



South Dakota State Capitol Dome

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

December 2002

In the aftermath of September 11, state tax revenues across the country suffered in 2002 from the subsequent depressed economy. While our state was not immune from this national phenomenon, total tax revenues were up slightly from last year. A review of the statistics contained in this report details state revenue performance by tax type.

The joint effort by Governor Janklow and the legislature to control the property tax burden of most South Dakotans continues to work effectively. Despite regular increases in property values since the property tax relief measures were initiated in 1995, homeowners and agricultural property owners paid \$650 million less in property taxes between 1996 and 2002 as a result of the property tax relief initiative.

Searching for ways to maximize revenues under the existing state tax structure continues to be a primary goal for the Department of Revenue. Recognizing that improving voluntary taxpayer compliance is key to improving revenues, we have worked harder than ever this year to help taxpayers better understand the tax laws. In addition, significant improvements were made to SD QUEST, our program that allows taxpayers to file and pay their taxes electronically at any hour of any day. Making the best use of technology to reach out to taxpayers and to enable our employees to maximize productivity is essential, and much progress was made in 2002.

As to the future, simplifying and streamlining the administration of the sales tax so that it works fairly and effectively in the new economy is progressing, thanks to the cooperative efforts of our business community, cities, legislature, and state government. There is still work to be done by the nearly forty states which are trying to make their sales tax systems look more alike so that sales taxes will apply equally to mainstreet merchants and those selling by Internet or catalog. South Dakota is a leader in making this happen.

Whether you are a legislator, policymaker or citizen-at-large, I hope you find this year's annual report to be a useful tool and handy reference for understanding South Dakota's system of taxation.

Respectfully submitted,



Gary R. Viken, Secretary

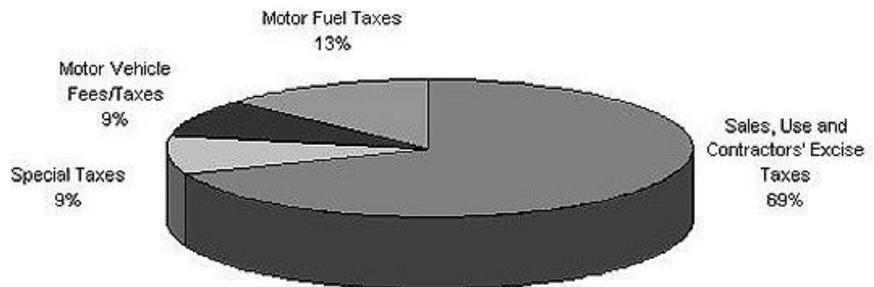
Total Tax Revenues: Collections and Distribution

The Department of Revenue is the principal tax agency for the State of South Dakota and collects 34 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 2002, revenue from all 34 state taxes totaled \$1,038,055,730, an increase of \$6,505,130 from fiscal year 2001 revenues of \$1,031,550,600.

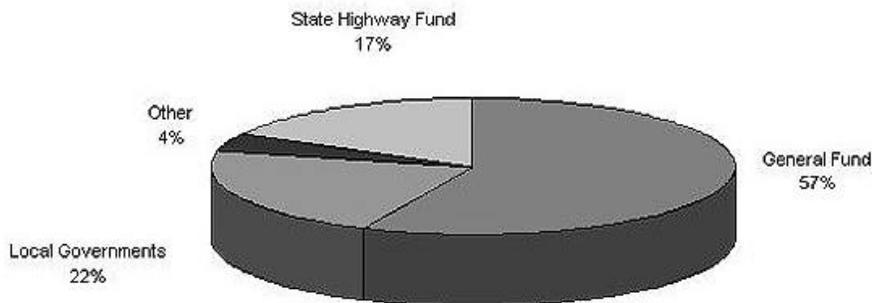
Where tax money comes from...
In fiscal year 2002, the majority of the revenue collected came from sales, use and contractors' excise taxes (69%).

Tax Revenues by Category
Total Receipts - \$1,038,055,730



Distribution of Tax Revenues
Total Disbursements - \$1,038,055,730

Where tax money goes...
The state's general fund received the largest portion of state tax revenues, followed by local governments.



An Overview of Tax Revenues

Total Revenues

In fiscal year 2002, the department collected a total of \$1,038,055,730 from taxes and licensing fees, an increase of \$6,505,130 from last year's revenues of \$1,031,550,600. Total state tax revenues have increased steadily in the past five years, as shown below.

Total Revenues: A Five-Year Comparison

Fiscal Year	Total Revenues	Percent of Change
1998	\$897,132,063	8.53%
1999	934,536,896	4.17%
2000	998,014,867	6.79%
2001	1,031,550,600	3.36%
2002	1,038,055,730	0.63%
Five-Year Average	\$979,858,031	N/A

Revenues by Category

The majority of the tax revenue collected in fiscal year 2002 came from sales, use and contractors' excise taxes, at \$708,975,445, an increase of \$9,603,948 over fiscal year 2001 receipts of \$699,371,497. Fuel tax revenues increased by \$205,980; special tax revenues decreased by \$14,728,501; and motor vehicle licensing fees increased by \$11,423,703.

Revenues by Tax Category: A Five Year Comparison

Fiscal Year	Sales Use, and Excise Taxes*	Motor Fuel Taxes**	Special Taxes	Motor Vehicle Fees
1998	\$597,620,617	\$128,423,402	\$99,095,451	\$71,992,593
1999	624,249,831	121,955,576	112,648,364	75,683,125
2000	663,573,225	139,717,601	107,111,354	87,612,687
2001	699,371,497	137,201,529	111,817,923	83,159,651
2002	708,975,445	137,407,509	97,089,422	94,583,354
Five-Year Average	\$658,758,123	\$132,941,123	\$105,552,503	\$82,606,282

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

** Includes Tank Inspection Fees

Distribution of Taxes

In fiscal year 2002, the \$1,038,055,730 in tax revenues collected by the department was distributed to various funds and units of government. The largest portion of revenues (57%) was deposited in the state's general fund. While sales, use and contractors' excise taxes make up 60% of the state general fund, the remainder of the fund comes from special taxes and fees and other sources which include the South Dakota Lottery and CRP program.

