South Dakota Department of Revenue

# 2015 ANNUAL REPORT

Professional, Dependable, Accountable...
In partnership with South Dakota

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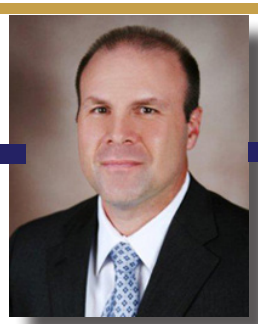
The FY2015 Department of Revenue Annual Report is available in the "publications" section on the department's website at dor.sd.gov. The online report will be considered the most up-to-date and accurate version. Any corrections or modifications made to the report after the print version is issued will be noted in the online version on this page, along with a description of the correction or update.



# A Message from the Secretary

To the Honorable Dennis Daugaard, Governor of South Dakota, the South Dakota Legislature and my fellow South Dakotans,

As Secretary of the South Dakota Department of Revenue, I am proud to report accomplishments from the 2015 fiscal year. In this report, you'll see our dedication to being Professional, Dependable, Accountable…in Partnership with South Dakota.

This year, we expanded our continuous improvement activities and department capabilities in order to meet the needs of our customers. And while we report on our past fiscal year, it is important to keep an eye to our future. We continue to work on a federal solution for internet sales tax through our partnership with the Streamlined Sales Tax organization. The Department also supports the Governor's Blue Ribbon task force report for additional funding for education.

## FY2015 Department of Revenue Highlights

- The Motor Vehicles Division began work on the reissuance of license plates for South Dakota. The last license plate reissue occurred in 2006. Through the Request for Proposal (RFP) process, the Intellectual Technology, Inc., (ITI) company was selected to help produce, in partnership with the Department of Corrections, the next South Dakota license plates. Additionally, ITI helped the Motor Vehicle division build an on-demand ordering system for South Dakotans. This on-demand system is an effort to satisfy the initiative of moving people from In-Line to Online for government services. Plates ordered through the on-demand system are mailed directly to the customer.

- The South Dakota Commission on Gaming adopted three new sections of rules for casino games in 2015. Craps, Keno and Roulette games were approved by a ballot vote in 2014 and added to casino floor gaming on July 1, 2015. Additionally, training was facilitated for the games and amendments were made to surveillance, security and accounting rules to accommodate the new games.

- Beginning January 1, 2016, any winery may ship wine purchases directly to South Dakotans. Department staff worked to ensure the rules were in place, and the system was developed and made available online to complete the actual licensing of wineries.

The Department is strongly committed to innovation. Moreover, our technology and security improvements have been given much attention. In the past year, the Department implemented a new electronic system to track sales tax at special events like the Sturgis Motorcycle Rally and the State Fair, added more Motor Fuel licenses to EPath in order to allow customers to remit tax online and completed a table top exercise to prepare and mitigate an event such as a criminal data breach.

The last thing I will mention is my pride in the dedicated and talented staff at the Department of Revenue. Our team is devoted and enthusiastic about serving the public; you can see their efforts in this report. I am excited for the coming year as we continue with our positive momentum.

Respectfully,

Andy Gerlach
Secretary

# 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 to an 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 South Dakota Department of Revenue.*
7. *You have the right to be notified before the department audits your records unless the secretary of revenue 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 correct the public record.*

***Taxpayer assistance is just a phone call away, at 800.829.9188.***

## our mission

We partner with our stakeholders to provide customer-oriented, fair, reliable revenue administration.

## our values

| | |
|---|---|
| ***Professional*** | We are committed to maintaining a reputation of fairness, courtesy and reliability in an atmosphere of mutual respect. |
| ***Dependable*** | We will focus on identifying and satisfying external and internal customer needs quickly. |
| ***Accountable*** | We will maintain an ethical standard of honesty and consistency while always being accountable to our stakeholders. |
| ***Public Service*** | Our employees are firmly committed to delivering prompt, courteous, respectful service to every customer, every time. We all choose public service as a profession. |
| ***Communication*** | We value and expect open and honest sharing of ideas and concerns at all levels of our organization and with the citizens of South Dakota. |
| ***Innovation*** | Our department is committed to utilizing the latest technology to ease the compliance burdens of our customers ensuring we can serve the general public promptly, accurately and efficiently. |

# Leadership Team

South Dakota Department of Revenue
445 East Capitol Avenue
Pierre, SD 57501
ph.: 605.773.3311
http://dor.sd.gov

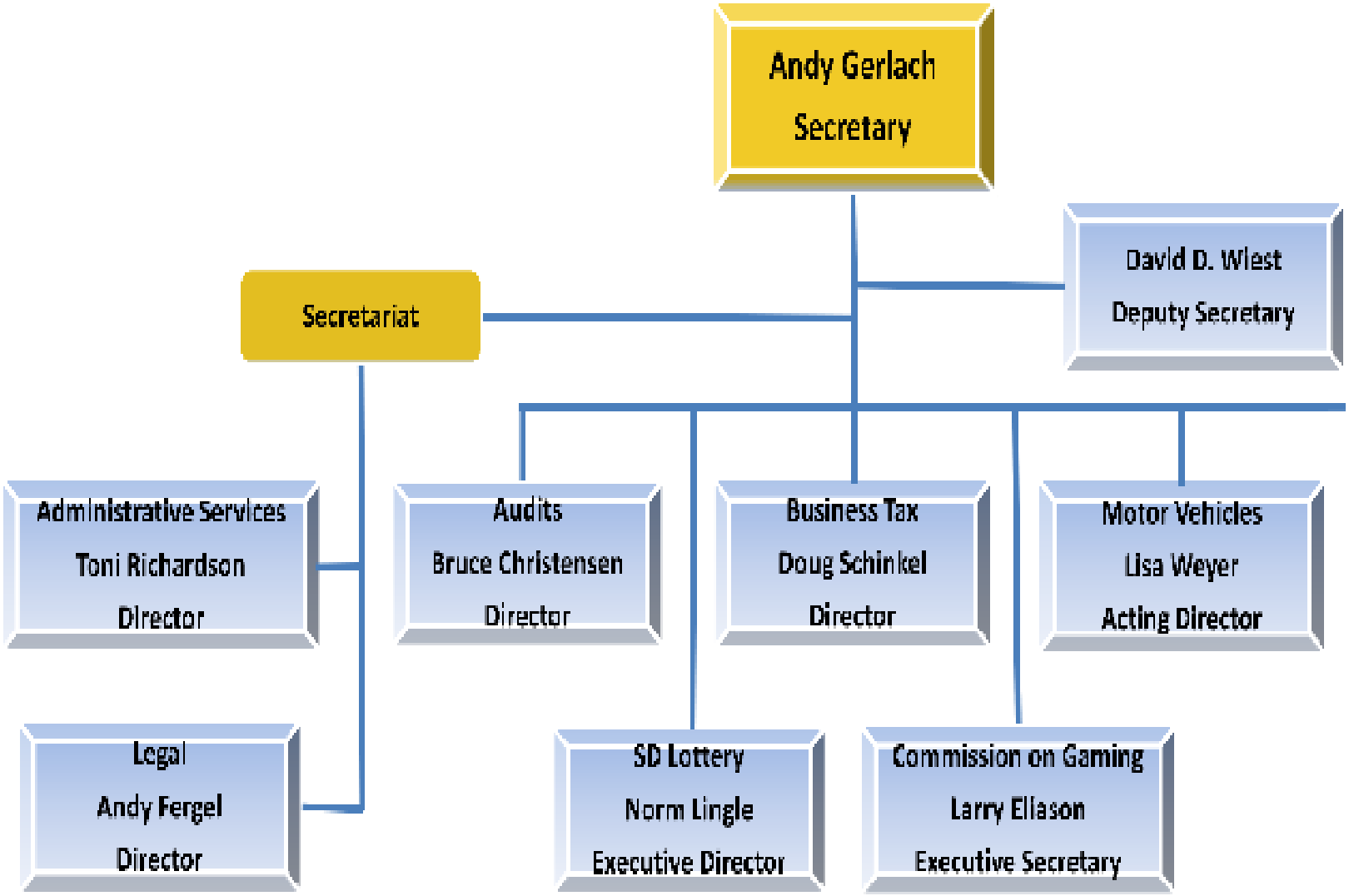
**Back Row** *(left to right)*:

Doug Schinkel, Business Tax;
Norm Lingle, Lottery;
Bruce Christensen, Audits;
Andy Gerlach, Secretary;
David Wiest, Deputy Secretary.

**Front Row** *(left to right)*:

Michael Houdyshell,
Property and Special Taxes;
Andy Fergel, Legal;
Lisa Weyer, Motor Vehicles
Toni Richardson,
Administrative Services;
Larry Eliason,
Commission on Gaming

# Organizational Structure



## Audit

-- Bruce Christensen, Director

The Audit Division regularly performs audits for sales, use, contractors' excise taxes and motor fuel taxes to ensure that businesses are correctly reporting taxes. Audits are 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 identify and resolve errors made in tax reporting. Audits not only cover state taxes but any local city taxes levied.

## Commission on Gaming

-- Larry Eliason, Executive Secretary

The Commission on Gaming, comprised of five commissioners, is responsible for regulating the gaming industry in the City of Deadwood, pari-mutuel horse racing and pari-mutuel wagering, and administering Indian gaming compacts.

## Business Tax

-- Doug Schinkel, Director

The Business Tax Division administers the sales tax, use tax, municipal tax, contractors' excise tax, tourism tax, and 911 surcharges, as well as the tax collection agreements with Indian tribes. Sales and use tax is the largest source of funding for the general fund. All tangible personal property, services and products delivered electronically are subject to sales or use tax in South Dakota unless specifically exempted. The division issues licenses to new taxpayers, provides instruction to current taxpayers, performs reviews of businesses, handles compliance for licensed and unlicensed businesses, and collects delinquent taxes.

## Administrative Services

-- Toni Richardson, Director

Administrative Services provides professional services to the department in the areas of budget, finance, and procurement. Administrative Services also manages the operation of the Remittance Center by processing printed returns for the department and providing lockbox services to a number of state agencies and programs. The department's technology support, website/e-forms management, social media, public information requests, and business education responsibilities are handled by this division.

## 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 initiatives. The Lottery Commission helps to establish policy, reviewing and approving major contracts and procurements, and consulting on management and operation issues.

## Legal Services

-- Andy Fergel, Chief Legal Counsel

Legal Services provides routine legal counsel to the Department and works on contested cases such as audits, jeopardy assessments, relief agency requests, motor vehicle issues, alcohol license issues and sales tax license revocations.

## Property & Special Taxes

-- Michael Houdyshell Director

The Property and Special Taxes Division is comprised of two distinct programs within the Department of Revenue. The Special Taxes program administers state taxes on tobacco, alcohol, banks, minerals, and several small industries. This program also regulates the tobacco and alcohol industries to ensure compliance with all applicable state laws. The Property Tax program assists local governments in making property tax assessments that are fair and in compliance with state law. This program also estimates the full and true value of some public utilities, railroads, and airline companies through the central assessment process as well as administering special industry taxes, such as the telecommunications gross receipts tax and the alternative tax for commercial wind farms.

## Motor Vehicles

-- Lisa Weyer, Acting Director

The Motor Vehicle Division handles all motor vehicle titling and registration requirements in South Dakota. The Division also completes prorate (IRP), unified carrier registration (UCR), commercial and motor vehicle dealer licensing as well as collecting motor vehicle excise tax, motor fuel tax, special fuel tax, and interstate fuel tax (IFTA).

# Legislative Summary

## *2015 Legislation Recap - House Bills*

The South Dakota State Legislature passed several bills affecting the activities of the Department of Revenue during the 2015 Legislative Session. A complete listing of all bills introduced in the 2015 Legislative Session is available on the Legislative Research Council's website at http://legis.sd.gov.

Some of the bills impacting department operations are summarized below and on the following page:

| | |
|---|---|
| **House Bill 1001** | Required the Department of Revenue to issue wine direct shipper and wine carrier licenses, and provide for a system where a winery can ship wine directly from the winery to a customer's home. |
| **House Bill 1004** | Authorized the direct sale of distilled spirits from artisan distillers to retailers and wholesalers. |
| **House Bill 1016** | Required that auditing standards in place on January 1, 2015, be used by the Department of Revenue. |
| **House Bill 1017** | Repealed certain outdated and unnecessary provisions related to the Department of Revenue. |
| **House Bill 1018** | Revised and clarified the language regarding the taxation of farm machinery resulting in no change of taxation. |
| **House Bill 1019** | Revised and clarified language regarding farm machinery with respect to excise tax, sales tax, and use tax laws resulting in no change of taxation. |
| **House Bill 1035** | Revised certain provisions regarding military specialty plates, permitting active officers of the National Guard to receive a National Guard plate, and permitting all National Guard plates to share the same design. |
| **House Bill 1050** | Repealed the Property Tax Reduction Fund and created the general revenue replacement fund. |
| **House Bill 1107** | Revised the definition of cider to include pear based cider. |
| **House Bill 1111** | Increased the insufficient funds charge from $30 to $40 for checks and electronic payments presented to state and local governments. |
| **House Bill 1113** | Repealed the damage disclosure requirements for motor vehicle and boat titles. |
| **House Bill 1132** | Increased the time that motor vehicles and other titled vehicles must be titled after sale from 30 days to 45 days. |
| **House Bill 1189** | Made an appropriation to fund tax refunds for elderly persons and persons with a disability. |
| **House Bill 1228** | Established an obligation recovery center to collect state government debt. |

## *2015 Legislation Recap - Senate Bills*

| | |
|---|---|
| **Senate Bill 1** | Increased the motor vehicle excise tax, fuel excise taxes, and non-commercial registration fees; increased the maximum amount of wheel tax that a county may impose; provided funding for local bridges through the local bridge improvement grant fund; increased the speed limit on the interstate; provided real property tax levy authority for counties and townships; and repealed the fuel inventory tax effective April 1, 2015. |
| **Senate Bill 5** | Repealed outdated language regarding real property assessment laws. |
| **Senate Bill 19** | Updated references to the Internal Revenue Code from 2014 to 2015. |
| **Senate Bill 20** | Required that all manufactured homes and mobile homes be treated as real property for taxation purposes. |
| **Senate Bill 21** | Updated the income thresholds for the paraplegic non-veteran property tax relief program. |
| **Senate Bill 56** | Codified the South Dakota Supreme Court's decision on how to impose the gaming tax on free play for the Deadwood casinos. |
| **Senate Bill 57** | Authorized the playing of craps, roulette, and keno in Deadwood casinos. |
| **Senate Bill 58** | Increased Commission on Gaming fines and revised hearing procedures. |
| **Senate Bill 80** | Increased the selling price of a towed vehicle from $200 to $1,200 without obtaining a dealer license. |
| **Senate Bill 93** | Imposed a 4.5% gross receipts tax on the rental of motorcycles and exempted the rented motorcycle from the motor vehicle excise tax. |
| **Senate Bill 94** | Imposed an annual registration fee on electric powered motorcycles. |
| **Senate Bill 119** | Permitted the owner of an unencumbered mobile home or manufactured home to transfer the title to the owner of the real property upon which the home is located for disposal purposes. |
| **Senate Bill 120** | Authorized a special off-sale alcoholic beverage license in conjunction with special events. |
| **Senate Bill 128** | Revised the identification requirements to obtain a military specialty plate. |
| **Senate Bill 136** | Exempted the gross receipts collected by rural electric companies from state and municipal sales taxes to make special payments to municipalities. |
| **Senate Bill 180** | Repealed the 2% gross receipts tax on wind farms and replaced it with a per kilowatt hour tax on electricity produced by wind projects. Also repealed the tax rebate system. Effective March 13, 2015. |
| **Senate Bill 182** | Revised the rate of interest for late payment of certain taxes from 1.25% per month to 1%, and lowered the interest rate cap from 30% to 24%, for all taxes listed in SDCL 10-59-1. |

# 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.*

**1913 License Fees, Non-Commercial**

2015 Last Major Change: Fees increased on non-commercial, non-commercial gross weight, recreational and trailer, motorhome, motorcycles, and dealer plates.

