46%
Ore Tax	5,779,685	18.84%	2,223,575	-61.53%	2,579,120	15.99%
Severance Tax	1,178,336	-4.31%	966,485	-17.98%	599,221	-38.00%
Coin Laundry License Fees	123,045	0.00%	130,886	6.37%	123,330	-5.77%
Trading Stamps License Fee	100	100%	100	0.00%	100	0.00%
Amusement Device Fee	99,012	115.41%	98,142	-0.88%	94,680	-3.53%
Bingo License Fee	35,000	-14.29%	30,000	-14.29%	27,500	-8.33%
Bingo Tax	24,798	-17.88%	22,240	-10.32%	19,705	-11.40%
<b>Total</b>	<b>\$826,658,410</b>	<b>5.51%</b>	<b>\$897,132,063</b>	<b>8.53%</b>	<b>\$934,536,896</b>	<b>4.17%</b>

## *A Chronology of Tax Legislation*

In 1913, the legislature enacted the first state tax — a license fee on non-commercial vehicles. Since that time, a number of major expansions and changes have occurred. The following chronology shows the tax history of South Dakota.

### *Major Legislative Changes*

#### **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.

#### **1915 Inheritance Tax**

1999 Last Major Change: Increased lineal issue inheritance tax exemptions beginning in 2000.

#### **1933 License Fees, Commercial**

1982 Last Major Change: License fees were restructured.

#### **1933 Motor Fuel**

1999 Last Major Change: Tax increased on April 1 from \$.18 to \$.22 per gallon.

#### **1935 Alcohol Beverage**

**Spirits** - 1987 Last Major Change: \$3.80 to \$3.93 per gallon. **Malt Beverages** - 1987 Last Major Change: \$8.30 to \$8.50 per barrel. **Table Wine** - 1987 Last Major Change: \$.90 to \$.93 per gallon.

#### **1935 Sales Tax**

1995 Last Major Change: Removed 30 sales tax exemptions to fund 20% property tax credit.

#### **1937 Cigarettes**

1995 Last Major Change: Increased from \$.23 to \$.33 per pack of 20 and \$.29 to \$.42 on packs of 25.

#### **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**

1991 Last Major Change: Decreasing tax rate on income over \$500,000,000.

#### **1939 Use Tax**

1995 Last Major Change: Removed 30 use tax exemptions to fund 20% property tax credit.

#### **1941 Special Fuel**

1999 Last Major Change: Tax increased on April 1 from \$.18 to \$.22 per gallon.

#### **1965 Interstate Fuels**

No major changes made since implementation.

#### **1975 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.

#### **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.

### ***A Description of Individual Taxes***

Each tax category (sales, fuel, special and motor vehicle licenses) contains a number of individual taxes. These individual taxes vary in purpose, application and rates. The following list gives the name of the tax, a description of its application, its location in statute and the rate or base for calculation.

<b>Tax</b>	<b>Description</b>
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 local and state personal property taxes. (Authority: SDCL 10-43-2, 4) (Rate Base: 6% decreasing to 1% as income increases or \$200 minimum)
Beer License Fee	Imposed on all applicants requesting permission to operate as a malt beverage wholesaler or retailer; annual license and 50% of all fees, except brewers license fee which is retained in state general fund, retained at the local level. (Authority: SDCL 35-4-2)(Rate Base: \$500.00 - Brewer; \$400.00 - Wholesalers; \$150.00 - Off-Sale; \$250.00 - On-Off Sale; \$150.00 - Transfers)
Beer Occupational Tax	Imposed on all 31-gallon barrels of high-point beer imported and received by all licensed beer and liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: \$8.50 per bbl.)
Bingo/Pull Tab Tax	All bingo paper and pull tab distributors pay a monthly tax of 5% of gross sales of these products (Authority: SDCL 22-25-48) (Rate base: 5% of gross sales)
Bingo/Pull Tab Tax Licenses	Persons or entities selling bingo paper or pull tabs to any organization conducting bingo games or pull tab lotteries must acquire a distributor's license. Persons or entities manufacturing bingo paper or pull tabs and selling these products to South Dakota distributors must obtain a manufacturer's license. (Authority: SDCL 22-25-28, 29) (Rate base: Distributor - \$5,000 annually; Manufacturer - \$2,500 annually)
Cigarette Excise Tax	Imposed on all packs of 20 and 25 cigarettes; stamps or impressions applied by the cigarette distributor prior to any sale to retailers for resale. (Authority: SDCL 10-50-3) (Rate Base: 33-cent cigarette stamps on packs of 20 and 42-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%)
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 1/2% 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)
Inheritance Tax	Imposed on inheritances received by classified persons and others; based upon total estate less specified statutory exemptions. Spouses are totally exempt from inheritance tax. (Authority: SDCL 10-40-2) (Rate Base: 1 1/2% to 30%)
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 original registration fee at the rate of three percent of the purchase price of a mobile home or if a bill of sale is not available, the fair market value thereof. The payment of such license fee shall be in full and is in lieu of all occupational, sales, excise, privilege and franchise taxes levied by this state upon the gross receipts from all sales of mobile homes. (Authority: SDCL 32-5-16.1) (Rate Base: 3% on purchase price or fair market value)
Motor Fuel/Special Fuel Tax	A tax is imposed on all motor fuel and special fuel that is removed from a terminal in this state and on all imports of fuel, except dyed diesel fuel. A tax of \$.20 per gallon is imposed on all ethanol blend sold or used in this state. The ethanol blend must contain a minimum of 10% by volume of ethyl alcohol of at least 99% purity derived from cereal grain. Alternative fuel is defined as compressed natural gas and mixtures containing 85% or more by volume of ethyl alcohol or methol alcohol. Dyed diesel fuel is either exempt or subject to 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; .04/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 or motor vehicle, as defined by 32-3-1, purchased or acquired for use on the streets and highways 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 and 32-20A-15) (Rate Base: 3% purchase price)
Municipal Contractors' Excise	Municipal Contractors' Excise Tax imposed by city ordinance, administered by State Department of Revenue, tax in addition to state tax. (Authority: SDCL 10-46A and 10-52) (Rate Base: 1/2%)
Municipal Sales	Municipal sales and use taxes imposed by city ordinance, administered by the State Department of Revenue, in addition to state tax. State exemptions apply. Farm machinery and irrigation equipment, parts or repairs for farm machinery, agricultural animal health products and medicine, transportation services, collection and disposal of solid waste, and veterinarian and animal specialty services are exempt. (Authority: SDCL 10-52) (Rate Base: No specific rate, rates vary from 1/2% to 3%)
Non-Commercial License Fees	License fees and compensation on non-commercial motor vehicles, including automobiles, pickups and vans with an empty weight of 10,000 lbs. or less (pickups in the 6,001 - 10,000 lbs. category have the option of licensing non-commercial or non-commercial declared gross weight), trailers and semitrailers for use on the highways payable under SDCL 32-5-5, shall be determined by the manufacturer's shipping weight. License fees and compensation on non-commercial motor vehicles which are not automobiles, pickups or vans shall be determined on declared gross weight. (Authority: SDCL 32-5-5, 32-5-6, 32-5-6.1, 32-5-6.3, 32-5-6.4, and 32-5-8) (Rate Base: Fees are based on the age and weight of the vehicle)
Ore Tax	Imposed on all companies severing precious metals within the state; based on the gross production and net income from the sale of such metal. Each producer is given a 20 ounce exemption per year. (Authority: SDCL 10-39-43) (Base Rate: \$4 per ounce of gross gold production plus 10% of net income)
Other Tobacco Products Tax	Imposed on distributors, wholesalers and retailers of cigars, snuff, chewing tobacco and any other products made up of tobacco, except cigarettes. The tax is imposed on the wholesale purchase price of other tobacco products and is paid on the fifteenth day of the month following the month of purchase. (Authority: SDCL 10-50-61) (Rate Base: 10%)
Reservation Cigarette	The reservation cigarette excise tax is imposed by tribal ordinance and is identical to the state cigarette excise tax. The tax is collected by the state and a share reverted to the tribe. (Authority: SDCL 10-12A) (Rate Base: 33 cents per pack of twenty; 42 cents per pack of twenty-five)
Reservation Sales, Use	The reservation sales, use and contractors' excise taxes are imposed by tribal ordinance and are identical to the state sales, use and contractors' excise tax. (Authority: SDCL 10-12A) (Rate Base: 4%)
Retail Liquor License Fee	These are the fees that may be assessed by the local governing board to any applicant requesting a retail liquor license to sell distilled spirits, wine and beer. The fees marked "max" indicate that the local board may set any fee up to this maximum level. All fees remain with the local governing board recommending the issuance of such license within their jurisdiction. (Authority: SDCL 35-4-2)

