

Annual Report 2009



South Dakota

Department of
Revenue & Regulation

Table of Contents

2	Secretary's Report
3	Department Overview
4	Tax Revenues: Collections
6	Tax Revenues: Distribution
8	A History of South Dakota Taxes
9	A Listing of South Dakota Taxes
12	Sales, Use and Contractors' Excise Taxes
18	Special Taxes
19	Property Taxes
24	Fuel Tax and Motor Vehicle Licensing
26	How SD Compares to Other States
28	Audits
29	Legal Services
29	Insurance Fraud Prevention Unit
32	Division of Insurance
33	Administrative Services
33	Appraiser Certification Program
34	Division of Banking
35	Division of Securities
36	South Dakota Lottery
38	Commission on Gaming
40	Real Estate Commission
41	Petroleum Release Compensation Fund
42	Department Resources
43	Taxpayer Bill of Rights

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

'Revenues fall', 'unemployment rates increase', 'third quarter in decline', 'mortgage foreclosures on the rise' ... These are the headlines that seem to define the previous year in our country. Even though reports indicate economic conditions in our state may not be to the magnitude of what has affected the nation as a whole, it is apparent that these headlines apply even in South Dakota to a degree not realized for many decades.

In light of these difficult economic times, the Department considers it even more important to administer a fair and equitable tax structure in which all taxpayers share the tax burden. While South Dakota's struggles may not be as severe as some of our neighboring states, we still face many serious challenges in our goal to maintain the delicate balance between the needs of our constituents and the availability of funding to meet those needs. The Department continues to focus on its role to maximize revenues within the existing tax structure and to remain diligent in its regulation of financial services, real estate and gaming industries to provide consumer protection.



Paul Kinsman, Secretary

One area of our tax structure that has been building toward change for many years is agricultural land property tax assessment. For several years, the Legislature has searched for a solution to the decreasing number of usable sales for ag land valuation, and in 2009, passed Senate Bill 3 which begins the implementation of the change in ag land assessment to the productivity valuation method. While there is no formula or system that can perfectly value all of ag land in the state, the change to productivity valuation was determined by the Legislature to be the best solution to address ag land property assessment in South Dakota. Beginning with the 2010 assessments, for taxes payable in 2011, agricultural land in South Dakota will be assessed based upon its productivity value. Additional information about agricultural land productivity valuation can be found in the Property Taxes area of the Department's website: <http://www.state.sd.us/drr2/revenue.html>.

The ripple effect from the nation's economic recession has been most evident in our state banking industry. While our state chartered banks have faced some of the same challenges that their counterparts in other states have experienced, South Dakota banks appear to be weathering this economic storm. The health of our community bank is directly affected by the local economic conditions, and while our economy is not as strong as we would like, it is much better than most areas throughout the country. As a result of the stress in the financial services system, the banking industry is facing a long road to recovery and, as the state bank regulator, the Division of Banking has increased its review and examination process. We are cautious, yet optimistic, that our state chartered banks will rebound and continue to provide risk appropriate credit to our citizenry in a sound responsible manner.

Looking ahead, I am confident the Department of Revenue and Regulation will continue to perform with the utmost efficiency and effectiveness, even with the challenges that we currently face. We will continue to promote voluntary compliance through taxpayer education programs, provide constituent support through our taxpayer assistance line, maintain internet access to all forms and publications, as well as operate on-line renewal for motor vehicle registrations and the e-file and e-pay system for sales, use and contractors' excise tax returns.

Respectfully submitted,

A handwritten signature in cursive script that reads "Paul Kinsman". The signature is written in dark ink on a light-colored background.

Paul Kinsman

Department Overview

The Department of Revenue & Regulation consists of 11 divisions, 3 boards or commissions, and the Office of the Secretary. Included in the department are: the Abstractor's Board of Examiners; Audits; Banking; Business Tax; Division of the Secretariat (includes Administrative Services, Appraiser Certification Program, and Legal Services); Gaming Commission; Insurance; Insurance Fraud Unit; Lottery; Motor Vehicles; Petroleum Release Compensation Fund; Property and Special Taxes; Real Estate Commission; and Securities. The department secretary, division directors and a majority of staff are in Pierre, housed in four locations:

Anderson Building, 445 East Capitol Avenue: Office of the Secretary, Audits, Business Tax, Division of the Secretariat, Insurance, Insurance Fraud Unit, Motor Vehicles, Petroleum Release Compensation Fund, Property and Special Taxes, and Securities

St. Charles Building, 207 East Capitol Avenue: South Dakota Lottery

Trucano Building, 217 1/2 West Missouri Avenue: Banking

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

The department also has six divisional field offices in Aberdeen, Mitchell, Rapid City, Sioux Falls, Watertown, and Yankton as well as employees in Deadwood and North Sioux City.

In fiscal year 2009, 327 full-time employees worked for the Department of Revenue & Regulation administering, collecting, and distributing the state's 90 separate types of taxes and fees. Total administrative costs were \$65,910,893, of which \$1,209,535 were general fund dollars.

The Department's Management Team



First Row (left to right):
Bruce Christensen, Audits; Paul Kinsman, Secretary; David Wiest, Deputy Secretary; Michael Kenyon, Property and Special Taxes; and Norm Lingle, Lottery.

Second Row (left to right):
Merle Scheiber, Insurance; Gail Sheppick, Securities; Sherry Bren, Appraiser Certification; Andy Fergel, Chief Legal Counsel; and Dennis Rounds, Petroleum Release Compensation Fund.

Third Row (left to right):
Joan Serfling, Administrative Services; Dee Jones Noordermeer, Real Estate Commission; Larry Eliason, Gaming Commission; and Jan Talley, Business Tax.

Not pictured: Debra Hillmer, Motor Vehicles; Roger Novotny, Banking.

Tax Revenues: Collections

The Department of Revenue & Regulation is the principal tax agency for the State of South Dakota and collects 36 different state taxes. These taxes are grouped into four main categories: sales, use, and contractors' excise taxes; motor fuel taxes; motor vehicle fees and taxes; and special taxes. Once collected, these tax revenues are distributed to three primary locations: the state's general fund, local units of government, and the state highway fund.

In fiscal year 2009 revenue from all 36 state taxes totaled \$1,444,656,266, a decrease of \$25,616,505 from fiscal year 2008 revenues of \$1,470,272,771. Total revenues from the past five years are shown below.

Total Revenues: A Five Year Comparison

Fiscal Year	Total Revenues	Percent of Change
2005	1,189,575,128	4.88%
2006	1,276,660,603	7.32%
2007	1,369,683,818	7.29%
2008	1,470,272,771	7.34%
2009	1,444,656,266	-1.74%
Five-Year Average	\$1,350,169,717	N/A

Revenues by Category

Of the total tax revenue collected in fiscal year 2009, 74% came from sales, use and contractors' excise taxes. Motor fuel taxes accounted for 10%, special taxes 9%, and motor vehicle taxes 7%. The table below shows a five year comparison of revenues collected in each category.

Revenues by Tax Category: 2005 - 2009

Fiscal Year	Sales Use, and Excise Taxes*	Motor Fuel Taxes**	Special Taxes	Motor Vehicle Fees***
2005	849,480,194	140,648,574	97,858,463	101,587,897
2006	925,862,370	141,048,510	109,202,262	100,547,461
2007	981,337,354	138,737,571	142,786,691	103,859,018
2008	1,055,611,168	145,688,345	155,725,223	109,405,931
2009	1,066,082,423	138,152,006	136,743,929	103,677,908
Five-Year Average	\$975,674,702	\$140,855,001	\$128,463,314	\$103,815,643

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

** Includes Tank Inspection Fees

***Includes Single State Registration Fees

Revenues by Type of Tax

In fiscal year 2009, the revenue produced by the 36 separate taxes and fees administered by the department varied from a low of \$1,513 to a high of \$669,118,106.

A Three-Year Comparison of Revenues by Type of Tax

	FY2007	% Increase (Decrease) over Previous Year	FY2008	% Increase (Decrease) over Previous Year	FY2009	% Increase (Decrease) over Previous Year
Sales and Use Taxes - State	\$612,427,671	4.70%	\$654,818,650	6.92%	669,118,106	2.18%
Contractors' Excise Tax - State	78,790,924	4.91%	78,978,429	0.24%	71,384,919	-9.61%
Sales, Use, Contractors' Excise Tax - Cities	254,888,492	5.59%	270,988,082	6.32%	275,551,719	1.68%
Sales, Use, Contractors' Excise Tax - Tax Collection Agreements	6,128,338	13.53%	6,391,244	4.29%	6,707,443	4.95%
Tourism Tax	5,349,006	7.45%	5,748,566	7.47%	5,741,636	-0.12%
Water and Environment Fund	950,856	84.08%	475,860	-49.95%	165,733	-65.17%
Intermediate Care Facility	0	N/A	683,279	N/A	919,745	34.61%
Refund for Construction of Facility	11,526,124	229.03%	25,866,090	124.41%	23,316,260	-9.86%
Motor Vehicle Leasing Fund	1,276,510	4.03%	1,512,720	18.50%	1,457,116	-6.38%
Telecom	9,999,433	0%	10,831,527	8.32%	11,719,746	8.20%
Aviation Fuel	701,136	-0.16%	705,423	0.61%	678,735	-3.78%
Motor Fuel Tax	120,218,051	-1.48%	126,502,443	5.23%	116,653,798	-7.79%
Motor Fuel Tax - Tax Collection Agreements	2,963,184	-3.50%	3,153,342	6.42%	3,216,085	1.99%
Interstate Fuel Users Tax	2,565,468	-2.95%	2,412,017	-5.98%	2,248,039	-6.80%
Tank Inspection Fees	15,252,916	-2.73%	16,068,462	5.35%	15,355,349	-4.44%
Prorate	14,150,633	9.53%	14,084,615	-0.47%	14,422,070	2.40%
Single State Registration Fees	56,399	N/A	1,084,842	1823.51%	1,003,180	-7.53%
Motor Vehicle Titles and Registration	89,651,986	2.31%	94,236,474	5.11%	88,252,658	-6.35%
Cigarette Tax - State	43,992,013	64.79%	57,159,643	29.93%	57,190,869	0.05%
Cigarette Tax - Tax Collection Agreements	1,081,564	47.99%	1,801,348	66.55%	2,635,971	46.33%
Cigarette License Fees	10,125	1.45%	12,675	25.19%	12,300	-2.96%
Other Tobacco Products	2,662,707	80.05%	5,306,176	99.28%	5,356,550	0.95%
Other Tobacco Products - Tax Collection Agreements	23,574	NA	70,629	199.61%	135,266	91.52%
Liquor License Fees	43,450	1.15%	51,055	17.50%	49,955	-2.15%
Malt Beverage Beer License Fees	272,000	0.24%	267,900	-1.51%	270,440	0.95%
Alcoholic Beverage Brand						
Registration Fees	200,035	12.36%	210,860	5.41%	230,275	9.21%
Beer Tax	5,938,799	1.69%	6,031,009	1.55%	6,180,649	2.48%
Liquor Tax	6,148,566	9.14%	6,353,729	3.34%	6,536,026	2.87%
Alcoholic Beverage 2% Purchase						
Price Tax	1,125,604	12.29%	1,212,155	7.69%	1,284,897	6.00%
Wholesale Beer License Fee	3,400	21.43%	2,600	-23.53%	2,600	0%
Underage Penalty Fee	88,500	0%	111,500	25.99%	157,500	41.26%
Bank Franchise/Bank Card Tax	75,747,631	22.44%	69,885,118	-7.74%	48,772,364	-30.21%
Inheritance Tax	505,309	-31.74%	118,157	-76.62%	15,659	-86.75%
Ore Tax	1,547,355	40.92%	1,311,132	-15.27%	2,069,872	57.87%
Energy Mineral Tax	3,152,890	-3.16%	5,526,990	75.30%	5,596,520	1.26%
Coin Laundry License Fees	126,386	-9.54%	124,276	-1.67%	126,740	1.98%
Coin Laundry License Fees-Tax Collection Agreements	0	NA	0	NA	1,513	NA
Trading Stamps License Fee	50	0%	50	0%	0	-100%
Amusement Device Fee	67,161	-30.47%	122,832	82.89%	65,205	-46.92%
Bingo License Fee	25,000	-9.09%	25,000	0%	25,000	0%
Bingo Tax	24,572	-2.50%	25,872	5.29%	27,758	7.29%
Total	\$1,369,683,818	7.03%	\$1,470,272,771	7.34%	1,444,656,266	-1.74%

Tax Revenues: Distribution

Distribution of Taxes

In fiscal year 2009, the \$1,444,656,266 in tax revenues collected by the department was distributed to various funds and units of government. The largest portion of revenues (56.1%) was deposited in the state's general fund, with 24.6% going to local governments, 11.7% to the State Highway Fund, and 7.6% to other uses.

While sales, use and contractors' excise taxes make up 64% of the state general fund, the remainder of the fund comes from special taxes and fees and other sources which include the South Dakota Lottery and CRP program. The following chart shows the taxes that produce the revenues and the manner in which the revenues are distributed.

How Taxes Are Distributed

Tax	General Fund	Local Gov't	State Highway Fund	Other
State Sales Tax	100%	-0%	-0%	-0%
State Use Tax	100%	-0%	-0%	-0%
State Contractors' Excise Tax	100%	-0%	-0%	-0%
Municipal Sales and Use Tax (1)	-0%	100%	-0%	-0%
Cigarette Excise Tax	(2)	-0%	-0%	-0%
Cigarette License Fee	100%	-0%	-0%	-0%
Estate 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%	-0%
Malt Beverage Occupational Tax	75%	25%	-0%	-0%
Conservation Tax	-0%	-0%	-0%	(5)
Amusement Machine Registration	(6)	(6)	-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	(2)	-0%	-0%	-0%
Alcoholic Beverage 2% Purchase Price Tax	100%	-0%	-0%	-0%
Wholesale Liquor License Fee	100%	-0%	-0%	-0%
Alcohol Beverage Brand Registration Fee	100%	-0%	-0%	-0%
Aviation Fuel Tax	-0%	-0%	-0%	Aeronautics Fund (DOT)
Motor Fuel Tax	-0%	-0%	97%	(7)
Tank Inspection Fee	-0%	-0%	-0%	(8)

(continued on next page)

How Taxes Are Distributed/continued

Tax	General Fund	Local Gov't	State Highway Fund	Other
Prorate Fee (9)	-0-%	98.5%	-0-%	(10)
Motor Vehicle Excise Tax	-0-%	-0-%	100%	
Motor Vehicle Registration Fee	-0-%	95.75%	-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	25%	63.75%	-0-%	11.25% - MVF

- (1) The state retains an administrative fee, which varies from .55% to 1%.
- (2) The first \$30 million collected annually is deposited in the State General Fund. All revenue in excess of \$30 million goes into the Tobacco Prevention and Reduction Trust Fund.
- (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) 100% of the tax collected is placed in the Environment and Natural Resources fee fund.
- (6) 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.
- (7) 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 140 gallons times the tax rate is transferred to the parks recreation fund; an amount equal to 35% of claimed refunds not to exceed \$1,500,000 is transferred to the conservation commission; the taxes collected under the provisions of the International Fuel Tax Agreement are transferred to member jurisdictions; and 2% is transferred to the Motor Fuel Tax Administration Account.
- (8) Beginning January 1, 2003, 50% of the revenue collected shall be deposited in the ethanol fuel fund and the remaining 50% distributed as follows: 78.7% deposited in the capitol construction fund and 21.3% deposited in the petroleum release compensation fund.
- (9) Other prorate fees: duplicate cab card, trailer fees, tractor registration fees, and transfer fees are deposited in the State Highway Fund. Trailer ID fees and duplicate fees are deposited in the License Plate Special Revenue Fund (LPR). Title and penalty fees and administration fees are deposited in the State Motor Vehicle Fund (MVF).
- (10) .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.
- (11) 1.75% is deposited in the State Motor Vehicle Fund (MVF), and 2.5% goes to the License Plate Special Revenue Fund (LPR).
- (12) 90% goes to Game, Fish and Parks, 10% to the State Motor Vehicle Fund (MVF).