**1923 Motor Fuel**

2015 Last Major Change: Changed how tax is applied to blended fuels (gasohol). Tax applied to ethyl alcohol at $.14 per gallon and tax on gasoline at $.28 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**

2011 Last Major Change: The 10% license fee reduction for commercial vehicles was changed to apply to vehicles 10 years old or more.

**1935 Alcohol Beverage**

2011 Last Major Change: An on-off sale malt beverage with South Dakota farm wines license was added with a fee of $325. Also added was a hunting preserve license with a fee of $500.

**1935 Sales Tax**

2006 Last Major Change: Moved the tax on farm equipment from the sales tax chapter (10-45) to its own excise tax chapter (10-46E) and increased the rate from 3% to 4%. Also exempted from sales tax the repairs and maintenance on farm equipment.

**1935 Mineral Extraction**

1994 Last Major Change: Changed from gross yield and net income to gross production ($4 per ounce of severed gold) and 10% net income.

**1937 Motor Vehicle License Plates**

2012 Last Major Change: Authorized limited special plates for Silver Star Medal, Distinguished Service Cross, Navy Cross, Air Force Cross, Distinguished Flying Cross, Bronze Star Medal with Valor Device, or the Bronze Star Medal recipients. Also authorized the availability of limited special plates to military active duty members. Allowed for personalized license plates to be issued with a single numeral other than the number one or two.

**1939 Bank Franchise**

2000 Last Major Change: Lowered the net income levels on which the bank franchise tax is based.

**1939 Use Tax**

2006 Last Major Change: Moved the tax on farm equipment from the sales tax chapter (10-45) to its own excise tax chapter (10-46E) and increased the rate from 3% to 4%. Also exempted from sales tax the repairs and maintenance on farm equipment.

**1941 Special Fuel**

2015 Last Major Change: Tax increased on April 1 from $.22 to $.28 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 Mineral**

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.

**2002 Tourism Tax**

2013 Last Major Change: 1.5% tax rate sunset removed.

**2015 Direct Wine Shipment**

2015: Allowed wineries to ship wine directly from the winery to a customers home.

# Education Services

The Department of Revenue works to strengthen our relationships with the taxpayers of South Dakota by providing increased instructional opportunities in new and innovative ways. The department offers general seminars, on-site instructional presentations, online informational/ instructional videos and has participated in webinars conducted by the South Dakota Retailers Association.

Tax education seminars are conducted throughout the state on an annual basis. CPE and CEU credits are awarded for each seminar, if requested.

*Basic Sales Tax Seminar*

Each seminar is three-hours and covers how and when to apply for a tax license, exemptions from sales and use taxes, use tax, municipal taxes, purchases for resale and how to file sales/use tax returns.

*Contractors' Excise Tax*

Each seminar is three-hours and covers how and when to apply for a contractors' excise tax license, projects for qualifying utilities and governmental agencies, prime and subcontractors, sales and use tax, owner-furnished materials, reservation projects and how to file excise tax returns.

*Border Tax Seminars*

Border Tax Seminars provide tax instruction to businesses whose business operation may take the business over the South Dakota border into neighboring states.

*Webinars/Online tutorials*

In an effort to provide education and information about tax laws and rules to a larger, more diverse audience, the department offers webinars and online tutorials in addition to our regularly scheduled training seminars. The webinars are recorded and placed, along with our tax tutorials, on our YouTube site (/SouthDakotaDOR) for access 24-hours a day.

*Specialized Training/group Presentations/Speaking Engagements*

Specialized training and customized presentations are tailored to the needs of an organization, business, industry or group and are available upon request. These events vary from simple question and answer sessions to instructional visual presentations with training materials. The department education coordinator works with the requester to design an informative session that utilizes available resources and caters to subject matters relevant to the group, organization or event.

Licensee Reviews

A review is an educational meeting between a revenue agent and a taxpayer to provide one-on-one education at the taxpayer's place of business. Discussion will focus on tax issues associated specifically with the taxpayer's business and includes a review of a limited number of taxpayer records to determine if there are any problem areas. The taxpayer will have the opportunity to correct any problems or issues by filing self-audit worksheets.

# Tax Revenues

The Department of Revenue is the principal tax agency for the State of South Dakota and collects a number of 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 2015, revenue from all state taxes totaled $1,774,685,042 an increase of $43,602,457 from fiscal year 2014 revenues of $1,731,082,535. Total revenues from the past five years are shown below.

## Total Revenues: A Five-Year Comparison

| Fiscal Year | Total Revenues | Percent of Change |
|---|---|---|
| 2011 | $1,506,843,885 | 4.85% |
| 2012 | $1,618,300,286 | 7.40% |
| 2013 | $1,667,014,312 | 3.01% |
| 2014 | $1,731,082,535 | 3.84% |
| 2015 | $1,774,685,042 | 2.52% |
| **Five-Year Average** | **$1,659,585,212** | |

# By the numbers...

Of the total tax revenue collected in fiscal year 2015, 75.7% came from sales, use and contractors' excise taxes. Motor fuel taxes accounted for 9.6%, special taxes 5.4%, and motor vehicle taxes 9.3%. The table below shows a five-year comparison of revenues collected in each category.

## Revenues by Tax Category 2011-2015

| Fiscal Year | Sales, Use and Excise Taxes* | Motor Fuel Taxes** | Motor Vehicle Fees*** | Special Taxes |
|---|---|---|---|---|
| 2011 | $1,137,637,580 | $152,242,306 | $114,865,953 | $102,098,046 |
| 2012 | $1,180,159,027 | $153,388,242 | $134,482,942 | $150,270,075 |
| 2013 | $1,238,731,255 | $161,903,333 | $140,560,673 | $125,819,051 |
| 2014 | $1,306,167,428 | $156,736,026 | $155,471,527 | $112,707,555 |
| 2015 | $1,343,798,729 | $169,843,878 | $165,401,153 | $95,641,282 |
| **Five-Year Average** | **$1,241,298,804** | **$158,822,757** | **$142,156,450** | **$117,307,201** |

** Includes Tourism Taxes, Motor Vehicle Leasing, Excise Tax on Water Projects, Telecom Tax, 911 Emergency/Prepaid Wireless Surcharge and Construction Refund Program*
*** Includes Tank Inspection Fees*
**** Unified Carrier Registration Fee*

# Revenues by Tax Type

A three-year comparison in fiscal year 2015 shows the revenue produced by the separate taxes and fees administered by the Department varied, from a low of $0 to a high of $840,849,383.

| | FY2013 | % Increase (Decrease) over Previous Year | FY2014 | % Increase (Decrease) over Previous Year | FY2015 | % Increase (Decrease) over Previous Year |
|---|---|---|---|---|---|---|
| Sales and Use Taxes - State | $787,745,633 | 4.30% | $833,618,413 | 5.82% | $840,849,383 | 0.87% |
| Contractors' Excise Tax - State | $84,466,868 | 1.78% | $90,409,495 | 7.04% | $100,116,439 | 10.74% |
| Sales, Use, Contractors' Excise Tax - Cities | $317,168,147 | 4.52% | $332,396,971 | 4.80% | $349,511,058 | 5.15% |
| Sales, Use, Contractors' Excise Tax - Tribal | $10,524,640 | -10.61% | $9,878,178 | -6.14% | $9,749,278 | -1.30% |
| Tourism Tax | $10,115,967 | 5.99% | $10,671,323 | 5.49% | $11,413,097 | 6.95% |
| 911 Emergency/Prepaid Wireless Surcharge | $12,001,902 | NA | $13,177,032 | 9.79% | $13,109,999 | -0.51% |
| Water and Environment Fund | $347,515 | -74.78% | $259,455 | -25.34% | $276,778 | 6.68% |
| Intermediate Care Facility | $1,283,195 | -0.01% | $1,258,329 | -1.94% | $1,302,499 | 3.51% |
| Reinvestment Program | $0 | NA | $1,262,529 | NA | $4,121,212 | NA |
| Building SD Fund | $0 | NA | $321,412 | NA | $816,003 | NA |
| Motor Vehicle Leasing Fund | $1,585,810 | 0.32% | $1,743,991 | 9.97% | $1,806,948 | 3.61% |
| Telecom | $13,491,578 | 4.62% | $11,170,301 | -17.21% | $10,726,035 | -3.98% |
| Aviation Fuel | $736,125 | -4.82% | $716,436 | -2.67% | $728,070 | 1.62% |
| Motor Fuel Tax | $138,386,151 | 5.62% | $134,198,389 | -3.03% | $145,860,377 | 8.69% |
| Motor Fuel Tax - Tribal | $3,654,697 | 0.14% | $3,552,410 | -2.80% | $4,267,870 | 20.14% |
| Interstate Fuel Tax Agreement (IFTA) | $1,485,967 | 0.81% | $1,497,497 | 0.78% | $1,596,887 | 6.64% |
| Tank Inspection Fees | $17,640,393 | 7.09% | $16,771,294 | -4.93% | $17,390,674 | 3.69% |
| Prorate - Registration Fees and Excise Tax | $17,076,532 | -5.74% | $18,536,020 | 8.55% | $18,724,926 | 1.02% |
| United Carrier Registration Fees | $886,339 | 3.67% | $896,918 | 1.19% | $883,113 | -1.54% |
| Motor Vehicle Titles and Registration | $122,597,802 | 6.13% | $136,038,589 | 10.96% | $145,793,114 | 7.17% |
| Cigarette Tax - State | $51,621,443 | 1.27% | $51,981,414 | 0.70% | $51,776,104 | -0.39% |
| Cigarette Tax - Tribal | $2,221,487 | -15.08% | $2,136,129 | -3.84% | $2,128,349 | -0.36% |
| Cigarette License Fees | $13,950 | 9.39% | $12,750 | -8.60% | $17,678 | 38.65% |
| Other Tobacco Products | $6,883,716 | 5.67% | $7,444,528 | 8.15% | $7,430,596 | -0.19% |
| Other Tobacco Products - Tribal | $228,479 | -9.69% | $235,798 | 3.20% | $238,972 | 1.35% |
| Liquor License Fees | $117,235 | 9.41% | $118,035 | .68% | $124,200 | 5.22% |
| Malt Beverage Beer License Fees | $336,512 | 2.86% | $333,189 | -0.99% | $277,700 | -16.65% |
| Alcoholic Beverage Brand Registration Fees | $381,462 | 1.53% | $388,714 | 1.90% | $398,802 | 2.60% |
| Beer Tax | $6,303,556 | 1.51% | $6,182,644 | -1.92% | $6,058,750 | -2.00% |
| Liquor Tax | $7,917,948 | 7.41% | $7,885,088 | -0.42% | $8,280,928 | 5.02% |
| Alcoholic Beverage 2% Purchase Price Tax | $1,647,547 | 10.53% | $1,748,469 | 6.13% | $1,788,282 | 2.28% |
| Wholesale Beer License Fees | $400 | -33.33% | $200 | -50.00% | $0 | -100.00% |
| Underage Penalty Fees | $81,500 | -19.55% | $97,150 | 19.20% | $89,425 | -7.95% |
| Bank Franchise/Bank Card Tax | $36,850,211 | -38.37% | $24,819,183 | -32.65% | $8,763,982 | -64.69% |
| Inheritance Tax | $0 | NA | $0 | n/a | $0 | NA |
| Ore Tax | $4,565,257 | -35.92% | $1,897,450 | -58.44% | $2,890,933 | 52.36% |
| Energy Mineral Tax | $6,250,662 | -5.78% | $7,052,655 | 12.83% | $5,011,373 | -28.94% |
| Coin Laundry License Fees | $256,925 | 2.17% | $256,882 | -0.02% | $248,440 | -3.29% |
| Coin Laundry License Fees - Tribal | $1,488 | -13.03% | $1,494 | 0.40% | $1,427 | -4.46% |
| Amusement Device Fee | $89,368 | 57.08% | $71,556 | -19.93% | $70,200 | -1.90% |
| Bingo License Fee | $30,000 | 0.00% | $25,000 | -16.67% | $25,000 | 0.00% |
| Bingo Tax | $19,905 | 10.14% | $19,225 | -3.42% | $20,141 | 4.76% |
| **Totals** | **$1,667,014,312** | **3.01%** | **$1,731,082,535** | **3.84%** | **$1,774,685,042** | **2.52%** |

# Tax Revenues

## Distribution of Taxes and Fees

In fiscal year 2015, the $1,768,476,264 in tax revenues collected by the department was distributed to various funds and units of government. The largest portion of revenues, 57.1%, was deposited in the state's general fund, with 25.8% going to local governments, 12.5% to the State Highway Fund, and 5.6% to other uses.

While sales, use and contractors' excise taxes make up a portion 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. 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 Government | 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-% |
| 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-% |

**(continued on next page)**

## How Taxes are Distributed/continued

| Tax | General Fund | Local Government | State Highway Fund | Other |
|---|---|---|---|---|
| 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) |
| Tank Inspection Fee | -0-% | -0-% | -0-% | (8) |
| 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. The next $5 million goes into the tobacco prevention and reduction trust fund. The remaining revenue in excess of $35 million is deposited into the state general fund.*

*(3) An exception exists regarding credit card banks. 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. If there is no physical presence in South Dakota, then 100% is deposited into the state general fund.*

*(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) 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; $135,000 is transferred to the value added agriculture subfund created in SDCL 1-16G-25; $75,000 to the Department of Agriculture to be used for a grant to the Northern Crops Institute; $500,000 to the coordinated natural resources conservation fund; an amount equal to the number of licensed motorized boats times 140 gallons times the tax rate is transferred to the parks recreation fund; $700,000 to counties and townships pursuant to SDCL10-47B-149.1; 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).*

# Tax Revenues

## Total Revenues

Sales, use and contractors' excise taxes produce the largest portion of the total tax revenues, accounting for 73.5% of the total revenues in fiscal year 2015. These revenues come from over 80,799 businesses that currently pay sales, use and contractors' excise tax on their products and services. In fiscal year 2015, sales, use and contractors' excise taxes in South Dakota totaled $1,300,226,158. This includes state taxes, municipal taxes and taxes collected pursuant to tax collection agreements with Indian tribes.