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

	On-sale (wine)	\$ 500.00	All Classes
Sales and Service Tax	(License Required) Sales Tax applies on retailers' gross receipts from all sales of tangible personal property and services not specifically exempted. Exemptions include, but are not limited to, sales to the state and its political subdivisions, certain agricultural products, motor vehicles, motor fuel, labor on construction and prescription drugs. (Authority: SDCL 10-45) (Rate Base: 4%)		
	Tax applies to receipts from amusement devices except coin-operated washers and dryers subject to special licensing. (Rate Base: 4%)		
	Farm machinery and irrigation equipment: tax applies on the cash difference whenever a trade-in or exchange of used farm machinery is involved. (Rate Base: 3%)		
	Tax applies to receipts from oil and gas field services. (Rate Base: 3%)		
Tank Inspection Fee	A \$0.02 per gallon fee is imposed upon any petroleum product received in this state. (Authority: SDCL 34A)		
Title and Penalty Fees	Title fees are \$5.00 per title; however, if the title is submitted more than 30 days after the date of sale, a late fee of one dollar for each week or fraction thereof beyond the 30-day limitation for 25 weeks and a late fee of 50 dollars for 26 weeks or more is imposed. (Authority: SDCL 32-3-18 and SDCL 32-3-27) (Rate Base: \$5.00 title fee, variable penalty)		
Trading Stamp License Fee	Imposed annually on all trading stamp and coupon companies who wish to provide retailers with their products. (Authority: SDCL 37-19-1) (Rate Base: \$50.00)		
Use Tax	Use Tax is imposed on the privilege of the use, storage and consumption in this state of tangible personal property or services. Tax is imposed on persons using property, certain exemptions apply; property exempted if taxed under 10-45. Use tax license required. (Authority: SDCL 10-46) (Rate Base: 4%)		
	A. Farm machinery and irrigation equipment not taxed under 10-45. (Rate Base: 3%)		
	B. Property used in maintaining or operating any type of railroad company classified by 10-28.1. (Rate Base: 2%)		
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**

### ***Total Revenues***

Sales, use and contractors' excise taxes produce the largest portion of the state's tax revenues. These revenues come from over 59,000 businesses that currently pay sales, use and contractors' excise taxes on their products or services. Revenues from sales taxes made up 67% of the total revenues in fiscal year 1999.

### ***Total Revenues: Sales, Use and Contractors' Excise Taxes***

<b><i>Fiscal Year</i></b>	<b><i>Total State Revenue</i></b>	<b><i>Percent of Change</i></b>
1990	\$250,542,927	7.29%
1991	293,836,821	17.28%
1992	289,323,536	-1.54%
1993	306,251,882	5.85%
1994	339,023,981	10.70%
1995	358,879,261	5.86%
1996	380,746,752	6.09%
1997	407,559,211	7.04%
1998	438,348,560	7.55%
1999	455,353,445	3.88%

### ***A Percentage Breakdown of Sales, Use and Contractors' Excise Tax Revenues***

In fiscal year 1999 sales, use and contractors' excise taxes in South Dakota totaled \$618,063,034. Within this category are four types of tax: state sales and use taxes; state contractors' excise taxes; city sales, use and contractors' excise taxes; and reservation taxes. The chart below illustrates the percentage of the \$618 million in total tax produced by each tax type.

State Sales and Use Taxes	66.9%
City Sales, Use and Excise Taxes	25.6%
State Contractors' Excise Taxes	7%
Reservation Taxes	.5%

### ***Municipal and Reservation Taxes***

While cities and Indian reservations set their own tax rates, the administrative task of collecting municipal and reservation taxes is performed by the department. The dollars are then distributed to the taxing units based on the amount collected from each city or reservation.

<b>City/Reservation</b>	<b>Rate(s)</b>	<b>Adopted</b>	<b>FY 1998 Remittance</b>	<b>FY1999 Remittance</b>	<b>% Increase [Decrease]</b>
Aberdeen	1%,2%,3%	4-71	\$8,429,927.70	\$8,659,384.38	2.72%
Alcester	1%	9-84	64,393.03	65,758.27	2.12%
Alexandria	1%,2%	11-84	67,567.93	61,236.79	-9.37%
Arlington	1%,2%	3-89	171,283.07	179,893.72	5.03%
Armour	1%,2%	9-88	137,992.60	132,126.08	-4.25%
Avon	1%,2%	9-84	78,757.84	73,659.62	-6.47%
Baltic	1%,2%	7-93	32,608.02	49,618.33	52.17%
Belle Fourche	1%,2%,3%	2-78	1,024,033.18	1,128,969.61	10.25%
Belvidere	1%,2%	1-85	15,245.62	15,070.88	-1.15%
Beresford	1%	7-77	215,407.46	225,308.18	4.60%
Blunt	1%	7-96	2,085.06	2,643.88	26.80%
Bowdle	1%	1-89	49,827.35	51,467.09	3.29%
Box Elder	1%,2%,3%	1-83	399,338.08	389,834.82	-2.38%
Brandon	1%,2%	4-77	725,770.88	824,572.33	13.61%
Bridgewater	1%,2%	7-85	61,820.98	67,804.29	9.68%
Bristol	1%	7-96	20,233.55	22,564.69	11.52%
Britton	1%,2%	1-84	302,390.10	312,931.90	3.31%
Brookings	1%,2%,3%	1-82	4,617,144.41	5,295,085.63	14.68%

Bryant	1%	1-95	28,521.19	29,471.63	3.33%
Buffalo	1%	7-97	31,271.90	40,719.48	30.21%
Burke	1%,2%	3-88	85,783.10	125,551.24	46.36%
Canistota	1%,2%	7-79	67,508.79	68,261.57	1.12%
Canova	1%	9-88	9,530.86	8,437.37	-11.47%
Canton	1%	4-77	310,043.73	313,296.92	1.05%
Carthage	1%	7-99	0.00	7,101.82	N/A
Castlewood	1%	1-89	36,702.80	36,774.11	0.19%
Centerville	1%,2%	7-79	101,193.78	102,156.26	0.95%
Central City	1%,2%	7-75	38,308.73	40,997.09	7.02%
Chamberlain	1%, 2%, 3%	4-79	685,508.47	771,946.03	12.61%
Chancellor	1%	1-84	16,707.36	15,481.36	-7.34%
Cheyne River	ST1-1/2%, 2%, 3%, 4%	6-76	999,534.37	838,465.56	-16.11%
Clark	1%,2%	3-86	135,251.11	182,016.97	34.58%
Clear Lake	1%, 2%	7-78	\$267,496.69	\$320,768.75	19.92%
Colman	1%	1-96	48,936.70	52,892.11	8.08%
Colome	1%,2%	1-89	35,590.76	35,695.26	0.29%
Colton	1%	1-98	15,421.43	43,331.38	180.98%
Corsica	1%,2%	1-87	128,962.75	129,905.24	0.73%
Crooks	1%	9-89	19,322.64	22,066.85	14.20%
Custer	2%,3%	7-77	683,978.49	730,382.71	6.78%
Davis	1%,2%	7-94	5,933.90	7,607.50	28.20%
De Smet	1%,2%	1-79	245,143.72	245,081.49	-0.03%
Deadwood	1%,2%,3%	4-78	1,225,358.07	1,197,288.91	-2.29%
Dell Rapids	1%,2%	7-79	370,681.89	402,728.69	8.65%
Delmont	1%,2%	11-88	19,079.90	24,180.14	26.73%
Doland	1%	1-95	20,988.10	20,707.74	-1.34%
Dupree	1%	1-85	35,081.77	38,486.86	9.71%
Eden	1%	11-91	12,822.93	15,628.59	21.88%
Edgemont	1%,2%	4-74	98,381.88	102,887.04	4.58%
Egan	1%,2%	1-89	10,623.15	20,482.28	92.81%
Elk Point	1%	7-79	220,621.58	302,700.56	37.20%
Elkton	1%	1-95	50,439.99	41,730.11	-17.27%
Emery	1%,2%	1-90	65,614.30	41,308.88	-37.04%
Estelline	1%	1-92	44,849.32	52,694.56	17.49%
Ethan	1%,2%	7-95	29,333.75	42,057.46	43.38%
Eureka	1%,2%	7-85	155,137.81	157,452.64	1.49%
Faith	1%	3-85	65,637.43	60,810.34	-7.35%
Faulkton	1%,2%	7-88	100,487.62	131,939.84	31.30%
Flandreau	1%	7-81	203,305.54	167,043.15	-17.84%
Florence	1%	1-97	10,266.27	11,038.30	7.52%
Fort Pierre	1%,2%,3%	10-78	431,589.02	484,244.59	12.20%
Freeman	1%	1-94	207,925.19	285,157.85	37.14%
Garretson	1%,2%	3-84	77,644.71	135,559.41	74.59%
Gary	1%	7-87	15,272.10	17,322.29	13.42%
Geddes	1%,2%	5-87	35,229.35	37,842.08	7.42%
Gettysburg	1%,2%,3%	5-85	299,516.09	296,357.46	-1.05%
Gregory	1%,2%	1-87	311,043.21	320,796.81	3.14%
Groton	1%,2%	1-79	246,344.71	221,360.11	-10.14%
Harrisburg	1%,2%	7-82	79,737.93	151,692.61	90.24%
Harrold	1%	1-94	9,817.85	11,166.46	13.74%
Hartford	1%,2%	1-78	189,565.41	215,567.89	13.72%
Hayti	1%	1-94	27,865.88	25,733.75	-7.65%
Henry	1%	1-95	10,694.76	12,892.44	20.55%
Hermosa	1%,2%	3-84	18,966.05	26,424.61	39.33%
Herreid	1%	1-91	42,655.56	47,117.69	10.46%
Highmore	1%,2%	10-79	201,659.30	191,710.63	-4.93%
Hill City	1%,2%,3%	7-77	321,363.43	358,006.92	11.40%
Hitchcock	1%	9-90	7,700.44	8,025.83	4.23%
Hosmer	1%	7-82	18,364.59	17,334.21	-5.61%
Hot Springs	1%,2%,3%	11-71	801,195.63	848,166.40	5.86%
Hoven	1%	3-92	60,383.99	58,474.17	-3.16%
Howard	1%,2%	11-86	201,094.07	189,698.62	-5.67%
Humboldt	1%,2%	7-82	56,635.90	62,782.20	10.85%
Hurley	1%,2%	7-82	47,190.57	43,105.13	-8.66%
Huron	1%,2%,3%	10-72	3,397,253.16	3,382,476.74	-0.43%
Interior	1%,2%	1-92	23,479.25	27,072.02	15.30%
Ipswich	1%,2%	7-77	131,884.87	137,021.73	3.89%
Irene	1%,2%	7-84	82,471.14	86,972.61	5.46%
Iroquois	1%	7-81	14,753.97	15,753.95	6.78%

