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

December 2000

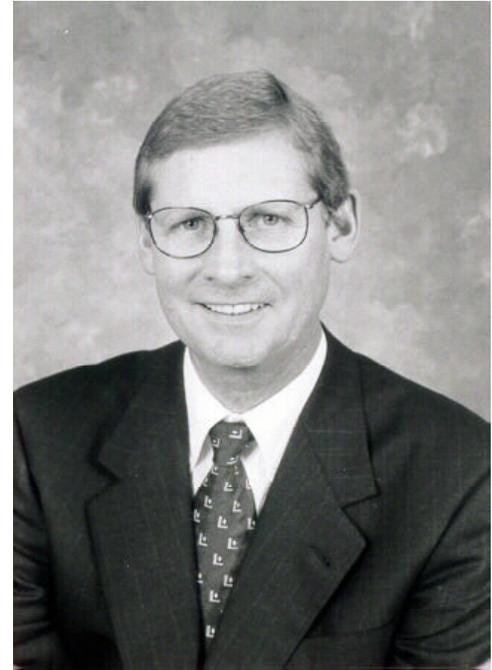
Year 2000 began with the challenge of ensuring that accounting systems, both public and private, would continue to perform in the “new millennium.” Fortunately, that challenge was met, as evidenced by the uninterrupted flow of tax dollars into the state’s coffers.

Achieving the goal set in 1995 to provide 30% property tax relief to South Dakota homeowners and agricultural landowners was realized in 2000 as well, as Governor Janklow and the Legislature delivered the final 5% tax relief component to the Property Tax Reduction Program.

Within the Department of Revenue, we have continued to concentrate on maximizing revenues under the existing state tax structure and improving service to taxpayers. In addition to providing toll-free access to taxpayers having questions about taxes and licensing, we have continued to make enhancements to our award-winning Website, offer more and better opportunities for taxpayer education, and successfully complete the first full year of accepting tax returns and payments via the Internet. 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.

With the rapid growth in sales of goods and services over the Internet, we will continue to be challenged to work with other states and industry on simplifying the administration of the sales tax. South Dakota relies upon the sales tax to provide the bulk of funding needed to provide the basic services our citizens have come to expect, so no effort is more important to us at this point in time.

This report is intended to provide a good overview of how South Dakota’s system of taxation performed in FY2000. 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.



***Gary R. Viken, Secretary***

Respectfully submitted,

A handwritten signature in black ink, which appears to read "Gary R. Viken". The signature is written in a cursive, flowing style.



# Tax Revenues by Category and Distribution

As the principal tax agency for the State of South Dakota, the Department of Revenue collects 34 different state taxes which are grouped into four main categories: sales, use and contractors' excise taxes; motor fuel taxes; motor vehicle licensing; 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.

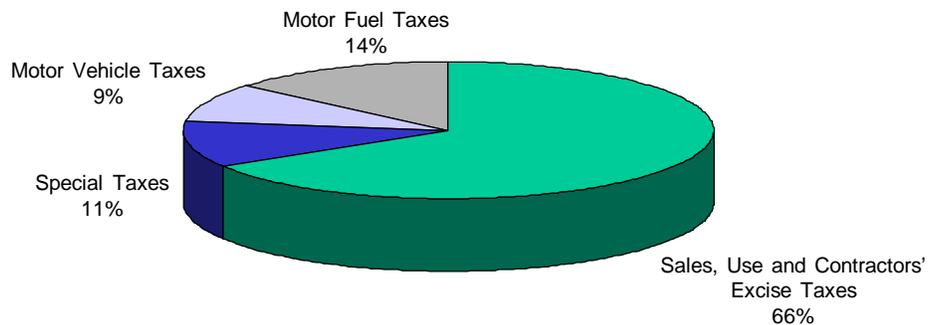
In fiscal year 2000, total revenue from all 34 state taxes totaled \$998,014,867. That compares to revenues of \$934,536,896 collected in fiscal year 1999 and \$897,132,063 for fiscal year 1998.

### Where tax money comes from...

In fiscal year 2000, the majority of the revenue collected came from sales, use and contractors' excise taxes (66%).

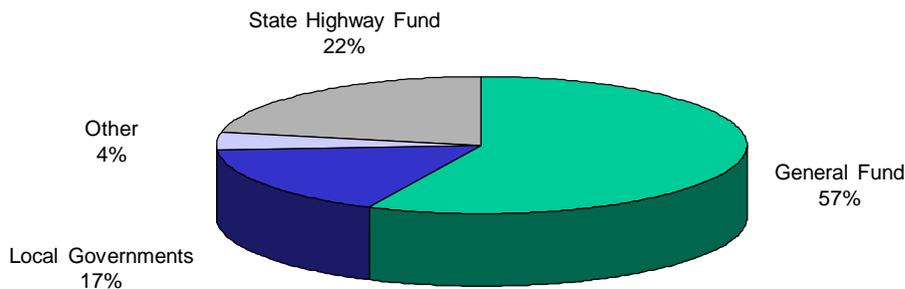
### Tax Revenues by Category

Total Receipts - \$998,014,867



### Distribution of Tax Revenues

Total Disbursements - \$998,014,867



### Where tax money goes...

The state's general fund received the largest portion of state tax revenues, followed by the State Highway Fund.

# An Overview of Tax Revenues



## Total Revenues

In fiscal year 2000, the department collected a total of \$998,014,867 from taxes and licensing fees, an increase of \$63,477,971 from last year's revenues of \$934,536,896. As the table below indicates, total state tax revenues have increased steadily in the past five years.

### Total Revenues: A Five-Year Comparison

Fiscal Year	Total Revenues	Percent of Change
1996	\$783,210,742	5.51%
1997	826,658,410	5.55%
1998	897,132,063	8.53%
1999	934,536,896	4.17%
2000	998,014,867	6.79%
<b>Five-Year Average</b>	<b>\$887,910,596</b>	<b>N/A</b>

## Revenues by Category

The majority of the tax revenue collected in fiscal year 2000 came from sales, use and contractors' excise taxes, at \$663,573,225, an increase of \$39,323,394 over fiscal year 1999 receipts of \$624,249,831. Fuel tax revenues increased by \$17,762,025 (due to an increase in taxes); special tax revenues decreased by \$5,537,010; and motor vehicle licensing fees increased by \$11,929,562 (resulting from an increase in license fees).

### Revenues by Tax Category: A Five Year Comparison

Fiscal Year	Sales Use, and Excise Taxes*	Motor Fuel Taxes**	Special Taxes	Motor Vehicle Fees
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
2000	663,573,225	139,717,601	107,111,354	87,612,687
<b>Five-Year Average</b>	<b>\$590,243,248</b>	<b>\$120,597,273</b>	<b>\$103,262,483</b>	<b>\$73,807,591</b>

FY1996 collections were affected by about \$8 million in revenues caused by the removal of nearly 30 sales and use tax exemptions. The revenue was used to partially finance the 20% property tax credit given to 180,000 taxpayers that year.

\* Includes \$6,280,498 in Tourism Taxes, Motor Vehicle Leasing, Excise Tax on Water Projects and Construction Refund Program

\*\* Includes Tank Inspection Fees

## Distribution of Taxes

In fiscal year 2000, the department collected \$998,014,867 in taxes which was then distributed to various funds and units of government. The largest portion of revenues (57%) is deposited in the state's general fund. Sales, use and contractors' excise taxes make up 61% of the state general fund; 11% of the fund comes from special taxes and fees and the remaining 28% comes from other sources.

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 Contractors' Excise Tax	-0-%	100%	-0-%	-0-%
Municipal Sales and Use Tax (1)	-0-%	100%	-0-%	-0-%
Reservation Sales, Use, Excise Tax	-0-%	100%	-0-%	-0-%
Cigarette Excise Tax	100%	-0-%	-0-%	-0-%
Cigarette License Fee	100%	-0-%	-0-%	-0-%
Reservation Cigarette Excise Tax	(2)	(2)	-0-%	-0-%
Inheritance Tax	90%	10%	-0-%	-0-%
Bank Franchise Tax (3)	26.66%	73.33%	-0-%	-0-%
Bank Card Taxpayers	95%	5%	-0-%	-0-%
Ore Tax	100% (4)	-0-%	-0-%	-0-%
Coin Operated Laundromat Fee	100%	-0-%	-0-%	-0-%
Trading Stamp License Fee	100%	-0-%	-0-%	-0-%
Energy Minerals Severance Tax	50%	50%	-0-%	(5)
Malt Beverage Occupational Tax	75%	25%	-0-%	-0-%
Conservation Tax	-0-%	-0-%	-0-%	(6)
Amusement Machine Registration	(7)	(7)	-0-%	-0-%
Distilled Spirits Occupational Tax	75%	25%	-0-%	-0-%
Wines and Diluted Beverages	75%	25%	-0-%	-0-%
Malt Beverage License Fee	50%	50%	-0-%	-0-%
Liquor License Fee (other than retail)	100%	-0-%	-0-%	-0-%
Other Tobacco Products Tax	100%	-0-%	-0-%	-0-%
Alcoholic Beverage 2% Purchase Price Tax	100%	-0-%	-0-%	-0-%
Wholesale Liquor License Fee	100%	-0-%	-0-%	-0-%
Alcohol Beverage Brand Registration Fee	100%	-0-%	-0-%	-0-%

(continued on next page)

## How Taxes Are Distributed/continued

Tax	General Fund	Local Gov't	State Highway Fund	Other
Aviation Fuel Tax	-0-%	-0-%	-0-%	Aeronautics Fund (DOT)
Motor Fuel Tax	-0-%	-0-%	97%	(8)
Tank Inspection Fee	-0-%	-0-%	-0-%	(9)
Prorate Fee (10)	-0-%	98.5%	-0-%	(11)
Motor Vehicle Excise Tax	-0-%	-0-%	100%	-0-%
Motor Vehicle Registration Fee	-0-%	95.5%	-0-%	(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 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 \$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 the remaining balance is split between the Capitol Construction Fund and the Petroleum Release Compensation Fund.
- (10) Other prorated fees: duplicate cab card, trailer fees, tractor registration fees, and transfer fees are deposited in the State Highway Fund. Trailer ID fees and duplicate fees are deposited in the License Plate Special Revenue Fund (LPR). Title and penalty fees and administration fees are deposited in the State Motor Vehicle Fund (MVF).
- (11) .5% is deposited in the State Motor Vehicle Fund (MVF), and 1% goes to the License Plate Special Revenue Fund (LPR). The percentages were changed in 2000.
- (12) 90% goes to Game, Fish and Parks, 10% to the State Motor Vehicle Fund (MVF).

## Revenues by Type of Tax

In fiscal year 2000, the revenue produced by the 34 separate taxes and fees administered by the department varied from a low of \$100 to a high of \$435,126,953. In addition, the amount of revenue generated by individual taxes fluctuated by as much as 35.52% from fiscal year 1999 to fiscal year 2000.