Of the $1,300,226,158 collected, 64.7% came from the state sales and use tax; 26.9% from municipal sales and use taxes; 7.7% from state contractors' excise tax; and 0.8% from taxes collected pursuant to a tax collection agreement with an Indian tribe.

Below is a ten-year comparison of total state revenues from these taxes.

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

| Fiscal Year | Total State Revenues | Percent of Change |
|---|---|---|
| 2006 | $660,042,811 | 8.66% |
| 2007 | $691,218,595 | 4.72% |
| 2008 | $733,797,079 | 6.16% |
| 2009 | $740,503,025 | 0.91% |
| 2010 | $722,442,016 | -2.44% |
| 2011 | $786,303,271 | 8.84% |
| 2012 | $838,239,997 | 6.61% |
| 2013 | $872,212,501 | 4.05% |
| 2014 | $924,027,908 | 5.94% |
| 2015 | $940,965,822 | 1.83% |

## 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 for each city (shown in the table on the next three pages). 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.

In fiscal year 2015, 246 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.

| # | City | 2015 MGRT Rate | 2015 Sales and Use Tax Rate | FY 2014 | FY 2015 | %Change |
|---|---|---|---|---|---|---|
| 1 | Aberdeen | 1% | 2% | $17,335,507.65 | $17,699,702.16 | 2.10% |
| 2 | Akaska | - | 2% | $25,673.18 | $36,865.00 | 43.59% |
| 3 | Alcester | - | 2% | $189,754.02 | $177,916.84 | -6.24% |
| 4 | Alexandria | - | 2% | $123,870.56 | $130,036.68 | 4.98% |
| 5 | Alpena | - | 1% | $147,518.54 | $178,745.73 | 21.17% |
| 6 | Andover | - | 2% | $7,654.50 | $34,005.38 | 344.25% |
| 7 | Arlington | - | 2% | $473,956.88 | $501,448.00 | 5.80% |
| 8 | Armour | - | 2% | $251,201.44 | $261,215.40 | 3.99% |
| 9 | Artesian | - | 2% | $18,296.31 | $19,688.65 | 7.61% |
| 10 | Ashton | - | 2% | $16,909.00 | $13,482.64 | -20.26% |
| 11 | Astoria | - | 1% | $12,689.09 | $11,161.51 | -12.04% |
| 12 | Aurora | - | 1% | $57,346.63 | $56,263.01 | -1.89% |
| 13 | Avon | - | 2% | $142,667.07 | $148,969.68 | 4.42% |
| 14 | Baltic | 1% | 2% | $120,304.46 | $143,875.00 | 19.59% |
| 15 | Belle Fourche | 1% | 2% | $2,443,390.98 | $2,695,099.03 | 10.30% |
| 16 | Belvidere | - | 2% | $12,541.15 | $14,567.07 | 16.15% |
| 17 | Beresford | 1% | 2% | $808,364.99 | $884,538.64 | 9.42% |
| 18 | Big Stone City | - | 2% | $303,486.66 | $351,403.78 | 15.79% |
| 19 | Bison | - | 2% | $202,279.21 | $362,513.18 | 79.21% |
| 20 | Blunt | 1% | 1% | $46,651.44 | $47,127.78 | 1.02% |
| 21 | Bonesteel | - | 2% | $68,150.29 | $70,953.96 | 4.11% |
| 22 | Bowdle | - | 2% | $159,202.03 | $142,392.30 | -10.56% |
| 23 | Box Elder | 1% | 2% | $1,394,641.73 | $1,551,774.35 | 11.27% |
| 24 | Brandon | 1% | 2% | $2,951,642.15 | $3,042,016.44 | 3.06% |
| 25 | Brandt | - | 2% | $20,484.38 | $21,061.30 | 2.82% |
| 26 | Bridgewater | - | 2% | $100,167.85 | $85,805.74 | -14.34% |
| 27 | Bristol | - | 2% | $60,952.05 | $66,599.83 | 9.27% |
| 28 | Britton | 1% | 2% | $705,131.01 | $705,884.10 | 0.11% |
| 29 | Brookings | 1% | 2% | $13,362,179.48 | $13,185,664.49 | -1.32% |
| 30 | Bruce | - | 1% | $23,197.48 | $30,851.64 | 33.00% |
| 31 | Bryant | - | 2% | $131,818.81 | $165,964.28 | 25.90% |
| 32 | Buffalo | - | 2% | $175,234.69 | $239,142.81 | 36.47% |
| 33 | Burke | - | 2% | $268,503.25 | $280,483.21 | 4.46% |
| 34 | Camp Crook | - | 1% | $8,807.31 | $8,703.89 | -1.17% |
| 35 | Canistota | 1% | 2% | $154,781.21 | $218,044.59 | 40.87% |
| 36 | Canova | - | 1.95% | $30,784.15 | $28,460.45 | -7.55% |
| 37 | Canton | 1% | 2% | $1,028,889.50 | $1,091,392.91 | 6.07% |
| 38 | Carthage | - | 2% | $42,559.99 | $45,652.56 | 7.27% |
| 39 | Castlewood | - | 2% | $166,525.49 | $125,730.83 | -24.50% |
| 40 | Cavour | - | 2% | $28,956.41 | $31,905.59 | 10.18% |
| 41 | Centerville | 1% | 2% | $147,675.27 | $149,649.44 | 1.34% |
| 42 | Central City | - | 2% | $68,459.69 | $67,295.41 | -1.70% |
| 43 | Chamberlain | 1% | 2% | $1,437,520.44 | $1,401,487.72 | -2.51% |
| 44 | Chancellor | 1% | 2% | $60,770.20 | $57,240.17 | -5.81% |
| 45 | Clark | - | 2% | $393,580.12 | $391,587.79 | -0.51% |

# Tax Revenues

| # | City | 2015 MGRT Rate | 2015 Sales and Use Tax Rate | FY 2014 | FY 2015 | %Change |
|---|---|---|---|---|---|---|
| 46 | Clear Lake | 1% | 2% | $470,929.25 | $491,514.25 | 4.37% |
| 47 | Colman | - | 2% | $185,327.09 | $169,585.72 | -8.49% |
| 48 | Colome | 1% | 2% | $51,002.69 | $59,664.29 | 16.98% |
| 49 | Colton | 1% | 2% | $123,780.41 | $117,128.48 | -5.37% |
| 50 | Conde | - | 2% | $25,659.59 | $25,654.90 | -0.02% |
| 51 | Corona | - | 2% | $20,329.27 | $18,070.13 | -11.11% |
| 52 | Corsica | 1% | 2% | $334,518.60 | $337,564.57 | 0.91% |
| 53 | Crooks | 1% | 2% | $153,879.68 | $151,873.41 | -1.30% |
| 54 | Custer | 1% | 2% | $1,598,671.73 | $1,638,825.14 | 2.51% |
| 55 | Dallas | 1% | 2% | $32,019.74 | $31,428.54 | -1.85% |
| 56 | Davis | - | 2% | $19,299.13 | $12,721.90 | -34.08% |
| 57 | De Smet | 1% | 2% | $537,014.64 | $593,130.80 | 10.45% |
| 58 | Deadwood | 1% | 2% | $2,950,578.44 | $3,188,131.48 | 8.05% |
| 59 | Dell Rapids | 1% | 2% | $976,294.55 | $1,005,244.77 | 2.97% |
| 60 | Delmont | - | 2% | $47,128.17 | $51,177.55 | 8.59% |
| 61 | Dimock | - | 2% | $27,566.01 | $29,745.56 | 7.91% |
| 62 | Doland | - | 2% | $56,622.71 | $69,722.78 | 23.14% |
| 63 | Dupree | - | 1% | $52,276.27 | $49,472.66 | -5.36% |
| 64 | Eagle Butte | 1% | 2% | $443,964.78 | $459,474.28 | 3.49% |
| 65 | Eden | - | 1% | $20,035.18 | $22,178.36 | 10.70% |
| 66 | Edgemont | 1% | 2% | $189,937.46 | $218,907.27 | 15.25% |
| 67 | Egan | - | 2% | $25,385.28 | $28,582.78 | 12.60% |
| 68 | Elk Point | 1% | 2% | $466,695.19 | $471,252.31 | 0.98% |
| 69 | Elkton | - | 2% | $185,972.31 | $172,007.60 | -7.51% |
| 70 | Emery | - | 2% | $157,742.94 | $165,643.11 | 5.01% |
| 71 | Estelline | - | 2% | $147,826.33 | $145,696.29 | -1.44% |
| 72 | Ethan | - | 2% | $160,394.49 | $147,450.73 | -8.07% |
| 73 | Eureka | - | 2% | $324,995.11 | $286,910.30 | -11.72% |
| 74 | Fairfax | - | 2% | $35,176.51 | $48,049.00 | 36.59% |
| 75 | Fairview | - | 2% | $0.00 | $7,033.94 | NA |
| 76 | Faith | 1% | 2% | $237,713.27 | $259,892.05 | 9.33% |
| 77 | Faulkton | - | 2% | $320,776.37 | $336,579.78 | 4.93% |
| 78 | Flandreau | 1% | 2% | $657,520.49 | $619,251.86 | -5.82% |
| 79 | Florence | - | 2% | $52,347.56 | $67,784.26 | 29.49% |
| 80 | Fort Pierre | 1% | 2% | $1,185,959.35 | $1,275,050.33 | 7.51% |
| 81 | Frankfort | - | 2% | $17,181.19 | $19,538.88 | 13.72% |
| 82 | Frederick | - | 1% | $29,012.66 | $27,195.19 | -6.26% |
| 83 | Freeman | - | 2% | $524,168.05 | $579,316.73 | 10.52% |
| 84 | Garretson | 1% | 2% | $322,689.45 | $348,147.15 | 7.89% |
| 85 | Gary | - | 1% | $52,214.42 | $46,110.55 | -11.69% |
| 86 | Gayville | - | 2% | $43,841.86 | $44,857.82 | 2.32% |
| 87 | Geddes | - | 2% | $58,537.50 | $51,737.22 | -11.62% |
| 88 | Gettysburg | 1% | 2% | $559,715.30 | $593,048.62 | 5.96% |
| 89 | Glenham | - | 2% | $37,255.35 | $29,060.51 | -22.00% |
| 90 | Gregory | 1% | 2% | $651,812.88 | $668,123.75 | 2.50% |
| 91 | Grenville | - | 2% | $15,785.86 | $15,808.50 | 0.14% |
| 92 | Groton | 1% | 2% | $536,939.03 | $514,085.71 | -4.26% |
| 93 | Harrisburg | 1% | 2% | $856,953.19 | $904,272.89 | 5.52% |
| 94 | Harrold | - | 2% | $60,586.45 | $50,640.21 | -16.42% |
| 95 | Hartford | 1% | 2% | $719,105.32 | $777,371.38 | 8.10% |
| 96 | Hayti | - | 2% | $81,658.92 | $71,135.51 | -12.89% |
| 97 | Hazel | - | 1% | $11,076.05 | $10,961.36 | -1.04% |
| 98 | Hecla | - | 1% | $52,451.33 | $54,188.23 | 3.31% |
| 99 | Henry | - | 1% | $26,009.24 | $32,337.43 | 24.33% |
| 100 | Hermosa | - | 2% | $140,400.23 | $130,229.12 | -7.24% |
| 101 | Herreid | - | 2% | $259,547.67 | $242,203.02 | -6.68% |
| 102 | Highmore | 1% | 2% | $374,146.04 | $445,930.55 | 19.19% |
| 103 | Hill City | 1% | 2% | $854,841.58 | $924,139.03 | 8.11% |
| 104 | Hitchcock | - | 1% | $18,742.35 | $19,363.30 | 3.31% |
| 105 | Hosmer | - | 2% | $49,189.20 | $52,681.96 | 7.10% |
| 106 | Hot Springs | 1% | 2% | $1,463,935.13 | $1,670,719.80 | 14.13% |
| 107 | Hoven | - | 2% | $169,998.60 | $191,689.42 | 12.76% |
| 108 | Howard | - | 2% | $390,717.27 | $417,943.27 | 6.97% |
| 109 | Hudson | - | 2% | $115,406.78 | $106,727.61 | -7.52% |
| 110 | Humboldt | 1% | 2% | $172,119.61 | $184,181.82 | 7.01% |
| 111 | Hurley | 1% | 2% | $57,199.43 | $55,318.53 | -3.29% |
| 112 | Huron | 1% | 2% | $6,335,409.60 | $6,768,776.44 | 6.84% |
| 113 | Interior | - | 1.90% | $42,446.59 | $37,365.66 | -11.97% |
| 114 | Ipswich | - | 2% | $443,450.98 | $423,114.35 | -4.59% |
| 115 | Irene | 1% | 2% | $96,144.69 | $101,594.83 | 5.67% |
| 116 | Iroquois | - | 1% | $35,185.42 | $31,586.11 | -10.23% |
| 117 | Isabel | - | 2% | $86,075.48 | $93,014.83 | 8.06% |
| 118 | Java | - | 2% | $19,087.29 | $20,487.87 | 7.34% |
| 119 | Jefferson | - | 2% | $128,877.81 | $112,992.72 | -12.33% |
| 120 | Kadoka | 1% | 2% | $282,150.01 | $288,675.23 | 2.31% |
| 121 | Kennebec | 1% | 2% | $106,683.82 | $116,149.66 | 8.87% |
| 122 | Keystone | 1% | 2% | $816,676.45 | $844,030.99 | 3.35% |
| 123 | Kimball | 1% | 2% | $324,948.39 | $342,858.20 | 5.51% |
| 124 | Kranzburg | - | 2% | $23,929.90 | $28,202.10 | 17.85% |
| 125 | La Bolt | - | 1% | $12,382.41 | $9,770.39 | -21.09% |
| 126 | Lake Andes | - | 2% | $147,296.59 | $157,836.07 | 7.16% |
| 127 | Lake Norden | - | 1% | $176,744.64 | $178,661.45 | 1.08% |
| 128 | Lake Preston | - | 2% | $166,606.47 | $170,340.28 | 2.24% |
| 129 | Langford | - | 2% | $48,462.49 | $64,216.93 | 32.51% |
| 130 | Lead | 1% | 2% | $726,437.37 | $795,599.40 | 9.52% |
| 131 | Lemmon | 1% | 2% | $609,865.61 | $667,053.03 | 9.38% |
| 132 | Lennox | 1% | 2% | $493,422.17 | $536,889.63 | 8.81% |
| 133 | Leola | - | 2% | $128,180.31 | $104,556.48 | -18.43% |
| 134 | Lesterville | - | 2% | $45,798.80 | $30,717.66 | -32.93% |
| 135 | Letcher | 1% | 2% | $35,605.26 | $35,680.88 | 0.21% |
| 136 | Madison | - | 2% | $3,169,158.20 | $3,336,297.66 | 5.27% |
| 137 | Marion | - | 1% | $229,653.13 | $267,152.35 | 16.33% |
| 138 | Martin | 1% | 2% | $484,960.78 | $514,268.65 | 6.04% |
| 139 | McIntosh | - | 2% | $46,544.19 | $39,016.75 | -16.17% |
| 140 | McLaughlin | 1% | 2% | $144,991.64 | $125,693.51 | -13.31% |
| 141 | Mellette | - | 2% | $16,355.50 | $47,337.47 | 189.43% |
| 142 | Menno | - | 2% | $198,269.22 | $212,983.42 | 7.42% |
| 143 | Midland | - | 2% | $60,442.92 | $90,353.62 | 49.49% |
| 144 | Milbank | 1% | 2% | $2,229,473.86 | $2,199,032.93 | -1.37% |
| 145 | Miller | 1% | 2% | $735,558.57 | $802,619.01 | 9.12% |