The following chart shows the taxes that produce the revenues and the manner in which the revenues are distributed.

How Taxes Are Distributed

Tax	General Fund	Local Gov't	State Highway Fund	Other
State Sales Tax	100%	-0%	-0%	-0%
State Use Tax	100%	-0%	-0%	-0%
State Contractors' Excise Tax	100%	-0%	-0%	-0%
Municipal Sales and Use Tax (1)	-0%	100%	-0%	-0%
Reservation Sales, Use, Excise Tax	-0%	100%	-0%	-0%
Cigarette Excise Tax	100%	-0%	-0%	-0%
Cigarette License Fee	100%	-0%	-0%	-0%
Reservation Cigarette Excise Tax	(2)	(2)	-0%	-0%
Inheritance Tax	90%	10%	-0%	-0%
Bank Franchise Tax (3)	26.66%	73.33%	-0%	-0%
Bank Card Taxpayers	95%	5%	-0%	-0%
Ore Tax	100% (4)	-0%	-0%	-0%
Coin Operated Laundromat Fee	100%	-0%	-0%	-0%
Trading Stamp License Fee	100%	-0%	-0%	-0%
Energy Minerals Severance Tax	50%	50%	-0%	(5)
Malt Beverage Occupational Tax	75%	25%	-0%	-0%
Conservation Tax	-0%	-0%	-0%	(6)
Amusement Machine Registration	(7)	(7)	-0%	-0%
Distilled Spirits Occupational Tax	75%	25%	-0%	-0%
Wines and Diluted Beverages	75%	25%	-0%	-0%
Malt Beverage License Fee	50%	50%	-0%	-0%
Liquor License Fee (other than retail)	100%	-0%	-0%	-0%
Other Tobacco Products Tax	100%	-0%	-0%	-0%
Alcoholic Beverage 2% Purchase Price Tax	100%	-0%	-0%	-0%
Wholesale Liquor License Fee	100%	-0%	-0%	-0%
Alcohol Beverage Brand Registration Fee	100%	-0%	-0%	-0%

(continued on next page)

Overview/continued

How Taxes Are Distributed/continued

Tax	General Fund	Local Gov't	State Highway Fund	Other
Aviation Fuel Tax	-0-%	-0-%	-0-%	Aeronautics Fund (DOT)
Motor Fuel Tax	-0-%	-0-%	97%	(8)
Tank Inspection Fee	-0-%	-0-%	-0-%	(9)
Prorate Fee (10)	-0-%	98.5%	-0-%	(11)
Motor Vehicle Excise Tax	-0-%	-0-%	100%	-0-%
Motor Vehicle Registration Fee	-0-%	95.5%	-0-%	(12)
Motor Vehicle Licensing Receipts:				
Snowmobiles	-0-%	-0-%	-0-%	(13)
Plates and Permits	-0-%	-0-%	-0-%	LPR
Title and Penalty Fees	-0-%	-0-%	-0-%	MVF
Mobile Home Registration Fees	-0-%	85%	-0-%	15% - MVF

- (1) The state retains an administrative fee, which varies from 1.25% to 1.8%.
- (2) Revenue from reservation taxes is distributed to the reservation on a proratable basis based on the percentage of Indian population on the reservation and a proratable percentage retained by the state based on the percentage of non-Indian population on the reservation. The state also retains 1% of the revenue credited to reservations as an administrative charge.
- (3) An exception exists regarding banks organized pursuant to SDCL 51A-2-38 to 51A-2-43, inclusive. 95% of the revenue derived from that tax is deposited into the State General Fund, while 5% goes to the county where the bank is located.
- (4) Revenues from mining companies licensed after January 1, 1981 are split as follows: 80% to the state, 20% to the county of production (subject to a \$1 million cap).
- (5) If the energy development fund has a balance of less than \$100,000, then one-sixth (1/6) of the revenue is deposited in that fund until the balance reaches \$100,000.
- (6) 100% of the tax collected is placed in the Environment and Natural Resources fee fund.
- (7) Revenue from devices located outside municipalities is deposited into the State General Fund. If the amusement device is located within the boundaries of a municipality, then the revenues are remitted to the municipality.
- (8) Motor fuel refunds are deducted first and then the remaining monies are divided as follows: Each July, an amount equal to the number of snowmobiles licensed as of July times 125 gallons times the tax rate is transferred to a fund for snowmobile trails; an amount equal to the number of licensed motorized boats times 125 gallons times the tax rate is transferred to the parks recreation fund; an amount equal to 35% of claimed refunds not to exceed \$1,500,000 is transferred to the conservation commission; the taxes collected under the provisions of the International Fuel Tax Agreement are transferred to member jurisdictions; and 2% is transferred to the Motor Fuel Tax Administration Account.
- (9) Prior to April 1, 2002, 1.0% was deposited in the Motor Fuel Tax Administration Account and the remaining balance was split between the Capitol Construction Fund and the Petroleum Release Compensation Fund. Beginning April 1, 2002, 50% of the remaining balance is deposited in the Capitol Construction Fund, 29.1% in the Petroleum Release Compensation Fund, and 20.95% in the State Highway Fund.
- (10) Other prorated fees: duplicate cab card, trailer fees, tractor registration fees, and transfer fees are deposited in the State Highway Fund. Trailer ID fees and duplicate fees are deposited in the License Plate Special Revenue Fund (LPR). Title and penalty fees and administration fees are deposited in the State Motor Vehicle Fund (MVF).
- (11) .5% is deposited in the State Motor Vehicle Fund (MVF), and 1% goes to the License Plate Special Revenue Fund (LPR). The percentages were changed in 2000.
- (12) 2% is deposited in the State Motor Vehicle Fund (MVF), and 2.5% goes to the License Plate Special Revenue Fund (LPR).
- (13) 90% goes to Game, Fish and Parks, 10% to the State Motor Vehicle Fund (MVF).

Revenues by Type of Tax

In fiscal year 2002, the revenue produced by the 34 separate taxes and fees administered by the department varied from a low of \$50 to a high of \$465,087,661. In addition, the amount of revenue generated by individual taxes fluctuated by as much as 53.40% from fiscal year 2001 to fiscal year 2002.