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

	FY1998	% Increase (Decrease) over Previous Year	FY1999	% Increase (Decrease) over Previous Year	FY2000	% Increase (Decrease) over Previous Year
Sales and Use Taxes - State	\$394,977,528	6.41%	\$413,528,845	4.70%	\$435,126,953	5.22%
Contractors' Excise Tax - State	43,371,032	19.20%	43,398,474	0.06%	47,555,167	9.58%
Sales, Use, Contractors' Excise Tax - Cities	149,045,455	10.19%	157,931,942	5.96%	171,191,853	8.40%
Sales, Use, Contractors' Excise Tax - Reservations	3,366,167	2.57%	3,203,773	-4.82%	3,418,754	6.71%
Tourism Tax	2,936,484	N/A	3,291,977	12.11%	3,585,267	8.91%
Water and Environment Fund	450,000	22.36%	518,313	15.18%	650,176	25.44%
Refund for Construction of Facility	2,659,652	39.61%	1,454,570	-45.31%	1,064,898	-26.79%
Motor Vehicle Licensing Fund	814,299	7.54%	921,937	13.22%	980,157	6.31%
Aviation Fuel	605,554	0.75%	602,229	-0.55%	876,617	45.56%
Motor Fuel Tax	109,837,113	20.43%	103,787,368	-5.51%	120,074,010	15.69%
Interstate Fuel Users Tax	3,117,094	-6.70%	2,934,444	-5.86%	3,784,364	28.96%
Tank Inspection Fees	14,863,641	0.27%	14,631,535	-1.56%	14,982,610	2.40%
Prorate	10,850,476	3.39%	11,233,309	3.53%	13,032,775	16.02%
Motor Vehicle Titles and Registration	61,142,117	6.14%	64,449,816	5.41%	74,579,912	15.72%
Cigarette Tax - State	19,895,030	-0.45%	19,374,203	-2.62%	17,921,405	-7.50%
Cigarette Tax - Reservations	442,136	-7.77%	479,511	8.45%	464,989	-3.03%
Cigarette License Fees	9,837	7.40%	11,780	19.75%	10,278	-12.75%
Other Tobacco Products	1,042,996	6.0%	1,037,387	-0.54%	1,160,448	11.86%
Liquor License Fees	34,930	14.94%	30,305	-13.24%	31,405	3.63%
Malt Beverage License Fees	260,700	16.12%	220,285	-15.50%	238,215	8.14%
Alcoholic Beverage Brand Registration Fees	97,910	4.85%	105,975	8.24%	110,760	4.52%
Beer Tax	4,916,398	2.02%	5,432,712	10.50%	5,244,979	-3.46%
Liquor Tax	4,263,724	-2.26%	4,607,059	8.05%	4,700,604	2.03%
Alcoholic Beverage 2% Purchase Price Tax	594,342	-1.01%	655,669	10.32%	703,642	7.32%
Wholesale Beer License Fee	4,000	12.68%	4,075	1.88%	2,725	-33.13%
Bank Franchise/Bank Card Tax	38,269,116	3.74%	50,818,698	32.79%	45,123,079	-11.21%
Inheritance Tax	25,792,904	20.04%	26,427,049	2.46%	28,428,593	7.57%
Ore Tax	2,223,575	-61.53%	2,579,120	15.99%	1,663,013	-35.52%
Severance Tax	966,485	-17.98%	599,221	-38.00%	1,051,052	75.40%
Coin Laundry License Fees	130,886	6.37%	123,330	-5.77%	119,638	-2.99%
Trading Stamps License Fee	100	0.00%	100	0.00%	100	0.00%
Amusement Device Fee	98,142	-0.88%	94,680	-3.53%	88,092	-6.96%
Bingo License Fee	30,000	-14.29%	27,500	-8.33%	27,500	0.00%
Bingo Tax	22,240	-10.32%	19,705	-11.40%	20,837	5.74%
<b>Total</b>	<b>\$897,132,063</b>	<b>8.53%</b>	<b>934,536,896</b>	<b>4.17%</b>	<b>998,014,867</b>	<b>6.79%</b>



## A Chronology of Tax Legislation

The first state tax in South Dakota - a license fee on non-commercial vehicles - was enacted by the legislature in 1913. 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.

- 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**  
2000 Last Major Change: Lowered the net income levels on which the bank franchise tax is based.
- 1939 Use Tax**  
1995 Last Major Change: Removed 30 use tax exemptions to fund 20% property tax credit.
- 1941 Special Fuel**  
1999 Last Major Change: Tax increased on April 1 from \$.18 to \$.22 per gallon.
- 1965 Interstate Fuels**  
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.

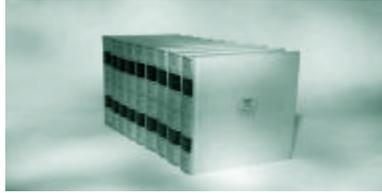
## 2000 Legislature

The 2000 South Dakota State Legislature passed several bills affecting the activities of the Department of Revenue. Some of these bills are summarized below and on the following page.

<b>Senate Bill 7</b>	Beginning November 1, 2000, a director of equalization's assessed valuation is not automatically assumed to be correct for appeal purposes.
<b>Senate Bill 8</b>	Allows the county director of equalization to establish a separate market value for a particular region if the current median market value in that region is off by more than 10% from that in other parts of the county.
<b>Senate Bill 45</b>	Allows the Governor to join a multi-state compact for the development, implementation and administration of a simplified sales and use tax collection system.
<b>Senate Bill 46</b>	Anybody who has in their possession 2,000 or more unstamped cigarettes (stamp shows SD cigarette tax has been paid) will be required to pay the tax plus a penalty of 10% of the total tax due.
<b>Senate Bill 51</b>	Allows the secretary of revenue to waive or compromise the interest due on inheritance tax that hasn't been paid within a year of the decedent's death in cases where it's difficult or impossible to identify the heirs to the deceased.
<b>Senate Bill 65</b>	Enables the Division of Motor Vehicles to issue transporter plates to individuals who transport new trailers.
<b>Senate Bill 70</b>	The fees for temporary vehicle dealer license permits increased by 50% if not purchased more than five days before an event.
<b>Senate Bill 94</b>	Makes the designation of more than one lot into one description discretionary rather than mandatory when directors of equalization are issuing assessments.
<b>Senate Bill 98</b>	Sets out how excise tax is charged on leased vehicles during the course of the lease and if the lessee ends up buying the leased vehicle at the end of the lease.
<b>Senate Bill 109</b>	Effective April 1, 2000, people who purchase (specialty) organizational plates are not required to purchase a permit at the time of obtaining the plate. The permits are used by the buyer if the vehicle is sold and the seller retains the specialty plate.
<b>Senate Bill 122</b>	Allows DOR to issue a credit for the amount of the motor vehicle fee remitted to the county treasurer if the fee was paid with a bad check and the county has made every effort possible to collect on that check with no success.
<b>Senate Bill 149</b>	Allows the personal representative to close an estate four months after the date of original appointment if it's determined that the time limit for creditors' claims has expired and no creditors have been identified.
<b>Senate Bill 153</b>	Specifies that a person can't be convicted of selling alcohol to a minor if the minor had a false age-bearing ID given to them by a state agency or law enforcement agency for use during a sting.
<b>Senate Bill 167</b>	Makes sales at auctions subject to sales tax and outlines who is responsible for remitting the tax - the clerk if they have a sales tax permit or the auctioneer if the clerk is one of their employees or doesn't have a permit.
<b>Senate Bill 169</b>	Prior to passage of this bill, a business could only hold or have an interest in three retail licenses. This bill allows them to hold or have an interest in three additional licenses as long as more than 50% of their receipts come from the sale of food at the location where the license is held.
<b>Senate Bill 193</b>	Allows two parties to conduct a transaction by electronic means if both parties agree to do so.
<b>Senate Bill 199</b>	Lowers the maximum tax levies for the general fund of a school district to provide the final 5% of property tax relief in the Governor's 30% property tax reduction plan.
<b>Senate Bill 200</b>	Appropriates \$1 million from the state general fund to pay for refunds under the elderly and disabled persons tax refund program.

# Legislative Summary/ continued

- House Bill 1005** Provides for a study to be conducted by SDSU on nine SD counties to determine the impact of using ag land income values instead of market values for assessing ag land. Results of the study will be presented to the 2001 Legislative Session.
- House Bill 1037** Requires municipalities to notify the Department of Revenue when the municipality's boundaries are changed so tax collections may be adjusted accordingly.
- House Bill 1048** Permits the secretary of revenue to allow businesses to file a consolidated sales tax return instead of filing a return for each separate business location. DOR decides who can file consolidated returns and will establish specific requirements a business must meet before being considered for this type of filing.
- House Bill 1074** Provides for significant increases in special assessment rates for water, sewer, parks and public grounds and streets. Designed to bring assessments into line with the actual costs sustained by municipalities for providing the improvements.
- House Bill 1094** Establishes the people's trust fund in the state treasury for any money received from the Master Settlement Agreement of November 1998 (the attorneys general lawsuit against the tobacco companies).
- House Bill 1101** Specifies that a retail license can't be revoked or suspended if an employee sold alcohol to a minor and the licensee didn't see it occur; if the licensee or employee have no previous like violations; and the licensee has made it a policy to have employees check ID's.
- House Bill 1111** Makes it a Class 1 misdemeanor for anyone over the age of 21 to buy alcohol for anyone under the age of 21.
- House Bill 1112** Allows a merchant to detain someone who is attempting to buy alcohol or cigarettes at their place of business for a reasonable length of time to verify their ID, or contact their parents or law enforcement authorities.
- House Bill 1113** Allows individuals charged with selling alcohol to minors to present evidence showing that they made a reasonable attempt to card the minor by looking at their drivers license.
- House Bill 1116** Prohibits anyone from acting as a broker in SD. A broker is someone involved in locating a vehicle for a person for a fee; this individual is not part of the chain of ownership but only arranges the exchange between the buyer and seller.
- House Bill 1134** Allows counties to issue on-sale licenses to be operated within an improvement district.
- House Bill 1139** Lowers the maximum tax levies for ag and owner-occupied property for school districts' general funds starting with taxes payable in 2001.
- House Bill 1169** Extends the length of time county boards of equalization can hear appeals from the fourth Tuesday in April to the fourth Thursday in April.
- House Bill 1188** Under this bill, anyone can register your vehicle for you in your county of residence.
- House Bill 1191** Allows cities to issue an on-sale license to a convention hall or publicly-owned sports facility for use during special events (license only good for five days).
- House Bill 1222** Increases the amount of motor fuel used by snowmobilers and boaters that is taxable from 100 to 125 gallons. The funds raised from the increase will go to the snowmobile trails fund and the parks and recreation fund.
- House Bill 1237** Allows up to 12 additional on-sale liquor licenses at hotel-motel convention facilities in Deadwood. To qualify as such, the facility must have at least 50 sleeping rooms and convention facilities that seat at least 150 people.
- House Bill 1293** Specifies that if the last day of April or October falls on a weekend, taxes are due on the last working day of that month. If not postmarked or received by the last working day, the taxes will be considered delinquent.
- House Bill 1312** Exempts from state and city sales tax the tax collected from the admissions/receipts from activities sponsored by certain organizations if all the receipts (minus the operating costs for the event) will go to benefit homeless people.



# A Listing of South Dakota Taxes

## Description of Individual Taxes

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

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

# Tax Listing/continued

Tax	Description
Conservation Tax	Imposed on the severance of all energy minerals, paid quarterly by the severor. (Authority: SDCL 10-39B) (Rate Base: 2.4 mills of taxable value)
Contractors' Excise Tax	Contractors' Excise Tax of 2% is imposed on gross receipts of prime and subcontractors on realty improvement contracts performed for qualifying utility projects. Sales and use tax is applicable on construction materials. (Authority: SDCL 10-46B) (Rate Base: 2%)  A contractors' excise tax of 2% is imposed on gross receipts of prime contractors on all other realty improvement contracts, including labor and materials. (Authority: SDCL 10-46A) (Rate Base: 2%)
Contractors' Use Tax	Imposes use tax on contractors and subcontractors who use tangible personal property in the performance of realty improvement contracts. Tax applies on the cost or fair market value of property, whichever is greater. Materials used in public contracts are taxable. (See Contractors' Excise Tax) (Authority: SDCL 10-46-5) (Rate Base: 4%)
Energy Minerals	Imposed on owners of energy minerals for the privilege of severing said minerals. (Authority: SDCL 10-39A) (Rate Base: 4 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 initial registration fee at the rate of three percent of the purchase price of a mobile home or if a bill of sale is not available, the fair market value thereof. The payment of such license fee shall be in full and is in lieu of all occupational, sales, excise, privilege and franchise taxes levied by this state upon the gross receipts from all sales of mobile homes. (Authority: SDCL 32-5-16.1) (Rate Base: 3% on purchase price or fair market value)
Motor Fuel/Special Fuel Tax	A tax is imposed on all motor fuel and special fuel that is removed from a terminal in this state and on all imports of fuel, except dyed diesel fuel. A tax of \$.20 per gallon is imposed on all ethanol blend sold or used in this state. The ethanol blend must contain a minimum of 10% by volume of ethyl alcohol of at least 99% purity derived from cereal grain. Alternative fuel is defined as compressed natural gas and mixtures containing 85% or more by volume of ethyl alcohol or 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)