Isabel	1%	11-91	20,758.65	21,183.57	2.05%
Jefferson	1%	1-96	23,569.72	29,325.13	24.42%
Kadoka	1%,2%	1-77	126,614.96	126,595.69	-0.02%
Kennebec	1%	7-78	28,127.40	29,427.08	4.62%
Keystone	2%,3%	7-72	416,270.91	456,795.53	9.74%
Kimball	1%,2%	1-81	125,401.47	137,635.95	9.76%
Lake Andes	1%,2%	7-84	103,661.36	96,670.17	-6.74%
Lake Norden	1%	1-94	67,163.23	54,170.43	-19.35%
Lake Preston	1%,2%	1-81	101,991.11	111,705.67	9.52%
Langford	1%	1-98	4,704.25	15,907.22	238.15%
Lead	1%,2%,3%	4-72	809,329.56	627,678.53	-22.44%
Lemmon	1%,1.5%	1-89	247,397.77	240,948.86	-2.61%
Lennox	1%,2%	1-74	244,247.01	242,971.60	-0.52%
Leola	1%	11-87	34,854.51	33,775.07	-3.10%
Mc Intosh	1%	3-92	13,810.82	15,437.65	11.78%
Mc Laughlin	1%	1-93	41,640.62	45,629.42	9.58%
Madison	1%	4-72	771,966.05	1,366,036.09	76.96%
Marion	1%,2%	7-80	76,540.25	110,365.55	44.19%
Martin	1%,2%,3%	7-80	240,355.65	242,427.40	0.86%
Menno	1%	1-90	64,356.74	67,974.32	5.62%
Midland	1%	7-83	18,788.75	20,472.17	8.96%
Milbank	1%,2%	7-88	885,882.06	975,799.23	10.15%
Miller	1%,2%	9-86	363,836.68	369,944.85	1.68%
Mission	1%,2%	11-73	185,429.37	201,191.48	8.50%
Mitchell	2%,3%	1-77	4,867,965.85	5,159,662.57	5.99%
Mobridge	1%,2%	11-86	832,477.88	880,851.90	5.81%
Monroe	1%	1-81	5,144.58	5,570.87	8.29%
Montrose	1%,2%	7-88	46,969.78	59,746.05	27.20%
Mount Vernon	1%,2%,3%	1-97	34,154.04	32,447.92	-5.00%
Murdo	1%,2%,3%	1-78	242,007.65	255,390.67	5.53%
New Underwood	2%	3-86	41,397.02	41,118.16	-0.67%
Newell	1%,2%	7-78	81,906.88	77,201.62	-5.74%
Nisland	1%	11-88	4,303.97	4,529.06	5.23%
North Sioux City	1%,2%	5-88	3,515,454.47	4,742,403.88	34.90%
Oacoma	1%,2%,3%	4-82	367,916.20	387,158.88	5.23%
Oglala ST 1-1/2%,2%,3%,4%		12-70	1,273,976.19	1,211,000.31	-4.94%
Onida	1%	1-95	62,264.68	60,991.42	-2.04%
Parker	1%,2%	7-83	144,674.69	147,889.59	2.22%
Parkston	1%,2%,3%	10-79	247,635.57	263,423.57	6.38%
Philip	1%,2%	4-76	292,991.31	267,834.69	-8.59%
Pickstown	1%	1-89	24,424.20	23,320.06	-4.52%
Pierre	1%,2%,3%	1-77	3,797,404.00	3,833,894.83	0.96%
Plankinton	1%,2%	1-94	98,280.43	106,981.49	8.85%
Platte	1%,2%	7-86	347,687.46	356,876.23	2.64%
Pollock	1%	7-92	39,929.97	44,119.84	10.49%
Presho	1%	7-78	50,720.63	51,169.37	0.88%
Ramona	1%	1-97	7,080.97	8,440.37	19.20%
Rapid City	2%,3%	5-72	23,445,580.06	24,947,016.57	6.40%
Redfield	1%,2%,3%	1-81	515,612.95	531,931.87	3.16%
Reliance	1%	1-99	0.00	4,915.66	N/A
Roscoe	1%	1-79	25,816.15	27,581.86	6.84%
Rosebud ST1-1/2%,2%,3%,4%		1-78	848,000.24	902,468.94	6.42%
Roslyn	1%	1-89	13,156.79	17,000.76	29.22%
Salem	1%,2%	7-83	236,778.25	259,067.66	9.41%
Scotland	1%	7-82	89,442.64	96,132.12	7.48%
Selby	1%	9-87	67,313.04	66,474.70	-1.25%
Sioux Falls	1%,2%,3%	1-74	49,998,185.47	52,851,220.93	5.71%
Sioux Falls Lodging	1%	1-96	322,777.73	347,424.25	7.64%
Sisseton	1%,2%	7-78	480,942.95	505,648.10	5.14%
Spearfish	2%,3%	10-71	2,843,915.36	2,922,473.36	2.76%
Spencer	1%,2%	1-87	37,487.36	20,620.32	-44.99%
Springfield	1%	7-84	92,286.78	97,793.48	5.97%
Standing Rock ST1-1/2%,2%,3%,4%		3-91	211,497.55	233,228.85	10.27%
Stickney	1%,2%	7-86	48,290.47	66,242.21	37.17%
Sturgis	1%,2%,3%	11-71	1,683,066.55	1,712,697.89	1.76%
Summit	1%	7-93	10,737.12	15,611.03	45.39%
Tabor	1%	7-93	25,448.72	22,958.45	-9.79%
Tea	1%,2%,3%	7-82	190,989.94	193,941.16	1.55%
Timber Lake	1%	3-87	39,956.59	36,690.35	-0.67%
Toronto	1%	9-85	20,121.65	22,136.98	10.02%