A Three-Year Comparison of Revenues by Type of Tax

	FY2000	% Increase (Decrease) over Previous Year	FY2001	% Increase (Decrease) over Previous Year	FY2002	% Increase (Decrease) over Previous Year
Sales and Use Taxes - State	\$435,126,953	5.22%	\$459,110,188	5.51%	\$465,087,661	1.30%
Contractors' Excise Tax - State	47,555,167	9.58%	50,149,680	5.46%	52,737,997	5.16%
Sales and Use Tax - Cities	171,191,853	8.40%	180,112,009	5.21%	180,640,121	1.32%
Sales, Use, Contractors' Excise Tax - Reservations	3,418,754	6.71%	3,439,351	0.60%	3,518,026	-51.53%
Tourism Tax	3,585,267	8.91%	3,793,170	5.80%	3,722,957	-1.85%
Water and Environment Fund	650,176	25.44%	645,336	-0.74%	530,905	-17.73%
Agricultural Processing Facility Refund	1,064,898	-26.79%	1,108,620	4.11%	1,816,270	63.83%
Motor Vehicle Leasing Fund	980,157	6.31%	1,013,143	3.37%	921,508	-9.04%
Aviation Fuel	876,617	45.56%	733,455	-16.33%	693,968	-5.38%
Motor Fuel Tax	120,074,010	15.69%	116,963,783	-2.59%	118,722,161	1.50%
Interstate Fuel Users Tax	3,784,364	28.96%	3,927,378	3.78%	4,011,463	2.14%
Tank Inspection Fees	14,982,610	2.40%	15,576,913	3.97%	13,979,916	-10.25%
Prorate	13,032,775	16.02%	11,294,698	-13.34%	12,675,785	12.23%
Motor Vehicle Titles and Registration	74,579,912	15.72%	71,864,953	-3.64%	81,907,569	13.97%
Cigarette Tax - State	17,921,405	-7.50%	18,158,603	1.32%	17,465,672	-3.82%
Cigarette Tax - Reservations	464,989	-3.03%	428,017	-7.95%	441,096	3.06%
Cigarette License Fees	10,278	-12.75%	12,827	24.80%	10,652	-16.96%
Other Tobacco Products	1,160,448	11.86%	1,178,798	1.58%	1,247,581	5.84%
Liquor License Fees	31,405	3.63%	37,165	18.34%	37,540	1.01%
Malt Beverage License Fees	238,215	8.14%	243,850	2.37%	237,775	-2.49%
Alcoholic Beverage Brand Registration Fees	110,760	4.52%	118,783	7.24%	137,542	15.79%
Beer Tax	5,244,979	-3.46%	5,478,788	4.46%	5,572,702	1.71%
Liquor Tax	4,700,604	2.03%	4,675,782	-0.53%	4,694,819	0.41%
Alcoholic Beverage 2% Purchase Price Tax	703,642	7.32%	711,660	1.14%	736,916	3.55%
Wholesale Beer License Fee	2,725	-33.13%	3,800	39.45%	3,000	-21.05%
Bank Franchise/Bank Card Tax	45,123,079	-11.21%	43,387,112	-3.85%	40,546,774	-6.55%
Inheritance Tax	28,428,593	7.57%	34,925,181	22.85%	23,482,368	-32.76%
Ore Tax	1,663,013	-35.52%	620,535	-62.69%	951,888	53.40%
Severance Tax	1,051,052	75.40%	1,565,796	48.97%	1,239,037	-20.87%
Coin Laundry License Fees	119,638	-2.99%	123,738	3.43%	120,763	-2.40%
Trading Stamps License Fee	100	0.00%	50	-50.00%	50	0.00%
Amusement Device Fee	88,092	-6.96%	97,488	10.67%	99,392	1.95%
Bingo License Fee	27,500	0.00%	30,000	9.09%	42,500	41.67%
Bingo Tax	20,837	5.74%	19,950	-4.26%	21,356	7.05%
Total	\$998,014,867	6.79%	\$1,031,550,600	3.36%	\$1,038,055,730	0.63%

Legislative Summary

South Dakota Senate Chamber



A Chronology of Tax Legislation

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

- 1905 Inheritance Tax**
2000 Last Major Change: Voters repealed the tax.
- 1913 License Fees, Non-Commercial**
1999 Last Major Change: Fees increased on non-commercial vehicles by an average of \$12. Motor home fees increased. Travel trailers no longer qualified for ID plates.
- 1923 Motor Fuel**
1999 Last Major Change: Tax increased on April 1 from \$.18 to \$.22 per gallon.
- 1923 Cigarettes**
1995 Last Major Change: Increased from \$.23 to \$.33 per pack of 20 and \$.29 to \$.42 on packs of 25.
- 1933 License Fees, Commercial**
1982 Last Major Change: License fees were restructured.
- 1935 Alcohol Beverage**
Spirits - 1987 Last Major Change: \$3.80 to \$3.93 per gallon. **Malt Beverages** - 1987 Last Major Change: \$8.30 to \$8.50 per barrel. **Table Wine** - 1987 Last Major Change: \$.90 to \$.93 per gallon.
- 1935 Sales Tax**
1995 Last Major Change: Removed 30 sales tax exemptions to fund 20% property tax credit.
- 1935 Mineral Extraction**
1994 Last Major Change: Changed from gross yield and net income to gross production (\$4.00 per ounce of severed gold) and 10% net income.
- 1937 Motor Vehicle Registration**
1996 Last Major Change: Changed fees for personalized plates from \$75 initial fee plus \$10 per year to \$25 per year with no initial fee.
- 1939 Bank Franchise**
2000 Last Major Change: Lowered the net income levels on which the bank franchise tax is based.
- 1939 Use Tax**
1995 Last Major Change: Removed 30 use tax exemptions to fund 20% property tax credit.
- 1941 Special Fuel**
1999 Last Major Change: Tax increased on April 1 from \$.18 to \$.22 per gallon.
- 1965 Interstate Fuels**
1995 Last Major Change: Allowed state to enter into agreements for the collection of fuel tax on interstate motor carriers.
- 1977 Energy Minerals**
No major changes made since implementation.
- 1979 Contractors' Excise Tax**
1995 Last Major Change: Increased the tax rate on utility contracts from 1.5% to 2%.
- 1988 Tank Inspection Fee**
1993 Last Major Change: Increased from \$.01 per gallon to \$.02 per gallon on all petroleum products introduced into this state.
- 1995 Other Tobacco Products Tax**
1995 Last Major Change: 10% tax imposed on the wholesale purchase price of other tobacco products.
- 1998 Alcohol Beverage: Cider**
1998: Cider was added as a category at a rate of \$.28 per gallon.