# Tax Listing/continued

Tax	Description																																				
Municipal Contractors'	Municipal Contractors' Excise Tax imposed by city ordinance, administered by the Department of Revenue, tax in addition to state tax. (Authority: SDCL 10-46A and 10-52) (Rate Base: 1/2%)																																				
Municipal Sales	Municipal sales and use taxes imposed by city ordinance, administered by the Department of Revenue, in addition to state tax. State exemptions apply. Farm machinery and irrigation equipment, parts or repairs for farm machinery, agricultural animal health products and medicine, transportation services, collection and disposal of solid waste, and veterinarian and animal specialty services are exempt. (Authority: SDCL 10-52) (Rate Base: No specific rate, rates vary from 1% to 3%)																																				
Non-Commercial License Fees	License fees and compensation on non-commercial motor vehicles, including automobiles, pickups and vans with an empty weight of 10,000 lbs. or less (pickups in the 6,001 - 10,000 lbs. category have the option of licensing non-commercial of 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)																																				
	<table border="1"> <thead> <tr> <th></th> <th>Rate Base:</th> <th>City:</th> </tr> </thead> <tbody> <tr> <td>Off-sale Package Liquor</td> <td>\$ 500.00(max)</td> <td>First Class</td> </tr> <tr> <td>Off-sale Package Liquor</td> <td>\$ 400.00(max)</td> <td>Second Class</td> </tr> <tr> <td>Off-sale Package Liquor</td> <td>\$ 300.00(max)</td> <td>Third Class</td> </tr> <tr> <td>On-sale Retailer Liquor (New)</td> <td>\$1.00/person</td> <td>First Class</td> </tr> <tr> <td>On-sale Retailer Liquor (Renewal)</td> <td>\$1500.00</td> <td>First Class</td> </tr> <tr> <td>On-sale Retailer Liquor</td> <td>\$1200.00 (max)</td> <td>Second Class</td> </tr> <tr> <td>On-sale Retailer Liquor</td> <td>\$ 900.00(max)</td> <td>Third Class</td> </tr> <tr> <td>On-sale Retailer Liquor (Sunday)</td> <td>\$ 200.00(max)</td> <td>All Classes</td> </tr> <tr> <td>On-sale Retailer Liquor (Airport)</td> <td>\$ 250.00</td> <td>All Classes</td> </tr> <tr> <td>Off-sale Municipal Package</td> <td>\$ 250.00</td> <td>All Classes</td> </tr> <tr> <td>On-sale (wine)</td> <td>\$ 500.00</td> <td>All Classes</td> </tr> </tbody> </table>		Rate Base:	City:	Off-sale Package Liquor	\$ 500.00(max)	First Class	Off-sale Package Liquor	\$ 400.00(max)	Second Class	Off-sale Package Liquor	\$ 300.00(max)	Third Class	On-sale Retailer Liquor (New)	\$1.00/person	First Class	On-sale Retailer Liquor (Renewal)	\$1500.00	First Class	On-sale Retailer Liquor	\$1200.00 (max)	Second Class	On-sale Retailer Liquor	\$ 900.00(max)	Third Class	On-sale Retailer Liquor (Sunday)	\$ 200.00(max)	All Classes	On-sale Retailer Liquor (Airport)	\$ 250.00	All Classes	Off-sale Municipal Package	\$ 250.00	All Classes	On-sale (wine)	\$ 500.00	All Classes
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# Tax Listing/continued

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

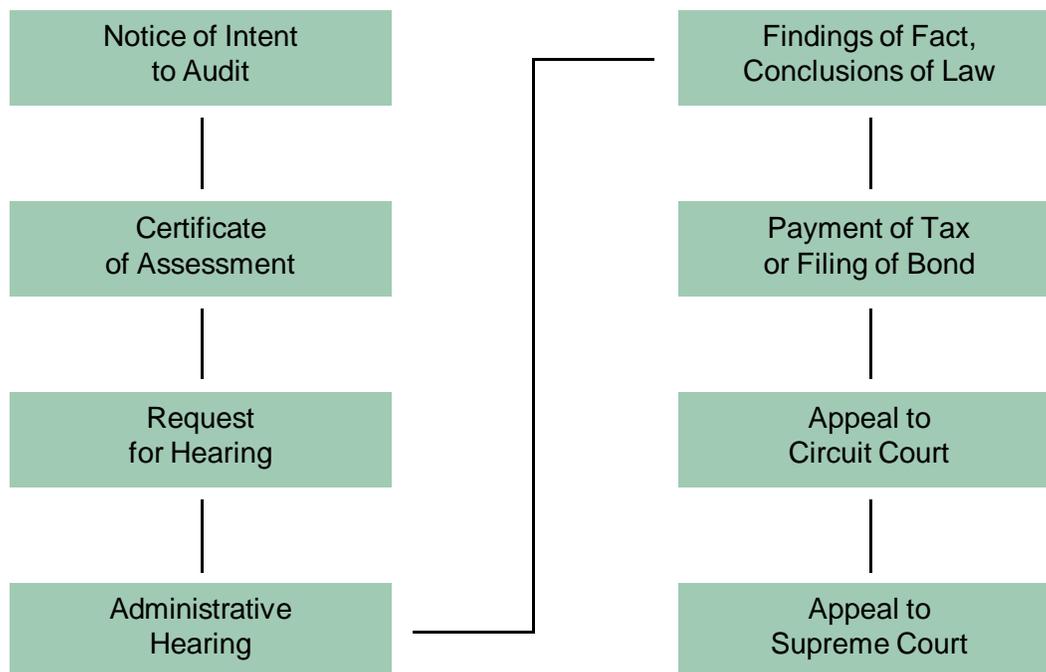


## Taxpayer's Bill of Rights

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

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

## Audit and Appeal Flow Chart:



# Department Overview

In fiscal year 2000, 195 full-time employees worked for the Department of Revenue administering, collecting and distributing the state's 34 separate types of taxes and fees. Total administrative costs were \$11.8 million, of which \$712,154 were general fund dollars.

The department is organized into five divisions, the legal section, and the Office of the Secretary. While the department secretary, division directors and some staff are in Pierre, there are also six divisional field offices located in communities across the state.

## A Review of the Divisions

### Administrative Services

**Director:** Joan Serfling

**Responsibilities:** Remittance center; computer operations; training; public relations; budget and finance

### Audits

**Director:** Bruce Christensen

**Responsibilities:** Audit selection and performance

### Business Tax

**Director:** Scott Peterson

**Responsibilities:** Retail sales and service tax; contractors' excise tax; use tax; municipal and reservation sales and use tax

### Legal Section

**Chief Legal Counsel:** Jack Magee

**Responsibilities:** Legal staff; Investigative Services Bureau (ISB)

### Motor Vehicles

**Director:** Debra Hillmer

**Responsibilities:** Motor vehicle excise tax; title and registration; motor fuel tax; special fuel tax; interstate fuel tax; fuel tax refunds; prorate and commercial licensing; dealer licensing

### Property and Special Taxes

**Director:** Paul Kinsman

**Responsibilities:** Liquor licensing and tax; cigarette tax; bank franchise tax; inheritance tax; ore tax; sales and property tax refunds for the elderly/disabled; bingo/lottery; real property tax; centrally assessed utilities

## Administrative Services

The Administrative Services division manages the department's computer services, budgetary data and physical assets. 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 \$925 million in payments in fiscal year 2000.

### *Fiscal Year 2000 - Remittance Center*

Dollars processed for Department of Revenue	\$802,882,412
Dollars processed for other agencies	122,276,438
<b>Total dollars processed</b>	<b>\$925,158,850</b>
<b>Total documents processed</b>	<b>524,653</b>

Other agencies for which the Remittance Center collects revenues include the Division of Insurance; Agriculture; Game, Fish and Parks; Social Services; Health; Environment and Natural Resources; Human Services; Legislative Audits; 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. Our goals as a department are:

- To reduce uncollected taxes.
- To simplify the administration of sales taxes to accommodate electronic commerce.
- 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.

# Sales, Use and Contractors' Excise Taxes



## Total Revenues

Sales, use and contractors' excise taxes produce the largest portion of the state's tax revenues, accounting for 66% of the total revenues in fiscal year 2000. These revenues come from over 59,000 businesses that currently pay sales, use and contractors' excise taxes on their products and services.

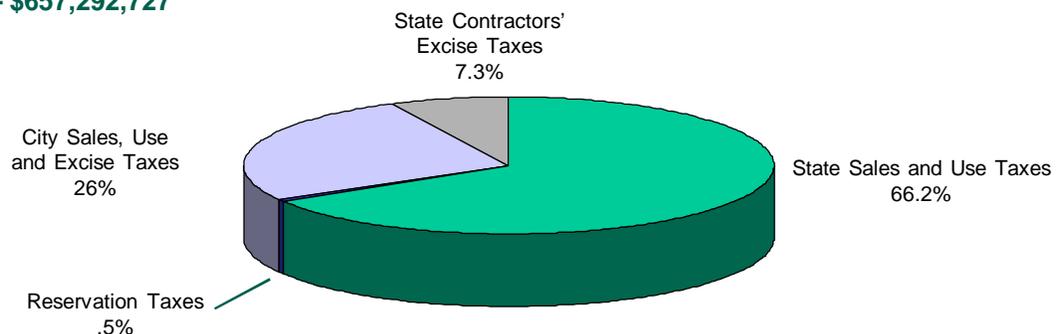
### Total Revenues: Sales, Use and Contractors' Excise Taxes

<i>Fiscal Year</i>	<i>Total State Revenue</i>	<i>Percent of Change</i>
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%
2000	482,182,120	5.89%

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

In fiscal year 2000, sales, use and contractors' excise taxes in South Dakota totaled \$657,292,727. This figure includes state sales and use taxes; state contractors' excise taxes; city sales, use and contractors' excise taxes; and reservation taxes. The majority of the revenue continues to come from state sales and use taxes as evidenced by the graph below.