A History of South Dakota Taxes

A Chronology of Tax Legislation

The first state tax in South Dakota - an inheritance tax - was enacted by the legislature in 1905. Since that time, there have been a number of major expansions and changes in our tax codes, as evidenced by this chronology of the tax history of South Dakota.

- 1905 Inheritance Tax**
2000 Last Major Change: Voters repealed the tax.
- 1913 License Fees, Non-Commercial**
1999 Last Major Change: Fees increased on non-commercial vehicles by an average of \$12. Motor home fees increased. Travel trailers no longer qualified for ID plates.
- 1923 Motor Fuel**
2009 Last Major Change: Changed how tax is applied to blended fuels (gasahol). Tax applied to ethyl alcohol at \$.08 per gallon and tax on gasoline at \$.22 per gallon.
- 1923 Cigarettes**
2007 Last Major Change: Voters approved increasing the tax from \$.53 to \$1.53 per pack of 20 and \$.67 to \$1.92 per pack of 25.
- 1933 License Fees, Commercial**
1982 Last Major Change: License fees were restructured.
- 1935 Alcohol Beverage**
2008 Last Major Change: A package beer and package farm wines license was added with a fee of \$175. Also added was a full service restaurant on-sale liquor license with the fee based on current fair market value or population.
- 1935 Sales Tax**
2004 Last Major Change: Tax repealed on trucking of products and small package delivery companies. Also exempted transportation services provided by household moving companies.
- 1935 Mineral Extraction**
1994 Last Major Change: Changed from gross yield and net income to gross production (\$4.00 per ounce of severed gold) and 10% net income.
- 1937 Motor Vehicle Registration**
2009 Last Major Change: Limited special plates for Disabled Veterans, Prisoners of War, Pearl Harbor Survivors, and Purple Heart recipients to two sets of plates for \$10 per year with no registration fee.
- 1939 Bank Franchise**
2000 Last Major Change: Lowered the net income levels on which the bank franchise tax is based.
- 1939 Use Tax**
2004 Last Major Change: Tax repealed on trucking of products and small package delivery companies. Also exempted transportation services provided by household moving companies.
- 1941 Special Fuel**
1999 Last Major Change: Tax increased on April 1 from \$.18 to \$.22 per gallon.
- 1965 Interstate Fuels**
1995 Last Major Change: Allowed state to enter into agreements for the collection of fuel tax on interstate motor carriers.
- 1977 Energy Minerals**
No major changes made since implementation.
- 1979 Contractors' Excise Tax**
1995 Last Major Change: Increased the tax rate on utility contracts from 1.5% to 2%.
- 1988 Tank Inspection Fee**
1993 Last Major Change: Increased from \$.01 per gallon to \$.02 per gallon on all petroleum products introduced into this state.
- 1995 Other Tobacco Products Tax**
2007 Last Major Change: Voters approved increasing from 10% to 35% the tax imposed on the wholesale purchase price of other tobacco products.
- 1998 Alcohol Beverage: Cider**
1998: Cider was added as a category at a rate of \$.28 per gallon.

A 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 per location 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; \$175.00 - off-sale beer and off-sale farm wines)
Beer Occupational Tax	Imposed on all 31-gallon barrels of malt beverages imported and received by all licensed beer and liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: \$8.50 per bbl.)
Bingo/Pull Tab Tax	All bingo paper and pull tab distributors pay a monthly tax of 5% of gross sales of these products. (Authority: SDCL 22-25-48) (Rate base: 5% of gross sales)
Bingo/Pull Tab Tax Licenses	Persons or entities selling bingo paper or pull tabs to any organization conducting bingo games or pull tab lotteries must acquire a distributor's license. Persons or entities manufacturing bingo paper or pull tabs and selling these products to South Dakota distributors must obtain a manufacturer's license. (Authority: SDCL 22-25-28, 29) (Rate base: Distributor - \$5,000 annually; Manufacturer - \$2,500 annually)
Cigarette Excise Tax	Imposed on all packs of 20 and 25 cigarettes; stamps or impressions applied by the cigarette distributor prior to any sale to retailers for resale. (Authority: SDCL 10-50-3) (Rate Base: \$1.53 cigarette stamp on packs of 20 and \$1.92 cigarette stamp 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. (Authority: SDCL 10-50-9) (Rate Base: \$150.00 annually)
Coin-Operated Laundromat Fee	Imposed on operators of coin-operated laundromats and drycleaning businesses which is in lieu of sales or use tax provisions. \$10.00 per unit in cities of 1,000 population or over and all rural areas. \$8.00 per unit in cities of under 1,000 population. (Authority: SDCL 10-45-5.1) (Rate Base: \$8.00 per unit and \$10.00 per unit)
Commercial License Fee	In consideration of the unusual use of the public highways, each person, except as otherwise provided in this chapter, desiring to operate a motor vehicle, trailer or semitrailer, upon the public highways of this state as a motor carrier, annually pays the commercial motor vehicle fee based on gross weight. (Authority: SDCL 32-9-15 and SDCL 32-9-22) (Rate Base: fees are based on maximum gross weight)
Conservation Tax	Imposed on the severance of all energy minerals, paid quarterly by the severor. (Authority: SDCL 10-39B) (Rate Base: 2.4 mills of taxable value)
Contractors' Excise Tax	Contractors' Excise Tax of 2% is imposed on gross receipts of prime and subcontractors on realty improvement contracts performed for qualifying utility projects. Sales and use tax is applicable on construction materials. (Authority: SDCL 10-46B) (Rate Base: 2%) A contractors' excise tax of 2% is imposed on gross receipts of prime contractors on all other realty improvement contracts, including labor and materials. (Authority: SDCL 10-46A) (Rate Base: 2%)

Tax Listing/continued

Tax	Description
Contractors' Use Tax	Imposes use tax on contractors and subcontractors who use tangible personal property in the performance of realty improvement contracts. Tax applies on the cost or fair market value of property, whichever is greater. Materials used in public contracts are taxable. (See Contractors' Excise Tax) (Authority: SDCL 10-46-5) (Rate Base: 4%)
Energy Minerals	Imposed on owners of energy minerals for the privilege of severing said minerals. (Authority: SDCL 10-39A) (Rate Base: 4.5% of taxable value)
Estate Tax	Imposed on estates in an amount equal to any unused Federal-State Death Tax Credit. (Authority: SDCL 10-40A) (Rate Base: Unused Federal Credit)
Excise Tax on Farm Machinery, Farm Attachment Units, and Irrigation Equipment	Imposed on the sale, use or lease of farm machinery, farm attachment units, and irrigation equipment. (Authority: SDCL 10-46E) (Rate Base: 4%)
Interstate Fuel Use Tax	Provides an additional method of collecting fuel taxes from interstate motor vehicle operators commensurate with their operations on South Dakota highways. (Authority: SDCL 10-47B) (Rate Base: .22/gallon - Diesel; .20/gallon - Liquid Petroleum Gas)
Liquor License Fee	Imposed on all applicants requesting permission to obtain and operate under the provision of any classified license listed in the area of distilled spirits and liquor. (Authority: SDCL 35-4-2) (Rate Base: \$4,000.00 - Distiller; \$5,000.00 - Wholesaler; \$500.00 - Artisan Distiller; \$25.00 - Solicitors; \$25.00 - Transporters; \$100.00 - Carriers; \$10.00 - Dispensers)
Liquor Tax	Imposed on every gallon of distilled spirits imported and received by in-state licensed liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: \$3.93 per gallon)
Mobile Home	An initial registration fee at the rate of four percent of the purchase price of a mobile home or if a bill of sale is not available, the fair market value thereof. The payment of such license fee shall be in full and is in lieu of all occupational, sales, excise, privilege and franchise taxes levied by this state upon the gross receipts from all sales of mobile homes. (Authority: SDCL 32-5-16.1) (Rate Base: 4% on purchase price or fair market value)
Motor Fuel/Special Fuel Tax	A tax is imposed on all motor fuel and special fuel that is removed from a terminal in this state and on all imports of fuel, except dyed diesel fuel. A tax of \$.22 per gallon is imposed on all gasoline and \$.08 per gallon on ethyl or methyl alcohol sold or used in this state. Dyed diesel fuel is either exempt or subject to sales tax depending on the use of the fuel. (Authority: SDCL 10-47B) (Rate Base: .22/gallon - Motor Fuel/Special Fuel; \$.08/gallon ethyl/methyl alcohol; .06/gallon - Aviation; .10/gallon - Alternative Fuel for road purposes/ Compressed Natural Gas; .04/gallon Jet Fuel and Alternative Fuel for aircraft purposes)
Motor Vehicle Excise Tax	In addition to all other license and registration fees for the use of the highways, a person pays an excise tax at the rate of three percent on the purchase price of any snowmobile, boat or motor vehicle, as defined by 32-3-1 or 32-3A, purchased or acquired for use on the streets, highways or waterways of this state and required to be registered under the laws of this state. This tax is in lieu of any tax levied by chapters 10-45 and 10-46 on the sales of such vehicles. (Authority: SDCL 32-5B-1 thru 32-5B-20, 32-20A-15 and 32-3A) (Rate Base: 3% purchase price)
Municipal Gross Receipts Tax	Municipal Gross Receipts Tax imposed by city ordinance, administered by the Department of Revenue & Regulation, in addition to state tax. Imposed on alcoholic beverages, eating establishments, lodging accommodations, ticket sales and admission to places of amusement, or athletic and cultural events. (Authority: SDCL 10-52A)(Rate Base: 1%)
Municipal Sales and Use Tax	Municipal sales and use taxes imposed by city ordinance, administered by the Department of Revenue & Regulation, in addition to state tax. (Authority: SDCL 10-52) (Rate Base: No specific rate, rates vary from 1% up to 2%)
Non-Commercial License Fees	License fees and compensation on non-commercial motor vehicles, including automobiles, pickups and vans with an empty weight of 10,000 lbs. or less (pickups in the 6,001 - 10,000 lbs. category have the option of licensing non-commercial or non-commercial declared gross weight), trailers and semitrailers for use on the highways payable under SDCL 32-5-5, shall be determined by the manufacturer's shipping weight. License fees and compensation on non-commercial motor vehicles which are not automobiles, pickups or vans shall be determined on declared gross weight. (Authority: SDCL 32-5-5, 32-5-6, 32-5-6.1,32-5-6.3, 32-5-6.4, and 32-5-8) (Rate Base: Fees are based on the age and weight of the vehicle)
Ore Tax	Imposed on all companies severing precious metals within the state; based on the gross production and net income from the sale of such metal. Each producer is given a 20 ounce exemption per year. (Authority: SDCL 10-39-43, 10-39-45.1, 10-39-56) (Base Rate: \$4 per ounce of gross gold production plus 10% of net income and 8% of royalties other than those owned by federal, state, or local governments)

Tax Listing/continued

Tax	Description																																										
Other Tobacco Products Tax	Imposed on distributors and wholesalers 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: 35%)																																										
Retail Liquor License Fee	<p>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)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="text-align: center;"><u>Rate Base:</u></th> <th style="text-align: center;"><u>City:</u></th> </tr> </thead> <tbody> <tr> <td>Off-sale Package Liquor</td> <td style="text-align: center;">\$ 500.00(min)</td> <td>First Class (NEW)</td> </tr> <tr> <td>Off-sale Package Liquor</td> <td style="text-align: center;">\$ 500.00</td> <td>First Class (RENEWAL)</td> </tr> <tr> <td>Off-sale Package Liquor</td> <td style="text-align: center;">\$ 400.00(max)</td> <td>Second Class</td> </tr> <tr> <td>Off-sale Package Liquor</td> <td style="text-align: center;">\$ 300.00(max)</td> <td>Third Class</td> </tr> <tr> <td>On-sale Retailer Liquor (New)</td> <td style="text-align: center;">\$1.00/person (min)</td> <td>First Class</td> </tr> <tr> <td>On-sale Retailer Liquor (Renewal)</td> <td style="text-align: center;">\$1500.00</td> <td>First Class</td> </tr> <tr> <td>On-sale Retailer Liquor</td> <td style="text-align: center;">\$1200.00 (max)</td> <td>Second Class</td> </tr> <tr> <td>On-sale Retailer Liquor</td> <td style="text-align: center;">\$ 900.00(max)</td> <td>Third Class</td> </tr> <tr> <td>On-sale Retailer Liquor (Sunday)</td> <td style="text-align: center;">\$ 200.00(max)</td> <td>All Classes</td> </tr> <tr> <td>On-sale Retailer Liquor (Airport)</td> <td style="text-align: center;">\$ 250.00</td> <td>All Classes</td> </tr> <tr> <td>Off-sale Municipal Package</td> <td style="text-align: center;">\$ 250.00</td> <td>All Classes</td> </tr> <tr> <td>On-sale (wine)</td> <td style="text-align: center;">\$ 500.00</td> <td>All Classes</td> </tr> <tr> <td>On-sale Full Service Restaurant</td> <td style="text-align: center;">Contact City</td> <td>All Classes</td> </tr> </tbody> </table>		<u>Rate Base:</u>	<u>City:</u>	Off-sale Package Liquor	\$ 500.00(min)	First Class (NEW)	Off-sale Package Liquor	\$ 500.00	First Class (RENEWAL)	Off-sale Package Liquor	\$ 400.00(max)	Second Class	Off-sale Package Liquor	\$ 300.00(max)	Third Class	On-sale Retailer Liquor (New)	\$1.00/person (min)	First Class	On-sale Retailer Liquor (Renewal)	\$1500.00	First Class	On-sale Retailer Liquor	\$1200.00 (max)	Second Class	On-sale Retailer Liquor	\$ 900.00(max)	Third Class	On-sale Retailer Liquor (Sunday)	\$ 200.00(max)	All Classes	On-sale Retailer Liquor (Airport)	\$ 250.00	All Classes	Off-sale Municipal Package	\$ 250.00	All Classes	On-sale (wine)	\$ 500.00	All Classes	On-sale Full Service Restaurant	Contact City	All Classes
	<u>Rate Base:</u>	<u>City:</u>																																									
Off-sale Package Liquor	\$ 500.00(min)	First Class (NEW)																																									
Off-sale Package Liquor	\$ 500.00	First Class (RENEWAL)																																									
Off-sale Package Liquor	\$ 400.00(max)	Second Class																																									
Off-sale Package Liquor	\$ 300.00(max)	Third Class																																									
On-sale Retailer Liquor (New)	\$1.00/person (min)	First Class																																									
On-sale Retailer Liquor (Renewal)	\$1500.00	First Class																																									
On-sale Retailer Liquor	\$1200.00 (max)	Second Class																																									
On-sale Retailer Liquor	\$ 900.00(max)	Third Class																																									
On-sale Retailer Liquor (Sunday)	\$ 200.00(max)	All Classes																																									
On-sale Retailer Liquor (Airport)	\$ 250.00	All Classes																																									
Off-sale Municipal Package	\$ 250.00	All Classes																																									
On-sale (wine)	\$ 500.00	All Classes																																									
On-sale Full Service Restaurant	Contact City	All Classes																																									
Sales Tax	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. A license is required. (Authority: SDCL 10-45) (Rate Base: 4%)																																										
Tank Inspection Fee	A \$0.02 per gallon fee is imposed upon any petroleum product received in this state. (Authority: SDCL 34A)																																										
Title and Penalty Fees	Title fees are \$5.00 per title; however, if the title is submitted more than 30 days after the date of sale, a late fee of one dollar for each week or fraction thereof beyond the 30-day limitation for 25 weeks and a late fee of \$50 for 26 weeks or more is imposed. (Authority: SDCL 32-3-18 and SDCL 32-3-27) (Rate Base: \$5.00 title fee, variable penalty)																																										
Tourism Tax	Imposed on lodging, visitor attractions, motor vehicle rentals, recreational vehicles, recreational services, spectator events, and visitor intensive businesses. (Authority: SDCL 10-45D) (Rate change effective 07/01/09 from 1% to 1.5%. New rate effective through 06/30/2011)																																										
Trading Stamp License Fee	Imposed annually on all trading stamp and coupon companies who wish to provide retailers with their products. (Authority: SDCL 37-19-1) (Rate Base: \$50.00)																																										
Use Tax	Use Tax is imposed on the privilege of the use, storage and consumption in this state of tangible personal property or services. Tax is imposed on persons using property and services. Certain exemptions apply; property exempted if taxed under 10-45. Use tax license required. (Authority: SDCL 10-46) (Rate Base: 4%)																																										
Wine Tax (High)	Imposed on wines, except sparkling wines, containing 14.1 to 20% alcohol by weight imported and received by in-state licensed liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: \$1.45 per gallon)																																										
Wines and Diluted	Imposed on all wines, except sparkling wine, and diluted beverages containing 3.2 to 14% alcohol by weight imported and received by in-state licensed liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: \$.93 per gallon)																																										
Wine Tax (over 20%)	Imposed on wines containing 20.1 to 24% alcohol by weight and all sparkling wine imported and received by in-state licensed liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: \$2.07 per gallon)																																										