2002 Legislature

The 2002 South Dakota State Legislature passed several bills affecting the activities of the Department of Revenue. Some of these bills are summarized below and on the following page.

Senate Bill 21	Limits tobacco distributors and wholesalers to only selling cigarettes and roll-your-own tobacco from manufacturers who are in compliance with the Master Settlement Agreement.
Senate Bill 35	Clarifies the method used to distribute funds to ethanol producers. Claims received for the month will be prorated based upon all claims received.
Senate Bill 36	Puts South Dakota in compliance with the federal Mobile Telecommunications Sourcing Act. Imposes the state sales tax on fees charged to South Dakota residents when they make cellular phone calls in other states (intrastate calls made outside South Dakota).
Senate Bill 52	Allows for the appointment of a personal representative to administer and handle any property discovered after an estate has been settled.
Senate Bill 89	Changes the existing opt-out statute to allow a school board to vote to refer the matter to a public vote rather than have to wait for a referendum petition to be filed and signed by 5% of registered voters.
Senate Bill 95	Allows a county to levy less than the maximum amount allowed and then "bank" the unused CPI for a maximum of three years. In any one year, the county could not raise taxes more than 10% or three years' CPI, whichever is less.
Senate Bill 110	Addresses automobile dealers' franchise issues such as whether or not franchisors could make a franchisee build or move his business if he has two different franchises.
Senate Bill 123	Makes it permissive, not mandatory, for counties to levy a tax for secondary roads.
Senate Bill 133	Effective April 1, 2002, 50% of the revenue from the petroleum release compensation and tank inspection fee will go to the ethanol fuel fund with the remaining 50% split among the capitol construction fund, the petroleum release compensation fund, and the state highway fund.
Senate Bill 157	Allows a motel/hotel facility to hold a light wine license without having a restaurant so they can serve wine at special events.
Senate Bill 167	Lowers the contractors' excise tax rate from 2% to 1% for wind energy projects producing over 10 megawatts of electricity and allows the developer to pay the tax over a five-year period.
Senate Bill 168	Allows an affiliated 501c(19) non-profit organization to get a temporary two-day on-sale liquor license for special events.
Senate Bill 182	Specifies the requirements for announcing proposed property tax opt-outs to affected taxpayers, how the decision may be referred to a public vote, and directs the taxing district to specify in their resolution the year or years the excess tax levy will be in effect.
Senate Bill 185	Appropriates \$1 million dollars to the Tax Refunds for Elderly and Disabled Individuals program and outlines the income and refund guidelines for the program.
House Bill 1001	Allows the State to further participate in the Streamlined Sales Tax Project (SSTP) and begins to address the problem of not being able to tax remote sales. Repeals the state tourism tax and the municipal bed and booze tax; adopts a number of definitions; and changes some administrative procedures. Brings South Dakota in line with the standards of the SSTP which require one state sales tax rate, one city sales tax rate per city, a uniform tax base among cities, and the same tax base for cities and the state.
House Bill 1002	Enacts a new gross receipts tax on certain visitor-related businesses (identical to the current tourism tax repealed in HB 1001).

Legislative Summary/ continued

House Bill 1003	Enacts a new municipal gross receipts tax on alcohol, lodging, restaurant sales and admissions (identical to the current bed, board and booze tax repealed in HB 1001).
House Bill 1023	Gives motor carrier inspectors the authority to arrest in situations where certain licensing laws have been violated (but does not make them law enforcement officers).
House Bill 1026	Allows for the suspension of an individual's commercial driver license for 60 days to one year if they're convicted of violating railroad-grade crossing laws.
House Bill 1036	Annual bill which updates certain dates in current law to correspond with changes in the Internal Revenue Code.
House Bill 1037	Authorizes the Department of Revenue to deny or suspend the title, registration or permit of any motor carrier licensed under commercial licensing if the carrier has been prohibited from operating by the Federal Motor Carrier Safety Administration for safety violations.
House Bill 1059	Defines the dates by which notices of appeal must be received to be considered "timely". Allows lessees of property to appeal property assessments if they are responsible (instead of the owner) for paying the taxes.
House Bill 1067	Establishes a \$25 fee for the assignment of a VIN number for a rebuilt title.
House Bill 1074	Repeals now unnecessary inheritance tax statutes and enables people who have joint access to safe deposit boxes to access the box after the other individual has died.
House Bill 1102	Increases the limit of annual gross receipts of certain telephone companies that can be taxed under the gross receipts tax from \$25 million to \$50 million and changes some of the tax rates that can be applied to these receipts.
House Bill 1133	Sets a fee of \$100 for a permit to display vehicles at certain events if the permit is purchased at least five days in advance. Fee is \$150 if not purchased five days in advance.
House Bill 1135	Changes the NA-Z classification from a term of five years to one year and allows the director of equalization to reclassify property according to its actual use. Appropriates \$50,000 for DOR to conduct a pilot study on using ag income value as a means to value ag land.
House Bill 1188	Assesses civil penalties on the owner, dealer, lender, or transporter of a mobile home for moving the home without payment of property taxes.
House Bill 1211	Makes it a Class 2 misdemeanor to drive anything other than a bicycle or an electric personal assistive device on a sidewalk or sidewalk area.
House Bill 1255	Allows a convention center licensee in Deadwood to hold more than three retail liquor licenses limited under 35-4-4.
House Bill 1265	Allows auction agencies to obtain metal plates that can be transferred from one vehicle to another and used by the auction to transport vehicles that are for sale or have been sold.
House Bill 1273	Makes the language in current law in reference to the physically disabled consistent and puts in place penalties for falsifying an application for a handicapped plate or placard or altering a permit. Sets a minimum penalty of \$100 for misusing a handicapped parking place.
House Bill 1280	Revises the definition of a controlled group. The transfer of services between members of a controlled group is exempt from sales tax. The new definition exempts the transfer of services between any entities as long as there is at least 80% common ownership between the entities.
House Bill 1291	Clarifies that an organizational decal used by a non-profit group cannot promote a specific religion, faith, or anti-religious belief.