### Total Receipts - \$657,292,727



## Municipal and Reservation Taxes

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

City/Reservation	Rate(s)	Adopted	FY 1999 Remittance	FY 2000 Remittance	% Increase [Decrease]
Aberdeen	1%, 2%, 3%	4-71	\$8,659,384.38	\$9,233,805.53	6.63%
Alcester	1%	9-84	65,758.27	66,981.23	1.86%
Alexandria	1%, 2%	11-84	61,236.79	62,001.28	1.25%
Arlington	1%, 2%	3-89	179,893.72	179,907.64	0.01%
Armour	1%, 2%	9-88	132,126.08	135,811.04	2.79%
Avon	1%, 2%	9-84	73,659.62	75,138.84	2.01%
Baltic	1%, 2%	7-93	49,618.33	88,423.66	78.21%
Belle Fourche	1%, 2%, 3%	2-78	1,128,969.61	1,158,601.59	2.62%
Belvidere	1%, 2%	1-85	15,070.88	11,966.32	-20.60%
Beresford	1%	7-77	225,308.18	230,289.88	2.21%
Blunt	1%	7-96	2,643.88	5,237.95	98.12%
Bowdle	1%	1-89	51,467.09	55,013.75	6.89%
Box Elder	1%, 2%, 3%	1-83	389,834.82	435,615.34	11.74%
Brandon	1%, 2%	4-77	824,572.33	874,428.22	6.05%
Bridgewater	1%, 2%	7-85	67,804.29	74,105.43	9.29%
Bristol	1%	7-96	22,564.69	20,518.75	-9.07%
Britton	1%, 2%	1-84	312,391.90	330,128.29	5.68%
Brookings	1%, 2%, 3%	1-82	5,295,085.63	5,548,997.11	4.80%
Bryant	1%	1-95	29,471.63	35,321.01	19.85%
Buffalo	1%	7-97	40,719.48	38,302.63	-5.94%
Burke	1%, 2%	3-88	125,551.24	133,627.49	6.43%
Canistota	1%, 2%	7-79	68,261.57	74,419.95	9.02%
Canova	1%	9-88	8,437.37	8,457.22	.24%
Canton	1%	4-77	313,296.92	319,436.40	1.96%
Carthage	1%	7-99	7,101.82	8,109.65	14.19%
Castlewood	1%, 2%	1-89	36,774.11	65,428.41	77.92%
Centerville	1%, 2%	7-79	102,156.26	111,707.18	9.35%
Central City	1%, 2%	7-75	40,997.09	48,279.96	17.76%
Chamberlain	1%, 2%, 3%	4-79	771,946.03	804,003.08	4.15%
Chancellor	1%, 2%, 3%	1-84	15,481.36	22,712.24	46.71%
Cheyenne River ST	1-1/2%, 2%, 3%, 4%	6-76	838,465.56	839,437.03	0.12%
Clark	1%, 2%	3-86	182,016.97	245,847.63	35.07%
Clear Lake	1%, 2%	7-78	320,768.75	302,547.46	-5.68%
Colman	1%	1-96	52,892.11	60,020.12	13.48%
Colome	1%, 2%	1-89	35,695.26	42,752.14	19.77%
Colton	1%	1-98	43,331.38	48,443.58	11.80%
Corsica	1%, 2%	1-87	129,905.24	129,531.88	-0.29%
Crooks	1%, 2%, 85	9-89	22,066.85	43,430.17	96.81%
Custer	2%, 3%	7-77	730,382.71	799,245.22	9.43%
Davis	1%, 2%	7-94	7,607.50	6,473.47	-14.91%
DeSmet	1%, 2%	1-79	245,081.49	256,947.62	4.84%
Deadwood	1%, 2%, 3%	4-78	1,197,288.91	1,312,397.90	9.61%
Dell Rapids	1%, 2%	7-79	402,728.69	478,139.86	18.73%
Delmont	1%, 2%	11-88	24,180.14	32,949.27	36.27%
Doland	1%	1-95	20,707.74	20,850.87	0.69%
Dupree	1%	1-85	38,486.86	34,463.59	-10.45%
Eden	1%	11-91	15,628.59	11,689.77	-25.20%
Edgemont	1%, 2%	4-74	102,887.04	101,223.04	-1.62%
Egan	1%, 2%	1-89	20,482.28	18,174.71	-11.27%
Elk Point	1%	7-79	302,700.56	285,554.60	-5.66%
Elkton	1%	1-95	41,730.11	49,222.59	17.95%
Emery	1%, 2%	1-90	41,308.88	46,316.87	12.12%
Estelline	1%	1-92	52,694.56	42,210.04	-19.90%
Ethan	1%, 2%	7-95	42,057.46	30,851.69	-26.64%
Eureka	1%, 2%	7-85	157,452.64	161,896.69	2.82%
Faith	1%	3-85	60,810.34	64,435.16	5.96%
Faulton	1%, 2%	7-88	131,939.84	150,134.81	13.79%
Flandreau	1%	7-81	167,043.15	160,672.38	-3.81%
Florence	1%	1-97	11,038.30	19,670.55	78.20%
Fort Pierre	1%, 2%, 3%	10-78	484,244.59	508,693.97	5.05%
Freeman	1%	1-94	285,157.85	299,241.50	4.94%

# Sales Tax/continued

City/Reservation	Rate(s)	Adopted	FY 1999 Remittance	FY 2000 Remittance	% Increase [Decrease]
Garretson	1%, 2%	3-84	135,559.41	165,732.90	22.26%
Gary	1%	7-87	17,322.29	15,707.45	-9.32%
Geddes	1%, 2%	5-87	37,842.08	35,989.23	-4.90%
Gettysburg	1%, 2%, 3%	5-85	296,357.46	285,625.94	-3.62%
Gregory	1%, 2%	1-87	320,796.81	329,038.91	2.57%
Groton	1%, 2%	1-79	221,360.11	227,060.41	2.58%
Harrisburg	1%, 2%	7-82	151,692.61	148,623.73	-2.02%
Harrold	1%	1-94	11,166.46	12,677.55	13.53%
Hartford	1%, 2%	1-78	215,567.89	231,704.31	7.49%
Hayti	1%	1-94	25,733.75	29,008.95	12.73%
Henry	1%	1-95	12,892.44	15,432.37	19.70%
Hermosa	1%, 2%	3-84	26,424.61	52,168.62	97.42%
Herried	1%	1-91	47,117.69	48,849.29	3.68%
Highmore	1%, 2%	10-79	191,710.63	211,341.32	10.24%
Hill City	1%, 2%, 3%	7-77	358,006.92	398,496.61	11.31%
Hitchcock	1%	9-90	8,025.83	8,327.32	3.76%
Hosmer	1%	7-82	17,334.21	17,451.29	0.68%
Hot Springs	1%, 2%, 3%	11-71	848,166.40	893,331.62	5.33%
Hoven	1%	3-92	58,474.17	59,874.79	2.40%
Howard	1%, 2%	11-86	189,698.62	204,361.62	7.73%
Humboldt	1%, 2%	7-82	62,782.20	64,850.30	3.29%
Hurley	1%, 2%	7-82	43,105.13	47,913.90	11.16%
Huron	1%, 2%, 3%	10-72	3,382,476.74	3,505,358.17	3.63%
Interior	1%, 2%	1-92	27,072.02	28,180.97	4.10%
Ipswich	1%, 2%	7-77	137,021.73	152,971.79	11.64%
Irene	1%, 2%	7-84	86,972.61	100,778.33	15.87%
Iroquois	1%	7-81	15,753.95	15,581.05	-1.10%
Isabel	1%	11-91	21,183.57	24,970.75	17.88%
Java	1%	7-99	0.00	7,039.22	N/A
Jefferson	1%	1-96	29,325.13	31,664.89	7.98%
Kadoka	1%, 2%	1-77	126,595.69	155,011.85	22.45%
Kennebec	1%	7-78	29,427.08	25,539.31	0.38%
Keystone	2%, 3%	7-72	456,795.53	467,979.26	2.45%
Kimball	1%, 2%	1-81	137,635.95	141,395.20	2.73%
Lake Andes	1%, 2%	7-84	96,670.17	108,677.77	12.42%
Lake Norden	1%	1-94	54,170.43	58,384.82	7.78%
Lake Preston	1%, 2%	1-81	111,705.67	109,822.61	-1.69%
Langford	1%	1-98	15,907.22	16,784.89	5.52%
Lead	1%, 2%, 3%	4-72	627,678.53	666,797.73	6.23%
Lemmon	1%, 1.5%	1-89	240,948.86	264,968.33	9.97%
Lennox	1%, 2%	1-74	242,971.60	244,235.70	0.52%
Leola	1%	11-87	33,775.07	35,547.83	5.25%
McIntosh	1%	3-92	15,437.65	12,514.90	-18.93%
McLaughlin	1%	1-93	45,629.42	50,384.68	10.42%
Madison	1%	4-72	1,366,036.09	1,665,814.72	21.95%
Marion	1%, 2%	7-80	110,365.55	171,222.53	55.14%
Martin	1%, 2%, 3%	7-80	242,427.40	263,368.78	8.64%
Menno	1%	1-90	67,974.32	73,992.09	8.75%
Midland	1%	7-83	20,472.17	21,188.33	3.50%
Milbank	1%, 2%	7-88	975,799.23	983,804.71	0.82%
Miller	1%, 2%	9-86	369,944.85	391,261.09	5.76%
Mission	1%, 2%	11-73	201,191.48	214,980.33	6.85%
Mitchell	2%, 3%	1-77	5,159,662.57	5,816,043.38	12.72%
Mobridge	1%, 2%	11-86	880,851.90	845,669.23	-3.99%
Monroe	1%	1-81	5,570.87	5,790.49	3.94%
Montrose	1%, 2%	7-88	59,746.05	57,904.54	-3.08%
Mount Vernon	1%, 2%, 3%	1-97	32,447.92	37,411.03	15.30%
Murdo	1%, 2%, 3%	1-78	255,390.67	265,262.53	3.87%
New Underwood	2%	3-86	41,118.16	42,707.32	3.86%
Newell	1%, 2%	7-78	77,201.62	71,333.36	-7.60%
Nisland	1%	11-88	4,529.06	5,116.07	12.96%
North Sioux City	1%, 2%	5-88	4,742,403.88	4,053,028.64	-14.54%
Oacoma	1%, 2%, 3%	4-82	387,158.88	402,032.94	3.84%
Oglala ST	1.5%, 2%, 3%, 4%	12-70	1,211,000.31	1,337,549.22	10.45%
Olivet	1%	1-00	0.00	728.71	N/A
Onida	1%	1-95	60,991.42	66,502.17	9.04%
Parker	1%, 2%	7-83	147,889.59	158,029.83	6.86%
Parkston	1%, 2%, 3%	10-79	263,423.57	255,652.47	-2.95%
Philip	1%, 2%	4-76	267,834.69	257,124.07	-4.00%
Pickstown	1%	1-89	23,320.06	22,223.16	-4.70%
Pierre	1%, 2%, 3%	1-77	3,833,894.83	4,239,324.03	10.57%
Plankinton	1%, 2%	1-94	106,981.49	107,194.83	0.20%
Platte	1%, 2%	7-86	356,876.23	377,231.88	5.70%
Pollock	1%	7-92	44,119.84	37,522.87	-14.95%
Presho	1%	7-78	51,169.37	50,829.17	-0.66%
Ramona	1%	1-97	8,440.37	7,813.75	-7.42%
Rapid City	2%, 3%	5-72	24,947,016.57	28,134,993.81	12.78%
Redfield	1%, 2%, 3%	1-81	531,931.87	545,533.20	2.56%
Reliance	1%	1-99	4,915.66	14,736.12	199.78%
Roscoe	1%	1-79	27,581.86	31,179.14	13.04%

# Sales Tax/continued

City/Reservation	Rate(s)	Adopted	FY 1999 Remittance	FY 2000 Remittance	% Increase [Decrease]
Rosebud ST	1.5%, 2%, 3%, 4%	1-78	\$902,468.94	\$948,636.88	5.12%
Rosholt	1%	7-99	0.00	39,353.88	N/A
Roslyn	1%	1-89	17,000.76	14,932.79	-12.16%
Salem	1%, 2%	7-83	259,067.66	273,176.99	5.45%
Scotland	1%	7-82	96,132.12	165,661.00	72.33%
Selby	1%	9-87	66,474.70	66,877.75	0.61%
Sioux Falls	1%, 2%, 3%	1-74	52,851,220.93	58,287,564.95	10.29%
Sioux Falls Lodging	1%	1-96	347,424.25	390,787.20	12.48%
Sisseton	1%, 2%	7-78	505,648.10	568,883.70	12.51%
Spearfish	2%, 3%	10-71	2,922,473.36	3,277,110.58	12.13%
Spencer	1%, 2%	1-87	20,620.32	25,027.93	21.38%
Springfield	1%	7-84	97,793.48	76,451.76	-21.82%
Standing Rock ST	1.5%, 2%, 3%, 4%	3-91	233,228.85	284,635.02	22.04%
Stickney	1%, 2%	7-86	66,242.21	75,183.18	13.50%
Sturgis	1%, 2%, 3%	11-71	1,712,697.89	1,860,364.93	8.62%
Summit	1%	7-93	15,611.03	12,008.61	-23.08%
Tabor	1%	7-93	22,958.45	26,211.98	14.17%
Tea	1%, 2%, 3%	7-82	193,941.16	226,642.82	16.86%
Timber Lake	1%	3-87	36,690.35	36,916.05	-6.99%
Toronto	1%	9-85	22,136.98	20,949.13	-5.37%
Trent	1%	1-99	1,794.78	6,784.80	278.03%
Tripp	1%, 2%	1-88	84,697.86	101,773.10	20.16%
Tulare	1%	11-91	15,219.64	13,174.90	-13.43%
Tyndall	1%	1-86	90,396.81	93,072.78	2.96%
Valley Springs	1%	1-91	34,711.52	30,448.40	-12.28%
Veblen	1%	1-89	15,446.09	17,507.46	13.35%
Vermillion	1%, 2%, 3%	7-80	1,582,248.97	1,609,262.81	1.71%
Viborg	1%, 2%	4-80	192,788.53	174,125.13	-9.68%
Volga	1%	7-97	94,979.42	115,998.94	22.13%
Wagner	1%, 2%	7-87	420,091.62	417,531.93	-0.61%
Wakonda	1%	1-82	24,633.84	20,552.70	-16.57%
Wall	1%, 2%, 3%	10-71	651,800.61	651,583.81	-0.03%
Warner	1%, 2%	7-98	25,489.82	29,207.91	14.59%
Wasta	1%	9-90	3,389.25	4,059.16	19.77%
Watertown	1%, 2%, 3%	1-78	7,484,884.40	7,849,574.01	4.87%
Waubay	1%	1-81	31,429.33	46,756.85	48.77%
Webster	1%, 2%	7-81	490,155.23	466,116.26	-4.90%
Wentworth	1%	7-94	12,016.61	11,024.57	-8.26%
Wessington	1%	5-91	22,423.46	27,136.17	21.02%
Wessington Springs	1%, 2%	7-78	178,153.51	194,150.94	8.98%
White Lake	1%	1-94	26,768.27	30,523.53	14.03%
White River	1%, 2%	7-78	86,502.90	87,378.53	1.01%
Whitewood	1%, 2%	7-76	97,729.50	102,187.95	4.56%
Willow Lake	1%, 2%	5-85	38,441.26	38,881.91	1.15%
Wilmot	1%	7-98	38,916.71	52,392.76	34.63%
Winner	1%, 2%	1-80	890,194.23	928,079.68	4.26%
Witten	1%	1-98	2,493.22	2,768.25	11.03%
Woonsocket	1%, 2%	7-79	155,946.98	167,214.92	7.23%
Worthing	1%, 2%	1-84	45,221.84	47,509.55	5.06%
Yankton	1%, 2%, 3%	7-79	4,435,828.96	4,826,100.62	8.80%
<b>TOTAL</b>			<b>\$159,113,967.17</b>	<b>\$172,464,689.73</b>	<b>8.39%</b>