| # | City | 2015 MGRT Rate | 2015 Sales and Use Tax Rate | FY 2014 | FY 2015 | %Change |
|---|---|---|---|---|---|---|
| 146 | Mission | - | 2% | $448,130.00 | $436,601.25 | -2.57% |
| 147 | Mitchell | 1% | 2% | $11,309,663.02 | $11,803,929.92 | 4.37% |
| 148 | Mobridge | 1% | 2% | $1,773,792.68 | $1,762,259.32 | -0.65% |
| 149 | Monroe | - | 2% | $8,216.90 | $10,396.53 | 26.53% |
| 150 | Montrose | - | 2% | $68,903.86 | $70,915.23 | 2.92% |
| 151 | Morristown | - | 1% | $6,427.36 | $11,437.67 | 77.95% |
| 152 | Mound City | - | 2% | $14,888.99 | $17,611.06 | 18.28% |
| 153 | Mount Vernon | 1% | 2% | $78,035.99 | $76,246.43 | -2.29% |
| 154 | Murdo | 1% | 2% | $436,478.74 | $460,812.71 | 5.58% |
| 155 | New Effington | - | 2% | $17,394.76 | $44,178.80 | 153.98% |
| 156 | New Underwood | - | 2% | $94,653.35 | $99,171.92 | 4.77% |
| 157 | Newell | - | 2% | $190,387.64 | $199,097.85 | 4.57% |
| 158 | Nisland | - | 2% | $21,158.55 | $20,329.22 | -3.92% |
| 159 | North Sioux City | 1% | 2% | $2,242,069.44 | $2,376,900.60 | 6.01% |
| 160 | Oacoma | 1% | 2% | $578,914.93 | $616,126.22 | 6.43% |
| 161 | Oldham | - | 2% | $17,254.73 | $17,006.97 | -1.44% |
| 162 | Olivet | - | 1% | $7,534.39 | $7,755.43 | 2.93% |
| 163 | Onida | - | 2% | $228,086.92 | $279,955.79 | 22.74% |
| 164 | Orient | - | 1% | $16,950.92 | $16,059.69 | -5.26% |
| 165 | Parker | - | 2% | $269,662.42 | $301,022.40 | 11.63% |
| 166 | Parkston | 1% | 2% | $494,346.71 | $522,948.72 | 5.79% |
| 167 | Peever | - | 2% | $21,213.65 | $22,176.09 | 4.54% |
| 168 | Philip | - | 2% | $439,421.09 | $558,321.34 | 27.06% |
| 169 | Pickstown | - | 2% | $88,140.11 | $89,517.36 | 1.56% |
| 170 | Piedmont | - | 2% | $137,467.99 | $194,607.69 | 41.57% |
| 171 | Pierpont | - | 2% | $17,109.15 | $12,584.96 | -26.44% |
| 172 | Pierre | 1% | 2% | $7,573,135.74 | $8,095,648.42 | 6.90% |
| 173 | Plankinton | - | 2% | $165,810.55 | $185,550.91 | 11.91% |
| 174 | Platte | 1% | 2% | $686,924.99 | $720,573.49 | 4.90% |
| 175 | Pollock | - | 2% | $109,755.86 | $114,614.86 | 4.43% |
| 176 | Presho | - | 2% | $147,753.68 | $144,570.31 | -2.15% |
| 177 | Pringle | - | 2% | $19,102.72 | $18,698.54 | -2.12% |
| 178 | Pukwana | - | 2% | $16,937.20 | $39,212.62 | 131.52% |
| 179 | Quinn | 1% | 1% | $6,317.84 | $6,732.43 | 6.56% |
| 180 | Ramona | - | 1% | $16,643.54 | $9,876.14 | -40.66% |
| 181 | Rapid City | 1% | 2% | $54,889,670.73 | $57,031,370.31 | 3.90% |
| 182 | Redfield | 1% | 2% | $892,943.47 | $931,763.25 | 4.35% |
| 183 | Reliance | 1% | 2% | $70,349.77 | $59,290.90 | -15.72% |
| 184 | Revillo | - | 1% | $21,066.93 | $21,443.85 | 1.79% |
| 185 | Roscoe | - | 2% | $73,696.87 | $123,786.43 | 67.97% |
| 186 | Rosholt | - | 1% | $94,742.49 | $82,696.78 | -12.71% |
| 187 | Roslyn | - | 2% | $45,487.13 | $49,309.33 | 8.40% |
| 188 | Saint Lawrence | - | 2% | $43,664.43 | $40,972.14 | -6.17% |
| 189 | Salem | 1% | 2% | $470,189.08 | $496,061.58 | 5.50% |
| 190 | Scotland | - | 2% | $354,108.42 | $350,995.49 | -0.88% |
| 191 | Selby | - | 2% | $252,710.08 | $270,151.39 | 6.90% |
| 192 | Sherman | - | 1% | $4,852.55 | $11,229.25 | 131.41% |
| 193 | Sioux Falls | 1% | 2% | $112,530,093.95 | $120,121,076.58 | 6.75% |
| 194 | Sioux Falls - Lodging | - | 1% | $796,476.08 | $903,249.95 | 13.41% |
| 195 | Sisseton | 1% | 2% | $1,109,352.31 | $1,108,128.84 | -0.11% |
| 196 | South Shore | - | 1% | $15,833.81 | $26,587.57 | 67.92% |
| 197 | Spearfish | 1% | 2% | $7,595,082.89 | $7,912,261.25 | 4.18% |
| 198 | Spencer | - | 2% | $17,777.43 | $21,645.89 | 21.76% |
| 199 | Springfield | - | 2% | $207,585.42 | $217,548.76 | 4.80% |
| 200 | Stickney | - | 2% | $116,102.90 | $149,805.07 | 29.03% |
| 201 | Stratford | - | 2% | $8,179.83 | $11,663.82 | 42.59% |
| 202 | Sturgis | 1% | 2% | $3,215,326.18 | $3,444,783.24 | 7.14% |
| 203 | Summerset | 1% | 2% | $422,533.55 | $466,452.61 | 10.39% |
| 204 | Summit | - | 2% | $116,562.25 | $119,580.81 | 2.59% |
| 205 | Tabor | - | 2% | $83,504.06 | $99,422.04 | 19.06% |
| 206 | Tea | 1% | 2% | $1,090,383.12 | $1,198,291.00 | 9.90% |
| 207 | Timber Lake | - | 2% | $225,706.43 | $169,640.03 | -24.84% |
| 208 | Toronto | - | 1% | $42,118.19 | $47,966.37 | 13.89% |
| 209 | Trent | - | 1% | $12,048.12 | $12,276.79 | 1.90% |
| 210 | Tripp | - | 2% | $110,622.97 | $138,372.69 | 25.08% |
| 211 | Tulare | - | 1% | $36,921.46 | $40,957.69 | 10.93% |
| 212 | Tyndall | - | 2% | $264,896.15 | $315,517.45 | 19.11% |
| 213 | Utica | - | 1% | $6,276.30 | $6,984.41 | 11.28% |
| 214 | Valley Springs | - | 2% | $105,382.93 | $109,479.48 | 3.89% |
| 215 | Veblen | - | 2% | $35,160.85 | $48,190.28 | 37.06% |
| 216 | Vermillion | 1% | 2% | $3,554,688.40 | $3,608,231.12 | 1.51% |
| 217 | Viborg | 1% | 2% | $248,926.54 | $262,946.90 | 5.63% |
| 218 | Volga | - | 2% | $412,429.84 | $441,160.83 | 6.97% |
| 219 | Volin | - | 2% | $22,009.13 | $18,511.19 | -15.89% |
| 220 | Wagner | - | 2% | $706,899.63 | $740,069.17 | 4.69% |
| 221 | Wakonda | - | 2% | $78,313.51 | $71,858.64 | -8.24% |
| 222 | Wall | 1% | 2% | $1,178,436.53 | $1,242,239.40 | 5.41% |
| 223 | Wallace | - | 1% | $22,974.92 | $7,948.52 | -65.40% |
| 224 | Ward | - | 2% | $9,884.45 | $16,598.17 | 67.92% |
| 225 | Warner | - | 2% | $65,425.50 | $81,886.70 | 25.16% |
| 226 | Wasta | - | 1% | $3,995.89 | $4,919.04 | 23.10% |
| 227 | Watertown | 1% | 2% | $14,719,909.66 | $15,247,164.98 | 3.58% |
| 228 | Waubay | - | 2% | $125,516.21 | $121,736.57 | -3.01% |
| 229 | Webster | 1% | 2% | $861,295.78 | $912,691.64 | 5.97% |
| 230 | Wentworth | - | 2% | $46,822.46 | $39,590.03 | -15.45% |
| 231 | Wessington | - | 2% | $55,748.65 | $92,801.40 | 66.46% |
| 232 | Wessington Springs | - | 2% | $330,668.12 | $342,849.00 | 3.68% |
| 233 | White | - | 2% | $73,101.91 | $149,096.65 | 103.96% |
| 234 | White Lake | 1% | 2% | $78,271.45 | $101,246.83 | 29.35% |
| 235 | White River | - | 2% | $142,196.96 | $134,804.83 | -5.20% |
| 236 | Whitewood | 1% | 2% | $274,358.82 | $294,344.26 | 7.28% |
| 237 | Willow Lake | - | 2% | $73,565.49 | $73,858.24 | 0.40% |
| 238 | Wilmot | - | 2% | $138,343.71 | $164,693.64 | 19.05% |
| 239 | Winner | 1% | 2% | $1,582,420.20 | $1,627,278.94 | 2.83% |
| 240 | Witten | - | 2% | $11,151.63 | $10,180.37 | -8.71% |
| 241 | Wolsey | - | 2% | $107,220.97 | $130,446.47 | 21.66% |
| 242 | Wood | - | 2% | $13,132.96 | $11,094.61 | -15.52% |
| 243 | Woonsocket | - | 2% | $191,366.58 | $190,243.91 | -0.59% |
| 244 | Worthing | 1% | 2% | $151,916.57 | $156,786.77 | 3.21% |
| 245 | Yale | - | 1% | $16,631.06 | $21,290.56 | 28.02% |
| 246 | Yankton | 1% | 2% | $8,576,718.15 | $9,049,322.97 | 5.51% |
| | **State Totals** | | | **$332,396,971.05** | **$349,511,058.33** | **5.15%** |

# Tax Revenues

## Tribal Tax Collection Agreements

The State of South Dakota and five Indian tribes have entered into tax collection agreements that cover sales, use and contractors' excise tax. The state and two Indian tribes have entered into tax collection agreements that cover 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.

| Special Jurisdiction | 2015 ST Rate | 2015 UT Rate | 2015 ET Rate | Tourism | FY2014 | FY2015 | % Increase (Decrease) |
|---|---|---|---|---|---|---|---|
| Cheyenne River Sioux Tribe | 4% | - | 2% | 1.5% | $2,980,725.74 | $2,946,218.26 | -1.16% |
| Crow Creek Sioux Tribe | 4% | - | 2% | 1.5% | $334,400.88 | $489,101.83 | 46.26% |
| Oglala Sioux Tribe | 4% | - | 2% | - | $3,075,573.37 | $2,961,688.59 | -3.70% |
| Rosebud Sioux Tribe | 4% | - | 2% | 1.5% | $2,417,180.53 | $2,212,640.09 | -8.46% |
| Sisseton-Wahpeton Oyate | - | 4% | 2% | - | $4,669.20 | $9,009.28 | 92.95% |
| Standing Rock Sioux Tribe | 4% | - | 2% | 1.5% | $1,065,628.44 | $1,130,610.57 | 6.10% |
| Yankton Sioux Tribe | - | 4% | 2% | - | $0.00 | $9.75 | NA |
| **Totals** | | | | | **$9,878,178.16** | **$9,749,278.37** | **-1.30%** |

## Tourism Tax

The division also administers the tourism or seasonal tax, which is an additional 1.5% tax on certain lodging and amusement services that is imposed for tourism promotion. The tourism tax on lodging establishments, campgrounds, motor vehicle rentals, recreational equipment rentals, recreational services, spectator events and visitor attractions applies year-round. The tourism tax on visitor-intensive businesses applies during the months of June, July, August and September. For FY2015, tourism tax collections, including audit collections, totalled $11,416,980.13.

## Compliance and Reviews

The Business Tax 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 2015, the Business Tax Division closed 9,785 compliance cases and collected $3,945,948.

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. Because these 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 2015, the division conducted 237 reviews and collected $281,244.

## *Special Events*

Revenue agents license vendors to 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 2015 to the previous year from temporary vendors.

### Total Tax Collected from Special Events 2014-2015

| Event | FY2014* | FY2015* | % Increase (Decrease) |
|---|---|---|---|
| Brookings Arts Festival | $29,001.76 | $32,856.06 | 13.29% |
| Brown County Fair | $19,095.76 | $24,411.81 | 27.84% |
| South Dakota State Fair | $151,744.84 | $166,233.27 | 9.55% |
| Northern Hills Motorcycle Rally** | $1,100,334.94 | $1,099,668.48 | -0.06% |
| Southern Hills Motorcycle Rally*** | $274,601.19 | $289,852.29 | 5.55% |
| Central States Fair | $37,704.87 | $46,772.10 | 24.05% |
| Sioux Empire Fair | $57,846.70 | $55,453.11 | -4.14% |
| Spearfish Arts Festival | $15,723.98 | $17,533.11 | 11.51% |
| **TOTAL** | **$1,686,054.04** | **$1,732,780.23** | **2.77%** |

*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.