A Listing of South Dakota Taxes

Description of Individual Taxes

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

Tax	Description
Alcoholic Beverage Brand	Malt and cereal beverages and wines; alcoholic cordials, liqueurs, cocktails, etc.; distilled spirits, whiskeys, gin, rum, brandy, vodka, etc. Imposed on all brand labels registered and offered for sale by distillers, manufacturers, vintners, and breweries importing products into the state. (Authority: SDCL 39-13-3) (Rate Base: 1st Label: \$25.00, \$50.00, \$100.00; 2nd Label: \$10.00, \$15.00, \$25.00)
Alcoholic Beverage 2%	Imposed on all distilled spirits and wines imported and received by in-state licensed liquor wholesalers. (Authority: SDCL 35-5-6.1) (Rate Base: 2% of the purchase price paid for alcoholic beverages)
Amusement Machine	Imposed on all mechanical or electronic amusement devices offered to the public for use. Any device used exclusively at a fair may be registered for 30 days by paying a fee of \$3.00. Devices manufactured before 1940 are exempt from the fee. (Authority: SDCL 10-58) (Rate Base: \$12.00 per machine; \$3.00 per machine, temporary)
Bank Franchise Tax	Imposed on all banks and financial corporations, small loan companies and savings and loan companies on their net annual earnings in lieu of sales tax on financial and banking services. (Authority: SDCL 10-43-2, 4) (Rate Base: 6% decreasing to .25% as income increases or \$200 minimum)
Beer License Fee	Imposed on all applicants requesting permission to operate as a malt beverage wholesaler or retailer; annual license and 50% of all fees (except brewers license fee which is retained in state general fund) retained at the local level. (Authority: SDCL 35-4-2) (Rate Base: \$500.00 - Brewer; \$400.00 - Wholesalers; \$150.00 - Off-Sale; \$250.00 - On-Off Sale; \$150.00 - Transfers)
Beer Occupational Tax	Imposed on all 31-gallon barrels of high-point beer imported and received by all licensed beer and liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: \$8.50 per bbl.)
Bingo/Pull Tab Tax	All bingo paper and pull tab distributors pay a monthly tax of 5% of gross sales of these products. (Authority: SDCL 22-25-48) (Rate base: 5% of gross sales)
Bingo/Pull Tab Tax Licenses	Persons or entities selling bingo paper or pull tabs to any organization conducting bingo games or pull tab lotteries must acquire a distributor's license. Persons or entities manufacturing bingo paper or pull tabs and selling these products to South Dakota distributors must obtain a manufacturer's license. (Authority: SDCL 22-25-28, 29) (Rate base: Distributor - \$5,000 annually; Manufacturer - \$2,500 annually)
Cigarette Excise Tax	Imposed on all packs of 20 and 25 cigarettes; stamps or impressions applied by the cigarette distributor prior to any sale to retailers for resale. (Authority: SDCL 10-50-3) (Rate Base: 33-cent cigarette stamps on packs of 20 and 42-cent stamps on packs of 25)
Cider Tax	Imposed tax of \$.28 per gallon. (Authority: SDCL 35-5-3)
Cigarette License Fee	Imposed on all applicants requesting a cigarette wholesaler's or distributor's license; such licenses are required prior to the purchase and affixing of cigarette stamps and meter impressions. (Authority: SDCL 10-50-9) (Rate Base: \$150.00 annually or \$75.00 semi-annually)
Coin-Operated Laundromat Fee	Imposed on operators of coin-operated laundromats and drycleaning businesses which is in lieu of sales or use tax provisions. \$10.00 per unit in cities of 1,000 population or over and all rural areas. \$8.00 per unit in cities of under 1,000 population. (Authority: SDCL 10-45-5.1) (Rate Base: \$8.00 per unit and \$10.00 per unit)
Commercial License Fee	In consideration of the unusual use of the public highways, each person, except as otherwise provided in this chapter, desiring to operate a motor vehicle, trailer or semitrailer, upon the public highways of this state as a motor carrier, annually pays the commercial motor vehicle fee based on gross weight. (Authority: SDCL 32-9-15 and SDCL 32-9-22) (Rate Base: fees are based on maximum gross weight)