In fiscal year 2000, a total of 188 communities (plus four reservations) imposed local sales and use taxes. Some local governments have several different tax rates but the maximum local rate that can be levied in South Dakota is 3%.

Of the surrounding states, only one state has more local governments which implement a sales tax: Iowa has more than 550 with a maximum local rate of 1%. Nebraska has 87 with a maximum local rate of 1.5%; North Dakota limits the maximum local rate to 2% with 70 local governments implementing sales taxes; and Minnesota has 12 such local governments with a maximum rate of 3%.

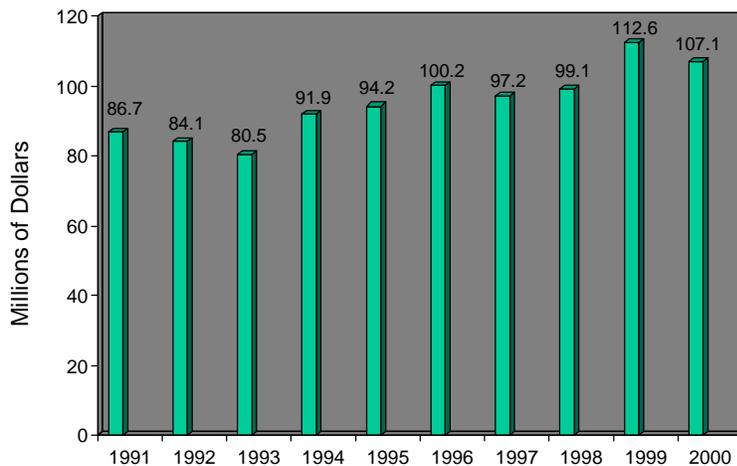
# Special Taxes



## Total Revenues

The Special Taxes division administers a variety of diverse taxes including cigarette excise taxes; inheritance taxes; bank franchise taxes; ore taxes; energy mineral severance taxes; coin-operated laundromat license fees; beer, wine and distilled spirits taxes; gaming excise taxes; beer and liquor license fees; other tobacco products; and alcohol beverage brand registration fees. In fiscal year 2000, revenues in this division showed a decrease from 1999 with total collections of \$107,111,354.

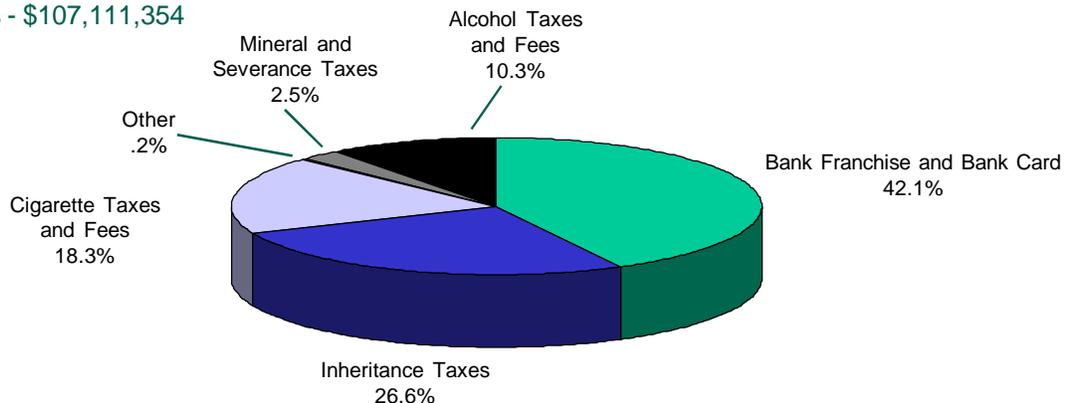
### Total Special Tax Revenues: A Ten-Year Comparison



There are five major types of Special Taxes: bank franchise taxes, inheritance taxes, alcohol taxes, cigarette taxes, and mineral and severance taxes. In fiscal year 2000, bank franchise and bank card taxes generated about 42% of special tax revenues.

### Tax Revenues by Category

Total Receipts - \$107,111,354



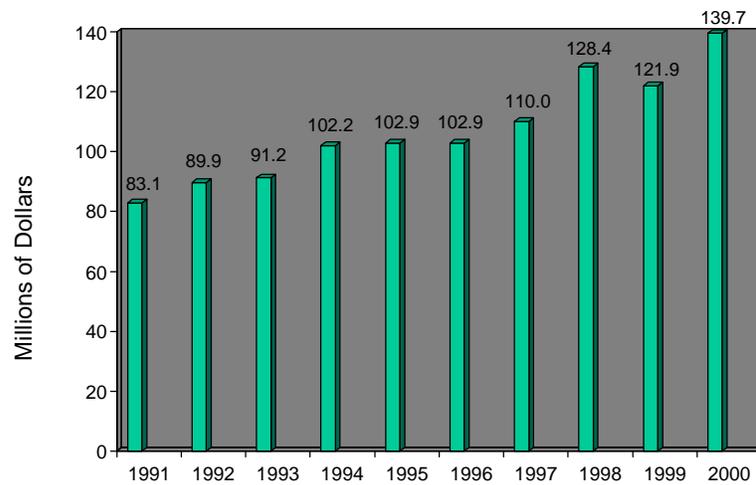


# Fuel Tax and Motor Vehicle Licensing

## 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 2000, there were 2,635 fuel licenses in South Dakota, but only 1,085 licensees report and remit the tax.

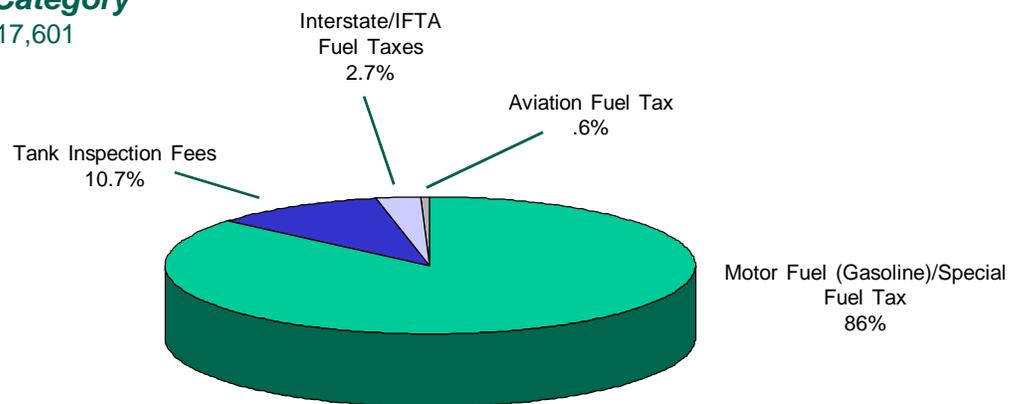
### Fuel Tax Revenues: A Ten-Year Comparison



Of the three types of fuels sold in South Dakota, motor fuel (gasoline) and undyed diesel generally produce the largest amount of revenue.

### Tax Revenues by Category

Total Receipts - \$139,717,601



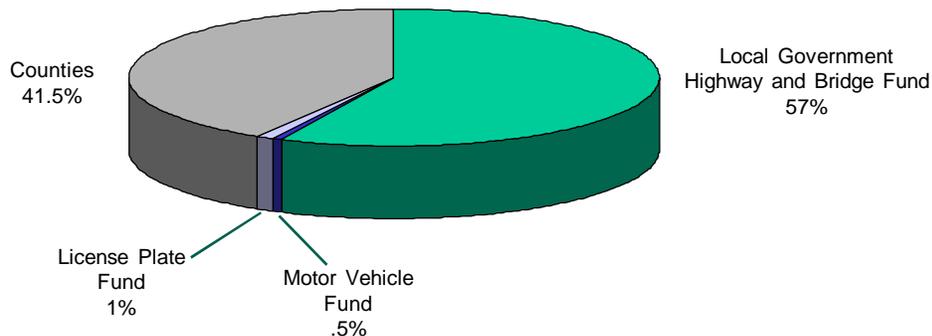
# Motor Vehicle/ continued

## Motor Vehicle Licensing

Commercial registration fees (licensing fees) are levied on intrastate and interstate motor carriers doing business in the state. The amount of the fee for interstate registration is determined by the percentage of miles the carrier travels in all the states. Over 98 percent of the fees are used by local governments to maintain public roads. Prorate registration revenues during fiscal year 2000 were \$11,633,722, the largest share of which was used to maintain state highways.