Note: Special Events occur at various dates of a calendar year. The tax amounts collected and identified above are being reported by the state's fiscal year period. For example, the Sturgis Motorcycle Rally amount reported for FY2015 was for the rally that occurred during August 2014.

DOR Staff supports Military Kids on Purple Up Day each year on April 15.

# Special Taxes

The Special Taxes Division administers taxes on tobacco, alcohol, banks, minerals and several small industries; regulates the tobacco and alcohol industries; and administers the state's sales and property tax refund program for the elderly and disabled. In the last 10 years, revenues from the division have ranged from a high of $155.7 million in 2008 to a low of $95.6 million in 2015. In fiscal year 2015, revenues in this program showed a decrease of $17.1 million from 2014 with total collections of $95,641,282. The largest decrease was attributed to less revenue coming in for Bank Franchise / Bank Card Taxes of $16.1 million.

Many of the taxes and fees collected by the division are shared between the State and local governments. Examples include bank franchise tax, energy minerals severance tax, amusement machine registration fees and certain alcohol taxes and license fees. Of the total amount collected in fiscal year 2015, the division reverted $8,187,732 back to counties and municipalities and special jurisdictions.

## 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 2015, a total of $89,425 in civil penalties was collected from 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.

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 fiscal year 2015, 15 cities and eight counties conducted compliance checks. The chart below indicates the number of compliance checks and the failure rate for the past five fiscal years.

### Alcohol Compliance Checks: 2011 - 2015

| Fiscal Year | Number of Checks | Number of Illegal Sales | Failure Rates |
|---|---|---|---|
| 2011 | 980 | 110 | 11.2% |
| 2012 | 1,003 | 112 | 11.2% |
| 2013 | 946 | 86 | 9.1% |
| 2014 | 799 | 68 | 8.5% |
| 2015 | 1,001 | 114 | 11.4% |
| **Total** | **4,729** | **490** | **10.4% (avg.)** |

## *Sales or Property Tax Refund Program*

The Sales or Property Tax Refund Program is a method of returning to senior and disabled citizens, returning some of the dollars they pay each year in sales and property taxes within certain income guidelines. The program has been in effect since 1974. During that period it has returned over $35 million to qualifying South Dakotans.

Applications for the tax refund program must be made prior to July 1. Completed applications are submitted to the Department of Revenue office in Pierre for processing. Refunds are processed in the beginning of September.

Information on the Sales or Property Tax Refund Program, including eligibility requirements and income guidelines, is available on the Department's website at http://dor.sd.gov in the Special Taxes section.

The following chart indicates the number of refunds requested and approved as well as the dollars refunded for the past five fiscal years.

### Sales and Property Tax Refunds: 2011 - 2015

| Fiscal Year | Applications Received | Applications Approved | Dollars Refunded |
|---|---|---|---|
| 2011 | 2,784 | 2,392 | $466,125 |
| 2012 | 2,380 | 2,205 | $440,140 |
| 2013 | 2,180 | 2,059 | $438,165 |
| 2014 | 2,095 | 1,973 | $426,371 |
| 2015 | 2,119 | 1,964 | $428,599 |
| **Total** | **11,558** | **10,593** | **$2,199,400** |

***Information available in the Special Taxes section of the Department's website includes:***

- *Alcohol – Alcohol license applications, legal age issues, and operating hours for selling alcohol.*
- *Cigarettes/Tobacco – Required forms, minimum pricing, and licenses by names.*
- *Bank Franchise – Filing returns and making payments.*
- *Other Special Taxes – coin-operated washer and dryer license applications, energy minerals Severance Tax And conservation Tax information, precious metals tax quarterly and annual returns, and much more.*

# Property Taxes

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.

## Steps in the Determination of Property Taxes

The following provides the steps that are common to the application of property taxes in each government unit (excluding centrally assessed properties).

**1**

**The full and true (assessed) value of all property in the state is determined as of the legal assessment date, which is Nov. 1, prior to the assessment year (Nov. 1, 2015, for the 2016 assessment year, taxes payable in 2017).**

The Director of Equalization in each county is to assess all real property within the county.

Assessment notices are sent to the property owner on or before March 1, of each year.

**2**

**Determine the taxable value of the property.**

All property is to be assesed at full and true value. Then the property is equalized to 85% for property tax purposes.

If the county is at 100% of full and true value, then the equalization factor (the number to get to the 85% taxable value) would be 0.85. (example: full and true value of $120,000x 85% = taxable value of $102,000)

**3**

**Determine the tax levy for all taxing jurisdiction which can tax the property.**

Tax levies for each taxing jurisdiction are determined by dividing the tax request by the total taxable value within the taxing jurisdiction and multiplying the result by 1,000.

For example, if the taxable value within a city is $10,000,000 and the city has a tax levy request of $100,000, the tax is $10 per thousand.

**4**

**Taxes are computed for individual properties.**

Taxes are computed by multiplying the taxable value times the tax levy divided by 1,000.

For example, if a person has property with taxable value of $102,000, the property taxes for city purposes would be $1,020 at a tax rate of $10 per thousand.

*This same step is completed for the property for each taxing district that can tax the property, such as county, city, school, fire district, etc. The sum would be the total property taxes due on the property.*

**5**

**Tax bills are sent to property owner.**

Taxes are due and payable January 1, of the year following assessment (2016 assessment, taxes are due and payable January 1, 2017).

They do not become delinquent if one-half of the taxes are paid before May 1, and the remaining half paid before November 1.

All property taxes are paid to the county treasurer in the county where the property is located.

## *Property Tax Payments*

In 2015, South Dakota property owners paid more than $1 billion 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | 847,892,264 |
| 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 |
| 2010 | 239,627,362 | 24.50 | 388,867,662 | 39.76 | 307,499,562 | 31.44 | 23,463,130 | 2.40 | 18,467,990 | 1.89 | 977,925,706 |
| 2011 | 240,496,832 | 23.97 | 403,337,138 | 40.21 | 312,194,141 | 31.12 | 22,646,984 | 2.26 | 24,485,447 | 2.44 | 1,003,160,542 |
| 2012 | 252,715,223 | 24.50 | 414,066,249 | 40.14 | 321,656,276 | 31.18 | 24,275,738 | 2.35 | 18,819,754 | 1.83 | 1,031,533,239 |
| 2013 | 269,377,688 | 25.14 | 424,725,465 | 39.64 | 331,147,206 | 30.91 | 26,337,906 | 2.46 | 19,768,706 | 1.83 | 1,071,356,971 |
| 2014 | 286,177,332 | 25.45 | 444,727,084 | 39.55 | 346,978,590 | 30.86 | 27,320,189 | 2.43 | 19,323,088 | 1.72 | 1,124,526,283 |
| 2015 | 313,174,676 | 26.32 | 462,029,557 | 38.83 | 363,467,432 | 30.54 | 28,251,171 | 2.37 | 23,070,108 | 1.94 | 1,189,992,944 |

* Agricultural property taxes include NA-Z taxes for Pay 2006 to 2010

### 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 |
| 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 |
| 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 |
| 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 |
| 2010 | 267,475,363 | 27.35 | 131,066,116 | 13.40 | 546,181,894 | 55.85 | 14,734,342 | 1.51 | 18,467,990 | 1.89 | 977,925,706 |
| 2011 | 268,440,562 | 26.76 | 133,749,586 | 13.33 | 560,022,922 | 55.83 | 16,462,026 | 1.64 | 24,485,447 | 2.44 | 1,003,160,542 |
| 2012 | 281,180,299 | 27.26 | 139,272,206 | 13.50 | 574,213,937 | 55.67 | 18,047,044 | 1.75 | 18,819,753 | 1.82 | 1,031,533,239 |
| 2013 | 296,987,309 | 27.72 | 145,762,092 | 13.61 | 589,839,803 | 55.06 | 18,999,061 | 1.77 | 19,768,706 | 1.85 | 1,071,356,971 |
| 2014 | 301,699,432 | 26.83 | 149,893,710 | 13.33 | 635,031,575 | 56.47 | 18,578,477 | 1.65 | 19,323,088 | 1.72 | 1,124,526,282 |
| 2015 | 315,353,572 | 26.50 | 157,338,152 | 13.22 | 674,236,597 | 56.66 | 19,994,514 | 1.68 | 23,070,108 | 1.94 | 1,189,992,943 |

## *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.

Note: On May 1, 2015, Shannon County was renamed Oglala Lakota County.

# Taxable Valuations: 2015 Taxes Payable 2016

| County | Ag Real Valuation | Owner-Occupied Valuation | Other Valuation | Total Valuation | County | Ag Real Valuation | Owner-Occupied Valuation | Other Valuation | Total Valuation |
|---|---|---|---|---|---|---|---|---|---|
| AURORA | 627,997,228 | 44,199,087 | 28,685,589 | 700,881,904 | HYDE | 489,045,394 | 23,190,314 | 25,892,758 | 538,128,466 |
| BEADLE | 1,227,521,693 | 474,047,251 | 353,537,639 | 2,055,106,583 | JACKSON | 217,203,037 | 20,254,357 | 19,827,181 | 257,284,575 |
| BENNETT | 163,013,808 | 21,501,849 | 10,921,470 | 195,437,127 | JERAULD | 415,665,962 | 35,296,275 | 36,062,539 | 487,024,776 |
| BON HOMME | 529,977,569 | 106,009,573 | 49,898,722 | 685,885,864 | JONES | 262,187,787 | 14,708,316 | 15,995,207 | 292,891,310 |
| BROOKINGS | 879,112,885 | 998,442,175 | 804,562,370 | 2,682,117,430 | KINGSBURY | 885,934,038 | 127,159,951 | 97,414,581 | 1,110,508,570 |
| BROWN | 1,482,590,258 | 1,336,606,432 | 818,445,310 | 3,637,642,000 | LAKE | 681,314,145 | 414,470,485 | 260,100,674 | 1,355,885,304 |
| BRULE | 620,874,834 | 112,933,211 | 78,746,453 | 812,554,498 | LAWRENCE | 56,000,026 | 1,154,531,708 | 1,031,910,469 | 2,242,442,203 |
| BUFFALO | 155,540,257 | 1,501,685 | 1,243,282 | 158,285,224 | LINCOLN | 677,773,434 | 2,925,768,965 | 1,124,753,695 | 4,728,296,094 |
| BUTTE | 218,871,093 | 331,401,445 | 159,825,916 | 710,098,454 | LYMAN | 610,586,222 | 52,739,925 | 48,578,954 | 711,905,101 |
| CAMPBELL | 370,631,589 | 29,107,209 | 24,280,385 | 424,019,183 | MARSHALL | 647,749,275 | 127,248,352 | 106,280,756 | 881,278,383 |
| CHARLES MIX | 864,003,095 | 161,213,588 | 113,619,032 | 1,138,835,715 | MC COOK | 710,525,645 | 136,176,243 | 65,376,397 | 912,078,285 |
| CLARK | 808,205,454 | 48,243,227 | 94,534,817 | 950,983,498 | MC PHERSON | 606,399,700 | 39,924,451 | 32,941,920 | 679,266,071 |
| CLAY | 534,478,893 | 302,354,799 | 208,740,734 | 1,045,574,426 | MEADE | 562,963,846 | 1,061,506,134 | 431,149,471 | 2,055,619,451 |
| CODINGTON | 623,210,885 | 1,081,374,710 | 643,244,365 | 2,347,829,960 | MELLETTE | 183,620,939 | 9,896,102 | 6,643,458 | 200,160,499 |
| CORSON | 265,860,015 | 13,203,968 | 40,144,240 | 319,208,223 | MINER | 595,305,842 | 29,860,912 | 59,574,509 | 684,741,263 |
| CUSTER | 123,946,430 | 447,695,760 | 328,451,403 | 900,093,593 | MINNEHAHA | 871,753,631 | 6,769,578,933 | 4,712,422,363 | 12,353,754,927 |
| DAVISON | 448,313,820 | 617,657,365 | 428,690,283 | 1,494,661,468 | MOODY | 723,149,273 | 158,394,946 | 45,276,033 | 926,820,252 |
| DAY | 738,859,514 | 146,655,172 | 193,240,240 | 1,078,754,926 | OGLALA LAKOTA | 32,683,540 | 2,160,810 | 3,093,449 | 37,937,799 |
| DEUEL | 618,703,747 | 121,721,977 | 90,024,874 | 830,450,598 | PENNINGTON | 313,554,290 | 4,378,888,686 | 3,164,725,779 | 7,857,168,755 |
| DEWEY | 226,920,789 | 16,360,087 | 21,134,785 | 264,415,661 | PERKINS | 476,170,683 | 40,078,652 | 28,924,790 | 545,174,125 |
| DOUGLAS | 453,842,635 | 52,255,132 | 26,826,517 | 532,924,284 | POTTER | 636,618,174 | 51,599,137 | 39,322,695 | 727,540,006 |
| EDMUNDS | 868,215,812 | 120,681,904 | 116,087,501 | 1,104,985,217 | ROBERTS | 630,511,366 | 133,930,483 | 90,598,206 | 855,040,055 |
| FALL RIVER | 128,531,250 | 207,106,380 | 204,586,492 | 540,224,122 | SANBORN | 496,009,485 | 38,666,629 | 23,439,424 | 558,115,538 |
| FAULK | 799,333,228 | 32,197,311 | 18,848,823 | 850,379,362 | SPINK | 1,522,081,472 | 111,524,637 | 108,514,901 | 1,742,121,010 |
| GRANT | 604,442,071 | 191,059,248 | 203,871,981 | 999,373,300 | STANLEY | 264,594,450 | 137,581,020 | 97,737,233 | 499,912,703 |
| GREGORY | 392,392,857 | 65,828,452 | 37,340,330 | 495,561,639 | SULLY | 804,522,919 | 46,557,984 | 69,730,378 | 920,811,281 |
| HAAKON | 417,312,489 | 30,909,379 | 27,323,038 | 475,544,906 | TODD | 134,151,808 | 12,959,589 | 13,098,209 | 160,209,606 |
| HAMLIN | 593,516,515 | 178,149,374 | 114,442,697 | 886,108,586 | TRIPP | 760,090,610 | 100,076,481 | 54,123,376 | 914,290,467 |
| HAND | 1,099,533,767 | 73,389,462 | 47,260,384 | 1,220,183,613 | TURNER | 780,023,205 | 271,426,620 | 122,588,059 | 1,174,037,884 |
| HANSON | 429,854,252 | 82,249,291 | 40,260,113 | 552,363,656 | UNION | 648,374,397 | 792,897,722 | 350,733,851 | 1,792,005,970 |
| HARDING | 208,145,178 | 21,223,686 | 56,341,095 | 285,709,959 | WALWORTH | 430,951,716 | 136,400,546 | 106,381,742 | 673,734,004 |
| HUGHES | 368,566,738 | 686,523,321 | 379,172,054 | 1,434,262,113 | YANKTON | 561,185,852 | 771,461,597 | 438,187,679 | 1,770,835,128 |
| HUTCHINSON | 902,944,340 | 149,990,953 | 114,903,120 | 1,167,838,413 | ZIEBACH | 196,873,013 | 3,263,087 | 6,965,680 | 207,101,780 |

| | Ag Real Valuation | Owner-Occupied Valuation | Other Valuation | Total Valuation |
|---|---|---|---|---|
| **State Totals** | **36,680,840,164** | **28,433,974,512** | **18,717,602,470** | **83,832,417,146** |