Sales, Use and Contractors' Excise Taxes

Business Tax Division - Jan Talley, Director

The Business Tax Division administers the sales tax, use tax, municipal tax, and contractors' excise tax, as well as the tax collection agreements with Indian tribes. The division issues licenses to new taxpayers, educates current taxpayers, performs reviews of businesses, handles compliance for licensed and unlicensed businesses, and collects delinquent taxes.

It is also the responsibility of the division to administer the construction refund programs. These programs allow businesses to seek a refund of sales, use and contractors' excise tax or delay payment of sales and use tax on projects such as large wind farms, new and expanded agricultural facilities, and power facilities.

Total Revenues

Sales, use and contractors' excise taxes produce the largest portion of the total tax revenues, accounting for 74% of the total revenues in fiscal year 2009. These revenues come from over 76,367 businesses that currently pay sales, use and contractors' excise taxes on their products and services. In fiscal year 2009, sales, use and contractors' excise taxes in South Dakota totaled \$1,022,762,187. This included state taxes, municipal taxes, and taxes collected pursuant to tax collection agreements with Indian tribes.

Of the \$1,022,762,187 collected, 65.4% came from the state sales and use tax; 26.9% from municipal sales and use taxes; 7% from state contractors' excise tax; and 0.7% from taxes collected pursuant to a tax collection agreement with an Indian tribe.

Following is a ten-year comparison of total state revenues from these taxes as well as a percentage breakdown of sales, use and contractors' excise tax revenues.

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

Fiscal Year	Total State Revenues	Percent of Change
2000	482,182,120	5.89%
2001	508,759,868	5.51%
2002	517,325,658	1.68%
2003	538,895,652	4.17%
2004	574,063,634	6.53%
2005	607,436,346	5.81%
2006	660,042,811	8.66%
2007	691,218,595	4.72%
2008	733,797,079	6.16%
2009	740,503,025	0.91%

Municipal Taxes

While cities 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. These sales tax revenues do not necessarily indicate the level of economic activity in these areas since municipalities vary in their tax rates and the size of their tax bases.

City	2009 Rate(s)	FY2008 Remittance	FY2009 Remittance	%Increase (Decrease)	City	2009 Rate(s)	FY2008 Remittance	FY2009 Remittance	%Increase (Decrease)
Aberdeen	1%, 2%	\$14,462,066.16	\$15,065,512.04	4.17%	Ethan	2%	\$122,593.03	\$95,252.06	-22.30%
Akaska	2%	7,877.94	17,826.59	126.28%	Eureka	2%	236,649.54	254,062.51	7.36%
Alcester	2%	154,498.94	147,050.27	-4.82%	Faith	1%, 2%	183,071.84	203,732.95	11.29%
Alexandria	2%	92,671.21	94,709.65	2.20%	Faulton	2%	238,672.99	257,719.74	7.98%
Alpena	1%	89,923.84	87,958.70	-2.19%	Flandreau	1%, 2%	535,125.20	508,261.17	-5.02%
Andover	2%	0.00	17,286.44	NA	Florence	2%	44,659.65	36,003.37	-19.38%
Arlington	2%	274,797.49	257,589.46	-6.26%	Fort Pierre	1%, 2%	907,200.55	959,050.59	5.72%
Armour	2%	202,204.46	203,262.54	0.52%	Frederick	1%	4,877.33	17,023.46	249.03%
Artesian	2%	17,612.52	18,382.63	4.37%	Freeman	2%	462,269.87	540,396.00	16.90%
Ashton	1%	0.00	5,469.07	NA	Garretson	1%, 2%	325,865.13	339,266.71	4.11%
Astoria	1%	0.00	5,105.92	NA	Gary	1%	43,879.85	53,907.16	22.85%
Aurora	1%	36,228.06	50,559.87	39.56%	Gayville	2%	39,124.07	35,139.51	-10.18%
Avon	2%	121,279.59	131,784.75	8.66%	Geddes	2%	52,319.62	48,686.19	-6.94%
Baltic	1%, 2%	119,920.95	107,475.82	-10.38%	Gettysburg	1%, 2%	385,431.23	413,541.86	7.29%
Belle Fourche	1%, 2%	1,903,450.55	1,914,320.34	0.57%	Glenham	2%	15,587.32	15,621.93	0.22%
Belvidere	2%	15,501.62	12,319.62	-20.53%	Gregory	1%, 2%	490,326.66	506,735.73	3.35%
Beresford	1%, 2%	651,719.60	654,107.41	0.37%	Grenville	2%	0.00	4,000.01	NA
Big Stone City	1%	90,584.48	81,591.56	-9.93%	Groton	1%, 2%	467,689.60	477,192.57	2.03%
Bison	2%	0.00	150,681.01	NA	Harrisburg	1%, 2%	630,500.44	710,966.16	12.76%
Blunt	1% GR/ST	17,108.99	33,159.85	93.82%	Harrold	2%	19,353.05	40,326.11	108.37%
Bonesteel	1%	30,100.74	31,778.07	5.57%	Hartford	1%, 2%	518,199.98	515,016.93	-0.61%
Bowdle	2%	115,128.95	121,050.69	5.14%	Hayti	2%	58,694.44	64,780.33	10.37%
Box Elder	1%, 2%	835,328.27	808,999.24	-3.15%	Hazel	1%	6,343.39	8,665.77	36.61%
Brandon	1%, 2%	2,234,266.44	2,137,970.35	-4.31%	Hecla	1%	32,005.55	34,616.33	8.16%
Brandt	2%	17,819.75	18,999.07	6.62%	Henry	1%	27,276.83	26,239.08	-3.80%
Bridgewater	2%	90,564.74	78,287.23	-13.56%	Hermosa	2%	97,496.23	100,589.55	3.17%
Bristol	2%	57,636.61	72,239.12	25.34%	Herreid	2%	62,974.59	118,299.32	87.85%
Britton	1%, 2%	556,728.25	552,039.10	-0.84%	Highmore	1%, 2%	301,473.59	348,538.60	15.61%
Brookings	1%, 2%	10,622,876.52	10,621,996.05	-0.01%	Hill City	1%, 2%	756,850.13	744,232.00	-1.67%
Bryant	2%	41,763.60	78,869.98	88.85%	Hitchcock	1%	14,636.00	12,750.22	-12.88%
Buffalo	1%	73,429.94	64,749.90	-11.82%	Hosmer	1%	21,944.91	22,322.00	1.72%
Burke	2%	228,746.11	236,792.58	3.52%	Hot Springs	1%, 2%	1,424,328.31	1,348,963.70	-5.29%
Canistota	1%, 2%	124,191.76	127,872.63	2.96%	Hoven	2%	132,963.44	154,528.60	16.22%
Canova	1.95%	15,495.27	26,724.67	72.47%	Howard	2%	433,349.34	425,854.26	-1.73%
Canton	2%	786,701.82	730,309.64	-7.17%	Hudson	2%	43,748.30	70,868.97	61.99%
Carthage	2%	24,751.33	40,305.60	62.84%	Humboldt	1%, 2%	114,698.86	110,200.79	-3.92%
Castlewood	2%	104,015.71	91,823.50	-11.72%	Hurley	2%	47,345.73	52,105.28	10.05%
Centerville	1%, 2%	130,342.37	141,781.97	8.78%	Huron	1%, 2%	5,285,318.54	5,557,225.17	5.14%
Central City	2%	61,909.68	66,676.61	7.70%	Interior	1.9%	32,032.63	35,906.00	12.09%
Chamberlain	1%, 2%	1,071,940.28	1,102,165.61	2.82%	Ipswich	2%	266,749.43	284,892.78	6.80%
Chancellor	1%, 2%	87,736.81	67,399.25	-23.18%	Irene	2%	80,345.90	100,972.52	25.67%
Clark	2%	314,191.54	327,101.93	4.11%	Iroquois	1%	30,837.68	26,732.95	-13.31%
Clear Lake	1%, 2%	511,783.29	553,406.47	8.13%	Isabel	2%	57,867.03	59,768.43	3.29%
Colman	2%	168,968.32	195,597.83	15.76%	Java	2%	7,954.57	14,933.89	87.74%
Colome	2%	41,382.92	38,587.55	-6.75%	Jefferson	2%	95,573.11	90,204.04	-5.62%
Colton	1%, 2%	104,331.56	106,272.62	1.86%	Kadoka	1%, 2%	231,851.23	230,509.74	-0.58%
Corona	2%	16,886.15	17,113.55	1.35%	Kennebec	1%, 2%	98,210.72	76,694.40	-21.63%
Corsica	1%, 2%	228,087.75	231,225.85	1.38%	Keystone	1%, 2%	739,425.52	772,035.47	4.41%
Crooks	1%, 1.9%	131,400.24	115,898.48	-11.80%	Kimball	1%, 2%	277,547.57	262,792.94	-5.32%
Custer	1%, 2%	1,274,827.01	1,275,216.31	0.03%	Kranzburg	2%	13,898.82	17,352.32	24.85%
Dallas	1%, 2%	41,341.82	42,681.48	3.24%	Lake Andes	2%	135,933.83	135,938.21	0.40%
Davis	2%	9,929.06	8,693.16	-12.45%	Lake Norden	1%	192,506.80	199,624.11	3.70%
De Smet	1%, 2%	380,801.95	413,905.39	8.69%	Lake Preston	2%	169,639.44	218,093.18	28.56%
Deadwood	1%, 2%	2,410,028.54	2,449,628.15	1.64%	Langford	1%	27,033.22	30,169.28	11.60%
Dell Rapids	1%, 2%	776,824.52	737,013.02	-5.12%	Lead	1%, 2%	654,937.71	642,651.76	-1.88%
Delmont	2%	46,769.40	40,117.32	-14.22%	Lemmon	2%	485,439.61	487,023.76	0.33%
Dimock	2%	22,747.76	22,598.69	-0.66%	Lennox	2%	495,308.77	451,488.61	-8.85%
Doland	2%	23,487.35	35,523.32	51.24%	Leola	2%	82,533.54	87,085.03	5.51%
Dupree	1%	53,326.42	53,856.44	0.99%	Lesterville	1%	13,634.99	13,521.92	-0.83%
Eden	1%	14,706.01	15,991.03	8.74%	Letcher	1%, 2%	30,365.04	27,528.63	-9.34%
Edgemont	1%, 2%	179,463.28	172,550.59	-3.85%	McIntosh	2%	23,086.93	35,076.05	51.93%
Egan	2%	17,904.32	20,067.63	12.08%	McLaughlin	1%	60,486.89	57,613.91	-4.75%
Elk Point	2%	426,449.26	406,040.79	-4.79%	Madison	1%, 2%	2,518,086.12	2,581,732.32	2.53%
Elkton	2%	182,293.92	158,559.88	-13.02%	Marion	2%	242,611.94	245,962.49	1.38%
Emery	2%	83,549.75	97,347.82	16.51%	Martin	1%, 2%	315,818.02	352,779.14	11.70%
Estelline	1%	58,144.49	61,206.28	5.27%	Menno	2%	160,097.96	176,725.48	10.39%