### Distribution of Fees by Fund

Total Prorate Registration Fees - \$11,633,722



### Distribution of Fees by County

Aurora	\$52,894	Fall River	\$55,431	Marshall	\$58,768
Beadle	135,951	Faulk	48,870	Meade	134,597
Bennett	38,751	Grant	72,751	Mellette	30,719
Bon Homme	60,490	Gregory	61,535	Miner	47,615
Brookings	133,569	Haakon	42,872	Minnehaha	484,113
Brown	226,167	Hamlin	50,086	Moody	57,394
Brule	59,131	Hand	73,599	Pennington	372,734
Buffalo	15,866	Hanson	37,331	Perkins	67,992
Butte	62,110	Harding	38,368	Potter	46,508
Campbell	38,095	Hughes	83,889	Roberts	96,013
Charles Mix	92,856	Hutchinson	81,133	Sanborn	44,240
Clark	67,601	Hyde	30,841	Shannon	55,951
Clay	67,109	Jackson	38,713	Spink	117,333
Codington	130,209	Jerauld	36,621	Stanley	30,810
Corson	74,470	Jones	28,202	Sully	41,120
Custer	51,486	Kingsbury	73,620	Todd	54,718
Davison	90,797	Lake	75,191	Tripp	87,952
Day	83,991	Lawrence	102,830	Turner	73,911
Deuel	51,315	Lincoln	100,292	Union	68,187
Dewey	57,087	Lyman	55,534	Walworth	51,623
Douglas	41,545	McCook	57,645	Yankton	99,829
Edmunds	63,710	McPherson	50,611	Ziebach	38,514
				<b>TOTAL</b>	<b>\$5,151,806</b>

## Titles and Registration

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

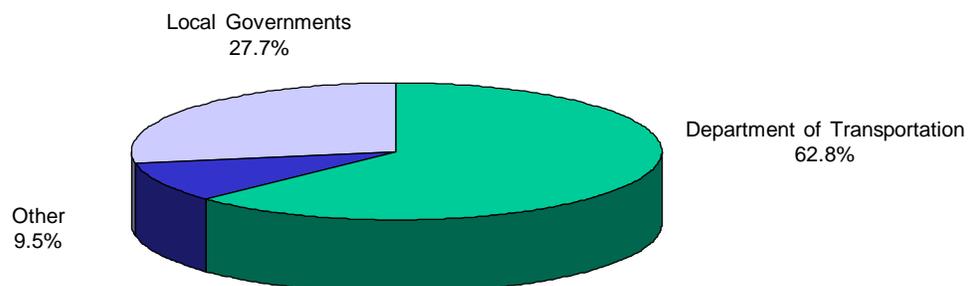
### Title and Registration Revenues

	FY1999	FY2000	Percent Change
License Plate Fees - State's Share*	\$1,475,248	\$1,934,242	31.11%
License Plate Fees - Counties', Cities', Townships' Share	16,142,330	20,662,179	28.00%
Snowmobiles	128,740	107,600	-16.42%
Boats	677,049	847,479	25.17%
Temporary Special Permits	78,945	112,423	42.41%
Mobile Home Plates	10,560	10,280	-2.65%
Dealer Fees, Duplicate Dealer Plates	142,235	136,245	-4.21%
Noncommercial Duplicate Plates	118,967	82,498	-30.65%
Commercial Duplicate License Plates	1,960	3,070	56.63%
Title and Penalty Fees	1,956,189	2,054,439	5.02%
Trailer ID Fees	38,960	44,220	13.50%
Replacement Plate Fees	160,559	117,969	-26.53%
Motorcycle Safety Education Fees	76,314	83,151	8.96%
Mobile Home Registration Fees - State's Share	292,714	263,571	-9.96%
Other Vehicle 3.0% Registration Fees	41,816,866	46,810,062	11.94%
Snowmobile 3.0% Initial Registration Fees	273,628	219,179	-19.90%
Register of Deeds Fees	137,055	141,700	3.39%
DENR Solid Waste Fees	921,497	949,605	3.05%
<b>Total Receipts</b>	<b>\$64,449,816</b>	<b>\$74,579,912</b>	<b>15.72%</b>

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

### Distribution of Title and Registration Revenues

Total Disbursements - \$74,579,912



# Property Taxes



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

## How Property Taxes are Applied

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

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

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

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

# Property Taxes/ continued

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

Property “X” is taxed at a rate of \$45.37 per thousand dollars of taxable value. Here’s how that tax rate is broken down by unit of government:

<u>Unit of Government</u>	<u>Amount of Tax</u>
School District Tax	\$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>

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

## Property Tax Variables

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

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

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

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

# Property Taxes/ continued

## Limits on Property Taxes

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

## Total Property Taxes

### Total Property Taxes 1998 - 2000

	Payable 1998	Payable 1999	Payable 2000
Agricultural Property	\$154,812,969	\$154,433,143	\$159,212,772
Non-Ag Acreages			294,622
Owner-Occupied Property	205,112,642	203,873,029	215,800,767
Other Property	186,243,621	195,619,643	207,037,885
Utilities			
Railroad	1,051,811	1,080,419	1,179,273.68
Electric Light	20,251,539	22,245,482	23,415,680
Telephone Comp (within)	5,206,509	4,966,411	5,516,563
Telephone Comp (without)	1,699,374	1,419,965	2,248,220
Special Assessments	7,378,706	8,011,655	8,165,304
<b>TOTAL</b>	<b>\$581,757,172</b>	<b>\$591,649,747</b>	<b>\$622,871,087</b>

## Taxes Levied by Local Units of Government

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

### Taxes Levied by Local Units of Government - 2000

	Amount Taxed	Percent of Total
County (Includes Library, Secondary Road, Fire Fighting Purposes, Telephone Outside-General Fund)	\$147,698,194.74	23.71%
Municipalities	72,234,893.06	11.60%
Schools	384,503,303.42	61.73%
Townships	10,269,391.49	1.65%
Special Assessments	8,165,303.93	1.31%
<b>Total</b>	<b>\$622,871,086.64</b>	<b>100.00%</b>

# Property Taxes/ continued

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

## Owner-Occupied Taxes Payable in 2000

City	Effective Tax Rate	X \$40,000 =	A Tax Of
Aberdeen	1.77%		\$706.86
Belle Fourche	2.14		856.46
Brandon	1.69		675.58
Brookings	1.88		751.06
Canton	2.29		915.28
Chamberlain	2.10		841.16
Dell Rapids	1.77		708.56
Flandreau	2.28		911.88
Hot Springs	2.40		959.48
Huron	2.37		949.62
Madison	1.90		760.92
Milbank	1.86		743.58
Mitchell	2.06		823.82

City	Effective Tax Rate	X \$40,000 =	A Tax Of
Mobridge	1.96%		\$783.70
Pierre	1.77		707.88
Rapid City	1.78		713.32
Redfield	2.74		1,095.48
Sioux Falls	1.60		640.22
Sisseton	2.22		886.38
Sturgis	2.31		923.44
Vermillion	2.09		834.02
Watertown	1.50		598.74
Webster	2.41		962.54
Winner	1.98		792.54
Yankton	1.74		695.30

## Other Non-Agricultural Taxes Payable in 2000

City	Effective Tax Rate	X \$40,000 =	A Tax Of
Aberdeen	2.50%		\$1,000.28
Belle Fourche	2.88		1,151.24
Brandon	2.42		969.34
Brookings	2.61		1,044.82
Canton	3.02		1,209.04
Chamberlain	2.83		1,133.22
Dell Rapids	2.51		1,003.34
Flandreau	3.01		1,204.28
Hot Springs	3.12		1,248.82
Huron	3.11		1,243.38
Madison	2.64		1,054.34
Milbank	2.59		1,035.64
Mitchell	2.80		1,121.66

City	Effective Tax Rate	X \$40,000 =	A Tax Of
Mobridge	2.69%		\$1,077.12
Pierre	2.50		999.94
Rapid City	2.52		1,007.08
Redfield	3.47		1,389.24
Sioux Falls	2.33		933.98
Sisseton	2.95		1,178.78
Sturgis	3.04		1,216.86
Vermillion	2.83		1,133.56
Watertown	2.23		892.16
Webster	3.14		1,254.60
Winner	2.72		1,087.32
Yankton	2.47		988.72

# Property Taxes/ continued

## Agricultural Taxes Payable in 2000

Township	Effective Tax Rate	X \$40,000 =	A Tax Of	Township	Effective Tax Rate	X \$40,000 =	A Tax Of
Aberdeen Twp. 6-1	1.26%		\$502.86	Mobridge Twp. 62-3 (Unorg.)	1.26%		\$504.56
Belle Fourche Twp. 9-1 (Unorg.)	1.30		520.54	Pierre Twp. 32-2 (Unorg.)	1.24		494.36
Brandon Twp. 49-2	1.13		450.16	Rapid City Twp. 51-4 (Unorg.)	1.39		555.22
Brookings Twp. 5-1	1.56		622.88	Redfield Twp. 56-4	1.30		520.54
Canton Twp. 41-1	1.20		479.40	Sioux Falls Twp. 49-5	1.11		445.74
Chamberlain Twp. 7-1	1.27		508.64	Sisseton Twp. 54-8	1.23		490.62
Dell Rapids Twp. 49-3	1.09		434.86	Sturgis Twp. 46-1 (Unorg.)	1.34		534.48
Flandreau Twp. 50-3	1.41		565.42	Vermillion Twp. 13-1	1.46		585.48
Hot Springs Twp. 23-2 (Unorg.)	1.64		655.86	Elmira Twp. 14-4	1.11		445.40
Used (Clyde) Twp. 2-2	1.41		562.02	Webster Twp. 18-4	1.43		572.90
Lakeview Twp. 39-2	1.19		477.36	Lamro Twp. 59-2	1.31		524.62
Alban Twp. 25-4	1.30		518.84	Unorganized Twp. 63-3	1.33		530.06
Mitchell Twp. 17-2	1.30		521.56				

## Sales to Assessment Ratio Analysis

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

### Sales for Years 1998,1999

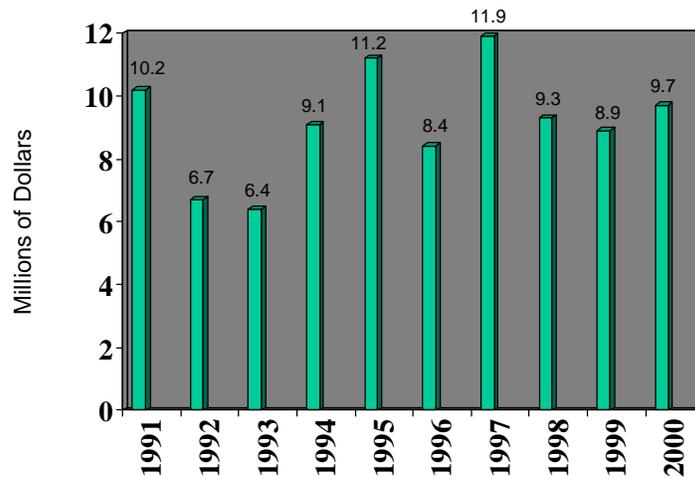
County	Ag	Non-Ag	County	Ag	Non-Ag	County	Ag	Non-Ag
Aurora	86.5%	87.8%	Fall River	65.0%	82.6%	Marshall	87.0%	85.5
Beadle	79.9	93.6	Faulk	89.1	96.6	Meade	72.0	85.7
Bennett	89.9	87.4	Grant	90.8	85.2	Mellette	86.5	90.5
Bon Homme	85.9	93.8	Gregory	93.9	94.9	Miner	84.1	86.8
Brookings	95.1	94.3	Haakon	77.0	88.6	Minnehaha	75.0	84.8
Brown	87.7	90.4	Hamlin	91.6	86.5	Moody	81.5	84.4
Brule	93.9	90.2	Hand	92.6	99.0	Pennington	79.6	83.5
Buffalo	72.1	83.3	Hanson	84.4	88.1	Perkins	81.4	91.8
Butte	77.4	86.8	Harding	65.5	96.2	Potter	97.8	96.1
Campbell	85.2	98.5	Hughes	83.7	87.2	Roberts	90.9	92.9
Charles Mix	81.7	88.0	Hutchinson	72.3	89.2	Sanborn	84.8	87.6
Clark	84.6	83.3	Hyde	85.7	91.0	Shannon	64.6	70.3
Clay	86.0	86.1	Jackson	86.5	93.4	Spink	84.4	94.1
Codington	85.4	90.1	Jerauld	91.5	95.7	Stanley	80.4	80.7
Corson	85.5	99.6	Jones	85.7	90.9	Sully	87.0	90.0
Custer	81.1	88.7	Kingsbury	85.9	86.6	Todd	79.8	92.0
Davison	79.5	88.1	Lake	92.0	88.0	Tripp	88.5	93.9
Day	87.4	93.4	Lawrence	26.9	84.7	Turner	89.3	93.8
Deuel	85.2	86.5	Lincoln	79.3	84.7	Union	86.0	90.2
Dewey	84.2	98.3	Lyman	94.8	93.0	Walworth	82.9	98.2
Douglas	80.4	86.2	McCook	89.3	89.7	Yankton	82.5	94.9
Edmunds	89.8	85.4	McPherson	96.4	93.3	Ziebach	92.5	96.4
						<b>Statewide</b>	<b>82.1%</b>	<b>90.9%</b>



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

Audits are used to correct errors businesses may make in the payment of their taxes. Such corrections meant an additional \$9,724,098 in tax revenues (assessments and penalties) in fiscal year 2000.

### Total Assessments: A Ten-Year Comparison



### Audits and Assessments

	Number of Audits	Assessments
Sales, Use and Contractors' Excise Tax	1061	\$8,630,661
Limited Scope Audits	16	22,724
Bank Franchise, Severance Taxes and Inheritance Taxes	3,234	952,581
Fuel Taxes	293	118,132
<b>TOTAL</b>	<b>4,604</b>	<b>\$9,724,098</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.