## Taxable Valuations by Category: 2006-2015

*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 2006 to 2015.*

| For Taxes Payable in | Agricultural* | % of Total | Owner-Occupied | % of Total | Commercial | % of Total | Utilities | % of Total | TOTAL** |
|---|---|---|---|---|---|---|---|---|---|
| 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 |
| 2010 | 19,690,137,457 | 34.11 | 22,768,420,477 | 39.44 | 14,051,480,469 | 24.34 | 1,222,801,442 | 2.12 | 57,732,839,845 |
| 2011 | 19,691,529,066 | 33.38 | 23,726,031,354 | 40.22 | 14,345,035,001 | 24.32 | 1,222,426,811 | 2.07 | 58,985,022,232 |
| 2012 | 21,198,601,461 | 34.84 | 24,168,972,982 | 39.72 | 14,186,603,573 | 23.32 | 1,289,522,163 | 2.12 | 60,843,700,179 |
| 2013 | 23,009,157,595 | 36.52 | 24,187,671,139 | 38.39 | 14,543,781,399 | 23.09 | 1,258,762,412 | 2.00 | 62,999,372,545 |
| 2014 | 26,152,823,040 | 38.81 | 25,026,080,805 | 37.14 | 14,919,046,958 | 22.14 | 1,285,494,413 | 1.91 | 67,383,445,216 |
| 2015 | 31,466,431,683 | 41.81 | 26,558,445,270 | 35.29 | 15,852,917,357 | 21.06 | 1,379,817,525 | 1.83 | 75,257,611,835 |

* Agricultural value includes NA-Z value for Pay 2006 to 2010
**Total valuation does not include increment value in tax increment financing districts

### Property Tax Reduction Fund

During the Legislative Assembly 2015, House Bill 1050 was enacted which repealed the Property Tax Reduction Fund (SDCL § 10-45C-14) and created the general revenue replacement fund.

## Productivity Valuation

Beginning with the 2010 assessments (for taxes paid in 2011), agricultural land in South Dakota has been assessed based upon its productivity value. The productivity valuation system has three steps. They are:

1) First, revenue information is used to determine a "gross revenue per acre" for both cropland and pastureland in each county.
2) Second, the "gross revenue per acre" amount is further used to determine an "average value per acre" for both cropland and pastureland.
3) Finally, the "average value per acre" is used to determine a value for all of the ag land in the county.

To prevent sudden large shifts in values and to ensure there was time to address any unanticipated problems, the Legislature originally limited the increases or decreases to 10% a year. The 2012 Legislature further adjusted this limitation to a tiered system with the passage of House Bill 1003. The tiered system will assist the counties in achieving full productivity value.

The transition to productivity valuation did not change the appeal rights of property owners. In South Dakota, property cannot be assessed for more than its market value and must be assessed equitably in relation to other property in the county. Information on the property tax appeal process, as well as material on property tax calculations, property tax laws and the property tax relief programs, is available on the Department's website in the Property Tax section.

# Property Taxes

## Limits on Property Taxes

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

### State Aid to Education Payments

Agricultural and owner-occupied property owners benefit from the funding for education provided by the state. The state provides extra revenue 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 2016 are set statewide as follows:

| | |
|---|---|
| Ag | $1.568/$1,000 of value |
| Owner-Occupied | $4.075/$1,000 of value |
| Other | $8.727/$1,000 of value |

### Property Tax Caps

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

An example will illustrate how the property tax caps work. Assume that last year, the total property valuation within a city was $100 million and the city collected $300,000 from property taxes. To collect the $300,000, the city assessed property within the city a tax of $3.00/$1,000 of assessed value. This year, the consumer price index is 2%, a new subdivision was created within the city with a total valuation of $1 million, and a hot real estate market increased the value of the existing property within the city to $109 million. The city can increase the $300,000 it received from property taxes last year by 3% (2% for the CPI and 1% for 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

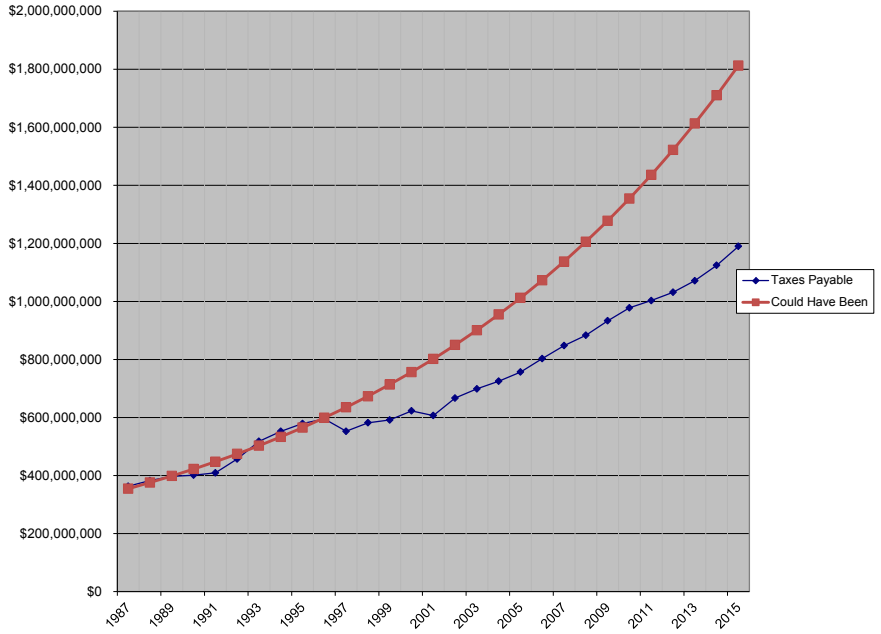
Historically, property taxes had increased at a rate of about 6% per year since 1947. Property tax caps and state aid to education payments have significantly slowed this increase. If the historical rate of property tax growth had continued through the 1990's, current property owners would be paying over $1.60 billion in property taxes. Instead, property owners are paying just over $1 billion of property taxes. The chart on the next page shows the historical growth of property taxes and the actual growth of property taxes. These programs were implemented in 1997.

## 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 2015. 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 market value that will be paid in taxes. For example, if the effective tax rate is 2%, and the 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 | 1.11 | 1.70 | 2.13 | Mobridge | 1.13 | 1.99 | 2.53 |
| Belle Fourche | 1.05 | 1.90 | 2.32 | Pierre | 0.96 | 1.46 | 1.88 |
| Brandon | 1.08 | 1.60 | 2.02 | Rapid City | 1.22 | 1.43 | 1.86 |
| Brookings | 1.16 | 1.51 | 1.97 | Redfield | 0.79 | 2.42 | 2.95 |
| Canton | 0.84 | 1.87 | 2.28 | Sioux Falls | 0.95 | 1.47 | 1.94 |
| Chamberlain | 0.81 | 1.77 | 2.19 | Sisseton | 0.92 | 2.25 | 2.66 |
| Dell Rapids | 1.07 | 1.69 | 2.11 | Sturgis | 0.99 | 1.82 | 2.24 |
| Flandreau | 0.94 | 1.98 | 2.39 | Vermillion | 1.14 | 1.83 | 2.35 |
| Hot Springs | 1.16 | 1.85 | 2.27 | Watertown | 0.88 | 1.29 | 1.71 |
| Huron | 1.01 | 1.87 | 2.28 | Webster | 0.85 | 1.69 | 2.11 |
| Madison | 0.92 | 1.79 | 2.24 | Winner | 0.90 | 1.64 | 2.05 |
| Milbank | 1.01 | 1.57 | 1.99 | Yankton | 0.99 | 1.39 | 1.81 |
| Mitchell | 1.06 | 1.65 | 2.07 | **Statewide** | **0.85** | **1.48** | **1.87** |

## Historical Growth of Property Taxes vs. Actual Growth



# Motor Vehicles

The Division of Motor Vehicles is committed to implementing the South Dakota laws and regulations as they pertain to vehicle ownership. Our areas of responsibility include motor vehicle excise tax, title and registration, motor fuel tax, commercial motor vehicle licensing, and dealer licensing and regulation.

## Total Fuel Tax Revenues

Many fuel types, including gasoline, diesel, ethyl alcohol, methyl alcohol, aviation fuel, jet fuel, and liquid petroleum gas (LPG), fall into the fuel tax category. In fiscal year 2015, total fuel tax revenues amounted to $169,843,878. The chart below compares South Dakota's fuel tax revenues for the past 10 years.

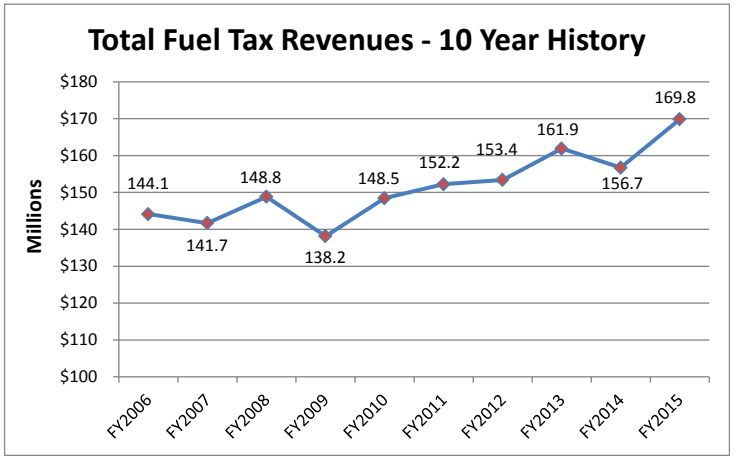
Each fuel type is taxed at a different rate as per South Dakota law.

**Current tax rates are:**

Gasoline - $0.28
Diesel - $0.28
Ethyl & Methyl Alcohol - $0.14
Aviation Gasoline - $0.06
Jet Fuel - $0.04
Special Fuel - $0.22
Liquid Natural Gas - $0.14
Liquid Petroleum Gasoline - $0.20
Compressed Natural Gas - $0.10
Biodiesel and Biodiesel Blends - $0.20
*(fuel taxes are per gallon)*

Motor fuel tax revenues are used to fund maintenance and construction of roads and bridges on the state highway system. Motor fuel tax revenues are key to South Dakota as our transportation system is critical to the economy and day-to-day activities of all citizens.

Total Fuel Revenues (2006-2015)



## *Motor Vehicle Excise Tax, Title and Registration*

Motor Vehicle excise tax of 4%** is collected on sales of motor vehicles that operate on South Dakota's roads. In FY2015, $80,355,337 in motor vehicle excise tax was collected and transferred to the Department of Transportation.

Vehicles used on public roadways or waterways must also be licensed and registered each year. Registration is confirmed by the issuance of a license plate or decal.

### Title and Registration Revenues

| | FY2014 | FY2015 | Percent Change |
|---|---|---|---|
| License Plate Fees - State's Share* | $4,296,682 | $4,651,685 | 8.26% |
| License Plate Fees - Counties', Cities', Townships' Share | $48,086,189 | $51,993,325 | 8.13% |
| Snowmobile License Fees | $126,801 | $133,546 | 5.32% |
| Boat License Fees | $1,372,200 | $1,457,233 | 6.20% |
| Temporary Special Permits | $74,678 | $70,926 | -5.02% |
| Mobile Home Plates | $5,520 | $6,285 | 13.86% |
| Dealer Fees | $237,885 | $233,633 | -1.79% |
| Duplicate Plates, Replacement Plates | $240,791 | $261,936 | 8.78% |
| Title and Penalty Fees | $2,501,863 | $2,635,148 | 5.33% |
| Trailer ID Fees | $73,328 | $72,846 | -0.66% |
| Motorcycle Safety Education Fees | $594,202 | $634,319 | 6.75% |
| Mobile Home Registration Fees - State's Share | $100,587 | $108,004 | 7.37% |
| Motor Vehicle 4% Excise Tax ** | $75,237,234 | $80,355,337 | 6.80% |
| Snowmobile 3% Excise Tax | $348,627 | $314,317 | -9.84% |
| Register of Deeds Fees | $192,281 | $198,060 | 3.01% |
| DENR - Solid Waste Fees | $1,232,260 | $1,288,316 | 4.55% |
| DPS - Highway Patrol Fees | $1,317,461 | $1,378,198 | 4.61% |
| **Total Receipts** | **$136,038,588** | **$145,793,114** | **7.17%** |

**State Motor Vehicle Fund, License Plate Special Revenue Fund*
*** The motor vehicle excise tax was increased from 3 % to 4 % on April 1, 2015.*

### *Senate Bill 1*

South Dakota's Highway Funding Bill went into effect April 1. In it, license plate fees for most noncommercial vehicles increased by 20% and the excise tax for motor vehicles went from 3 to 4%.

On July 1, the license fees for noncommercial vehicle with a gross weight of over 20,000 pounds increased from 60% of the commercial rate to 70%.

# Motor Vehicles

Several renewal options are available for South Dakotans for motor vehicle registration. In addition to the regular options of renewing in person at the County Treasurer's Office or by mail through the County, the Division of Motor Vehicles offers electronic vehicle registration renewals through the online customer portal and through self-service terminals located throughout the state.

## MySDCars.sd.gov

The customer portal at http://mysdcars.sd.gov is available any time, day or night.
We continue to expand services available through the customer portal.
**Currently those services include:**

- Renewing annual vehicle registrations
- Selecting method for registration renewal reminder notice
- Completing a vehicle Report of Sale or print a Seller's Permit
- Reviewing your customer record and vehicle ownership
- Updating your address and contact information
- Ordering license plates

## Self-Service Terminals

Another registration renewal option is to utilize a motor vehicle registration self-service terminal (SST). The 24-hour SST is a fully automated motor vehicle registration renewal station that dispenses license renewal tags and registration cards. Vehicle owners from any county can use a terminal at any location with the proper identification.