Sales Tax/continued

City	2009 Rate(s)	FY2008 Remittance	FY2009 Remittance	%Increase (Decrease)	City	2009 Rate(s)	FY2008 Remittance	FY2009 Remittance	%Increase (Decrease)
Midland	2%	\$46,423.22	\$43,039.10	-7.29%	South Shore	1%	\$11,199.70	\$11,504.43	2.72%
Milbank	1%, 2%	1,748,051.27	1,806,800.48	3.36%	Spearfish	1%, 2%	6,229,406.33	6,387,131.51	2.53%
Miller	2%	596,021.43	600,454.82	0.74%	Spencer	2%	17,035.88	17,936.50	5.29%
Mission	1.75%	303,095.70	327,440.66	8.03%	Springfield	2%	177,915.85	176,050.72	-1.05%
Mitchell	1%, 2%	9,406,623.27	9,689,690.50	1.93%	Stickney	2%	86,314.40	87,863.10	1.79%
Mobridge	1%, 2%	1,386,607.51	1,413,376.95	3.01%	Stratford	1%	5,341.06	4,687.66	-12.23%
Monroe	1%	4,467.09	3,670.55	-17.83%	Sturgis	1%, 2%	2,795,824.58	2,728,371.27	-2.41%
Montrose	2%	68,975.94	61,908.29	-10.25%	Summerset	1%, 2%	228,043.47	236,041.40	3.51%
Morristown	1%	1,440.85	6,096.28	323.10%	Summit	2%	64,642.98	85,640.60	32.48%
Mound City	2%	6,600.37	17,827.61	170.10%	Tabor	2%	64,938.12	58,393.75	-10.08%
Mount Vernon	1%, 2%	56,476.42	62,046.49	9.86%	Tea	1%, 2%	820,536.77	779,009.50	-5.06%
Murdo	1%, 2%	317,845.53	321,401.78	1.12%	Timber Lake	2%	96,875.14	112,477.13	16.11%
New Underwood	2%	72,857.59	79,850.33	9.60%	Toronto	1%	31,870.90	35,983.33	12.90%
Newell	2%	186,420.59	159,650.30	-14.36%	Trent	1%	10,670.02	10,029.19	-6.01%
Nisland	2%	14,065.81	12,664.90	-9.96%	Tripp	2%	112,152.08	107,598.09	-4.06%
North Sioux City	1%, 2%	1,760,538.24	1,775,087.20	0.83%	Tulare	1%	21,867.48	25,225.65	15.36%
Oacoma	1%, 2%	540,854.40	544,546.37	0.68%	Tyndall	2%	227,903.51	230,284.06	1.04%
Oilvet	1%	6,126.36	5,881.33	-4.00%	Valley Springs	2%	87,451.45	96,394.14	10.23%
Onida	2%	179,171.42	216,698.28	20.94%	Veblen	1%	64,449.32	47,903.18	-25.67%
Orient	1%	0.00	4,863.12	NA	Vermillion	1%, 2%	3,354,007.82	3,135,762.25	-6.51%
Parker	2%	261,217.06	259,671.20	-0.59%	Viborg	1%, 2%	240,509.84	238,360.13	-0.89%
Parkston	1%, 2%	379,238.63	374,200.67	-1.33%	Volga	1%	128,837.66	131,623.79	2.16%
Philip	2%	342,264.95	357,552.13	4.47%	Volin	1%	14,481.22	13,878.71	-4.16%
Pickstown	2%	55,103.97	55,857.16	1.37%	Wagner	2%	568,564.69	605,799.39	6.55%
Piedmont	2%	0.00	104,394.42	NA	Wakonda	1%	27,316.73	26,786.15	-1.94%
Pierpont	2%	17,570.92	19,412.04	10.48%	Wall	1%, 2%	910,057.99	915,493.63	0.60%
Pierre	1%, 2%	6,035,903.08	6,438,300.68	6.67%	Ward	2%	560.56	9,531.51	1600.36%
Plankinton	2%	166,082.80	158,095.24	-4.81%	Warner	2%	60,573.63	57,374.71	-5.28%
Platte	1%, 2%	554,153.48	604,468.50	9.08%	Wasta	1%	5,133.40	4,088.75	-20.35%
Pollock	2%	47,674.32	109,892.61	130.51%	Watertown	1%, 2%	12,409,081.24	12,107,137.26	-2.43%
Presho	2%	127,901.29	132,811.61	3.84%	Waubay	2%	103,715.17	114,586.61	10.48%
Pringle	2%	20,225.77	17,144.69	-15.23%	Webster	1%, 2%	746,879.91	753,568.16	0.90%
Quinn	1%, 2%	4,977.92	4,318.90	-13.24%	Wentworth	2%	31,310.02	34,128.31	9.00%
Ramona	1%	11,614.97	11,694.45	0.68%	Wessington	1%	32,183.86	35,393.92	9.97%
Rapid City	1%, 2%	44,563,052.58	45,369,814.72	1.81%	Wessington				
Redfield	1%, 2%	777,648.82	773,093.32	-0.59%	Springs	2%	272,314.32	300,553.70	10.37%
Reliance	1%, 2%	44,380.35	47,437.42	6.89%	White	2%	99,370.80	65,548.63	-34.04%
Revillo	1%	11,931.26	17,121.83	43.50%	White Lake	1%, 2%	64,411.00	85,214.71	32.30%
Roscoe	1%	41,079.74	54,625.65	32.97%	White River	2%	113,621.18	117,843.78	3.72%
Rosholt	1%	81,491.31	86,005.63	5.54%	Whitewood	1%, 2%	230,199.22	196,499.39	-14.64%
Roslyn	2%	75,910.25	34,326.07	-54.78%	Willow Lake	2%	64,222.84	57,144.61	-11.02%
Saint Lawrence	2%	28,844.44	54,036.28	87.34%	Wilmot	2%	116,509.91	117,915.01	1.21%
Salem	1%, 2%	363,961.46	394,080.37	8.28%	Winner	1%, 2%	1,242,978.97	1,293,109.23	4.03%
Scotland	2%	309,556.51	389,305.75	25.76%	Witten	2%	10,513.56	15,074.86	43.38%
Selby	2%	92,960.00	184,813.93	98.81%	Wolsey	2%	98,518.88	124,116.38	25.98%
Sherman	1%	5,532.07	5,698.01	3.00%	Woonsocket	2%	173,578.79	210,485.68	21.26%
Sioux Falls	1%, 2%	89,575,127.40	90,467,465.83	1.00%	Worthing	1%, 2%	93,827.84	81,299.61	-13.35%
Sioux Falls Lodging	2%	580,916.64	566,167.42	-2.54%	Yankton	1%, 2%	7,068,242.10	7,117,259.34	0.69%
Sisseton	1%, 2%	938,600.55	952,826.22	1.52%	TOTAL		\$266,866,296.26	\$271,221,679.50	1.63%

In fiscal year 2009, 245 communities imposed local sales and use taxes. The maximum local rate that can be levied in South Dakota is 2%. Cities may also impose a 1% municipal gross receipts tax which is levied in addition to the municipal sales tax. The gross receipts tax can be imposed on alcoholic beverages, eating establishments, lodging accommodations, ticket sales and admissions to places of amusement, or athletic and cultural events. In fiscal year 2009, 76 South Dakota communities imposed this gross receipts tax.

Tribal Tax Collection Agreements

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

Tribe	2009 Rate(s)	FY2008 Remittance	FY2009 Remittance	FY2009 Audits	FY2009 Totals
Cheyenne River ST	2% ET, 4% ST	\$1,848,361.87	\$1,875,643.65	\$200.52	\$1,875,844.17
Oglala ST	2% ET, 4% ST	2,289,784.04	2,517,093.98	3,759.70	2,520,853.68
Rosebud ST	2% ET, 4% ST	1,640,182.49	1,687,697.61	988.35	1,688,685.96
Sisseton-Wahpeton Oyate	2% ET, 4% ST	0.00	530.08	0.00	530.08
Standing Rock ST	2% ET, 4% ST	545,254.04	590,133.20	3,738.66	593,871.86
TOTAL		\$6,323,582.44	\$6,671,098.52	\$8,687.23	\$6,679,785.75

Tourism Tax

The division also administers the tourism or seasonal tax, which is an additional 1% tax on certain lodging and amusement services that is imposed for tourism promotion. The tourism tax rate changed effective July 1, 2009 from 1% to 1.5% through June 30, 2011. The tourism tax on lodging establishments, campgrounds, motor vehicle rentals, recreational equipment rentals, recreational services, spectator events and visitor attractions applies year-round. The tourism tax on visitor-intensive businesses applies during the months of June, July, August, and September. For FY2009, tourism tax collections totaled \$5,741,636.

Compliance and Reviews

The division's Revenue Agents are responsible for locating, monitoring and investigating any leads they receive concerning businesses or individuals who may be operating in South Dakota without a tax license or those who fail to properly collect or remit sales, use or contractors' excise tax. They accomplish this using a variety of resources, including Internet searches, newspapers, bulletin boards, government contracts, building permits, information from other government agencies, and leads from audits or reviews. In fiscal year 2009, the Business Tax Division closed 4,567 cases and collected \$2,571,456.77.

The review program was implemented by the division as a means to increase compliance with the state's tax laws. By evaluating a taxpayer's records, Revenue Agents are able to identify any outstanding tax obligations the taxpayer may have to the State. As such reviews require less time to conduct, use of the program enables the department to contact a greater number of taxpayers including smaller businesses that may never come up for audit. Reviews also provide one-on-one tax law education to the taxpayer, increasing future compliance and collections, and operate more efficiently in terms of staff time and travel costs. In fiscal year 2009, the division conducted 700 reviews and collected \$1,848,933.74.

Sales Tax/continued

Special Events

Revenue Agents license and collect state sales, municipal and tourism tax at various special events across the state throughout the year. The table below compares tax collected from some of South Dakota's major special events from fiscal year 2009 to the previous year.

Total Tax Collected from Special Events 2008- 2009

	FY2008*	FY2009*	%Increase (Decrease)
Brookings Art Festival	\$26,469.89	\$30,573.94	15.50%
Brown County Fair	27,771.85	28,974.95	4.33%
South Dakota State Fair	75,391.31	86,134.34	14.25%
Northern Hills Motorcycle Rally**	1,003,048.41	908,053.66	-9.47%
Southern Hills Motorcycle Rally***	201,309.67	206,158.87	2.41%
Central States Fair	37,381.65	46,965.16	25.64%
Sioux Empire Fair	30,052.15	27,736.69	-7.71%
Spearfish Arts Festival	9,668.00	11,449.25	18.42%
TOTAL	\$1,411,092.93	\$1,346,049.86	-4.60%

*Total tax includes state, municipal, municipal gross receipts, and tourism taxes

**Northern Hills rally includes Meade, Lawrence and Butte Counties, as well as the cities within those counties

***Southern Hills rally includes Pennington, Custer and Fall River Counties, as well as the cities within those counties

Construction Refund Programs

South Dakota offers various programs that allow businesses to seek a refund of sales, use and contractors' excise tax, or delay the payment of sales and use taxes. The Business Tax Division monitored and processed 36 refunds or tax savings totaling more than \$51.7 million since fiscal year 2002. The total amount refunded in fiscal year 2009 was \$17,976,589.45. Information on the types of programs offered in fiscal year 2009 is shown below.

New and Expanded Agricultural Construction

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

New and Expanded Business Construction

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

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

Large Wind Farms

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

Small Wind Farms

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

Streamlined Sales Tax Project

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

The SSUTA was officially implemented on Oct. 1, 2005, and effective that date, retailers can register to collect or pay sales taxes in the Agreement's member states through a Web-based centralized registration system. Since such registration began, the Business Tax Division has issued 1,175 tax licenses.

Special Taxes

Property and Special Taxes Division - Michael Kenyon, Director

Division Overview

The Division of Special Taxes has three main functions: 1) administering taxes on tobacco, alcohol, banks, estates, minerals, and several small industries; 2) regulating the tobacco and alcohol industries; and 3) administering the state's sales and property tax refund program for the elderly and disabled. Within the last 10 years, revenues from the division have ranged from a high of \$155.7 million in 2008 to \$97.1 million in 2002, the year after voters repealed the inheritance tax. In fiscal year 2009, revenues in this division showed a decrease of \$18,986,777 from 2008 with total collections of \$136,743,929.

Alcohol Regulation

If an alcohol licensee is caught selling alcohol to a person under the age of 21, the Department penalizes the licensee with a fine or suspension. In fiscal year 2009, \$157,500 in civil penalties was collected from 179 businesses/alcohol licensees who made illegal sales to persons under the age of 21.

If an alcohol licensee has been caught selling alcohol to a person under the age of 21 three or more times in a 24-month period, the Department will typically suspend the alcohol license for 14 days. Licenses may also be suspended for other violations, such as after-hour sales or selling alcohol to someone who is obviously intoxicated. Between Jan. 1, 2009, and Sept. 1, 2009, the Department has suspended the licenses of one business for one day, three businesses for three days each, one business for seven days, and two businesses for 14 days each.

The Department receives information on underage sales from county clerks of court and from city and county law enforcement officers when they conduct alcohol compliance checks. In 2009, twelve cities (Aberdeen, Brookings, Deadwood, Madison, Mitchell, Pierre, Rapid City, Sioux Falls, Spearfish, Sturgis, Vermillion and Watertown) conducted compliance checks. In addition, seven counties (Brown, Clay, Custer, Lincoln, Mead, Minnehaha, and Pennington) conducted compliance checks. The following chart indicates the number of compliance checks and the failure rate.

Alcohol Beverage Stings: 2003-2008

Calendar Year	Number of Checks	Number of Illegal Sales	Failure Rates
2003	340	51	15.0%
2004	271	47	17.3%
2005	429	56	13.1%
2006	606	76	12.5%
2007	579	96	16.6%
2008	950	139	14.2%
TOTAL	3,175	465	14.6%(avg.)

Property Taxes

Property and Special Taxes Division - Michael Kenyon, Director

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

Who pays property taxes and where does the money go?

In 2009, South Dakota property owners paid more than \$933 million to fund local governments and provide K-12 education for the state's children. The following two tables show the portion of the total taxes paid by each classification of property, and where the money collected is spent.