## *Allowances FY 2000*

<b>Tobacco Distributors</b>	3.5% of the value of the tax indicia they purchase	\$672,049.74
<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.	\$2,839,066.52
<b>Importer</b>	Two-thirds of the allowance in 10-47B-34.	\$26,246.20
<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. Maximum \$500 per month.	\$3,941.59



# Tax Refund Programs

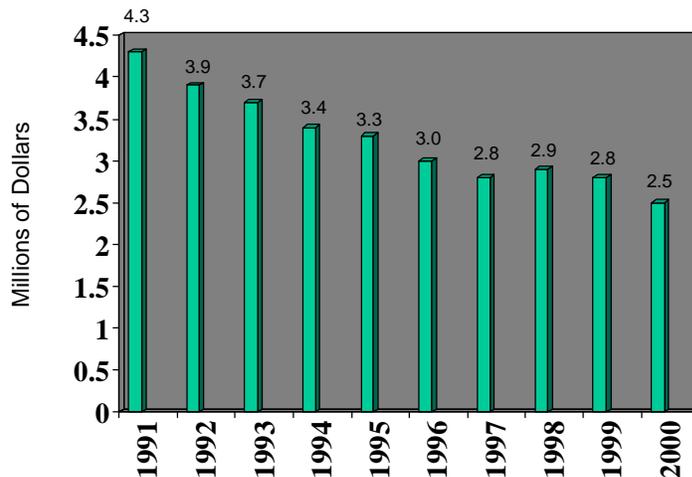
Tax refunds are an essential part of South Dakota's tax system. They apply to two groups: (1) consumers using vehicles and equipment off highways and roads for agricultural or commercial purposes who may receive motor fuel tax refunds; and (2) the elderly and disabled who are eligible for sales and property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

## Motor Fuel Tax Refunds

Motor fuel used to operate agricultural and commercial equipment, other than aircraft, off of roads and highways is not subject to fuel tax. Consumers documenting this off-highway usage receive motor fuel tax refunds. During fiscal year 2000, there were 8,258 refunds totaling \$2,456,607.47. The average refund was \$297.48 in fiscal year 2000, as compared to \$313 in 1999 and \$310.19 in 1998.

Effective July 1, 1999, \$.03 of every gallon of gasoline on which a refund is claimed is deposited into an Agricultural Fund. This amounted to \$215,948 in fiscal year 2000.

### Motor Fuel Tax Refunds: A Ten-Year Comparison



# Tax Refunds/ continued

## Refunds to the Elderly and Disabled

Tax refund dollars for the elderly and disabled benefitted citizens in every South Dakota county in fiscal year 2000. Minnehaha County had the largest number of participants with 523, followed by Pennington County with 484, and Brown County with 272.

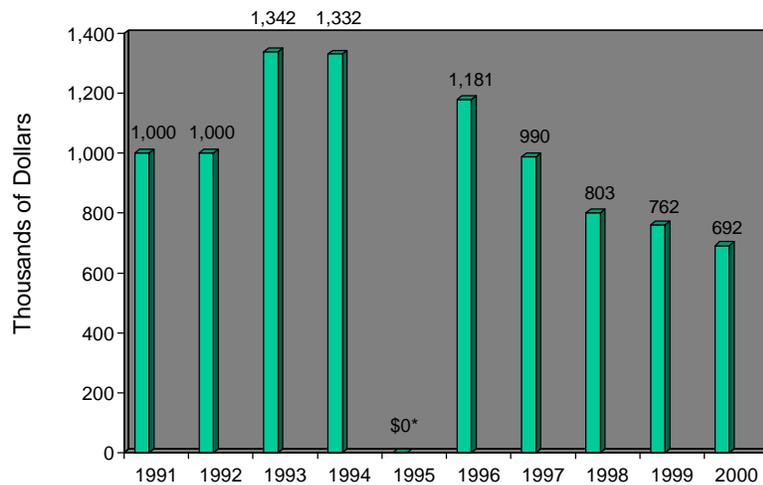
County	Amount of Refunds FY 1999	Number of Applications FY 1999	Amount of Refunds FY 2000	Number of Applications FY 2000
Aurora	\$4,757	19	\$3,629	17
Beadle	21,409	140	18,902	133
Bennett	4,997	30	5,975	29
Bon Homme	7,663	36	5,861	31
Brookings	11,601	80	11,559	76
Brown	42,790	277	40,045	272
Brule	3,582	29	3,324	28
Buffalo	910	5	948	5
Butte	9,829	62	8,711	58
Campbell	1,924	12	1,951	13
Charles Mix	19,219	113	17,357	103
Clark	4,219	28	4,544	32
Clay	2,464	21	2,239	20
Codington	22,956	152	19,146	136
Corson	3,085	19	3,909	24
Custer	8,279	57	8,639	53
Davison	25,731	165	25,556	163
Day	15,346	86	12,956	73
Deuel	12,633	71	11,388	64
Dewey	16,685	75	17,385	76
Douglas	5,493	33	4,261	26
Edmunds	6,654	44	5,628	39
Fall River	15,769	111	16,027	116
Faulk	1,544	14	1,066	10
Grant	10,250	76	7,941	59
Gregory	15,256	89	14,925	77
Haakon	358	3	214	2
Hamlin	7,922	52	6,704	44
Hand	4,181	36	3,898	33
Hanson	1,684	9	1,467	7
Harding	484	4	405	1
Hughes	11,724	72	10,885	75
Hutchinson	10,631	63	9,250	53
Hyde	2,039	16	1,181	10
Jackson	4,600	26	3,057	18
Jerauld	3,489	26	2,752	22
Jones	240	2	253	2
Kingsbury	7,890	55	6,142	47
Lake	13,419	86	10,575	73
Lawrence	13,314	98	12,578	94
Lincoln	7,186	52	6,191	43
Lyman	2,095	17	2,444	15
Marshall	7,867	48	7,757	47
McCook	6,482	38	4,694	25
McPherson	4,852	25	4,371	23

# Tax Refunds/ continued

County	Amount of Refunds FY 1999	Number of Applications FY 1999	Amount of Refunds FY 2000	Number of Applications FY 2000
Meade	16,997	103	14,023	87
Mellette	4,559	25	4,636	23
Miner	3,630	23	3,654	21
Minnehaha	83,415	580	74,533	523
Moody	6,713	44	5,032	31
Pennington	82,858	516	75,393	484
Perkins	4,977	35	5,201	33
Potter	2,456	18	2,131	16
Roberts	12,950	84	10,904	70
Sanborn	4,054	20	3,100	19
Shannon	49,985	236	43,179	208
Spink	7,699	53	6,650	44
Stanley	1,930	8	1,061	8
Sully	216	2	1,129	6
Todd	15,634	70	14,014	67
Tripp	11,383	63	10,214	56
Turner	7,652	51	6,450	48
Union	8,181	52	7,135	47
Walworth	11,448	72	10,185	69
Yankton	12,676	86	14,979	100
Ziebach	7,571	25	9,500	25
<b>TOTAL</b>	<b>\$762,487</b>	<b>4,738</b>	<b>\$691,793</b>	<b>4,352</b>

The number of refund applications by group in 2000 were: Elderly single - 2,458; Elderly household - 394; Disabled single - 1,202; and Disabled household - 298. Supplemental checks in the amount of \$100 were sent to the 1,000 individuals with the lowest reported income.

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



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



## Legal Services

In fiscal year 2000, the department's Legal Division was comprised of five full-time attorneys, four full-time Investigative Services Bureau (ISB) Special Agents, one full-time Assistant Attorney General, three part-time fraud auditors and one secretary. In addition to providing routine legal counsel to the department, the legal staff worked on over 250 tax-related cases and offered additional legal support to the Office of Risk Management on its debt collection activities. The ISB examined 82 taxpayers regarding allegations of tax fraud. Of these, 17 were investigated for fraud; the rest were closed after finding no criminal violations.

The Supreme Court issued three decisions during the year which affected the department - two involving a centrally assessed railroad and one regarding the constitutionality of a property tax statute. Currently, there are two tax cases on appeal to the Supreme Court - one involving the distinction between the provision of a service and the sale of tangible personal property, and one relating to the imposition of a municipal use tax.

### Supreme Court Summaries

#### Burlington Northern Railroad Co. v South Dakota Department of Revenue S. Ct. No. 20886

This case concerns the 1996 assessment of the Burlington Northern Railroad Company. The trial court held that the department had correctly valued, allocated, distributed, and equalized the railroad's value for the 1996 assessment year. Fall River County appealed the trial court's decision to the Supreme Court. The Supreme Court summarily affirmed the trial court's decision.

#### Fall River County v South Dakota Department of Revenue S. Ct. No. 20883

This case concerns the 1997 assessment of the Burlington Northern Santa Fe Railway Company. The trial court held that the department had correctly valued, allocated, distributed, and equalized the railroad's value for the 1997 assessment year. Fall River County appealed to the Supreme Court, which affirmed the decision of the trial court.

#### Thares v Brown County Board of Equalization S. Ct. No. 21366

This case concerns the constitutionality of SDCL 10-6-33.14, called the non-agricultural acreage statute. The trial court upheld the constitutionality of the statute, and the property owner appealed. The Supreme Court held that the statute was in compliance with SD Constitution Article VIII, § 15 and found the statute constitutional.

#### Watertown Coop Elevator Association and Farmers Union Oil Company (WECOTA/FAULKTON/ONAKA) v Department of Revenue S. Ct. No. 21570

This case concerns whether a contract entered into by the taxpayer involved the purchase of taxable business services or the sale of exempt tangible personal property. Pursuant to the contract, the taxpayer purchased the services of a crop or livestock production specialist. The production specialist sold agronomy products for the taxpayers and also advised the taxpayers' customers on certain farm and ranch practices. The circuit court held that the production specialist services predominantly involved the sale of exempt tangible personal property, and therefore, were exempt from use tax.

#### South Dakota Department of Revenue v H & R Roofing of South Dakota Inc. No. 21586

This case concerns whether municipal use tax can be assessed and imposed independently from the state use tax. H & R is a roofing contractor with a storage yard just outside the jurisdiction of Sioux Falls. H & R has most of their supplies delivered to their storage yard. They pay state sales tax at the time they take delivery of the supplies. They then use the supplies in roofing projects within the taxing jurisdiction of several cities, but pay no municipal use tax to any of these cities. The department assessed H & R municipal use tax for the materials used within the taxing jurisdiction of the cities. The circuit court held that municipal use tax can only be collected at the same time as the state sales or use tax.



## How SD Compares to Other States

At just \$1,184.25, South Dakota had the second lowest per capita state tax burden in fiscal year 1998-1999, according to the latest figures available from CCH State Tax Review. Only New Hampshire had a lower state tax burden at \$841.49. Following is a listing of per capita state tax burdens for all 50 states, beginning with the highest:

Connecticut	\$2,932.21	Vermont	\$1,703.80
Delaware	2,695.01	<b>Iowa</b>	<b>1,696.69</b>
Hawaii	2,671.17	<b>Wyoming</b>	<b>1,694.23</b>
<b>Minnesota</b>	<b>2,613.69</b>	Virginia	1,682.36
Massachusetts	2,385.65	Mississippi	1,652.02
Michigan	2,365.66	Indiana	1,638.27
Wisconsin	2,214.63	Ohio	1,614.64
California	2,183.96	Oklahoma	1,613.21
Washington	2,143.29	Oregon	1,610.72
New York	2,126.81	Georgia	1,600.08
New Jersey	2,078.54	<b>Nebraska</b>	<b>1,597.87</b>
Maine	2,027.53	Arizona	1,578.53
New Mexico	2,002.60	Florida	1,574.43
Rhode Island	1,912.76	Missouri	1,566.03
Nevada	1,895.81	Montana	1,546.60
North Carolina	1,886.90	South Carolina	1,498.68
Kentucky	1,857.15	Colorado	1,476.07
Maryland	1,833.07	Alaska	1,461.07
Arkansas	1,806.45	Alabama	1,380.42
Pennsylvania	1,799.96	Louisiana	1,379.19
Illinois	1,748.90	Tennessee	1,311.44
<b>North Dakota</b>	<b>1,746.19</b>	Texas	1,280.95
West Virginia	1,742.24	<b>South Dakota</b>	<b>1,184.25</b>
Idaho	1,734.54	New Hampshire	891.49
Kansas	1,729.23		
Utah	1,711.15	<b>National Average</b>	<b>\$1,835.27</b>

The map on the following pages compares South Dakota's sales, gasoline and cigarette tax rates with those of other states. Five states (Alaska, Delaware, Montana, New Hampshire, and Oregon) do not charge a state sales tax. Of the remaining states, seven (Alabama, Georgia, Hawaii, Louisiana, North Carolina, New York, and Wyoming) charge the same 4% rate as South Dakota and only two (Colorado and Virginia) have lower state sales tax rates.