**Self-service terminals are currently operating in the following 10 locations:**

- Aberdeen–Kessler's Store, 615 6th Ave. SE
- Brookings–Hy-Vee Food Store, 790 22nd Ave. S.
- Mitchell–County Fair Food Store, 1305 W. Havens Ave.
- Pierre–Dept of Revenue Office*, Anderson Building at 445 East Capitol Ave.
- Rapid City–Pennington County Administration Bldg., 130 Kansas City Street Suite 250
- Rapid City–Rushmore Mall,* 2200 N. Maple Ave.
- Sioux Falls–Get-N-Go, 5400 E. Arrowhead Ave.
- Sioux Falls–Hy-Vee Food Store, 4101 S. Louise Ave.
- Watertown–Hy-Vee Food Store, 1320 9th Ave. SE
- Yankton–Hy-Vee Food Store, 2100 Broadway Ave.

Availability of SSTs identified by (*) are subject to business operating hours.

## Motor Vehicle Registrations/Titles: FY2011 to FY2015

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 |
|---|---|---|---|---|---|
| Vehicle Registrations (County) | 1,392,547 | 1,221,443 | 1,402,125 | 1,258,147 | 1,341,668 |
| Titles | 320,863 | 332,985 | 332,035 | 339,579 | 350,922 |
| Vehicle Registration Renewals completed online | 57,216 | 50,192 | 67,157 | 63,152 | 71,163 |
| Vehicle Registration Renewals completed by Self Service Terminal (SST) | 531 | 7,192 | 29,492 | 44,087 | 63,580 |

## *Commercial Carrier Programs*

South Dakota participates in 2 nationwide programs that oversee interstate motor carriers.

The International Registration Plan (IRP) is an agreement which allows commercial interstate motor carriers to license their vehicles through their base jurisdiction and receive a single license plate and registration allowing travel in all 59 jurisdictions. Registration fees are apportioned based on the distance traveled in all jurisdictions by the motor carrier.

The International Fuel Tax Agreement (IFTA) is an agreement which allows interstate motor carriers to report and pay motor fuel use taxes to their base jurisdiction for distribution to other member jurisdictions in which the licensee traveled and incurred motor fuel use tax liability.

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. Registration fee revenues during fiscal 2015 were $17,723,944. These fees are used to fund roads and bridges in counties, townships and municipalities.

## *Dealer Licensing and Regulation*

South Dakota requires that people who are engaged in the business of selling vehicles, either exclusively or in addition to another occupation such as a towing company, have a motor vehicle dealer license. In FY2015, there were 1,300 licensed vehicle dealers in South Dakota. The Dealer Program assists licensed dealers and dealer license applicants with understanding and following the laws and rules that apply to the program. The program assures periodic compliance reviews are conducted to ensure Dealers are following regulations and to be proactive in avoiding issues related to vehicle fraud and theft.

# Audits

The Audit Division is responsible for selecting and performing audits on behalf of the Department of Revenue. The primary purpose of the audit function is to verify the gross receipts, deductions, and use tax reported on tax returns, ensure required record-keeping is in place and work with auditees to ensure understanding of the tax laws.

The Audit Division conducts audits for the following taxes administered by the department:

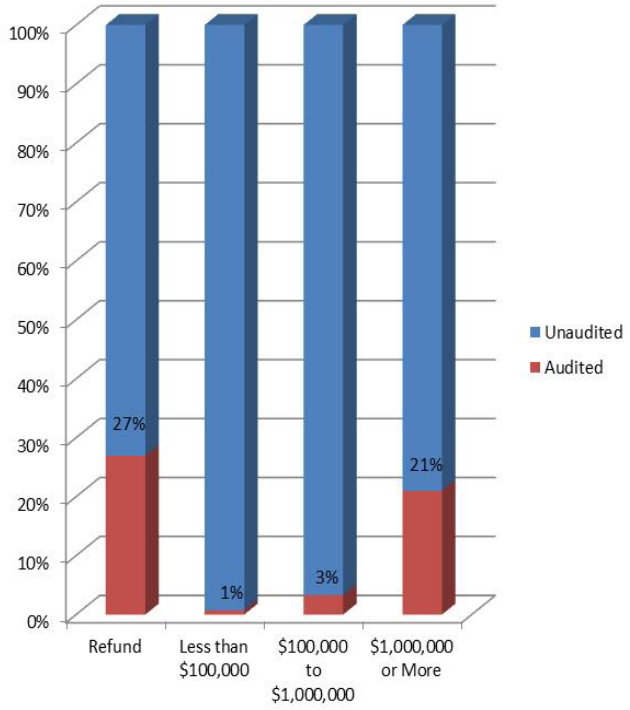
- Sales and Use Tax
- Contractors' Excise Tax
- Motor Fuel Tax
- International Fuel Tax Agreement (IFTA)
- International Registration Plan (IRP)

Audits are conducted all over the United States with a major emphasis placed on auditing companies headquartered outside of South Dakota. Auditors provide on-site education as part of the audit process to increase future compliance with the tax requirements.

In fiscal year 2015 the sales, use and contractors' excise tax licenses were divided into five categories based on gross sales. The graph to the right shows the percentage of total licenses in each category, and the percentage of total audits completed for each category.

*Audits Mission*
To detect and resolve reporting errors and omissions made by taxpayers and correct reporting habits for future returns.

**Licenses Reporting and Percentage of Total Licenses Audited by Annual Sales Volume**




## Audits and Assessments

| | FY 2013 | | FY 2014 | | FY 2015 | |
|---|---|---|---|---|---|---|
| | | Assessments | | Assessments | | Assessments |
| Sales, Use and Contractor's Excise Tax | 1,926 | $17,509,132.91 | 1,840 | $20,528,532.00 | 1,969 | $14,084,716.71 |
| Fuel Taxes, Prorate (IRP) and IFTA | 272 | $57,567.66 | 267 | $398,371.92 | 256 | -$128,550.43 |
| Limited Scope Audits | 1 | $12,355.26 | 13 | $23,062.37 | 47 | $308,670.06 |
| **TOTAL** | **2,199** | **$17,579,055.83** | **2,120** | **$20,949,966.29** | **2,272** | **$14,264,836.34** |

## Legal Counsel

The Legal Division is comprised of a Chief Legal Counsel, four full-time attorneys, three full-time Special Agents dedicated to the Investigative Services Bureau (ISB) and one legal secretary. In addition to providing routine legal counsel to the Department, the legal staff worked on 389 new cases during FY2015. The ISB special agents examined 211 individuals and businesses, of which 28 were investigated for tax and motor vehicle crimes. During FY2015 there were two Supreme Court decisions which affected the Department.

### Court Summaries

Deadwood Stage Run v. South Dakota Department of Revenue, 2014 S.D. 90, 857 N.W.2d 606.

The South Dakota Supreme Court affirmed the circuit court's entry of summary judgment in the Department's favor; holding that the Department had correctly determined the tax incremental base for Tax Incremental District Number 8 in the City of Deadwood.

First Gold, Inc. v. South Dakota Department of Revenue and Regulation; 2014 S.D. 91, 857 N.W.2d 601.

Three Deadwood casinos jointly brought a declaratory judgment action in circuit court seeking a ruling that their "free play" promotional programs were not subject to gaming tax under SDCL chapter 42–7B. The circuit court found that the establishments should have been remitting gaming tax for the value of the free play. The South Dakota Supreme Court reversed the decision of the circuit court holding that the value of free play should not be included in the calculation of the gaming tax and that any awards or payouts resulting from free play provide nothing to deduct in the calculation of the gaming tax.

## Administrative Services

Administrative Services provides support services to the department in the areas of budget and finance and the operation of the Remittance Center by processing printed returns for the department along with providing lockbox services to a number of state agencies and programs. Administrative Services personnel develop and coordinate internal and external training and education opportunities, are responsible for printed and electronic public relation efforts, and assist in the coordination, direction and application of technology to promote efficiencies in the department and to promote the State's eGovernment initiative. The department's Remittance Center in Sioux Falls processed over $600 million in payments in fiscal year 2015. 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 2015 - Remittance Center

| | Dollars | Number of Documents |
|---|---|---|
| ***Processed For Revenue*** | $410,689,824 | 293,725 |
| ***Processed For Other Agencies*** | $197,629,662 | 46,289 |
| ***Totals*** | $608,319,486 | 340,014 |

# South Dakota Lottery

The South Dakota Lottery markets instant tickets and lotto games and regulates, maintains and markets video lottery to raise revenue for state programs and projects. Since its inception in 1987, the Lottery has distributed over $2.47 billion in revenue.

The Lottery operates under the oversight of the South Dakota Lottery Commission, whose seven members meet at least quarterly to establish policy within the framework set by the legislature through law. The commission also reviews and approves major contracts and procurements and consults on management and operation of all aspects of the Lottery. The Lottery has 31 employees, including administration, accounting, video lottery, 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 2015 Lottery revenue generated for state funds was more than $112 million. These revenues come from three main sources, as evidenced in the chart below.

FY2015 Lottery Sales and Revenue*

| | Sales | Prizes | Commission | Revenue Distributed |
|---|---|---|---|---|
| Instant Tickets | $25,839,734 | $16,929,551 | $1,453,501 | $5,649,130 |
| Lotto Tickets | 25,340,133 | 12,814,156 | 1,358,225 | 7,577,367 |
| Video Lottery ** | 641,668,506 | 442,538,510 | 99,564,998 | 98,847,722 |
| | | | **Total:** | **$112,074,219** |

*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 2015. Prices for instant tickets ranged from $1 to $20, and prizes ranged from $1 to $400,000 as well as merchandise prices.

At the close of fiscal year 2015, there were 620 licensed instant ticket retailers across the state. Retailers receive a 5% commission for selling tickets, a 1% commission for cashing winning tickets with prizes up to $100, and a 1% commission for selling tickets with prizes of more than $100.

Fiscal year 2015 instant ticket sales were up 1.3% from the previous year and revenues were up 5.3%. Revenue from the sale of instant tickets is distributed to the General Fund.

## *Lotto Tickets*

South Dakota currently offers five lotto games. Powerball, Mega Millions, Wild Card 2, and Hot Lotto are multi-state games. Dakota Cash is played only in South Dakota. The multi-state MONOPOLY Millionaires' Club lotto game was introduced in the state during fiscal year 2015, but the game was discontinued in December 2014 due to lower than expected ticket sales nationwide.

At the end of fiscal year 2015, there were 608 licensed lotto retailers.[1] Lotto retailers receive a 5% commission for selling tickets, plus varying bonuses for selling larger winning tickets.

Lotto games reported an overall sales decrease of 11.3%; transfers were down 15.0% from fiscal year 2014. 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, markets and oversees video lottery game activities through licensing procedures for the machines, machine owners and operators, and establishments, as well as the maintenance of a comprehensive secure central computer system.

Video lottery sales (cash in) increased by 8.7% in fiscal year 2015. The average number of active video lottery machines during fiscal year 2015 was 8,928 and the average number of licensed establishments was 1,372. 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 during fiscal year 2015 was distributed to the Property Tax Reduction Fund. With legislation passed during the 2015 South Dakota Legislature eliminating the Property Tax Reduction Fund, beginning July 1, 2015, video lottery revenue will go into the General Fund.

FY2015 Lottery Revenue Distribution

| | General Fund | Capital Construction Fund | Property Tax Reduction Fund | Dept. of Social Services** |
|---|---|---|---|---|
| Instant Tickets* | $5,649,130 | | | |
| Lotto Tickets* | 1,400,000 | $6,177,367 | | |
| Video Lottery | 3,824,712 | | $94,744,636 | $188,374 |
| Video Lottery License Fees | 90,000 | | | |
| **Totals:** | **$10,963,842** | **$6,177,367** | **$94,744,636** | **$188,374** |

*Unaudited

The Lottery's website, lottery.sd.gov, offers winning numbers, prize claim forms, retailer forms, licensing and accounting information, recent winners' stories, and other general information about the Lottery. The Lottery also maintains a Facebook page (facebook.com/sdlottery), a Twitter feed (@sdlottery), and its own YouTube channel.

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.

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

# Commission on Gaming

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.

In fiscal year 2015, total gaming action was $1,149,608,286, up 4.21% from the previous year. At the close of the fiscal year, there were 3,270 licensed gaming devices, 131 retail locations and approximately 1,367 licensed gaming employees.

## FY2015 Recap of Commission Fund

| | |
|---|---|
| **Revenues** | |
| FY15 Device Tax | $6,540,000.00 |
| Gross Revenue Tax | 8,993,841.25 |
| City Slot Tax | 295,352.24 |
| Application Fees | 74,735.00 |
| License Fees | 95,005.00 |
| Interest | 17,922.62 |
| Device Testing Fees | 13,418.94 |
| Penalties on Disciplinary Action | 26,078.00 |
| **Fund Total** | **$16,056,353.05** |
| **Distributions** | |
| Administrative Expenses | $1,138,340.20 |
| Expenses reimbursed by Applicants/Licensees | 169,740.00 |
| Capital Equipment | 6,615.00 |
| Lawrence County (Per 42-7B-48) | 804,547.21 |
| Other Municipalities (Per 42-7B-48.1) | 284,937.86 |
| School Districts (Per 42-7B-48.1) | 284,937.86 |
| SD Tourism (Per 42-7B-48) | 3,218,188.86 |
| State General Fund (Per 42-7B-48.1) | 1,994,564.99 |
| State General Fund (Per 42-7B-28.1) | 1,005,684.04 |
| State Historical Preservation (Per 42-7B-48) | 100,000.00 |
| Department of Human Services (per 42-7B-48.3) | 13,000.00 |
| City of Deadwood (Per 42-7B-48, 48.1) | 7,098,056.95 |
| **Total Distributions from Fund:** | **$16,118,612.97** |

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 annual device fees, licensing fees, other miscellaneous revenue and the gaming tax collected from Deadwood. The tax rate is defined by SDCL 42-7B-28 and 42-7B-28.1 and total 9% of the adjusted gross revenue. SDCL 42-7B-28.1, 42-7B-48, 42-7B-48.1, and 42-7B-48.3 establish the distribution structure of the taxes collected. Per SDCL 42-7B-28.1, 1% of the adjusted gross revenue goes directly to the State General Fund. According to SDCL 42-7B-48, 40% of the tax is transferred to the Department of Tourism, 10% is paid to Lawrence County, and the remaining 50% stays in the commission fund.