Property Taxes: Who Pays

Year Taxes Are Payable	Agricultural*	% of Total	Owner-Occupied	% of Total	Commercial	% of Total	Utilities	% of Total	Special Assessments	% of Total	TOTAL
1999	154,433,143	26.10	203,873,029	34.46	195,619,643	33.06	29,712,277	5.02	8,011,655	1.35	591,649,747
2000	159,507,395	25.61	215,800,767	34.65	207,037,885	33.24	32,359,737	5.20	8,165,304	1.31	622,871,087
2001	151,921,309	25.04	212,091,514	34.96	204,708,863	33.74	29,235,927	4.82	8,783,550	1.45	606,741,163
2002	168,958,956	25.33	243,144,972	36.45	215,460,653	32.30	30,814,549	4.62	8,774,866	1.32	667,153,996
2003	176,354,349	25.24	258,757,664	37.03	222,277,922	31.81	31,052,406	4.44	10,279,053	1.47	698,721,394
2004	183,027,601	25.24	273,180,527	37.67	229,836,765	31.69	30,282,567	4.18	8,835,378	1.22	725,162,838
2005	190,743,858	25.21	289,985,539	38.32	236,891,146	31.31	28,975,635	3.83	10,120,766	1.34	756,716,943
2006	202,173,330	25.17	309,831,254	38.58	252,523,983	31.44	27,191,751	3.39	11,422,093	1.42	803,142,410
2007	211,381,559	24.93	330,332,434	38.96	267,236,569	31.52	25,266,119	2.98	13,675,583	1.61	847,892,758
2008	219,709,028	24.87	348,147,127	39.41	277,552,244	31.42	22,957,006	2.60	15,057,152	1.70	883,422,556
2009	231,587,046	24.81	368,765,290	39.51	292,805,927	31.37	23,025,217	2.47	17,091,242	1.83	933,274,722

* Agricultural property taxes include NA-Z taxes

Property Taxes: Where the Money Goes

For Taxes Payable in	County	% of Total	Municipalities	% of Total	Schools	% of Total	Townships	% of Total	Special Assessments	% of Total	TOTAL
Pay 1999	142,493,545	24.08	69,357,020	11.72	361,591,363	61.12	10,196,165	1.72	8,011,655	1.35	591,649,748
Pay 2000	147,698,195	23.71	72,234,893	11.60	384,503,303	61.73	10,269,391	1.65	8,165,304	1.31	622,871,087
Pay 2001	154,771,962	25.51	76,628,850	12.63	356,034,460	58.68	10,522,342	1.73	8,783,550	1.45	606,741,163
Pay 2002	165,080,172	24.74	81,296,731	12.19	400,493,843	60.03	11,508,383	1.72	8,774,866	1.32	667,153,996
Pay 2003	172,099,579	24.63	87,349,216	12.50	417,257,623	59.72	11,735,923	1.68	10,279,053	1.47	698,721,394
Pay 2004	182,029,759	25.10	92,005,243	12.69	430,465,020	59.36	11,827,439	1.63	8,835,378	1.22	725,162,838
Pay 2005	190,946,759	25.23	96,379,649	12.74	447,203,111	59.10	12,066,658	1.59	10,120,766	1.34	756,716,943
Pay 2006	201,763,441	25.12	102,625,076	12.78	475,005,462	59.14	12,326,339	1.53	11,422,093	1.42	803,142,410
Pay 2007	215,590,027	25.43	109,964,079	12.97	495,863,786	58.48	12,798,789	1.51	13,675,583	1.61	847,892,264
Pay 2008	231,487,473	26.20	116,772,552	13.22	506,618,292	57.35	13,487,087	1.53	15,057,152	1.70	883,422,556
Pay 2009	248,284,680	26.60	124,481,492	13.34	529,246,426	56.71	14,170,891	1.52	17,091,242	1.83	933,274,722

Property Taxes/continued

Taxable Valuations by County

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

Taxable Valuations: 2009 Taxes Payable 2010

County	Ag Real Valuation	Owner Occupied Valuation	Other Valuation	Total Valuation
Aurora	\$288,005,437	\$30,866,381	\$23,101,938	\$341,973,756
Beadle	549,749,493	326,945,078	262,571,645	1,139,266,216
Bennett	103,257,407	18,771,826	11,671,357	133,700,590
Bon Homme	292,243,397	76,192,621	42,306,828	410,742,846
Brookings	478,594,150	827,939,650	543,657,853	1,850,191,653
Brown	630,462,195	1,087,427,581	686,161,752	2,404,051,528
Brule	269,162,691	83,888,664	56,672,098	409,723,453
Buffalo	80,157,964	1,039,410	2,558,778	83,756,152
Butte	139,056,972	263,005,310	139,602,622	541,664,904
Campbell	146,741,327	25,020,903	14,138,080	185,900,310
Charles Mix	496,760,329	101,070,790	78,420,788	676,251,907
Clark	342,764,449	42,189,423	65,822,242	450,776,114
Clay	300,407,011	231,961,838	159,043,040	691,411,889
Codington	311,303,917	889,381,104	520,099,103	1,720,784,124
Corson	111,433,253	9,245,632	25,423,526	146,102,411
Custer	91,907,642	341,388,404	275,730,159	709,026,205
Davison	223,795,240	491,454,160	319,945,532	1,035,194,932
Day	302,478,204	100,127,793	121,036,704	523,642,701
Deuel	308,415,660	77,553,930	78,023,419	463,993,009
Dewey	105,178,129	10,226,373	19,141,426	134,545,928
Douglas	214,885,076	32,433,157	20,880,413	268,198,646
Edmunds	359,275,992	73,812,900	71,593,607	504,682,499
Fall River	89,629,505	169,997,530	160,317,570	419,944,605
Faulk	317,862,063	18,475,226	16,726,159	353,063,448
Grant	284,519,539	155,870,067	182,350,048	622,739,654
Gregory	339,887,433	41,406,140	26,875,689	408,169,262
Haakon	229,787,313	26,578,298	49,430,717	305,796,328
Hamlin	252,611,494	121,279,438	93,783,092	467,674,024
Hand	571,470,409	47,373,486	45,105,353	663,949,248
Hanson	245,651,208	61,055,480	28,089,473	334,796,161
Harding	125,008,990	12,426,540	46,319,828	183,755,358
Hughes	161,595,216	561,225,503	290,949,832	1,013,770,551
Hutchinson	495,573,594	107,046,723	66,016,182	668,636,499
Hyde	248,140,452	18,917,655	25,581,059	292,639,166
Jackson	104,195,173	12,287,115	13,041,994	129,524,282
Jerauld	225,604,067	24,372,468	20,629,034	270,605,569
Jones	198,421,293	11,849,981	19,024,567	229,295,841
Kingsbury	380,673,307	92,512,131	66,879,585	540,065,023
Lake	388,602,575	324,573,095	214,177,910	927,353,580
Lawrence	28,669,077	997,631,767	883,450,428	1,909,751,272
Lincoln	654,262,725	2,190,741,764	937,304,184	3,782,308,673
Lyman	271,505,342	36,435,004	40,262,261	348,202,607
Marshall	357,067,861	85,718,352	76,592,322	519,378,535
McCook	427,897,366	115,316,998	51,636,510	594,850,874
McPherson	306,784,583	33,087,861	39,798,511	379,670,995
Meade	275,265,440	870,484,836	379,601,587	1,525,351,863

Property Taxes/continued

County	Ag Real Valuation	Owner Occupied Valuation	Other Valuation	Total Valuation
Mellette	\$126,199,178	\$11,275,221	\$5,985,595	\$143,459,994
Miner	275,202,830	22,153,152	25,760,117	323,116,099
Minnehaha	678,692,278	5,762,311,256	4,180,473,001	10,621,476,535
Moody	365,836,280	129,936,315	55,856,944	551,629,539
Pennington	178,738,058	3,620,653,664	3,111,452,881	6,910,844,603
Perkins	206,682,449	28,764,532	21,682,015	257,128,996
Potter	265,822,347	36,425,149	31,770,903	334,018,399
Roberts	460,728,834	140,256,334	90,557,427	691,542,595
Sanborn	254,072,822	27,634,674	22,442,410	304,149,906
Shannon	22,374,960	2,457,334	2,874,085	27,706,379
Spink	657,295,773	71,938,116	89,893,670	819,127,559
Stanley	184,900,473	101,338,482	67,158,299	353,397,254
Sully	406,243,528	28,573,155	41,143,339	475,960,022
Todd	75,455,859	9,878,921	12,501,640	97,836,420
Tripp	365,531,963	84,140,018	57,289,376	506,961,357
Turner	443,747,980	171,662,590	79,772,825	695,183,395
Union	428,071,461	550,738,098	303,002,837	1,281,812,396
Walworth	171,255,972	73,463,043	71,590,027	316,309,042
Yankton	284,988,737	613,309,935	323,393,203	1,221,691,875
Ziebach	107,695,199	2,904,102	11,006,946	121,606,247
STATE TOTALS	\$19,086,258,941	\$22,768,420,477	\$15,917,154,345	\$57,771,833,763

The following chart shows the change in each classification of property, as well as the change in each classification's percentage of total valuation for taxes payable from 1999 to 2009.

Taxable Valuations by Category: 1999-2009

For Taxes Payable in	Agricultural*	% of Total	Owner-Occupied	% of Total	Commercial	% of Total	Utilities	% of Total	TOTAL
1999	10,114,313,818	36.92	9,654,685,197	35.24	6,580,244,560	24.02	1,045,087,867	3.81	27,394,331,442
2000	10,759,050,990	36.65	10,400,962,518	35.43	7,072,312,159	24.09	1,125,213,808	3.83	29,357,539,475
2001	11,062,162,236	35.93	11,177,769,905	36.30	7,445,797,194	24.18	1,106,170,590	3.59	30,791,899,925
2002	11,549,861,305	35.68	11,934,525,973	36.87	7,753,707,599	23.95	1,134,307,137	3.50	32,372,402,014
2003	12,277,695,126	35.43	13,038,052,643	37.62	8,212,742,597	23.70	1,126,545,169	3.25	34,655,035,535
2004	13,085,504,017	35.07	14,269,607,712	38.25	8,811,374,289	23.62	1,141,657,751	3.06	37,308,143,769
2005	14,015,749,247	35.03	15,523,846,537	38.79	9,362,992,929	23.40	1,113,225,824	2.78	40,015,814,537
2006	15,097,290,060	34.80	16,954,988,100	39.08	10,238,689,250	23.60	1,093,714,459	2.52	43,384,681,869
2007	16,427,689,981	34.54	18,633,455,339	39.18	11,336,818,639	23.84	1,158,792,774	2.44	47,556,756,733
2008	17,688,985,934	34.23	20,353,223,881	39.39	12,504,672,828	24.20	1,124,579,669	2.18	51,671,462,309
2009	19,058,117,169	34.49	21,687,103,039	39.25	13,334,072,762	24.13	1,169,829,792	2.12	55,249,122,762

*Agricultural value includes AGY value for pay 1998, NA-Z value for pay 2000 to present

Limits on Property Taxes

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

Property Taxes/continued

State Aid to Education Payments

Agricultural and owner-occupied property owners benefit from the funding for education provided by the state. The state provides an extra \$120 million for K-12 education that would otherwise have to be paid by these property owners. The benefit is provided to the taxpayer through a tax rate reduction for the school general fund levy. The school general fund levy rates for taxes payable in 2010 are set statewide as follows:

Ag	\$2.573/\$1,000 of value
Owner-Occupied	\$3.573/\$1,000 of value
Other	\$8.656/\$1,000 of value

These rates were lowered significantly by using revenue from the voter-initiated measure which increased tobacco taxes.

Property Tax Caps

State law limits the amount of property taxes that local governments (counties, cities, townships, fire districts, etc.) can collect from their property owners. Market increases in the value of the property within the taxing district automatically decrease the property tax rates upon that property to ensure that the caps are not exceeded. Local governments are limited to the amount of property taxes they collected last year, plus an increase for inflation based upon the consumer price index (but not more than 3%) and for new construction within the taxing jurisdiction.

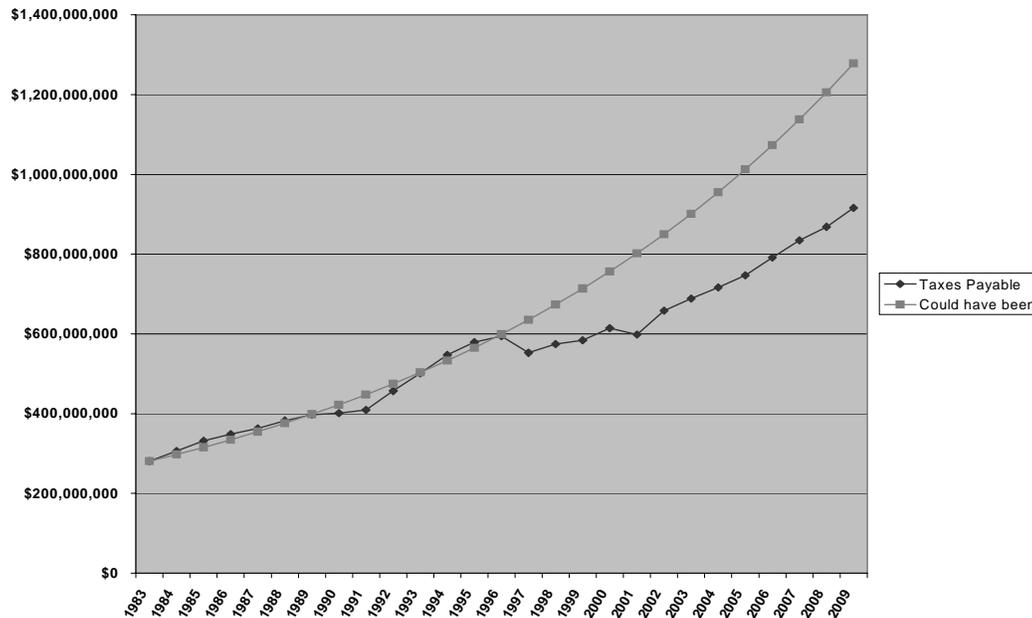
An example will illustrate how the property tax caps work. Assume that last year, the total property valuation within a city was \$100 million and the city collected \$300,000 from property taxes. To collect the \$300,000, the city assessed property within the city a tax of \$3.00/\$1,000 of assessed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

Combined Effect of Tax Caps and State Aid Payments

Historically, property taxes have increased at a rate of about 6% per year since 1947. Property tax caps and state aid to education payments have significantly slowed this increase. If the historical rate of property tax growth had continued through the 1990's, current property owners would be paying almost \$1.2 billion in property taxes. Instead, property owners are paying just over \$933 million of property taxes. The chart on the top of the next page shows the historical growth of property taxes and the actual growth of property taxes. These programs were implemented in 1997.

Property Taxes/continued

Historical Growth of Property Taxes v. Actual Growth



Effective Property Tax Rates

The following table shows the effective tax rate for owner-occupied, agricultural, and commercial property in 25 South Dakota jurisdictions payable in 2010. The “Other” category includes commercial property, utility property, and residential property not occupied by the owner. 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 assessed (market) value of the property is \$150,000, then the taxes will be about \$3,000 per year. The “Agricultural” effective tax rate is for the agricultural property in the township around the cities on the list.