# How SD Compares to Other States/continued

## Five Highest Gasoline Tax Rates

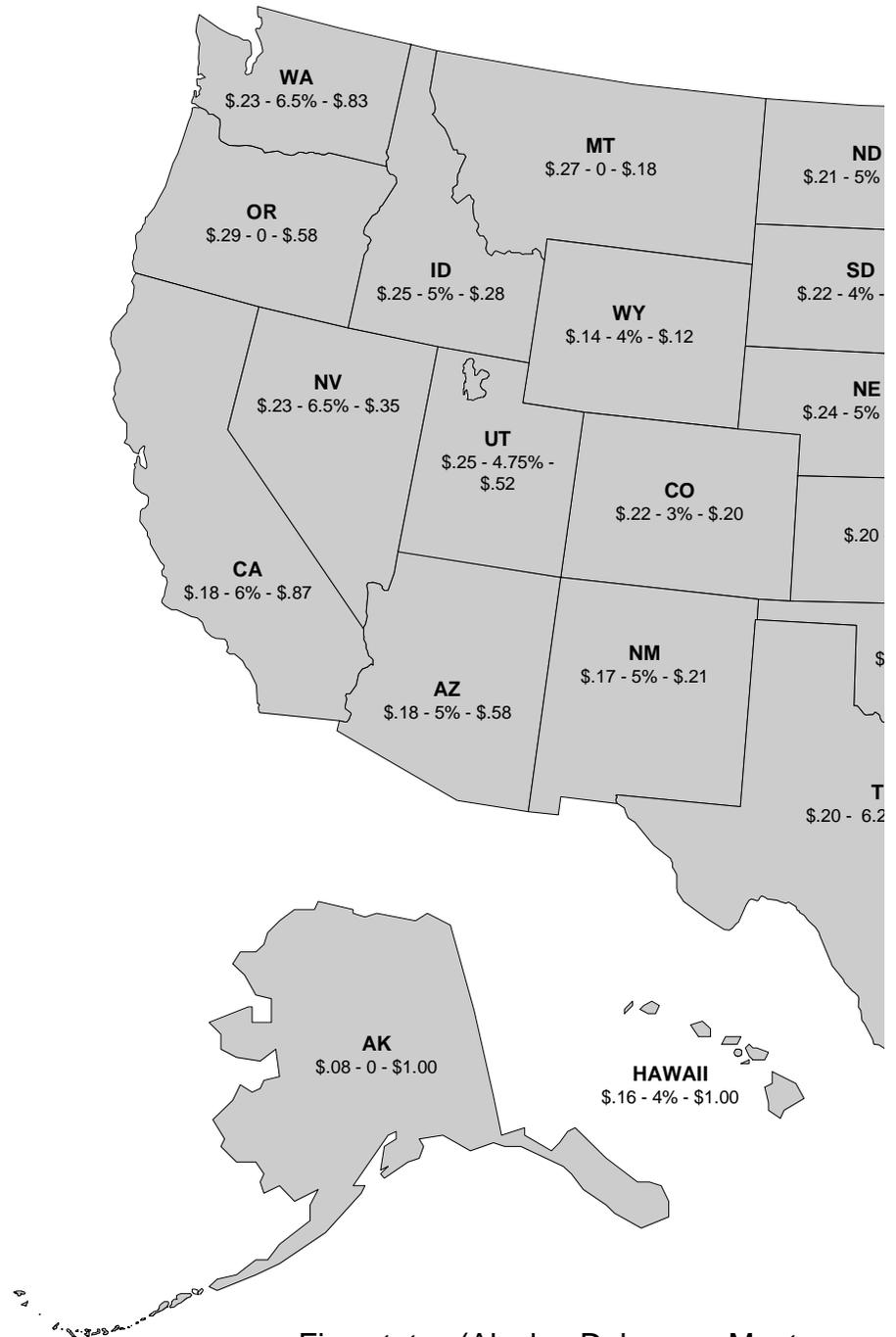
Connecticut	\$ .32
Oregon	\$ .29
Rhode Island	\$ .28
Montana	\$ .27
Wisconsin	\$ .258
<b>South Dakota</b>	<b>\$ .22</b>

## Five Highest Sales Tax Rates

Mississippi	7%
Rhode Island	7%
Washington	6.5%
Nevada	6.5%
Minnesota	6.5%
<b>South Dakota</b>	<b>4%</b>

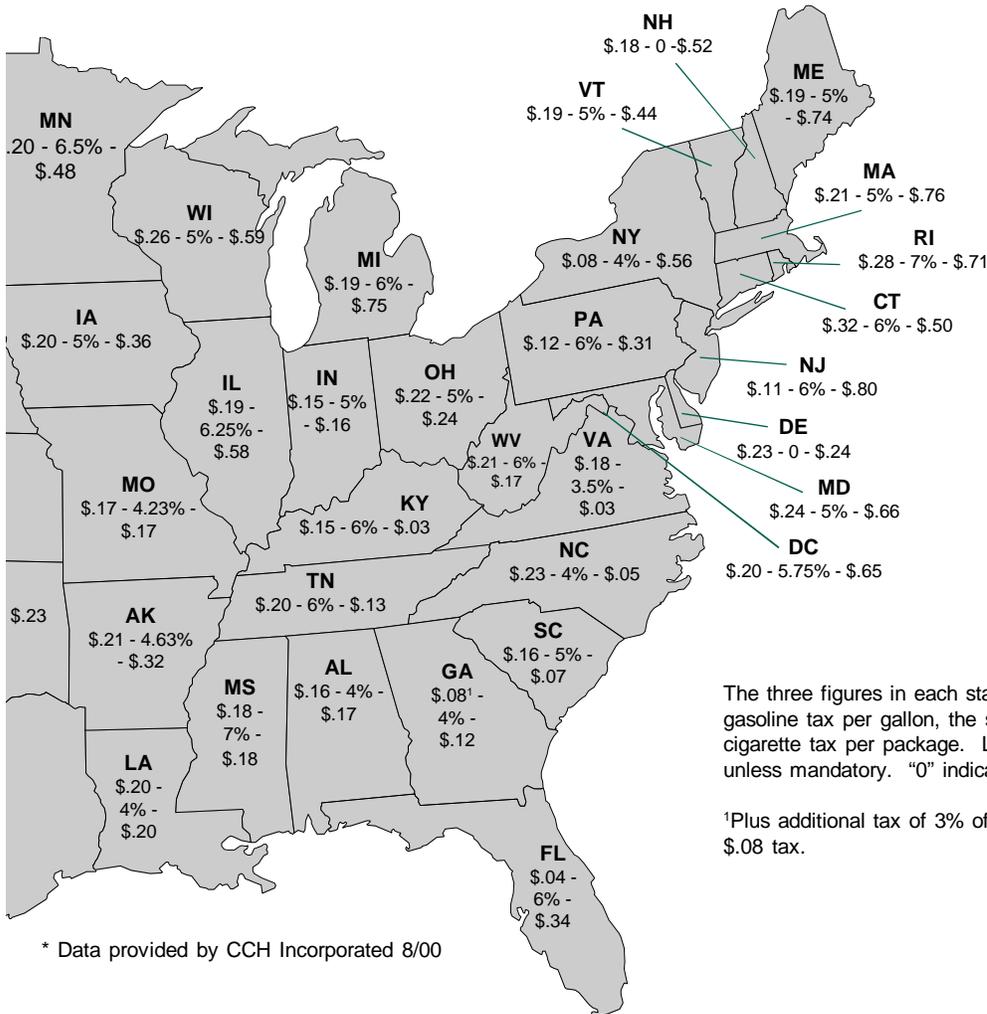
## Five Highest Cigarette Tax Rates

Alaska	\$1.00
Hawaii	\$1.00
California	\$.87
Washington	\$.825
New Jersey	\$.80
<b>South Dakota</b>	<b>\$.33</b>



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

# How SD Compares to Other States/continued



The three figures in each state are, left to right, 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.

<sup>1</sup>Plus additional tax of 3% of retail sales price, less the \$0.08 tax.

\* Data provided by CCH Incorporated 8/00

## Comparing the Region

	Gas Tax (cts. per gallon)	Sales Tax (%)	Cigarette Tax (cts. per package)
<b>South Dakota</b>	<b>22</b>	<b>4</b>	<b>33</b>
Iowa	20	5	36
Minnesota	20	6.5	48
Montana	27	0	18
Nebraska	23.9	5	34
North Dakota	21	5	44
Wyoming	14	4	12

# **Tax Simplification/E-Filing 2000 Priorities**



The new millennium brought increased attention to the continuing growth of the computer industry, most notably the Internet. As the number of taxpayers who utilize the Internet increases, the Department of Revenue continues to face the challenges of conducting business in a computerized society. Two priorities emerged in this area in fiscal year 2000: simplifying the sales tax system to meet the increasing sales of goods and services over the Internet; and employing the convenience of the Internet to allow taxpayers to file and pay their state taxes electronically.

## **Internet Taxation/Tax Simplification**

In 1999, the Advisory Commission on Electronic Commerce was formed to study existing sales and use tax systems nationwide to determine how well they function in an electronic environment. Among the issues concerning the Commission was whether or not sales tax should apply to Internet access and the sale of goods and services over the Internet. The Department of Revenue was extremely active in this discussion. In 2000, the South Dakota Legislature passed Senate Bill 45, allowing Governor Janklow to join a multi-state compact for the development, implementation and administration of a simplified sales and use tax collection system. Since that time, the department has been extremely active in working with other states to create the Streamlined Sales Tax Project. That project is working toward a simpler and more uniform sales tax system across the country that will reduce the administrative burden businesses face collecting state and local sales taxes.

## **Internet Filing**

SD QUEST (Quick Easy Secure Tax Filing), the Department of Revenue's electronic tax filing system, marked the end of its first year of operation in October 2000. From October 1, 1999 through October 31, 2000, a total of 18,893 returns were filed through the new system with \$173,878,555.26 in sales, use and contractors' excise taxes collected. Taxpayers participating in SD QUEST have the choice of using a toll-free Telefile system by calling 1-877-725-3773 or logging on to the Internet at [www.sdquest.com](http://www.sdquest.com). Both systems allow taxpayers to file their state tax returns and make tax payments 24 hours a day, seven days a week. An average of 75% of SD QUEST taxpayers file over the Internet. The new program was designed to reduce the large amount of paperwork and the potential for time-consuming errors caused by filing paper returns.

## 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) 348-2332  
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 N. Spruce St., Ste 127  
Yankton, SD 57078-5320  
(605) 668-2939  
Fax: 668-2936

## Toll-Free Phone Center

Help is just a phone call away with the Department of Revenue's free helpline! Offering answers to your tax questions weekdays from 8:00am to 6:00pm CST. Just call 1-800-TAX(829)-9188.

## Department Website

Visit us on the Internet at [www.state.sd.us/revenue/](http://www.state.sd.us/revenue/). From registering for our tax seminars to downloading forms and publications, you'll find answers to your questions on our award-winning Department of Revenue website.



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

*The **South Dakota Department of Revenue Annual Report** is written and designed to make information accessible to the general reader. Six hundred twenty-five copies of this document were printed by the department at a cost of \$2.68 per document.*