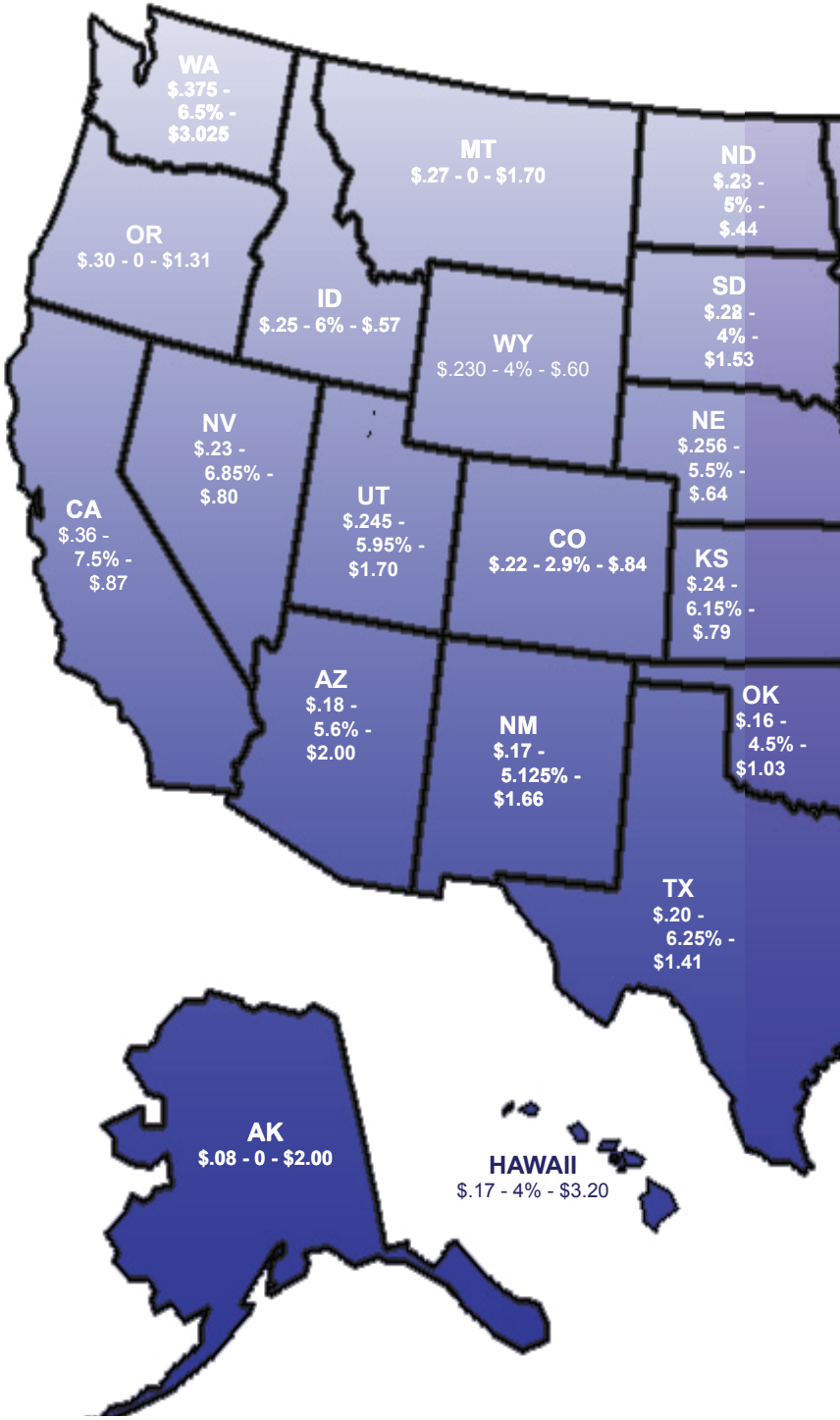
## FY2015 Recap of Racing Funds

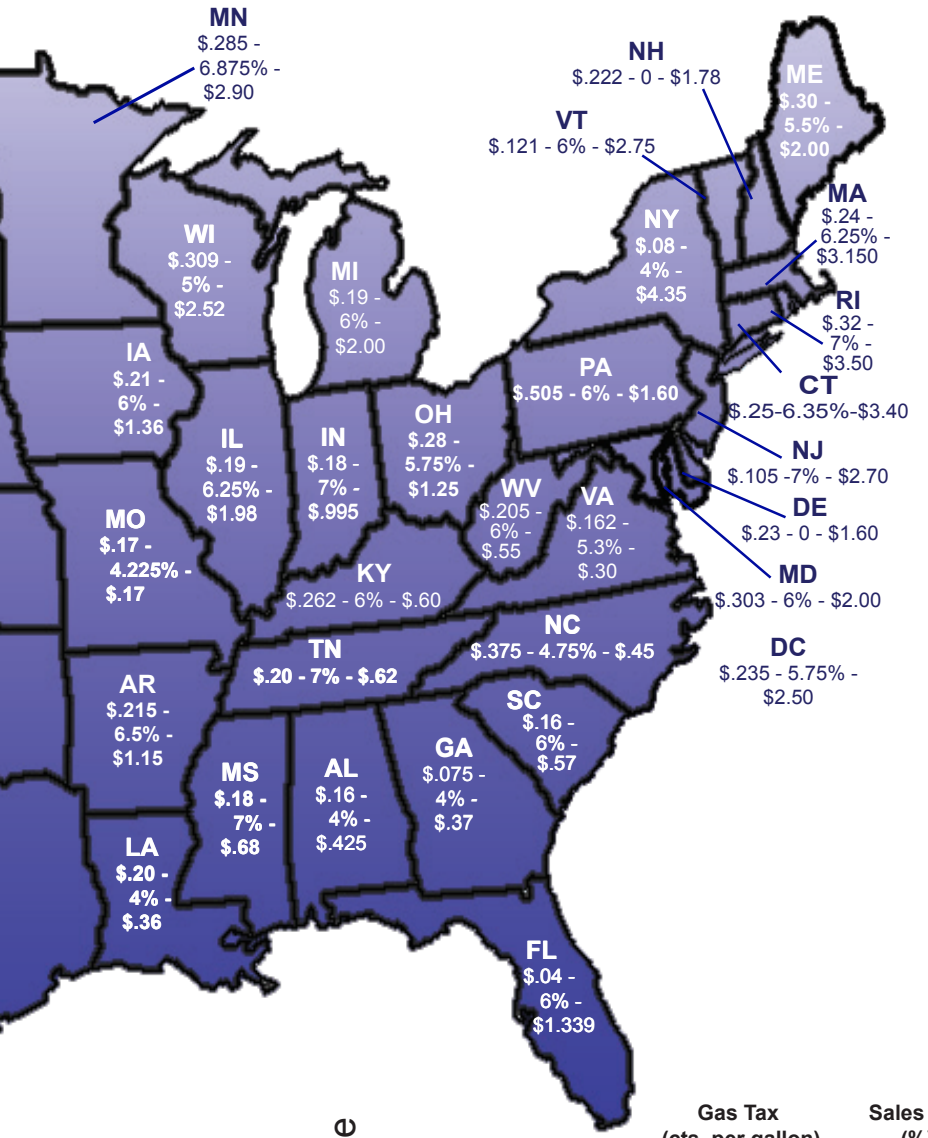
| | Special Fund | Revolving Fund | Bred Fund | Totals |
|---|---|---|---|---|
| **Beginning Cash Balance (07/01/15)** | $11,718 | $231,933 | $86,730 | $330,381 |
| **Revenues:** | | | | |
| Horse Revenue | 37,708 | 133,908 | 66,485 | 238,101 |
| Greyhound Revenue | 11,407 | 61,345 | 23,891 | 96,644 |
| Interest | 0 | 3,412 | 1,442 | 4,854 |
| Transfer from Agency Fund | (102,513) | 83,699 | 18,815 | 0 |
| License & Fines - Horse | 47,500 | | | 47,500 |
| License & Fines - Dog | 3,610 | | | 3,610 |
| **Total Revenues:** | **$9,430** | **$514,297** | **$197,363** | **$721,090** |
| **Distributions:** | | | | |
| **Aberdeen Horse Racing Track** | | | | |
| SD Bred Point Money | | | 24,000 | 24,000 |
| Purse Supplements, Racing Operations and Advertising & Promotion | | 162,000 | | 162,000 |
| Jockey Bonus | | 4,000 | | 4,000 |
| SD Bred Stakes Money | | | 38,500 | 38,500 |
| **Ft. Pierre Horse Racing Track** | | | | |
| SD Bred Point Money | | | 24,000 | 24,000 |
| Purse Supplements, Racing Operations and Advertising & Promotion | | 162,000 | | 162,000 |
| Jockey Bonus | | 2,000 | | 2,000 |
| SD Bred Stakes Money | | | 38,500 | 38,500 |
| **Total Track Disbursements:** | **$ -** | **$332,000** | **$125,000** | **$457,000** |
| **Ending Cash Balance (6/30/15)** | **$9,430** | **$182,297** | **$72,363** | **$264,090** |

# 50 State Comparison

At just $1,886, South Dakota had the seventh lowest per capita state tax burden in 2014, according to the latest figures available from the U.S. Bureau of the Census and Bureau of Economic Analysis.* The following is the listing of per capita state tax burdens for all 50 states and the District of Columbia, beginning with the highest.

| Rank | State | Per Capita State Tax Burdens |
|---|---|---|
| 1 | Dist. of Columbia | $9,679 |
| 2 | North Dakota | $8,282 |
| 3 | Vermont | $4,725 |
| 4 | Alaska | $4,604 |
| 5 | Connecticut | $4,431 |
| 6 | Hawaii | $4,249 |
| 7 | Minnesota | $4,238 |
| 8 | New York | $3,898 |
| 9 | Wyoming | $3,876 |
| 10 | Massachusetts | $3,741 |
| 11 | California | $3,558 |
| 12 | Delaware | $3,393 |
| 13 | New Jersey | $3,321 |
| 14 | Maryland | $3,168 |
| 15 | Illinois | $3,042 |
| 16 | Arkansas | $3,013 |
| 17 | West Virginia | $2,908 |
| 18 | Maine | $2,893 |
| 19 | Wisconsin | $2,850 |
| 20 | Rhode Island | $2,811 |
| 21 | New Mexico | $2,760 |
| 22 | Washington | $2,754 |
| 23 | Pennsylvania | $2,674 |
| 24 | Iowa | $2,662 |
| 25 | Montana | $2,593 |
| 26 | Nebraska | $2,592 |
| 27 | Indiana | $2,554 |
| 28 | Mississippi | $2,530 |
| 29 | Kansas | $2,526 |
| 30 | Kentucky | $2,516 |
| 31 | Nevada | $2,516 |
| 32 | Michigan | $2,503 |
| 33 | Oregon | $2,439 |
| 34 | North Carolina | $2,353 |
| 35 | Oklahoma | $2,347 |
| 36 | Ohio | $2,331 |
| 37 | Virginia | $2,276 |
| 38 | Idaho | $2,247 |
| 39 | Colorado | $2,195 |
| 40 | Utah | $2,145 |
| 41 | Louisiana | $2,085 |
| 42 | Texas | $2,050 |
| 43 | Arizona | $1,944 |
| 44 | Alabama | $1,917 |
| **45** | **South Dakota** | **$1,886** |
| 46 | Missouri | $1,854 |
| 47 | South Carolina | $1,849 |
| 48 | Georgia | $1,845 |
| 49 | Tennessee | $1,803 |
| 50 | Florida | $1,779 |
| 51 | New Hampshire | $1,720 |






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.

## Top Ten Highest Gasoline Tax Rates

| | |
|---|---|
| Pennsylvania | $0.505 |
| North Carolina | $0.375 |
| Washington | $0.375 |
| California | $0.360 |
| Rhode Island | $0.320 |
| Wisconsin | $0.309 |
| Maryland | $0.303 |
| Maine | $0.300 |
| Oregon | $0.300 |
| Minnesota | $0.285 |

## Top Ten Highest Sales Tax Rates

| | |
|---|---|
| California | 7.500% |
| Indiana | 7.000% |
| Mississippi | 7.000% |
| New Jersey | 7.000% |
| Rhode Island | 7.000% |
| Tennessee | 7.000% |
| Minnesota | 6.875% |
| Nevada | 6.850% |
| Arkansas | 6.500% |
| Washington | 6.500% |

## Top Ten Highest Cigarette Tax Rates

| | |
|---|---|
| New York | $4.350 |
| Massachusetts | $3.510 |
| Rhode Island | $3.500 |
| Connecticut | $3.400 |
| Hawaii | $3.200 |
| Washington | $3.025 |
| Minnesota | $2.830 |
| Vermont | $2.700 |
| New Jersey | $2.620 |
| Wisconsin | $2.520 |

## Comparing the Region

| | Gas Tax (cts. per gallon) | Sales Tax (%) | Highest Individual Income Tax Rate (%) | Cigarette Tax (per package) |
|---|---|---|---|---|
| **South Dakota** | **$0.280** | **4.000%** | **0.00%** | **$1.53** |
| Iowa | $0.210 | 6.000% | 8.98% | $1.36 |
| Minnesota | $0.285 | 6.875% | 9.85% | $2.83 |
| Montana | $0.270 | 0.000% | 6.90% | $1.70 |
| Nebraska | $0.256 | 5.500% | 6.84% | $0.64 |
| North Dakota | $0.230 | 5.000% | 3.22% | $0.44 |
| Wyoming | $0.230 | 4.000% | 0.00% | $0.60 |

# Department Resources

## Main Offices

**Revenue - Pierre Office*** - Anderson Building, 445 East Capitol Avenue, Pierre, SD 57501, ph. 605.773.3311 (main phone)

(*includes Administrative Services, Audits, Business Tax, Legal, Motor Vehicles, Office of the Secretary, and Property and Special Taxes)

**S.D. Lottery** - 711 East Wells Avenue, P.O. Box 7107, Pierre, SD 57501, ph. 605.773.5770
**S.D. Commission on Gaming** - 445 East Capitol Avenue, Pierre, SD 57501, ph. 605.773.6050

## Field Offices

**Aberdeen Revenue Office** - 14 South Main, Suite 1-C, Aberdeen, SD 57401, ph. 605.626.2218
**Deadwood Gaming Office** - 87 Sherman Street, Deadwood, SD 57732, ph. 605.578.3074
**Mitchell Revenue Office** - 417 North Main, Suite 112, Mitchell, SD 57301, ph. 605.995.8080
**Rapid City Revenue Office** - 1520 Haines Avenue, Suite 3, Rapid City, SD 57701, ph. 605.394.2332
**Rapid City Lottery Office** - 1000 Cambell Street, Suite 2, Rapid City, SD 57701, ph. 605.394.5106
**Sioux Falls Revenue Office** - 300 South Sycamore Avenue, Suite 102, Sioux Falls, SD 57110, ph. 605.367.5800
**Sioux Falls Lottery Office** - 3824 South Western Avenue, Sioux Falls, SD 57105, ph. 605.367.5840
**Watertown Revenue Office** - 715 South Maple, Watertown, SD 57201, ph. 605.882.5188
**Yankton Revenue Office** - 1900 Summit Street, Yankton, SD 57078, ph. 605.668.2939

## Toll-Free Phone Center

Department of Revenue staff are on hand to offer answers to your tax questions Monday through Friday from 8:00am to 5:00pm CST. Just call 1-800-TAX (829)-9188.

## Department Website

Visit us on the Internet at http://dor.sd.gov. Access any of our divisions through our Department of Revenue home page.

**Find us on:**

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

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