City	Agricultural Effective Tax Rate	Owner-Occupied Effective Tax Rate	Other Effective Tax Rate	City	Agricultural Effective Tax Rate	Owner-Occupied Effective Tax Rate	Other Effective Tax Rate
Aberdeen	1.25	1.69	2.10	Mobridge	1.65	2.53	3.09
Belle Fourche	1.09	1.75	2.16	Pierre	1.08	1.48	1.88
Brandon	1.06	1.48	1.88	Rapid City	1.23	1.43	1.85
Brookings	1.28	1.51	1.96	Redfield	0.95	2.56	2.96
Canton	0.93	1.77	2.17	Sioux Falls	0.96	1.34	1.72
Chamberlain	1.01	1.86	2.26	Sisseton	0.99	1.94	2.33
Dell Rapids	0.97	1.47	1.86	Sturgis	1.13	1.91	2.32
Flandreau	1.14	1.97	2.37	Vermillion	1.31	1.91	2.46
Hot Springs	1.22	1.92	2.32	Watertown	1.15	1.29	1.69
Huron	1.15	2.07	2.47	Webster	1.23	2.04	2.57
Madison	0.98	1.76	2.20	Winner	1.04	1.80	2.20
Milbank	1.21	1.64	2.04	Yankton	1.14	1.49	1.88
Mitchell	1.27	1.75	2.14	Statewide	1.03	1.45	1.85

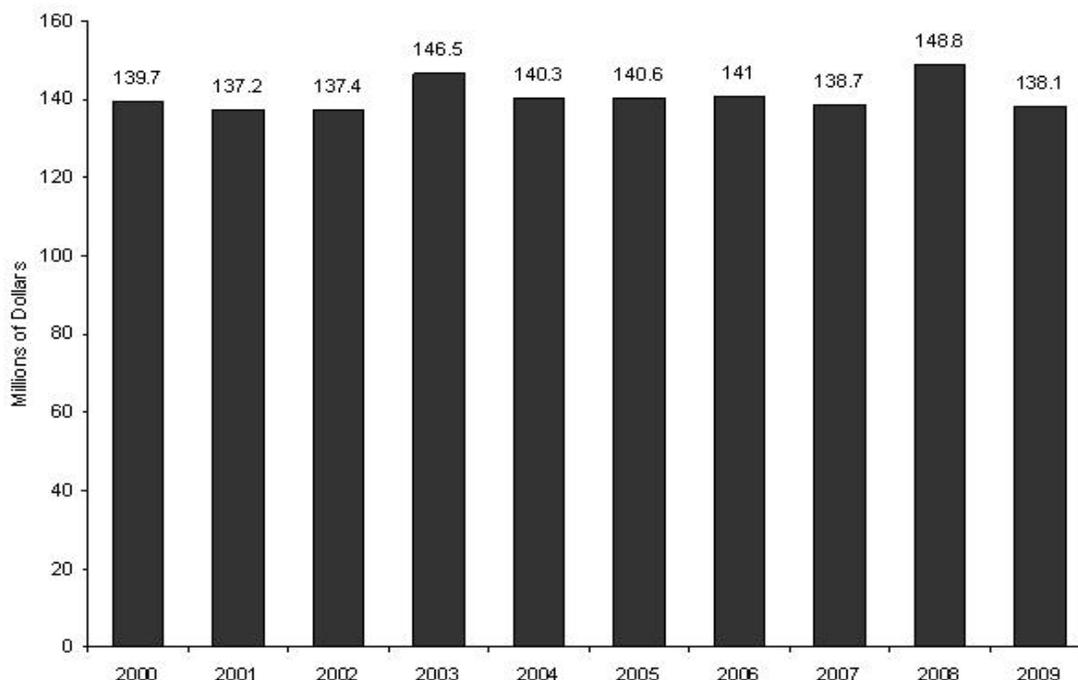
Fuel Tax and Motor Vehicle Licensing

Motor Vehicles Division - Debra Hillmer, Director

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

Total Fuel Tax Revenues

Gasoline, ethyl and methyl alcohol, aviation fuel, jet fuel, liquid petroleum gas (LPG), and diesel fuel all fall into the fuel tax category. In fiscal year 2009, total fuel tax revenues amounted to \$138,152,006. Motor fuel (gasoline) and special fuel taxes accounted for 86.8% of the total fuel tax revenues for fiscal year 2009 with 11.1% from tank inspection fees, 1.6% from interstate/IFTA fuel taxes, and the remaining 0.5% from the aviation fuel tax. The chart below compares South Dakota's fuel tax revenues for the past 10 years.



Motor 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 2009, there were 4,102 refunds totaling \$1,059,231.67 as compared to 4,521 refunds totaling \$1,092,096.11 issued the previous fiscal year. The average refund was \$258.22 in fiscal year 2009, as compared to \$241.56 in 2008 and \$258.29 in 2007.

Effective July 1, 1999, \$.03 of every gallon of gasoline on which a refund is claimed is retained from the applicant's refund and is deposited into an Agricultural Fund. This amounted to \$163,620.78 in FY2009.

Motor Vehicle/continued

Titles and Registration

Any vehicle (including mobile homes, trailers, snowmobiles, and large boats) that operates on South Dakota's roadways and waterways must have a title verifying ownership. Vehicles and boats used on public roadways or waterways must also be registered. Registration is confirmed by the issuance of a license plate, decal or permit. Title and registration revenues for fiscal year 2009 totaled \$88,252,658, which were distributed as follows: 59.1% to the Department of Transportation, 31% to local governments, and the remaining 9.9% to other sectors.

Title and Registration Revenues

	FY2008	FY2009	Percent Change
License Plate Fees - State's Share*	\$2,429,251	\$2,381,435	-1.97%
License Plate Fees - Counties', Cities', Townships' Share	26,930,118	27,387,140	1.70%
Snowmobiles	143,360	135,419	-5.54%
Boats	779,029	1,054,999	35.42%
Temporary Special Permits	115,098	65,617	-42.99%
Mobile Home Plates	10,440	7,050	-32.47%
Dealer Fees	146,981	229,199	55.94%
Duplicate Plates, Replacement Plates	525,100	352,229	-32.92%
Title and Penalty Fees	2,331,721	2,272,302	-2.55%
Trailer ID Fees	58,030	55,341	-4.63%
Motorcycle Safety Education Fees	425,838	479,318	12.56%
Mobile Home Registration Fees - State's Share	101,898	84,897	-16.68%
Other Vehicle 3% Registration Fees	58,788,901	52,161,537	-11.27%
Snowmobile 3% Initial Registration Fees	232,437	290,074	24.80%
Register of Deeds Fees	120,770	162,746	34.76%
DENR Solid Waste Fees	1,097,502	1,133,355	3.27%
Total Receipts	\$94,236,474	\$88,252,658	-6.35%

*State Motor Vehicle Fund, License Plate Special Revenue Fund

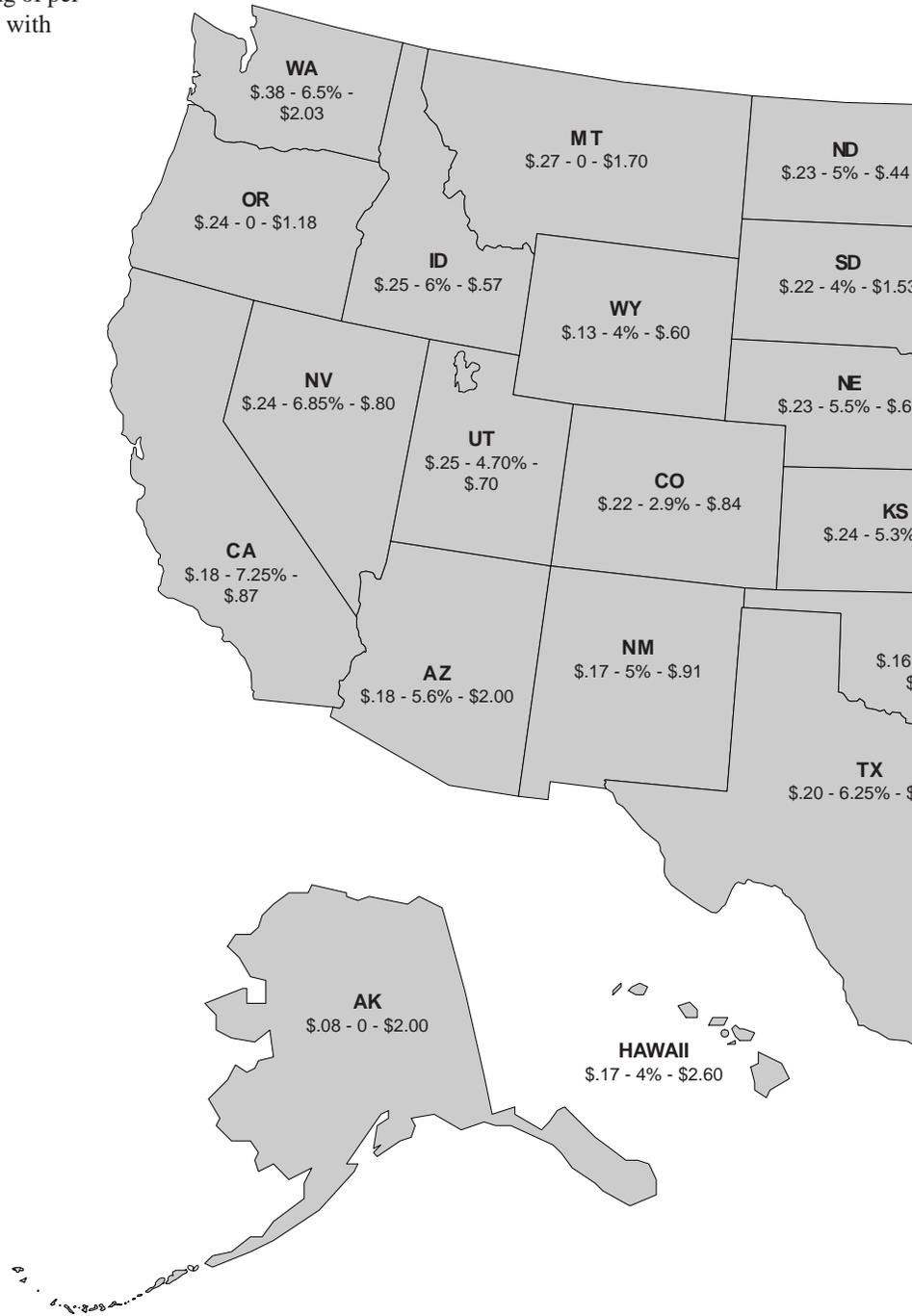
Motor Vehicle Licensing

Commercial registration fees (licensing fees) are levied on intrastate and interstate motor carriers doing business in the state. The amount of the fee for interstate registration is determined by the percentage of miles the carrier travels in all the states. Over 98% of the fees are used by local governments to maintain public roads. Prorate registration revenues during fiscal year 2009 were \$14,422,070. The largest share (57%) was distributed to the local government highway and bridge fund, with 41.5% to the counties, 1% to the license plate fund, and 0.5% to the motor vehicle fund.

How SD Compares to Other States

At just \$1,643, South Dakota had the lowest per capita state tax burden in fiscal year 2008, according to the latest figures available from the U.S. Bureau of the Census and Bureau of Economic Analysis. Following is a listing of per capita state tax burdens for all 50 states, beginning with the highest:

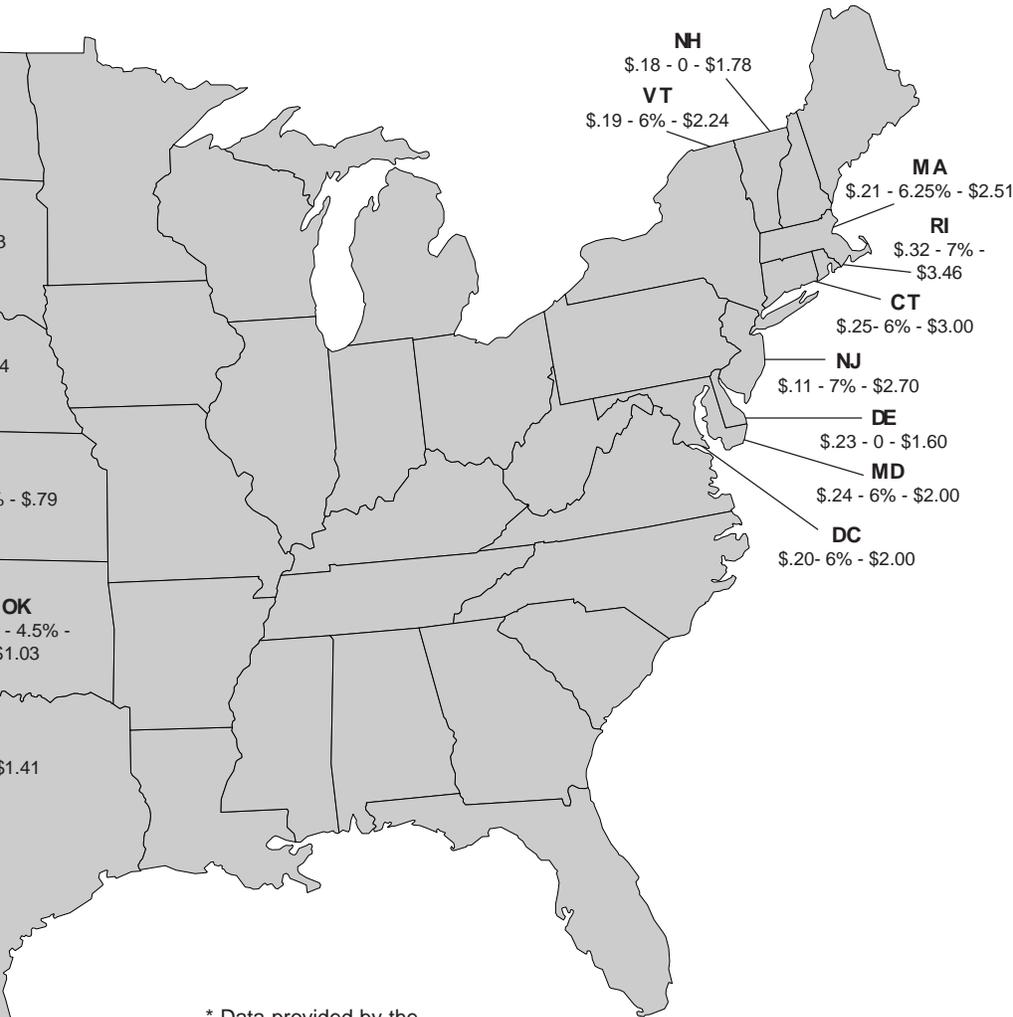
Alaska	\$12,276
Vermont	4,095
Wyoming	4,070
Hawaii	3,996
Connecticut	3,818
North Dakota	3,604
New Jersey	3,526
Minnesota	3,509
Massachusetts	3,360
Delaware	3,357
New York	3,356
California	3,193
Maryland	2,948
New Mexico	2,860
Maine	2,797
Washington	2,740
West Virginia	2,689
Wisconsin	2,681
Arkansas	2,637
Rhode Island	2,628
Pennsylvania	2,581
Kansas	2,555
Montana	2,541
Louisiana	2,495
Michigan	2,477
Illinois	2,472
North Carolina	2,470
Idaho	2,397
Virginia	2,369
Kentucky	2,356
Nevada	2,352
Nebraska	2,341
Indiana	2,339
Oklahoma	2,329
Ohio	2,296
Iowa	2,295
Mississippi	2,252
Utah	2,172
Arizona	2,109
Florida	1,956
Colorado	1,949
Alabama	1,946
Oregon	1,913
South Carolina	1,887
Georgia	1,877
Tennessee	1,857
Missouri	1,855
Texas	1,836
New Hampshire	1,711
South Dakota	1,643
National Average	2,575



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

How SD Compares to Other States/continued

The three figures in each state are, left to right or top to bottom, the gasoline tax per gallon, the sales tax rate, and the cigarette tax per package. Local tax rates are not included unless mandatory. "0" indicates the tax is not levied.