Tax Listing/continued

Tax	Description
Conservation Tax	Imposed on the severance of all energy minerals, paid quarterly by the severor. (Authority: SDCL 10-39B) (Rate Base: 2.4 mills of taxable value)
Contractors' Excise Tax	Contractors' Excise Tax of 2% is imposed on gross receipts of prime and subcontractors on realty improvement contracts performed for qualifying utility projects. Sales and use tax is applicable on construction materials. (Authority: SDCL 10-46B) (Rate Base: 2%) A contractors' excise tax of 2% is imposed on gross receipts of prime contractors on all other realty improvement contracts, including labor and materials. (Authority: SDCL 10-46A) (Rate Base: 2%)
Contractors' Use Tax	Imposes use tax on contractors and subcontractors who use tangible personal property in the performance of realty improvement contracts. Tax applies on the cost or fair market value of property, whichever is greater. Materials used in public contracts are taxable. (See Contractors' Excise Tax) (Authority: SDCL 10-46-5) (Rate Base: 4%)
Energy Minerals	Imposed on owners of energy minerals for the privilege of severing said minerals. (Authority: SDCL 10-39A) (Rate Base: 4.5% of taxable value)
Estate Tax	Imposed on estates in an amount equal to any unused Federal-State Death Tax Credit. (Authority: SDCL 10-40A) (Rate Base: Unused Federal Credit)
Interstate Fuel Use Tax	Provides an additional method of collecting fuel taxes from interstate motor vehicle operators commensurate with their operations on South Dakota highways. (Authority: SDCL 10-47B) (Rate Base: .22/gallon - Diesel; .20/gallon - Liquid Petroleum Gas)
Liquor License Fee	Imposed on all applicants requesting permission to obtain and operate under the provision of any classified license listed in the area of distilled spirits and liquor. (Authority: SDCL 35-4-2) (Rate Base: \$4,000.00 - Distiller; \$5,000.00 - Wholesaler; \$25.00 - Solicitors; \$25.00 - Transporters; \$100.00 - Carriers; \$10.00 - Dispensers)
Liquor Tax	Imposed on every gallon of distilled spirits imported and received by in-state licensed liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: \$3.93 per gallon)
Mobile Home	An initial registration fee at the rate of three percent of the purchase price of a mobile home or if a bill of sale is not available, the fair market value thereof. The payment of such license fee shall be in full and is in lieu of all occupational, sales, excise, privilege and franchise taxes levied by this state upon the gross receipts from all sales of mobile homes. (Authority: SDCL 32-5-16.1) (Rate Base: 3% on purchase price or fair market value)
Motor Fuel/Special Fuel Tax	A tax is imposed on all motor fuel and special fuel that is removed from a terminal in this state and on all imports of fuel, except dyed diesel fuel. A tax of \$.20 per gallon is imposed on all ethanol blend sold or used in this state. The ethanol blend must contain a minimum of 10% by volume of ethyl alcohol of at least 99% purity derived from cereal grain. Alternative fuel is defined as compressed natural gas and mixtures containing 85% or more by volume of ethyl alcohol or methyl alcohol. Dyed diesel fuel is either exempt or subject to sales tax depending on the use of the fuel. (Authority: SDCL 10-47B) (Rate Base: .22/gallon - Motor Fuel/Special Fuel; .20/gallon - Ethanol blend/LPG; .06/gallon - Aviation; .10/gallon - Alternative Fuel for road purposes/ Compressed Natural Gas; .04/gallon Jet Fuel and Alternative Fuel for aircraft purposes)
Motor Vehicle Excise Tax	In addition to all other license and registration fees for the use of the highways, a person pays an excise tax at the rate of three percent on the purchase price of any snowmobile, boat or motor vehicle, as defined by 32-3-1 or 32-3A, purchased or acquired for use on the streets, highways or waterways of this state and required to be registered under the laws of this state. This tax is in lieu of any tax levied by chapters 10-45 and 10-46 on the sales of such vehicles. (Authority: SDCL 32-5B-1 thru 32-5B-20, 32-20A-15 and 32-3A) (Rate Base: 3% purchase price)

Tax Listing/continued

Tax	Description																																				
Municipal Contractors' Excise Tax	Municipal Contractors' Excise Tax imposed by city ordinance, administered by the Department of Revenue, tax in addition to state tax. (Authority: SDCL 10-46A and 10-52) (Rate Base: .5%)																																				
Municipal Sales and Use Tax	Municipal sales and use taxes imposed by city ordinance, administered by the Department of Revenue, in addition to state tax. State exemptions apply. Farm machinery and irrigation equipment, parts or repairs for farm machinery, agricultural animal health products and medicine, transportation services, collection and disposal of solid waste, and veterinarian and animal specialty services are exempt. (Authority: SDCL 10-52) (Rate Base: No specific rate, rates vary from 1% to 3%)																																				
Non-Commercial License Fees	License fees and compensation on non-commercial motor vehicles, including automobiles, pickups and vans with an empty weight of 10,000 lbs. or less (pickups in the 6,001 - 10,000 lbs. category have the option of licensing non-commercial or non-commercial declared gross weight), trailers and semitrailers for use on the highways payable under SDCL 32-5-5, shall be determined by the manufacturer's shipping weight. License fees and compensation on non-commercial motor vehicles which are not automobiles, pickups or vans shall be determined on declared gross weight. (Authority: SDCL 32-5-5, 32-5-6, 32-5-6.1, 32-5-6.3, 32-5-6.4, and 32-5-8) (Rate Base: Fees are based on the age and weight of the vehicle)																																				
Ore Tax	Imposed on all companies severing precious metals within the state; based on the gross production and net income from the sale of such metal. Each producer is given a 20 ounce exemption per year. (Authority: SDCL 10-39-43) (Base Rate: \$4 per ounce of gross gold production plus 10% of net income)																																				
Other Tobacco Products Tax	Imposed on distributors, wholesalers and retailers of cigars, snuff, chewing tobacco and any other products made up of tobacco, except cigarettes. The tax is imposed on the wholesale purchase price of other tobacco products and is paid on the fifteenth day of the month following the month of purchase. (Authority: SDCL 10-50-61) (Rate Base: 10%)																																				
Reservation Cigarette Excise Tax	The reservation cigarette excise tax is imposed by tribal ordinance and is identical to the state cigarette excise tax. The tax is collected by the state and a share reverted to the tribe. (Authority: SDCL 10-12A) (Rate Base: 33-cents per pack of twenty; 42-cents per pack of twenty-five)																																				
Reservation Sales, Use, Excise Taxes	The reservation sales, use and contractors' excise taxes are imposed by tribal ordinance and are identical to the state sales, use and contractors' excise tax. (Authority: SDCL 10-12A) (Rate Base: 4%)																																				
Retail Liquor License Fee	These are the fees that may be assessed by the local governing board to any applicant requesting a retail liquor license to sell distilled spirits, wine and beer. The fees marked "max" indicate that the local board may set any fee up to this maximum level. All fees remain with the local governing board recommending the issuance of such license within their jurisdiction. (Authority: SDCL 35-4-2)																																				
	<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: left; border-bottom: 1px solid black;"><u>Rate Base:</u></th> <th style="text-align: left; border-bottom: 1px solid black;"><u>City:</u></th> </tr> </thead> <tbody> <tr> <td>Off-sale Package Liquor</td> <td>\$ 500.00(max)</td> <td>First Class</td> </tr> <tr> <td>Off-sale Package Liquor</td> <td>\$ 400.00(max)</td> <td>Second Class</td> </tr> <tr> <td>Off-sale Package Liquor</td> <td>\$ 300.00(max)</td> <td>Third Class</td> </tr> <tr> <td>On-sale Retailer Liquor (New)</td> <td>\$1.00/person</td> <td>First Class</td> </tr> <tr> <td>On-sale Retailer Liquor (Renewal)</td> <td>\$1500.00</td> <td>First Class</td> </tr> <tr> <td>On-sale Retailer Liquor</td> <td>\$1200.00 (max)</td> <td>Second Class</td> </tr> <tr> <td>On-sale Retailer Liquor</td> <td>\$ 900.00(max)</td> <td>Third Class</td> </tr> <tr> <td>On-sale Retailer Liquor (Sunday)</td> <td>\$ 200.00(max)</td> <td>All Classes</td> </tr> <tr> <td>On-sale Retailer Liquor (Airport)</td> <td>\$ 250.00</td> <td>All Classes</td> </tr> <tr> <td>Off-sale Municipal Package</td> <td>\$ 250.00</td> <td>All Classes</td> </tr> <tr> <td>On-sale (wine)</td> <td>\$ 500.00</td> <td>All Classes</td> </tr> </tbody> </table>		<u>Rate Base:</u>	<u>City:</u>	Off-sale Package Liquor	\$ 500.00(max)	First Class	Off-sale Package Liquor	\$ 400.00(max)	Second Class	Off-sale Package Liquor	\$ 300.00(max)	Third Class	On-sale Retailer Liquor (New)	\$1.00/person	First Class	On-sale Retailer Liquor (Renewal)	\$1500.00	First Class	On-sale Retailer Liquor	\$1200.00 (max)	Second Class	On-sale Retailer Liquor	\$ 900.00(max)	Third Class	On-sale Retailer Liquor (Sunday)	\$ 200.00(max)	All Classes	On-sale Retailer Liquor (Airport)	\$ 250.00	All Classes	Off-sale Municipal Package	\$ 250.00	All Classes	On-sale (wine)	\$ 500.00	All Classes
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Tax Listing/continued