Trent	1%	1-99	0.00	1,794.78	N/A
Tripp	1%,2%	1-88	86,932.36	84,697.86	-2.57%
Tulare	1%	11-91	14,105.95	15,219.64	7.90%
Tyndall	1%	1-86	89,465.00	90,396.81	1.04%
Valley Springs	1%	1-91	27,903.44	34,711.52	24.40%
Veblen	1%	1-89	15,385.86	15,446.09	0.39%
Vermillion	1%,2%,3%	7-80	1,643,378.17	1,582,248.97	-3.72%
Viborg	1%,2%	4-80	144,239.05	192,788.53	33.66%
Volga	1%	7-97	79,498.88	94,979.42	19.47%
Wagner	1%,2%	7-87	416,552.54	420,091.62	0.85%
Wakonda	1%	1-82	17,678.06	24,633.84	39.35%
Wall	1%,2%,3%	10-71	610,279.19	651,800.61	6.80%
Warner	1%, 2%	7-98	0.00	25,489.82	N/A
Wasta	1%	9-90	2,064.92	3,389.25	64.13%
Watertown	1%,2%,3%	1-78	7,370,415.97	7,484,884.40	1.55%
Waubay	1%	1-81	29,695.79	31,429.33	5.84%
Webster	1%,2%	7-81	518,216.82	490,155.23	-5.42%
Wentworth	1%	7-94	7,371.28	12,016.61	63.02%
Wessington	1%	5-91	22,720.88	22,423.46	-1.31%
Wessington Springs	1%,2%	7-78	183,272.15	178,153.51	-2.79%
White Lake	1%	1-94	26,394.80	26,768.27	1.41%
White River	1%,2%	7-78	86,845.37	86,502.90	-0.39%
Whitewood	1%,2%	7-76	92,957.82	97,729.50	5.13%
Willow Lake	1%,2%	5-85	43,967.71	38,441.26	-12.57%
Wilmot	1%	7-98	0.00	38,916.71	N/A
Winner	1%,2%	1-80	907,038.67	890,194.23	-1.86%
Witten	1%	1-98	623.06	2,493.22	300.16%
Woonsocket	1%,2%	7-79	82,034.91	155,946.98	90.10%
Worthing	1%,2%	1-84	44,735.49	45,221.84	1.09%
Yankton	1%,2%,3%	7-79	4,243,621.58	4,435,828.96	4.53%
<b>TOTAL</b>			<b>\$150,018,756.96</b>	<b>\$159,113,967.17</b>	<b>6.06%</b>

During fiscal year 1998, two municipalities enacted local sales taxes. In fiscal year 1999, five more municipalities implemented a local sales tax, bringing the total number of local governments with sales and use taxes to 184 (plus four reservations). This figure indicates the number of local governments maintaining local sales taxes, NOT the number of taxes and tax rates. Some local governments have several different rates. The maximum local rate that can be levied in South Dakota is 3%.

In comparing South Dakota's local sales taxes with surrounding states, only one state has more local governments which implement a sales tax: Iowa has 543 with a maximum local rate of 1%. Nebraska has 96 with a maximum local rate of 1.5%; North Dakota limits the maximum local rate to 1.75% with 54 local governments implementing sales taxes; and Wyoming has 23 such local governments with a maximum rate of 2%. There is no local sales tax in the state of Montana.

## Special Taxes

### *Total Revenues*

The revenues collected in fiscal year 1999 from the category of Special Taxes were \$112,648,364. This tax category includes cigarette excise taxes; inheritance taxes; bank franchise taxes; ore taxes; energy mineral severance taxes; coin-operated laundromat license fees; beer,



wine and distilled spirits taxes; gaming excise taxes; beer and liquor license fees; other tobacco products; and alcohol beverage brand registration fees.

The Special Tax category can be divided into five major types: bank franchise taxes, inheritance taxes, alcohol taxes, cigarette taxes, and mineral and severance taxes. The chart below illustrates the percentage of revenues produced by each type of tax. In fiscal year 1999, bank franchise and bank card taxes generated over 45% of special tax revenues.

### ***Tax Revenues by Category***

Bank Franchise and Bank Card	45.1%
Inheritance Taxes	23.5%
Cigarette Taxes and Fees	18.6%
Alcohol Taxes and Fees	9.8%
Mineral and Severance Taxes	2.8%
Other*	.2%

\*includes Bingo and Amusement Taxes and Fees

## **Fuel Tax and Motor Vehicle Licensing**

### ***Total Fuel Tax Revenues***

Fuel taxes include taxes on gasoline, ethanol blend, aviation fuel, jet fuel, liquid petroleum gas (LPG) and diesel fuel. In fiscal year 1999, there were 2,735 fuel licenses in South Dakota, but only 1,196 licensees report and remit the tax. Fuel tax revenues for 1999 totaled \$121,955,576.

Of the three types of fuels sold in South Dakota, motor fuel (gasoline) and undyed diesel are by far the most significant, producing 85.1% of the total fuel tax revenues in fiscal year 1999. The chart below illustrates the percentage of the total fuel tax revenues produced by each type of fuel.

### ***Tax Revenues by Category***

Motor Fuel (Gasoline)/Special Fuel Tax	85.1%
Tank Inspection Fees	12.0%
Interstate/ITFA Fuel Taxes	2.4%
Aviation Fuel Tax	.5%

### ***Motor Vehicle Licensing***

Commercial registration fees are licensing fees 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 95 percent of the fees are used by the state and counties to maintain public roads.

Prorate registration revenues during fiscal year 1999 were \$9,937,082. Of this amount, 54% was used to maintain state highways, 41.5% was used to maintain county highways, 2% went to the State Motor Vehicle Fund and 2.5% to the License Plate Special Revenue Fund.

### *Distribution of Fees by County*

Aurora	\$46,614	Fall River	\$48,831	Marshall	\$51,790
Beadle	119,800	Faulk	43,068	Meade	118,602
Bennett	34,149	Grant	64,110	Mellette	27,072
Bon Homme	53,305	Gregory	54,227	Miner	41,962
Brookings	117,695	Haakon	37,782	Minnehaha	425,915
Brown	199,294	Hamlin	44,137	Moody	50,577
Brule	52,109	Hand	64,862	Pennington	328,296
Buffalo	13,982	Hanson	32,898	Perkins	59,919
Butte	54,730	Harding	33,813	Potter	40,986
Campbell	33,573	Hughes	73,928	Roberts	84,610
Charles Mix	81,829	Hutchinson	71,497	Sanborn	38,987
Clark	59,574	Hyde	27,179	Shannon	49,304
Clay	59,134	Jackson	34,116	Spink	103,403
Codington	114,733	Jerauld	32,273	Stanley	27,151
Corson	65,630	Jones	24,854	Sully	36,239
Custer	45,412	Kingsbury	64,877	Todd	48,218
Davison	80,005	Lake	66,258	Tripp	77,508
Day	74,035	Lawrence	90,604	Turner	65,131
Deuel	45,221	Lincoln	88,373	Union	59,993
Dewey	50,308	Lyman	48,940	Walworth	45,491
Douglas	36,611	McCook	50,799	Yankton	87,964
Edmunds	56,145	McPherson	44,602	Ziebach	33,924
				<b>TOTAL</b>	<b>\$4,538,957</b>

### *Titles and Registration*

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

### *Title and Registration Revenues*

	<b>FY 1998</b>	<b>FY 1999</b>	<b>Percent Change</b>
License Plate Fees-State's Share*	\$1,398,736	\$1,475,248	5.47%
License Plate Fees-Counties', Cities', Townships' Share	15,522,313	16,142,330	3.99%
Snowmobiles	113,780	128,740	13.15%
Boats	784,192	677,049	-13.66%
Temporary Special Permits	79,564	78,945	-0.78%
Mobile Home Plates	12,015	10,560	-12.11%
Dealer Fees, Duplicate Dealer Plates	123,150	142,235	15.50%
Noncommercial Duplicate Plates	115,764	118,967	2.77%

Commercial Duplicate License Plates	1,070	1,960	83.18%
Title and Penalty Fees	1,926,920	1,956,189	1.52%
Trailer ID Fees	36,790	38,960	5.90%
Replacement Plate Fees	129,597	160,559	23.89%
Motorcycle Safety Education Fees	74,433	76,314	2.53%
Mobile Home Registration Fees-State's Share	276,055	292,714	6.03%
Other Vehicle 3.0% Registration Fees	39,196,967	41,816,866	6.68%
Snowmobile 3.0% Initial Registration Fees	313,070	273,628	-12.60%
Register of Deeds Fees	135,755	137,055	0.96%
DENR Solid Waste Fees	901,946	921,497	2.17%
Total Receipts	\$61,142,117	\$64,449,816	5.41%

\*State Motor Vehicle Fund, License Plate Special Revenue Fund

Title, registration and other associated fees produced revenues of \$64,449,816 in fiscal year 1999. This amount was an increase of 5.4% from fiscal year 1998 and an increase of 11.9% over fiscal year 1997. Of that amount, 64.9% was distributed to the Department of Transportation; 25.0 to local governments; and the remaining 10.1% to other programs.

## Property Taxes

Property taxes in South Dakota are part of a larger system of taxation that includes sales taxes, fuel taxes, motor vehicle licensing and a wide variety of special taxes. Property taxes are local taxes, and are the primary source of dollars for school systems, counties, municipalities and other local government units. Consequently, their administration is a local responsibility. The authority of the Department of Revenue is limited to assisting local government units in making property tax assessments that are fair and in compliance with the law. The department does not collect or use property taxes.