* Data provided by the Federation of Tax Administrators and as shown on individual state government websites

Five Highest Gasoline Tax Rates

Washington	\$0.38
Rhode Island	\$0.32
Wisconsin	\$0.31
North Carolina	\$0.30
Maine	\$0.30
South Dakota	\$0.22

Seven Highest Sales Tax Rates

California	7.25%
Indiana	7%
Mississippi	7%
New Jersey	7%
Rhode Island	7%
Tennessee	7%
Minnesota	6.875%
South Dakota	4%

Nine Highest Cigarette Tax Rates

Rhode Island	\$3.46
Connecticut	\$3.00
New Jersey	\$2.70
Hawaii	\$2.60
Wisconsin	\$2.52
Massachusetts	\$2.51
Washington, DC	\$2.50
Vermont	\$2.24
Washington	\$2.03
South Dakota	\$1.53

Comparing the Region

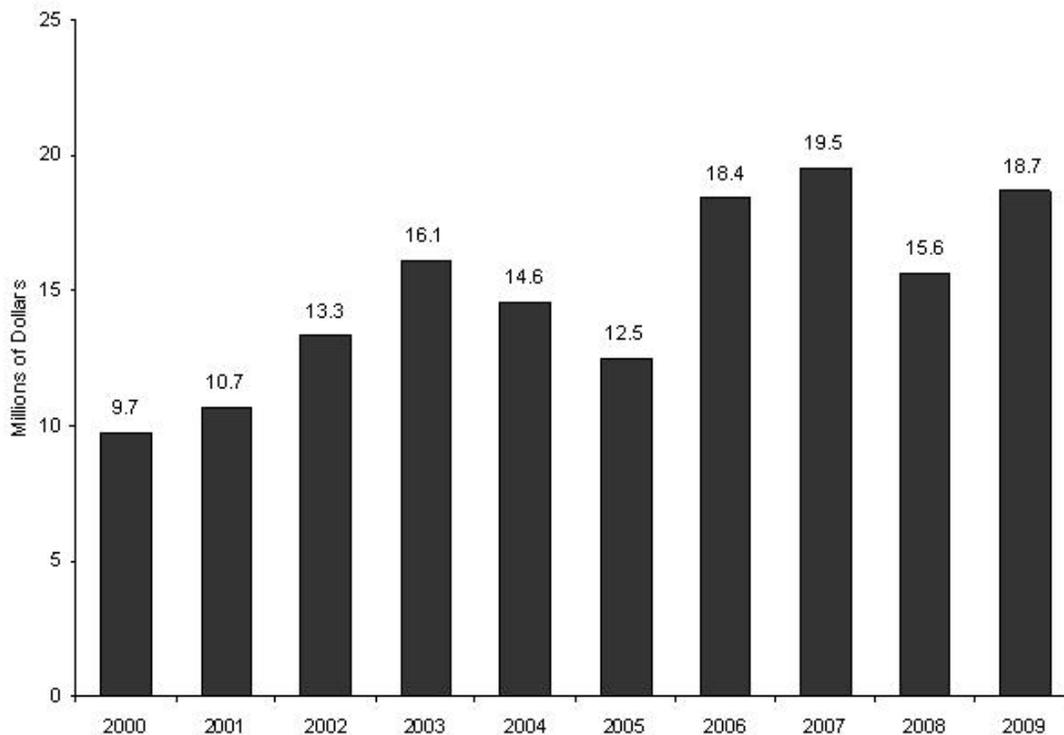
	Gas Tax (cts. per gallon)	Sales Tax (%)	Cigarette Tax (per package)
South Dakota	22	4	1.53
Iowa	21	6	1.36
Minnesota	27	6.875	1.56
Montana	27	0	1.70
Nebraska	23	5.5	0.64
North Dakota	23	5	0.44
Wyoming	13	4	0.60

Audits

Audit Division - Bruce Christensen, Director

To insure that businesses are correctly reporting their taxes, the department regularly performs audits. An audit may be conducted on any business, in-state or out-of-state, large or small, which may have a tax liability to South Dakota. Audits are used to correct errors businesses may make in reporting their taxes. Such corrections meant an additional \$18,704,989.48 in assessments (tax, penalty and interest) in fiscal year 2009.

Total Assessments: A Ten-Year Comparison



Audits and Assessments

	Number of Audits	Assessments
Sales, Use and Contractors' Excise Tax	1,446	\$18,211,260.55
Limited Scope Audits	11	180,133.59
Fuel Taxes, Prorate (IRP) and IFTA	193	313,595.34
TOTAL	1,650	\$18,704,989.48

Legal Services

Legal Division - Andrew L. Fergel, Chief Legal Counsel

The Legal Division is comprised of a Chief Legal Counsel, two full-time attorneys, six full-time Special Agents (four dedicated to the Investigative Services Bureau (ISB) and two to the Insurance Fraud Prevention Unit (IFPU)), one full-time Assistant Attorney General, one part-time fraud auditor, and two legal secretaries. In addition to providing routine legal counsel to the department, the legal staff worked on 619 new cases during fiscal year 2009. The ISB Special Agents examined 88 individuals and businesses, of which 81 were investigated for tax and motor vehicle crimes. The IFPU reviewed or investigated 93 allegations of insurance fraud of which eight were assigned for prosecution. More information on the IFPU can be found below and on the following pages. During fiscal year 2009, the Supreme Court issued one decision which affected the Department.

Supreme Court Summary

In the Matter of the Sales Tax Liability of James Pirmantgen, 2008 SD 127, 759 NW2d 291. The Department of Revenue & Regulation determined that the money paid to the taxpayer for mini-storage or self-storage services was subject to sales tax. The circuit court ruled in favor of the taxpayer and the Department appealed. The South Dakota Supreme Court affirmed the circuit court's decision, holding that a self-service storage facility was not subject to sales tax.

Insurance Fraud Prevention Unit

A unit of the Legal Division

The Insurance Fraud Prevention Unit (IFPU) was created by the 1999 South Dakota Legislature in response to the growing problem of insurance fraud across the state. The Fraud Unit is a certified law enforcement agency with statewide jurisdiction whose duties include investigating suspected fraudulent insurance acts; prosecuting fraudulent insurance acts; promoting awareness of insurance fraud; and conducting independent studies to determine the extent of fraudulent insurance acts. It has a staff of four employees, including a unit supervisor, two investigators, and a secretary.

The Unit is funded solely by a \$250 assessment against all insurance companies licensed to conduct business in South Dakota. The Fraud Unit places the assessment monies into a dedicated fund for exclusive use in its efforts to combat insurance fraud. The fiscal year 2009 budget for the Fraud Unit was \$322,226 and the amount of money expended by the Unit in the fiscal year was \$169,498.89. A majority of the funds expended by the Fraud Unit during this period was in support of the investigation and prosecution of insurance fraud cases.

Insurance Fraud Prevention Unit/continued

Referrals

The investigations conducted by the Fraud Unit are based on referrals from the insurance industry, the general public, law enforcement and other government agencies. When received, the referrals are reviewed by the unit supervisor to determine if an investigation is warranted. If it is, the referral is assigned to an investigator.

Persons who want to make a referral concerning suspected insurance fraud can call, write or visit the Fraud Unit at 445 East Capitol Avenue, Pierre, SD 57501, (605) 773-6325. Referrals can also be made on-line at www.state.sd.us/drr2/reg/insurance/fraud/.

The Unit received 93 referrals in fiscal year 2009, up from 92 the previous fiscal year. Of the 93 referrals received, 70 came from the insurance industry, 14 from the general public, four from law enforcement, one from other government agencies, and four were made anonymously.

Referrals are classified by both suspect type and type of fraud. Of the 93 referrals handled in fiscal year 2009, 77 concerned the insured or claimant, 10 involved agents or brokers, and the remaining six concerned insurance companies or their representatives. As for type of fraud, the 93 referrals were typed as follows: auto insurance (32), workers compensation (14), homeowners insurance (9), medical/health insurance (4), agent fraud (4), disability insurance (3), false application (7), internal fraud (1), commercial insurance (8), long-term care (1), life insurance (1), and other (9).

Investigations and Prosecutions

Of the 93 cases referred to the Fraud Unit in fiscal year 2009, eight were assigned for prosecution, 28 were closed due to insufficient evidence or other bar to prosecution, three were referred for regulatory action, three were referred to other law enforcement agencies, 19 were classified and maintained for intelligence purposes only, prosecution was declined in three cases, three were prosecuted by another agency, three were closed due to ongoing litigation, and 23 remain in an active or inactive investigation status. At the end of fiscal year 2009, the Fraud Unit had three cases which were open for more than 12 months. One of the three cases open for more than 12 months is in the prosecution stage and two have been placed on inactive status since there is currently ongoing civil litigation between the entity/individual accused of insurance fraud and the insurance company.

As part of its prosecution efforts, the Unit requests that the Courts order fraud perpetrators to make restitution to their victims. In fiscal year 2009, the Fraud Unit recovered or obtained court orders for restitution in the amount of \$8,172.00.

Insurance Fraud Prevention Unit/continued

Prevention and Education

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

Among the groups the Unit is affiliated with are the National White Collar Crime Center, National Insurance Crime Bureau, Mid-States Organized Crime Information Center, South Dakota Law Enforcement Intelligence Network, and the International Association of Special Investigation Units.

In fiscal year 2009, Unit staffers made 16 formal presentations to the general public, insurance industry, law enforcement, and prosecutors.

As part of its public awareness campaign, the Fraud Unit publishes several pamphlets which provide information about what insurance fraud is, why we should care, and how to prevent becoming a victim of insurance fraud. It has also received permission from the National Insurance Crime Bureau to use their “*Indicators of Fraud*” checklists and “*Fraud Awareness*” video series. These resource materials are available upon request.

Division of Insurance

Merle Scheiber, Director

The Division of Insurance regulates and licenses the insurance industry in South Dakota and is comprised of two main programs: Financial and Licensing, and Regulation.

Duties of the Division include: providing regulatory oversight to protect South Dakota policyholders against financial loss due to inappropriate business practices and/or insolvency of insurance companies permitted to operate in South Dakota; licensing resident and non-resident agents and insurance companies; licensing and registration of other insurance entities; auditing licensees and registrants for compliance with existing statutes and regulations; reviewing property/casualty/life/health company rates, rules and form filings for compliance; investigating and acting on consumer complaints; taking appropriate enforcement actions with respect to licensees and registrants; and reviewing and approval of continuing education programs for agents and companies.

FY2009 Revenues

Taxes Collected (General Fund)	\$61,525,439
Fees (Insurance Operating Fund):	
Admission	69,120
Company Renewal	83,470
Agent Licensing/Renewal	5,856,897
Exam Fees	13,220
Miscellaneous and Legal	9,584
Retaliatory/Filing	1,018,690
Administrative Penalties	118,538
Lists and Labels	2,650
Certification Letters	4,995
Investment Council Interest	39,502
Course Approval	20,550
Subsequent Injury Fund:	
Sub-Injury Fund Assessment	218,614
Investment Council Interest	72,048
Continuing Education Fund:	
Agent Renewal Fees	125
Special Collections for Workers Compensation:	
Policy Fee (Transferred to Dept. of Labor)	258,988
Examination Fund (effective 7/1/97)	417,300
Investment Council Interest	16,364
Total	\$69,746,094

FY2009 Performance Indicators

Total Licensed/Domestic Companies	1,431/45
Domestic Companies Financial Exams	4
Company Market Conduct Exams	1
Companies Licensed/Approved Mergers	24
Agent Licenses Issued	12,493
Agent Appointments Issued	56,332
Renewed Appointments	185,502
Agent Appointment Cancellations	43,891
Property/Casualty Filings Reviewed	6,920
Life/Health Filings Reviewed	3,693
Consumer Complaints Closed	956
Enforcement/New Open Files	845
Enforcement/Closed Files	836
Continuing Education:	
Agents Paying License Renewal	0
Agents Exempt	0
Agents Reporting Completion	0
Courses Reviewed	807
Courses Monitored	7
Agent Licenses Cancelled	0
Subsequent Injury Fund:	
New Claims	7
Claims Paid	86
Dollars Paid	\$1,740,626

Administrative Services Division

Joan Serfling, Director

The Administrative Services Division manages the department's physical assets, budgetary data, collections, computer services, public relations, and training programs. Its purpose is to increase the efficiency of the operational divisions by providing them with the resources they need to meet their goals. The Division also manages the department's Remittance Center in Sioux Falls, which processed nearly \$886 million in payments in fiscal year 2009. Other agencies for which the Remittance Center collects revenues include Agriculture; Game, Fish and Parks; Social Services; Health; Environment and Natural Resources; Human Services; Unified Judicial System; Legislative Audits; and Retirement.

Fiscal Year 2009 - Remittance Center

Dollars processed for Revenue & Regulation	\$777,558,850
Dollars processed for other agencies	108,441,864
Total dollars processed	\$886,000,714
Total documents processed	520,036

Appraiser Certification Program

Sherry Bren, Executive Director

The Appraiser Certification Program was implemented July 1, 1990, pursuant to Congress' enactment of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA). The Program's mission is to certify, license and register real estate appraisers in South Dakota. Responsibilities include examining candidates; issuing certificates; investigating and administering disciplinary actions to persons in violation of the rules, statutes and uniform standards; and approving qualifying and continuing education courses.

Revenues from the program totaled \$129,108 for fiscal year 2009. From July 1, 2008 to June 30, 2009, the Appraiser Certification Program licensed 17 new appraisers; renewed 372 appraiser licenses; received 3 upgrade applications; issued 11 new reciprocal licenses; issued 64 temporary permits; processed 105 course applications; issued 32 supervisor endorsements and received 14 complaints.

Division of Banking

Roger Novotny, Director

The Division of Banking charters and examines state banks and trust companies, and licenses money lenders, mortgage lenders, mortgage brokers, mortgage originators, and money transmitters. The five-member State Banking Commission has rule-making authority, acts on application appeals, and provides regulatory oversight. The Division has a staff of 15 Financial Institution Examiners, one support position, an attorney, a deputy director, and the director.

Revenues generated by the Division of Banking (with the exception of the Trust Company Charter Fee) are deposited in the Banking Special Revenue Fund to self-fund the cost of supervision and regulation. These revenues come from six sources: Bank Examination Fee; Trust Company Examination Fee; Trust Company Supervision Fee; License Application and Renewal Fees; Investment Council Interest, and Miscellaneous (which includes funds transferred to the Division from application fees to cover administrative, review and processing costs other than the expense of holding hearings for changes in banks and trust companies).

A Four-Year Comparison of Revenues by Category

	FY2006	FY2007	FY2008	FY2009
Bank Examination Fee	\$975,137	\$562,143	\$833,239	\$904,571
Trust Company Examination Fee	6,099	49,109	49,407	127,260
License Fees	644,720	309,667	519,767	510,632
Trust Company Supervision Fee	64,571	80,868	118,360	135,391
Investment Council Interest	1,796	12,359	33,878	30,323
Miscellaneous**	202,002	38,748	18,441	29,159
Trust Company Charter Fees*	0	35,000	0	10,000
Totals	\$1,894,325	\$1,087,894	\$1,573,091	\$1,747,336

*Deposited in General Funds

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

Performance Indicators: FY2006 - FY2009

	FY2006	FY2007	FY2008	FY2009
Applications	13	30	39	20
Banks Examined	26	30	35	25
Trust Companies Examined	6	7	11	10
Licenses Issued or Renewed	913	557	1,417	1,325
State-chartered banks	70	68	67	65
State-chartered trust companies	19	24	33	37
Bank Assets	\$13,225,732,000	\$16,418,043,000	\$20,069,482,000	\$14,266,649,000
Trust Assets	\$34,669,887,000	\$39,338,934,000	\$44,529,355,000	\$35,108,776,000

Division of Securities

Gail Sheppick, Director

The Division of Securities implements and maintains rules and procedures to ensure that investments sold in South Dakota meet full disclosure standards. These standards apply to three types of investments: securities products, franchises, and business opportunities.