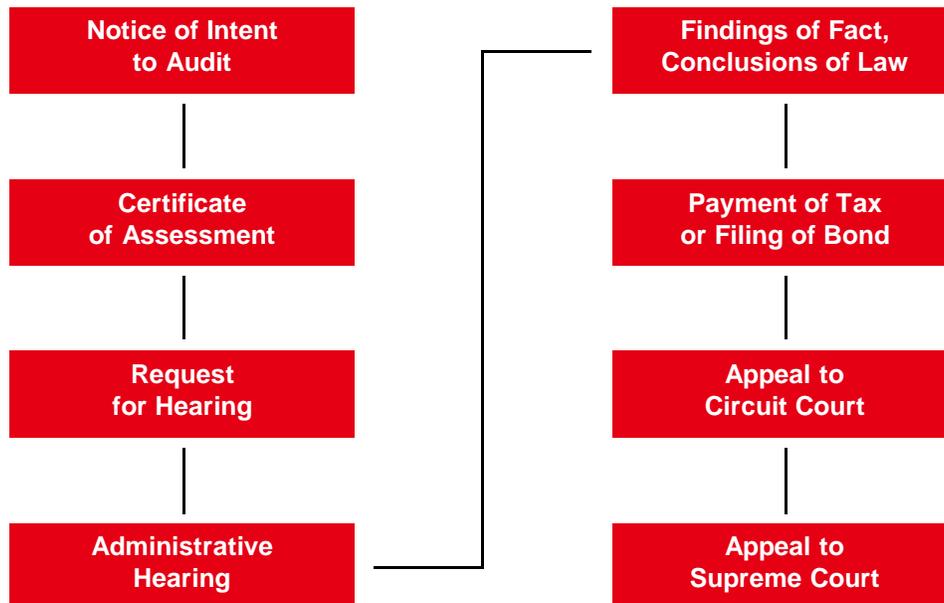
Tax	Description
Sales and Service Tax	<p>(License Required) Sales Tax applies on retailers' gross receipts from all sales of tangible personal property and services not specifically exempted. Exemptions include, but are not limited to, sales to the state and its political subdivisions, certain agricultural products, motor vehicles, motor fuel, labor on construction and prescription drugs. (Authority: SDCL 10-45) (Rate Base: 4%)</p> <p>Tax applies to receipts from amusement devices except coin-operated washers and dryers subject to special licensing. (Rate Base: 4%)</p> <p>Farm machinery and irrigation equipment: tax applies on the cash difference whenever a trade-in or exchange of used farm machinery is involved. (Rate Base: 3%)</p> <p>Tax applies to receipts from oil and gas field services. (Rate Base: 3%)</p>
Tank Inspection Fee	A \$0.02 per gallon fee is imposed upon any petroleum product received in this state. (Authority: SDCL 34A)
Title and Penalty Fees	Title fees are \$5.00 per title; however, if the title is submitted more than 30 days after the date of sale, a late fee of one dollar for each week or fraction thereof beyond the 30-day limitation for 25 weeks and a late fee of \$50 for 26 weeks or more is imposed. (Authority: SDCL 32-3-18 and SDCL 32-3-27) (Rate Base: \$5.00 title fee, variable penalty)
Trading Stamp License Fee	Imposed annually on all trading stamp and coupon companies who wish to provide retailers with their products. (Authority: SDCL 37-19-1) (Rate Base: \$50.00)
Use Tax	<p>Use Tax is imposed on the privilege of the use, storage and consumption in this state of tangible personal property or services. Tax is imposed on persons using property, certain exemptions apply; property exempted if taxed under 10-45. Use tax license required. (Authority: SDCL 10-46) (Rate Base: 4%)</p> <p>A. Farm machinery and irrigation equipment not taxed under 10-45. (Rate Base: 3%)</p>
Wine Tax (High)	Imposed on wines, except sparkling wines, containing 14.1 to 20% alcohol by weight imported and received by in-state licensed liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: \$1.45 per gallon)
Wines and Diluted	Imposed on all wines, except sparkling wine, and diluted beverages containing 3.2 to 14% alcohol by weight imported and received by in-state licensed liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: \$.93 per gallon)
Wine Tax (over 20%)	Imposed on wines containing 20.1 to 24% alcohol by weight and all sparkling wine imported and received by in-state licensed liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: \$2.07 per gallon)

Taxpayer's Bill of Rights

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

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

Audit and Appeal Flow Chart:



Department Overview

In fiscal year 2002, 195 full-time employees worked for the Department of Revenue administering, collecting, and distributing the state's 34 separate types of taxes and fees. Total administrative costs were \$12,588,069, of which \$780,871 were general fund dollars.