### *How Property Taxes are Applied*

Property owners in South Dakota may be taxed by two or more of the following units of government: cities, counties, townships, school districts, water districts and, in some cases, units such as fire and sanitary sewer districts. There are three steps that are common to the application of property taxes in each government unit.

#### 1

#### **Establishing the Value of Property**

The first step is to establish the value of all the property within the boundaries of each unit of government. Because all property is not of equal value, individual values are arrived at based on the price the property would bring if sold. This selling price, determined by the sale price of comparable properties and known as the true and full value, is what establishes the value of the property.

#### 2

### **Establishing the Amount of Tax**

The second step is to determine the amount of taxes needed to meet the cost of operating a unit of government. The higher the cost of operating the city or school district, the larger the revenues required from property taxes. Revenues from property taxes, combined with other monies such as federal grants, must equal the size of the budget of the unit of government.

### **3**

### **Establishing a Tax Rate**

The third step, establishing a tax rate to apply to individual pieces of property, is based on steps one and two. The tax rate for all property in a local unit of government is arrived at by dividing the value of all the property into the amount of the budget that is unfunded from other sources.

This calculation results in a tax rate expressed in dollars of property value, or “dollars per thousand.” If the dollars per thousand were \$4, the tax on a home valued at \$50,000 would be calculated at  $\$4 \times 50$  and would result in a tax of \$200.

In practice, all the tax rates that apply to a property are added together, resulting in a single tax levy. This single levy is always the product of two or more tax rates assessed by different government entities, as illustrated on the top of the next page.

### ***Local Units of Government Taxing a Hypothetical Parcel of Property***

**Property "X" taxed at a rate of \$45.37 per thousand dollars of taxable value.**

<u>Unit of Government</u>	<u>Amount of Tax</u>
School District Tax	\$17.88 per thousand
County Tax	10.09 per thousand
City Tax	16.75 per thousand
Township Tax	0 per thousand
Water District Tax	0.25 per thousand
Fire District Tax	0.30 per thousand
Sanitary District Tax	0.10 per thousand
<b>TOTAL</b>	<b>\$45.37 per thousand</b>

### ***Property Tax Variables***

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

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

A change in any one of these variables will change a property owner's taxes, resulting in either an increase or decrease in taxes owed. The chart below illustrates the effect of changes made in property tax variables and the impact of those changes on an individual's property taxes.

### *The Effect of Changes in Property Tax Variables on a Parcel of Property*

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

### *Limits on Property Taxes*

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

### *Total Property Taxes*

#### *Total Property Taxes 1997-1999*

	<b>Payable 1997</b>	<b>Payable 1998</b>	<b>Payable 1999</b>
Agricultural Property	\$146,728,901	\$154,812,969	\$154,433,143
Owner-Occupied Property	191,658,393	205,112,642	203,873,029
Other Property	176,930,052	186,243,621	195,619,643
Utilities			
Railroad	931,630	1,051,811	1,080,419
Electric Light	21,424,006	20,251,539	22,245,482
Telephone Comp (within)	5,357,036	5,206,509	4,966,411
Telephone Comp (without)	2,945,011	1,699,374	1,419,965
Special Assessments	6,597,665	7,378,706	8,011,655
<b>TOTAL</b>			
Less Ag/Owner-Occupied State Credit			
<b>Total due from taxpayer</b>	<b>\$552,572,695</b>	<b>\$581,757,172</b>	<b>\$591,649,748</b>

## *Taxes Levied by Local Units of Government*

	Amount Taxed	Percent of Total
County (Includes Library, Secondary Road, Fire Fighting Purposes, Telephone Outside-General Fund)	\$142,493,545	24.08%
Municipalities	69,357,020	11.72%
Schools	361,591,363	61.12%
Townships	10,196,165	1.72%
Special Assessments	8,011,655	1.36%
<b>Total</b>	<b>\$591,649,748</b>	<b>100.00%</b>

The following chart compares the effective tax rate in 25 of South Dakota's largest municipalities (non-agricultural property) and townships (agricultural property). The effective tax rate is the percentage of a property's assessed value that will be paid in taxes. For example, if the effective tax rate is 2%, and the selling price of the property is \$150,000, the taxes would be approximately \$3,000 per year.

There are three separate tax rates for school general fund purposes. Therefore, three categories of effective tax rates are listed: Agricultural, Owner-Occupied and Other (all property that is not agricultural or owner-occupied).

### *Owner-Occupied Taxes Payable in 1999*

City	Effective Tax Rate	A Tax of... X \$40,000 =
Aberdeen	1.82%	\$727.24
Belle Fourche	2.20	878.88
Brandon	1.71	683.40
Brookings	2.16	865.96
Canton	2.33	930.24
Chamberlain	2.13	851.00
Dell Rapids	1.75	698.36
Flandreau	2.33	930.92
Hot Springs	2.42	966.96
Huron	2.40	958.80
Madison	1.90	760.56
Milbank	1.97	789.48
Mitchell	2.09	835.04
Mobridge	2.03%	811.56
Pierre	1.80	718.08
Rapid City	1.77	709.92
Redfield	2.78	1,113.48
Sioux Falls	1.61	645.64
Sisseton	2.29	916.96
Sturgis	2.11	843.52
Vermillion	2.07	829.60
Watertown	1.62	647.68

Webster	2.33	932.60
Winner	2.01	804.44
Yankton	1.78	712.96

***Other Non-Agricultural Taxes Payable in 1999***

City	Effective Tax Rate	A Tax of... X \$40,000 =
Aberdeen	2.56%	\$1,024.76
Belle Fourche	2.94	1,175.72
Brandon	2.45	978.84
Brookings	2.90	1,159.72
Canton	3.07	1,228.76
Chamberlain	2.87	1,146.12
Dell Rapids	2.48	993.48
Flandreau	3.06	1,225.00
Hot Springs	3.15	1,261.04
Huron	3.14	1,255.28
Madison	2.64	1,055.68
Milbank	2.71	1,083.24
Mitchell	2.84	1,136.28
Mobridge	2.76%	1,105.68
Pierre	2.53	1,012.16
Rapid City	2.51	1,004.68
Redfield	3.51	1,407.24
Sioux Falls	2.35	941.12
Sisseton	3.02	1,210.72
Sturgis	2.85	1,140.00
Vermillion	2.84	1,136.28
Watertown	2.36	944.16
Webster	3.07	1,229.08
Winner	2.75	1,101.92
Yankton	2.52	1,009.44

***Agricultural Taxes Payable in 1999***

Township	Effective Tax Rate	X \$40,000 =A Tax of...
Aberdeen Twp. 6-1	1.25%	\$501.84
Belle Fourche Twp. 9-1 (Unorg.)	1.35	538.88
Brandon Twp. 49-2	1.13	453.20
Brookings Twp. 5-1	1.57	628.32
Canton Twp. 41-1	1.25	498.44
Chamberlain Twp. 7-1	1.31	522.92
Dell Rapids Twp. 49-2	1.04	417.16
Flandreau Twp. 50-3	1.23	491.96
Hot Springs Twp. 23-2 (Unorg.)	1.62	646.34
Used (Clyde) Twp. 2-2	1.44	576.64
Lakeview Twp. 39-2	1.19	476.32

Alban Twp. 25-4	1.33	530.70
Mitchell Twp. 17-2	1.33	532.78
Mobridge Twp. 62-3 (Unorg.)	1.78	713.32
Pierre Twp.32-2 (Unorg.)	1.26	502.86
Rapid City Twp. 51-4 (Unorg.)	1.42	566.08
Redfield Twp. 56-4	1.31	523.24
Sioux Falls Twp. 49-5	1.12	449.12
Sisseton Twp. 54-8	1.28	510.34
Sturgis Twp.46-1 (Unorg.)	1.30	521.90
Vermillion Twp. 13-1	1.43	573.92
Elmira Twp. 14-4	1.23	493.34
Webster Twp. 18-4	1.39	557.60
Lamro Twp. 59-2	1.35	539.56
Unorganized Twp. 63-3	1.32	527.34

### ***Sales to Assessment Ratio Analysis***

One factor determining the amount of tax levied on a parcel of property is the value assigned to the property. If, for example, the rate of tax is \$4 per thousand dollars of value and the value of the property is determined to be \$30,000, the tax will be \$120. On the other hand, if the property is valued at \$40,000, the tax will be \$160.