The Division is responsible for examining securities products, franchise offering circulars, and business opportunities plans; registering, renewing, exempting or amending securities and franchise documents; licensing investment advisors and agents, broker-dealers, and securities agents; investigating and resolving complaints and alleged fraudulent schemes; working with other state, local or federal agencies on securities issues; and educating the investing public on franchise and securities purchases. Fiscal year 2009 revenues from the Securities Division totaled \$30,069,157.

FY2009 Revenues

Securities Registration Fees	\$64,108
Franchise Registration Fees	144,950
Franchise Exemption Fees	0
Business Opportunity Fees	350
Securities Opinion Fees	225
Investment Company Notice Fees	18,056,200
Agent Licensing Fees	10,200,125
Broker-Dealer Licensing Fees	207,900
Investment Advisor Fees	3,700
Investment Advisor Agent Fees	73,600
I/A Notice Filings Fees	167,600
Miscellaneous	10,322
Investment Council Interest	223,180
Private Placement/Reg D 506. Other	72,750
Fines	844,147
Total	\$30,069,157

FY2009 Performance Indicators

New Securities Applications	46
Extensions and Amendments	43
Private Placement	1
Other Exemptions	293
Invest CompNot Filings – New	2,727
Invest CompNot Filings – Total	20,300
New Franchise Applications	262
Franchise Registrations Total	773
Franchise Extensions	510
Franchise Exemptions	0
Business Opportunities – New	2
Business Opportunities – Total	1
Broker – Dealers Licensed	1,323
Broker – Dealer Agents Licensed	60,975
Investment Advisers Licensed	32
Investment Adviser Agents Licensed	1,020
Investment Advisers Notice Filing	722
Franchise Applications Withdrawn	251
Investigations	196
Administrative Orders Issued	63
Opinions Requested	3

South Dakota Lottery

Norm Lingle, Executive Director

The South Dakota Lottery markets instant tickets and lotto games and regulates video lottery to raise revenue for state programs and projects. Since the Lottery began in 1987, the Lottery has distributed more than \$1.8 billion in revenue.

The Lottery operates under the oversight of the South Dakota Lottery Commission, whose seven members meet quarterly to establish policy within the framework set by the legislature through law. The commission also reviews and approves major contracts and procurements, and consults on management and operation of all aspects of the Lottery. The Lottery has 29 employees, including administration, accounting, security, sales and marketing, and support staff. Its central office is in Pierre with regional sales and redemption offices in Sioux Falls and Rapid City, and a sales representative's office in Aberdeen.

Sales and Revenue

Total fiscal year 2009 Lottery revenue distributed to state funds was more than \$119.5 million. These revenues come from three main sources, as evidenced in the chart below.

*FY2009 Lottery Sales and Revenue**

	Sales	Prizes	Retailer Commission	Revenue Distributed
Instant Tickets	\$20,180,554	\$12,517,973	\$1,134,612	\$4,869,391
Lotto Tickets	20,864,968	10,527,701	1,220,383	5,744,005
Video Lottery **	652,965,073	432,839,841	110,062,616	108,961,990
			Total:	\$119,575,386

*Unaudited

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

Instant Tickets

The Lottery launched 25 new instant ticket games during fiscal year 2009. Prices for instant tickets range from \$1 to \$20, and prizes range from \$1 to \$250,000 and merchandise prizes.

At the close of fiscal year 2009, there were 661 licensed instant ticket retailers across the state. Retailers receive a 5% commission for selling tickets, and 1% commission for cashing winning tickets up to \$100 prizes and 1% for selling tickets of more than \$100 prizes.

Fiscal year 2009 ticket sales were down 2.4% from the previous year and revenues were down 5.3%. Revenue from the sale of instant tickets is distributed to the General Fund.

Lotto Tickets

South Dakota currently offers four lotto games. Powerball, Wild Card 2, and Hot Lotto are multi-state games. Dakota Cash is played only in South Dakota.

At the end of fiscal year 2009, there were 491 licensed lotto retailers.² Lotto retailers also receive a 5% commission for selling tickets, plus varying bonuses for selling larger winning tickets.

Lotto games reported an overall sales decrease of 4%; transfers were down 7.3% from fiscal year 2008. The first \$1.4 million of revenue from the sale of lotto tickets is distributed to the General Fund, and the balance is distributed to the Capital Construction Fund.

Video Lottery

The Lottery regulates and controls the video lottery game activities through licensing procedures for the machines, machine owners and operators and establishments as well as a comprehensive secure central computer system.

Video lottery sales (cash in) decreased by 1% in fiscal year 2009. The average number of active video lottery machines during fiscal year 2009 was 8,998 and the average number of licensed establishments was 1,387. The revenue from video lottery is calculated on net machine income, which is cash-in (sales) minus cash-out (prizes). Net machine income is divided between the state and machine operators on a 50/50 split. One-half of one percent (0.5%) of the state's share is retained by the Lottery for administration.

Revenue from video lottery net machine income is distributed to the Property Tax Reduction Fund. A portion of machine manufacturer license fees is distributed to the General Fund.

*FY2009 Lottery Revenue Distribution**

	General Fund	Cap. Construct. Fund	Property Tax Reduction Fund	Dept. of Human Services**
Instant Tickets	\$4,869,391			
Lotto Tickets	1,400,000	\$4,344,005		
Video Lottery	45,000		\$108,961,990	\$214,000
Totals:	\$6,314,391	\$4,344,005	\$108,961,990	\$214,000

*Unaudited

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

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

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

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

South Dakota Commission on Gaming

Larry Eliason, Executive Secretary

The South Dakota Commission on Gaming is responsible for regulating the gaming industry in the City of Deadwood, administering Indian gaming compacts, and pari-mutuel wagering.

The Commission on Gaming maintains two office locations (in Pierre and Deadwood) and employs approximately 16 individuals, including investigators, auditors, accountants, administrative assistants, inspectors, and an executive secretary. The Commission itself is comprised of five commissioners.

The Commission may issue six types of Deadwood gaming licenses (slot machine manufacturer or distributor; operator; route operator; retail, key employee, and support), tribal gaming licenses, and four types of live racing and simulcast licenses (simulcast provider, simulcast site, simulcast pari-mutuel, and multiple category live racing). The commission is supported by the commission fund which is comprised of revenues from the 8% gaming tax in Deadwood, annual device fees, licensing fees, and other miscellaneous revenues.

In fiscal year 2009, total gaming action was \$1,111,195,859.27, down 0.5% from the previous year. At the close of the fiscal year, there were 3,749 licensed gaming devices, 135 retail locations, and approximately 1,490 licensed gaming employees.

FY2009 Recap of Commission Fund

Revenues

FY09 Device Tax	\$7,498,000.00
Gross Revenue Tax	8,007,138.00
City Slot Tax	53,846.78
Application Fees	109,960.00
License Fees	110,955.00
Interest	85,574.48
Device Testing Fees	15,484.00
Penalties on Disciplinary	6,100.00

Fund Total

\$15,887,058.26

Distributions

Administrative Expenses	\$1,327,961.35
Capital Equipment	7,312.75
Lawrence County (Per 42-7B-48)	804,553.84
Other Municipalities - Lawrence County (Per 42-7B-48.1)	374,570.30
School Districts (Per 42-7B-48.1)	374,570.30
SD Tourism (Per 42-7B-48)	3,218,215.29
State General Fund (Per 42-7B-48.1)	2,621,992.09
State Historical Preservation (Per 42-7B-48)	100,000.00
Department of Human Services (Per 42-7B-48.3)	30,000.00
City of Deadwood (Per 42-7B-48, 48.1)	7,138,613.90

Total Distributions From Fund:

\$15,997,789.85

Commission on Gaming/continued

FY2009 Recap of Racing Funds

	Special Fund	Revolving Fund	Bred Fund	Totals
Beginning Cash Balance (6/30/08)	\$20,480.00	\$229,697.00	\$126,861.00	\$377,038.00
Revenues:				
Horse Revenue	57,587.00	46,643.00	50,152.00	154,382.00
Greyhound Revenue	33,929.00	33,929.00	33,929.00	101,788.00
Interest		22,700.00	12,769.00	35,468.00
Transfer from Agency Fund	(111,223.00)	95,991.00	15,231.00	
License and Fines – Horse	11,725.00			11,725.00
License and Fines – Dog	3,630.00			3,630.00
Total Revenues:	\$16,129.00	\$428,960.00	\$238,942.00	\$684,031.00
Expenses:				
Aberdeen Horse Racing Track				
SD Bred Point Money			39,000.00	39,000.00
Purse Supplements, Racing Operations, and Advertising and Promotion	*	132,000.00		132,000.00
Jockey Bonus	**	6,500.00		6,500.00
SD Bred Stakes Money			53,800.00	53,800.00
Fort Pierre Horse Racing Track				
SD Bred Point Money			39,000.00	39,000.00
Purse Supplements, Racing Operations, and Advertising and Promotion	*	132,000.00		132,000.00
Jockey Bonus	**	4,500.00		4,500.00
SD Bred Stakes Money			53,800.00	53,800.00
Total Track Disbursements:		\$275,000.00	\$185,600.00	\$460,600.00
Ending Cash Balance (6/30/09)	\$16,129.00	\$153,960.00	\$53,342.00	\$223,431.00

* Per Resolution 12-12-06-01
 ** Per Resolution 12-12-06-02

South Dakota Real Estate Commission

Dee Jones Noordermeer, Executive Director

The South Dakota Real Estate Commission provides public protection in the real estate marketplace through the education and licensure of real estate brokers, salespeople, property managers, rental agents, home inspectors, auctioneers, and timeshare agents. The Commission also regulates condominium projects, subdivided lands, timeshare projects, and investigates consumer complaints.

The Commission was established in 1955, and consists of five members, three of which are active real estate brokers. The remaining two members are members of the public. All Commission members are appointed by the Governor, and an executive director oversees the business of the Commission.

Fiscal year 2009 revenues from the Real Estate Commission totaled \$470,971, down from \$589,091 the previous fiscal year.

FY2009 Revenues

Application Fees (if not included in examination or new license fee)	\$91,440
Examination Fees	0
Re-Examination Fees	0
New License Fees	19,452
Renewal Fees	202,182
Materials Sold	10,725
Interest Income	45,467
Change of Address	6,510
Certificates of Licensure	1,890
Late Renewal Fees	7,500
Intrastate Sales and Service	720
Penalties/Reimbursement of Investigations	15,882
Seminar Income	69,060
Miscellaneous	143
Refund of Prior Year Expenditure	0
Total	\$470,971

FY2009 Performance Indicators

Total Licenses Renewed	1,594
Total New Licenses	347
Total Practitioners (including firms)	4,260
Examinations:	
Nationally Prepared (times given)	618
Total Applicants Examined	388
Total Applicants Passed (including re-exams)	323
Percentage required for passing	75%
State Prepared (times given)	53
Total Applicants Examined	41
Total Applicants Passed (including re-exams)	38
Percentage required for passing	75%
Total Applicants re-examined	183
Total Applicants passing re-exam	158
Complaints:	
Total Received	27
Total Investigated	25
Total Resolved	20
Total Hearings Held	7
Total Pending	10
Total Licensees Reprimanded/Probationed	8
Total Stipulations*	4
Total Licenses Suspended/Revoked	3
No Action Taken Against Licensee	13
Total prosecutions	0
Miscellaneous:	
Total Inspections	18
Total Audits	434
Total Applicants Denied S.D. Licensure	0
Number of Commission Meetings Held	8

*New indicator for FY2009

Petroleum Release Compensation Fund

Dennis Rounds, Director

Established under the Petroleum Inspection and Release Compensation Act of 1988, the Petroleum Release Compensation Fund (PRCF) is a state-operated program that can financially assist petroleum tank owners with the cleanup of petroleum releases. The PRCF has been approved by the Environmental Protection Agency as an acceptable mechanism for the petroleum tank owners in South Dakota to demonstrate financial responsibility as required by both federal and state law. The PRCF is considered a full-coverage program and regulated petroleum tank owners are not required to have additional insurance.

The program's revenue source is a \$0.02 per gallon tank inspection fee. The PRCF receives 10.65% of the revenues collected or about \$1.6 million per year; the remainder goes to the Ethanol Fuel Fund and the Capital Construction Fund.

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

FY09 Payments

The total amount paid by the PRCF in fiscal year 2009 was \$890,012. Of that amount, \$657,531 constituted reimbursement payments made for cleanups at regular petroleum release sites. In addition, \$232,481 was paid for cleanups under the abandoned tank removal program.

FY09 Statistics

There were 116 responsible parties reimbursed in 2009; 212 pay requests (claims paid); 70 new regular petroleum release cases initiated; and 53 abandoned tank program cases initiated.

Department Resources

Main Offices

Revenue & Regulation Pierre Office*, Anderson Building, 445 East Capitol Avenue, Pierre, SD 57501-3185, 605-773-3311 (main phone)

(*includes Administrative Services, Appraiser Certification Program, Audits, Business Tax, Insurance, Insurance Fraud Unit, Legal, Motor Vehicles, Office of the Secretary, Petroleum Release Compensation Fund, Property and Special Taxes, and Securities)

Division of Banking, 217 1/2 West Missouri Avenue, Pierre, SD 57501, 605-773-3421

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

S.D. Commission on Gaming, 221 West Capitol Avenue, Suite 101, Pierre, SD 57501, 605-773-6050

S.D. Real Estate Commission, 221 West Capitol Avenue, Suite 101, Pierre, SD 57501, 605-773-3600

Field Offices

Aberdeen Area Revenue Office, 419 Moccasin Drive, Aberdeen, SD 57401-5085, 605-626-2218

Deadwood Gaming Office, 696 Main Street, 2nd Floor, Deadwood, SD 57732, 605-578-3074

Mitchell Area Revenue Office, 417 North Main, Suite 112, Mitchell, SD 57301-7103, 605-995-8080

Rapid City Area Revenue Office, 4447 South Canyon Road, Suite 6, Rapid City, SD 57702-1889, 605-394-2332

Rapid City Area Lottery Office, 107B New York Street, Rapid City, SD 57701, 605-394-5106

Sioux Falls Area Revenue Office, 300 South Sycamore Avenue, Suite 102, Sioux Falls, SD 57110, 605-367-5800

Sioux Falls Lottery Office, 3824 South Western Avenue, Sioux Falls, SD 57105, 605-367-5840

Watertown Area Revenue Office, 1505 10th Avenue SE, Suite 1, Watertown, SD 57201-5300, 605-882-5188

Yankton Area Revenue Office, 1900 Summit Street, Yankton, SD 57078, 605-668-2939

Toll-Free Phone Center

Offering answers to your tax questions Monday thru Friday from 8:00am to 5:00pm CST. Just call 1-800-TAX(829)-9188.

Department Website

Visit us on the Internet at www.state.sd.us/drr. Access any of our divisions through our Department of Revenue & Regulation home page.

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

The South Dakota Department of Revenue & Regulation Annual Report is written and designed to make information accessible to the general reader. Five hundred twenty-five copies of this document were printed by the department at a cost of \$3.00 per document.

Taxpayer Bill of Rights

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