The accuracy of assessments can be evaluated by comparing them with the actual sale prices of property. The Sales to Assessment Ratio Analysis in the following chart compares, by county, the assessed value of property with its real value (i.e. sale price). The ratio is expressed as a percentage and is found by dividing the assessed value by the selling price. Thus, a parcel assessed at a value of \$32,000 and selling at \$40,000 would have an assessment/sales ratio of 80%.

### ***Sales to Assessment Ratio Analysis (Sales for Years 1997, 1998)***

	<b>Agricultural</b>	<b>Non-Ag</b>
Aurora	76.5%	83.6%
Beadle	79.3	84.9
Bennett	85.3	88.1
Bon Homme	85.0	92.1
Brookings	93.2	93.3
Brown	86.2	91.4
Brule	82.6	88.4
Buffalo	70.0	83.3
Butte	78.8	86.9
Campbell	85.6	81.1
Charles Mix	81.1	87.8
Clark	78.1	77.1
Clay	73.5	85.0
Codington	84.2	89.7
Corson	79.2	99.2
Custer	77.0	82.3
Davison	77.6	87.0



Day	84.7	85.7
Deuel	85.7	80.8
Dewey	88.4	89.0
Douglas	79.5	88.2
Edmunds	87.4	85.4
Fall River	72.9	80.0
Faulk	73.3	91.7
Grant	88.7	81.6
Gregory	81.2	86.8
Haakon	69.2	79.6
Hamlin	86.7	84.0
Hand	85.6	93.1
Hanson	83.8	80.1
Harding	57.4	82.8
Hughes	83.7	84.7
Hutchinson	72.3	87.2
Hyde	96.9	87.2
Jackson	93.9	97.5
Jerauld	89.8	95.7
Jones	81.4	86.8
Kingsbury	85.9%	87.6%
Lake	92.5	88.0
Lawrence	27.0	81.3
Lincoln	83.1	85.4
Lyman	90.1	94.9
McCook	85.4	89.6
McPherson	94.0	94.0
Marshall	84.0	87.7
Meade	65.7	84.0
Mellette	70.3	82.0
Miner	85.2	87.1
Minnehaha	86.0	86.4
Moody	82.6	87.8
Pennington	69.5	83.2
Perkins	84.8	92.6
Potter	88.7	87.2
Roberts	91.9	92.5
Sanborn	89.2	90.8
Shannon	55.0	90.6
Spink	88.5	90.0
Stanley	74.5	76.7
Sully	87.0	83.2
Todd	77.7	91.0
Tripp	83.1	90.0
Turner	81.4	84.6
Union	88.7	88.3
Walworth	80.3	87.1
Yankton	88.5	95.4
Ziebach	77.5	96.4
<b>Statewide</b>	<b>82.5%</b>	<b>84.5%</b>

## Audits

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

Audits result in the correction of errors made by businesses in the payment of taxes. These corrections meant an additional \$8,853,244 in tax revenues (assessments and penalties) in fiscal year 1999.

### *Audits and Assessments*

	<i>Number of Audits</i>	<i>Assessments</i>
Sales, Use and Contractors' Excise Taxes	820	\$7,039,242
Limited Scope Audits	58	194,878
Bank Franchise, Severance Taxes and Inheritance Taxes	3,120	1,528,507
Fuel Taxes	368	90,617
<b>Total</b>	<b>4,366</b>	<b>\$8,853,244</b>

## Collection Allowances

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

The chart below demonstrates the type and the amount associated with each allowance for fiscal year 1999.

### *Allowances FY 1999*

<b>Tobacco Distributors</b>	3.5% of the value of the tax indicia they purchase.	\$726,062.88
<b>Fuel Suppliers/Marketers</b>	2.25% of the tax paid. One-third is kept by the supplier and the remaining two-thirds is given to the marketer.	\$2,551,807.40
<b>Importer</b>	Two-thirds of the allowance in 10-47B-34.	\$22,353.52
<b>LPG Vendor</b>	2% of the first 25,000 gallons taxed each month; 1% on the gallons taxed in excess of 25,000 each month.	

Max. \$500.00 per month.

\$3,600.02

## Tax Refund Programs

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

### *Motor Fuel Tax Refunds*

Motor fuel used to operate agricultural and commercial equipment, other than aircraft, off of roads and highways is not subject to fuel tax. Consumers documenting this off-highway usage are given a motor fuel tax refund. During fiscal year 1999, there were 8,894 refunds totaling \$2,784,593.66. The average refund amounted to \$313.00 in fiscal year 1999 as compared to \$310.19 in 1998.

Effective July 1, 1999, \$.03 of every gallon of gasoline on which a refund is claimed will be deposited into an Agricultural Fund.

### *Refunds to the Elderly and Disabled*

Tax refund dollars for the elderly and disabled affected citizens in every county. Minnehaha County had the largest number of participants with 580, followed by Pennington County with 516, and Brown County with 277.

<b>County</b>	<b>Amount of Refunds FY1998</b>	<b>Number of Applications FY1998</b>	<b>Amount of Refunds FY1999</b>	<b>Number of Applications FY1999</b>
Aurora	\$4,510	21	\$4,757	19
Beadle	22,581	152	21,409	140
Bennett	7,458	40	4,997	30
Bon Homme	9,782	47	7,663	36
Brookings	12,874	85	11,601	80
Brown	44,893	291	42,790	277
Brule	4,133	34	3,582	29
Buffalo	1,400	8	910	5
Butte	10,420	64	9,829	62
Campbell	2,911	16	1,924	12
Charles Mix	19,326	116	19,219	113
Clark	5,387	37	4,219	28
Clay	3,806	30	2,464	21
Codington	24,600	177	22,956	152
Corson	2,333	12	3,085	19
Custer	8,606	59	8,279	57
Davison	26,716	183	25,731	165
Day	17,133	86	15,346	86
Deuel	14,357	75	12,633	71

Dewey	16,095	70	16,685	75
Douglas	6,619	37	5,493	33
Edmunds	8,211	52	6,654	44
Fall River	16,162	116	15,769	111
Faulk	1,669	15	1,544	14
Grant	10,353	75	10,250	76
Gregory	17,226	104	15,256	89
Haakon	521	4	358	3
Hamlin	8,165	48	7,922	52
Hand	5,560	43	4,181	36
Hanson	1,612	8	1,684	9
Harding	0	0	484	4
Hughes	9,970	67	11,724	72
Hutchinson	12,766	75	10,631	63
Hyde	2,529	19	2,039	16
Jackson	4,433	24	4,600	26
Jerauld	4,136	29	3,489	26
Jones	567	4	240	2
Kingsbury	8,394	59	7,890	55
Lake	14,351	97	13,419	86
Lawrence	12,882	100	13,314	98
Lincoln	8,277	61	7,186	52
Lyman	4,179	26	2,095	17
Marshall	9,268	61	7,867	48
McCook	5,267	35	6,482	38
McPherson	5,329	28	4,852	25
Meade	18,210	106	16,997	103
Mellette	3,317	20	4,559	25
Miner	3,415	22	3,630	23
Minnehaha	88,387	617	83,415	580
Moody	8,512	52	6,713	44
Pennington	81,031	501	82,858	516
Perkins	5,308	40	4,977	35
Potter	2,561	18	2,456	18
Roberts	12,399	82	12,950	84
Sanborn	4,899	23	4,054	20
Shannon	49,643	244	49,985	236
Spink	9,279	60	7,699	53
Stanley	1,427	10	1,930	8
Sully	159	1	216	2
Todd	15,442	78	15,634	70
Tripp	10,842	62	11,383	63
Turner	8,227	55	7,652	51
Union	10,590	60	8,181	52
Walworth	11,468	74	11,448	72
Yankton	14,112	97	12,676	86
Ziebach	6,090	22	7,571	25
<b>TOTAL</b>	<b>\$803,481</b>	<b>5,024</b>	<b>\$762,487</b>	<b>4,738</b>

The number of refund applications by group in 1999 were: Elderly single - 2,762; Elderly household - 450; Disabled single - 1,203; and Disabled household - 323. Supplemental checks in the amount of \$100,000 were sent to the 1,000 individuals with the lowest reported income.

## How SD Compares to Other States

### State Government Tax Collections Per Capita: FY 1997-98

#### Five Lowest Per Capita State Tax Burdens

New Hampshire	\$851.04
<b>South Dakota</b>	<b>1129.36</b>
Texas	1246.43
Tennessee	1288.27
Alabama	1317.58

#### Five Highest Per Capita State Tax Burdens

Connecticut	\$2869.09
Delaware	2664.69
Hawaii	2662.40
Minnesota	2434.48
Massachusetts	2356.95

#### Comparing the Region

<b>South Dakota</b>	<b>\$1129.36</b>
Montana	1512.74
Nebraska	1583.68
Iowa	1677.77
North Dakota	1689.60
Wyoming	1779.38
Minnesota	2434.48

## Department Overview

The administration of the 34 separate types of taxes and fees in force in fiscal year 1999 and collection and distribution of the \$935 million of tax revenues required 195 full-time employees. The total administrative costs were \$11.1 million, of which \$732,993 were general fund dollars.

The Department of Revenue is organized into five divisions and the Office of the Secretary. While the department secretary, division directors, and some staff are in Pierre, divisional field offices are located in communities throughout the state.



## *Legal Services*

The Department of Revenue employed five full time attorneys, three full time Investigative Services Bureau (ISB) Special Agents, and one secretary in fiscal year 1999. The Legal Division also supervised three fraud auditors who work in ISB on a part-time basis. In addition, one full-time Assistant Attorney General was assigned to the Department. During the course of the year, and in addition to the routine legal counsel it provides to the Department, the legal staff worked on over 250 cases dealing with the myriad of taxes administered by the Department. Additional legal support was provided to the Office of Risk Management on its debt collection activities.

The Investigative Services Bureau (ISB), which is staffed by the Special Agents and Fraud Auditors, examined 112 taxpayers regarding allegations of tax fraud. Of these, 47 were investigated for fraud. The rest were closed after finding no criminal violations.

The Supreme Court issued three decisions during the year - one clarifying who can represent taxpayers in administrative hearings; one involving a centrally assessed railroad; and one involving an individual convicted of tax fraud.

## *Supreme Court Case Summaries*

### Minnesota Crane Corporation v. Department of Revenue S. Ct. No. 20432

Minnesota Crane Corporation is a Minnesota construction business. In 1997, the Department conducted an audit on Minnesota Crane and issued an assessment for additional taxes. The Secretary of Revenue denied the hearing request, concluding that corporations must be represented by legal counsel in administrative hearings and Minnesota Crane's counsel was not authorized to practice law in South Dakota; therefore, the hearing request was invalid. On appeal, the circuit court agreed with the Department and affirmed the Secretary's decision. The Supreme Court, however, reversed the decision and held that the filing of a request for hearing is not the practice of law, and therefore, such a request does not need to be submitted by an attorney.

### Edgemont School District 23-1 and Fall River County v. Department of Revenue and Burlington Northern Railroad

The Edgemont School District and Fall River County appealed a circuit court decision holding that SDCL 10-28-16 mandates distribution of a railroad's statewide value to counties on a prorata mile of track basis. The Supreme Court rejected the District and County's claim and affirmed the circuit court's decision holding that the language of SDCL 10-28-16 is "clear and unambiguous". The Court also rejected the District and County's claim that the statute was unconstitutional, holding that each lacked standing to make such a challenge.

### State of South Dakota v. Elmer Ruttman, d/b/a D & E Cafe S. Ct. No. 20508

Elmer "Bud" Ruttman was found guilty on charges that he made false or fraudulent returns in an attempt to evade sales tax. Following a restitution hearing, the circuit court ruled that Ruttman

owed the State \$184,343 in back taxes and interest, plus fines and prosecution costs totaling \$23,000. Ruttman appealed the restitution order claiming that the Department's calculations were unauthorized and incorrect. The Supreme Court affirmed the circuit court's decision holding that the Department's calculations were "clearly supported by the evidence under the "reasonably satisfied' standard" and that a "contrary conclusion would invite inadequate record keeping as a means of evading full payment of the sales tax, which we believe would contravene legislative intent."

### *Administrative Services*

Administrative services has the responsibility of managing secretarial and computer services, budgetary data and the department's physical assets. Its purpose is to increase the efficiency of the operational divisions by providing them with the resources they require to meet their goals. In addition, administrative services manages the department's Remittance Center located in Sioux Falls. The center processed over \$839 million in payments in fiscal year 1999.

### *Fiscal Year 1999 - Remittance Center*

Dollars processed for Department of Revenue	\$725,590,410
Dollars processed for other agencies	113,436,424
<b>Total dollars processed</b>	<b>\$839,026,834</b>
<b>Total documents processed</b>	<b>530,250</b>

Other agencies for which the Remittance Center collects revenues include the Division of Insurance; Game, Fish and Parks; Social Services; Health; Environment and Natural Resources; Human Services; Bureau of Administration; Unified Judicial System; and Retirement.

### *Departmental Goals*

The mission of the department is to fairly and consistently apply the tax laws and establish a comprehensive education program explaining the responsibilities and rights of the taxpayer for the purpose of insuring that the obligations of all taxpayers, to the State of South Dakota, are paid. The department developed a five-year strategic plan in July 1991 to set goals that would insure our compliance with the mission. The goals are listed below:

- To reduce uncollected taxes.
- To simplify the administration of municipal taxes.
- To achieve uniform property tax assessments.
- To reduce unfair tax exemptions.
- To simplify the tax laws.
- To resolve contested audits in a more timely manner.

- To have uniformity in the tribal tax agreements.
- To improve internal processes and take advantage of new technology wherever possible.

### *Legislative Summary*

The 1999 South Dakota State Legislature passed several bills affecting the activities of the Department of Revenue. These bills included legislation relating to sales, use and contractor's excise tax; motor vehicles; and property taxes. Some of these bills are summarized below:

<b>Senate Bill 1</b>	Eliminates the use of certain sales (any real property which sells for more than 150% of its assessed value) in determining the value of other property in the surrounding area.
<b>Senate Bill 14</b>	Makes it a Class 1 misdemeanor to operate an alcoholic beverage business without a license.
<b>Senate Bill 51</b>	Expands current law pertaining to uniform tax administration hearings to include vehicle dealers.
<b>Senate Bill 67</b>	Changes the dates for appealing property tax assessments to the County Auditor from the third Tuesday in April to the first Tuesday in April.
<b>Senate Bill 87</b>	All property tax bills sent by county treasurers will now include the asterisked statement (when applicable) which reads: "INDICATES A LOCAL DECISION TO OPT OUT OF THE TAX LIMITATION."
<b>Senate Bill 110</b>	Persons who file and remit taxes or fees electronically must file returns by the 23 <sup>rd</sup> day of the month following each monthly period and remit their taxes on or before the second to the last day of the month following each monthly period.
<b>Senate Bill 111</b>	Defines a professional employer organization and allows such groups to deduct certain items from their taxable gross receipts.
<b>Senate Bill 115</b>	Requires people with flooded lands to let the Director of Equalization know where these lands are by way of an application.
<b>Senate Bill 132</b>	Increases lineal issue inheritance tax exemptions over a seven-year period beginning in the year 2000.
<b>Senate Bill 161</b>	Sets property tax guidelines for manufactured homes (includes those classified as manufactured homes and those reclassified as real property).
<b>Senate Bill 177</b>	A pilot program will be developed to allow certain secured parties to directly note and cancel the secured party's liens on the state's computer system.
<b>Senate Bill 205</b>	Bill stipulates that in school districts sending students to nearby school districts, the sum of the levies assessed for ALL funds in the sending district must be equal to or greater than the sum of the levies assessed for ALL funds in the receiving district.
<b>Senate Bill 243</b>	Allows motor vehicle owners to request specialty license plates that allow for the placement of an organization decal on the plates. Only nonprofit corporations and



organizations who meet specific criteria can qualify to have the organization decals printed and distributed.

- House Bill 1003** Allows courts to award disbursements (including reasonable attorneys' fees) to anyone who unsuccessfully appeals property assessments, allocations, equalization and distributions.
- House Bill 1023** Annual update of references to the Internal Revenue Code.
- House Bill 1051** Revises the circumstances under which a fuel excise tax is imposed on all motor fuel or special fuel depending on who is removing the fuel from a terminal, where it is being transported to, and what the fuel will be used for.
- House Bill 1060** Emergency legislation which removes certain sales used to value increases in ag land.
- House Bill 1091** Expanded the confidentiality coverage of inheritance tax documents to include stipulations filed with the Court.
- House Bill 1092** Allows the appointment of a special administrator for probate informally by the clerk of courts.
- House Bill 1102** Changes the place of filing disclaimers of property interest an individual is entitled to by will or intestate succession from the Department of Revenue to the Clerk of Courts.
- House Bill 1106** Under this bill, a railroad can exercise the right of eminent domain to acquire right-of-way only with the permission of the Governor or the Transportation Commission, if directed by the Governor. It also requires the Department of Revenue to provide statements showing the length of all track to county auditors of the counties through which a railroad runs by the 4<sup>th</sup> Monday in August each year.
- House Bill 1138** Holds school funding harmless when mobile homes are converted from registered homes to real property and removes the value of converted mobile homes from the computation of local effort, continuing to treat taxes paid on mobile homes as "additional income" to school districts.
- House Bill 1140** Aimed at reducing the interest rates payable on delinquent real estate taxes, changing the rate from Category D (1% per month or a fraction thereof) to Category B (10% per year).
- House Bill 1146** Eliminates the acceleration of property taxes that occurs when a mobile home owner doesn't pay their taxes on time, and treats such mobile home owners the same as owners of conventional homes paying interest on late payments.
- House Bill 1151** Annual bill to provide tax relief at the local level by reducing levies for school general fund purposes.
- House Bill 1176** If requested, a county treasurer will mail license plates or stickers to an applicant for a set fee. If the items are express mailed, the applicant will pay for the actual costs of postage and handling.
- House Bill 1260** Appropriates \$1 million from the general fund to the Department of Revenue to provide property tax or sales tax refunds to eligible elderly or disabled persons.
- House Bill 1266** Provides an alternative for qualifying a residence as owner-occupied by using the certificate of value.

**House Bill 1296**

Implements a system of fines ranging from \$500 to \$1,000 for alcoholic beverage licensees who violate the provisions of their license.

**1999 - Focusing on the Taxpayer**

Meeting the needs and concerns of our taxpayers has long been a priority for the South Dakota Department of Revenue, and this past year offered our agency several unique opportunities to encourage voluntary tax compliance while at the same time provide taxpayers with better access to information and education. Following is a brief summary of some of the Department's accomplishments in the area of taxpayer service in fiscal year 1999.

***Department of Revenue Toll-Free Phone Center***

The Toll-Free Phone Center was implemented in July of 1998 as a means of providing taxpayers with quick, consistent answers to basic tax questions. By the end of its first year of operation (July 1999), the phone center had logged 33,368 taxpayer calls on a variety of issues ranging from what tax forms were needed to start a new business to inquiring about billing notices to how to complete and file a sales tax return.

The phone center is currently staffed by three full-time revenue agents whose primary duty it is to respond to taxpayer questions. By utilizing the phone center to handle basic tax questions and inquiries, the Department's remaining revenue agents are able to concentrate more effectively on more complex tax situations as well as focus on other revenue-producing activities. The 1-800-TAX-9188 number can be found in virtually all Department publications including newsletters, reference guides, applications, even business cards. It has proved to be an effective tool to fostering better communication between taxpayers and the Department and better understanding of the obligations taxpayers have to the state and the Department has to its taxpayers.

***South Dakota Tax Amnesty 1999***

Nearly 250 delinquent or negligent taxpayers were able to get back on track with filing and paying their state taxes with this special tax amnesty program offered between April 1 and May 15, 1999.

Announced by Governor William Janklow during his 1999 State of the State address, the program offered eligible taxpayers the chance to pay back taxes with reduced interest and penalties. It applied to all state taxes administered by the Department of Revenue with the exception of property taxes and raised \$489,532.65. Amounts paid ranged from as small as \$2.76 to nearly \$37,992 from back payments of sales and use tax; contractors' excise tax; motor fuel taxes; and special taxes. Businesses or individuals who had been operating without a license were also required to complete a license application.

While the funds raised through the Amnesty program provided additional money for a variety of essential state services, the program also served as an excellent reminder to taxpayers of the importance of staying current in paying their taxes.

### *Department of Revenue Website*

The Internet has become a valuable tool for disseminating information to our taxpayers. In 1999, the Department of Revenue continued to work towards its goal of making its website a user-friendly and informative resource for taxpayers, government officials and the general public.

Additions over the past year include a "New Business" page containing basic information for new business owners on how to apply for a tax license, what services are provided by the Department of Revenue, and other government agency contacts; a "Calendar of Important Tax Dates" which includes schedules for upcoming tax seminars and deadlines for filing state tax returns; Black Hills Rally and Races page which offered vendor tax information and allowed vendors to register for rally permits on-line; and on-line schedules and registration for taxpayers wanting to attend the Department's sales, use and contractors' excise tax seminars held in various locations around the state. Currently, there are over 120 forms and publications available to the public on the Department of Revenue website.

In June of this year, the Department's website was selected as a featured site on Study Web, one of the Internet's premier sites for educational resources for students and teachers.

### *ITI Printers*

Faster, more efficient service. That was the goal for the Department's Division of Motor Vehicles when it came to providing new printer technology to South Dakota county treasurer offices in 1999.

In February of 1999, representatives from Intellectual Technologies, Inc. and the Division of Motor Vehicles began installing new printers in county treasurer offices that allowed the printing of both the vehicle registration and license decal for vehicles registered in South Dakota. Hughes and Stanley Counties were the first offices to make use of the new technology which eliminated the need for counties to maintain and secure inventories of pre-printed license plate decals.

With the use of the new printers, county offices can issue more registrations and decals in less time, making the vehicle registration process more efficient for South Dakota taxpayers as well as county officials. During some months in 1999, vehicle registrations were up over 50% from the same period a year earlier.

*What does the year 2000 hold for the South Dakota Department of Revenue? A host of projects and improvements that will continue to emphasize the Department's commitment to providing better service to South Dakota's taxpayers.*

## **Taxpayer Rights**

South Dakota passed its taxpayer's bill of rights in 1990, formalizing the fundamental principles that have guided the South Dakota Department of Revenue since 1986. These principles are:

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

The specific rights contained in the South Dakota Taxpayer's Bill of Rights flow naturally from these five principles

### ***Audit and Appeal Process***

Notice of Intent to Audit

Certificate of Assessment

Request for Hearing

Administrative Hearing

Findings of Fact, Conclusions of Law

Payment of Tax or Filing of Bond

Appeal to Circuit Court

Appeal to Supreme Court

## **Department Resources**

### ***Field Offices***

**Department of Revenue**  
Anderson Building  
445 East Capitol Avenue

Pierre, SD 57501-3100  
1-800-TAX-9188  
FAX: 605-773-5129

**Aberdeen Area Office**

419 Moccasin Drive  
Aberdeen, SD 57402-1534  
(605) 626-2218  
FAX: 626-2946

**Rapid City Area Office**

4447 S. Canyon Rd., Ste 6  
Rapid City, SD 57702-1889  
(605) 394-2332  
FAX: 394-6076

**Watertown Area Office**

1505 10<sup>th</sup> Ave. SE, Suite 1  
Watertown, SD 57201-5300  
(605) 882-5188  
FAX: 882-5199

**Mitchell Area Office**

417 N. Main, Suite 112  
PO Box 1103  
Mitchell, SD 57301-7103  
(605) 995-8080  
FAX: 995-8087

**Sioux Falls Area Office**

230 S. Phillips, Suite 301  
Sioux Falls, SD 57104-6321  
(605) 367-5800  
FAX: 367-5830

**Yankton Area Office**

Kanner Building  
3113 North Spruce Street  
Suite 127  
Yankton, SD 57078-5320  
(605) 668-2939  
FAX: 668-2936

***Publications***

Forms and publications may be ordered on-line at the South Dakota Department of Revenue website ([www.state.sd.us/revenue](http://www.state.sd.us/revenue)) or by calling our toll-free phone center at 1-800-TAX(829)-9188. Available publications include, but are not limited to:

**APPLICATIONS**

Sales and Contractors' Excise Tax License; Sales Tax Exempt Status; Change in Accounting Method; Sales or Property Tax Refunds for Senior Citizens and Citizens with Disabilities; SD QUEST Internet Tax Filing; Handicapped Parking Permit and Handicapped Plates; Motor Vehicle Title and Registration; Boat Title and Registration; Duplicate Certificate of Title; Application for Owner Occupied Dwelling; and Manufacturer, Customizer and Dealer Temporary Permits.

**CERTIFICATES**

Prime Contractors' Excise Tax; Agricultural Exemption; General Exemption; Manufacturers and Processors Exemption; Resale; Multi-Jurisdictional Resale; and Duplicate Certificate of Title Application.

**BOOKLETS**

A Guide to Sales and Use Tax; Municipal Tax Information Bulletin; A Guide to the Contractors' Excise Tax; Construction: Contractors and Subcontractors; Municipal Sales and Service Tax Guide for Municipal Officials; SD QUEST User's Guide; SD Assessment and Sales Information; Guide to Property Assessment Appeals; Your Property Taxes; Motor/Special Fuel Distributor Taxpayer Guide; International Registration Plan Procedure Manual; International Fuel Tax

Agreement Procedure Manual; Diesel Fuel and LPG Information Pamphlet; Interstate Fuel Use Tax Pamphlet; Title and Registration Procedure Manual; Buyer's and Seller's Guide to Titling Motor Vehicles; and Incentive Advertising: A Reference Guide for Motor Vehicle Dealers.