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

A Review of the Divisions



Administrative Services

Joan Serfling, Director

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



Business Tax

Scott Peterson, Director

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



Motor Vehicles

Debra Hillmer, Director

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

Audits

Bruce Christensen, Director

Responsibilities: Audit selection and performance



Legal

Jack Magee, Chief Legal Counsel

Responsibilities: Legal staff; Investigative Services Bureau (ISB)



Property and Special Taxes

Paul Kinsman, Director

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



Department Overview/ continued

Departmental Goals

The mission of the department is to fairly and consistently apply the tax laws and establish a comprehensive education program explaining the responsibilities and rights of the taxpayer for the purpose of insuring that the obligations of all taxpayers, to the State of South Dakota, are paid. Our goals as a department are:

- To reduce uncollected taxes.
- To simplify the administration of taxes to accommodate electronic commerce.
- To achieve uniform tax assessments.
- To reduce unfair tax exemptions.
- To simplify the tax laws.
- To resolve contested audits in a more timely manner.
- To have uniformity in the tribal tax agreements.
- To improve internal processes and take advantage of new technology wherever possible.

Administrative Services

The Administrative Services division manages the department's computer services, budgetary data and physical assets. Its purpose is to increase the efficiency of the operational divisions by providing them with the resources they need to meet their goals. The division also manages the department's Remittance Center in Sioux Falls, which processed over \$918 million in payments in fiscal year 2002.

Fiscal Year 2002 - Remittance Center

Dollars processed for Department of Revenue	\$776,561,494
Dollars processed for other agencies	141,541,249
Total dollars processed	\$918,102,743
Total documents processed	534,116

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

Sales, Use and Contractors' Excise Taxes

The Business Tax Division administers the sales tax, use tax, and contractors' excise tax. The division issues licenses to new taxpayers, educates current taxpayers, and collects delinquent taxes.

Total Revenues

Sales, use and contractors' excise taxes produce the largest portion of the state's tax revenues, accounting for 69% of the total revenues in fiscal year 2002. These revenues come from over 62,000 businesses that currently pay sales, use and contractors' excise taxes on their products and services.

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

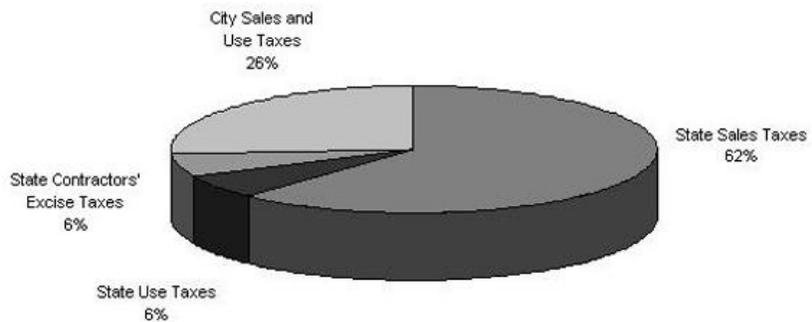
Fiscal Year	Total State Revenue	Percent of Change
1993	\$306,251,882	5.85%
1994	339,023,981	10.70%
1995	358,879,261	5.86%
1996	380,746,752	6.09%
1997	407,559,211	7.04%
1998	438,348,560	7.55%
1999	455,353,445	3.88%
2000	482,182,120	5.89%
2001	508,759,868	5.51%
2002	517,325,658	1.68%

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

In fiscal year 2002, sales, use and contractors' excise taxes in South Dakota totaled \$701,983,805. This figure includes state sales and use taxes; state contractors' excise taxes; city sales, use and contractors' excise taxes; and reservation taxes*. The majority of the revenue continues to come from state sales and use taxes as evidenced by the graph below.

Total Receipts - \$701,983,805

* Reservation taxes accounted for only 0.2% of total receipts and is not indicated on the pie chart.



Sales Tax/continued

Municipal and Reservation Taxes

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

City/Reservation	Rate(s)	Adopted	FY 2001 Remittance	FY 2002 Remittance	% Increase [Decrease]
Aberdeen	1%, 2%, 3%	4-71	\$9,362,316.45	\$9,740,421.64	4.04%
Alcester	1%	9-84	68,963.39	63,424.50	-8.03%
Alexandria	1%, 2%	11-84	70,613.59	65,651.55	-7.03%
Alpena	1%	7-00	31,421.98	71,586.77	N/A
Arlington	1%, 2%	3-89	189,052.61	182,144.28	-3.65%
Armour	1%, 2%	9-88	138,291.30	144,979.26	4.84%
Artesian	1%, 2%	1-02	0.00	2,395.28	N/A
Avon	1%, 2%	9-84	84,142.60	77,180.36	-8.27%
Baltic	1%, 2%	7-93	86,041.60	80,523.72	-6.41%
Belle Fourche	1%, 2%, 3%	2-78	1,240,872.72	1,248,239.82	0.59%
Belvidere	1%, 2%	1-85	8,701.36	6,682.55	-23.20%
Beresford	1%, 2%	7-77	461,192.40	469,916.41	1.89%
Blunt	1%	7-96	2,932.18	2,420.77	-17.44%
Bonesteel	1%	1-01	7,318.63	24,690.54	N/A
Bowdle	1%	1-89	55,545.83	60,755.83	9.38%
Box Elder	1%, 2%, 3%	1-83	458,246.90	434,590.45	-5.16%
Brandon	1%, 2%	4-77	907,414.76	947,478.01	4.42%
Brandt	1%	1-01	996.07	6,334.35	N/A
Bridgewater	1%, 2%	7-85	67,927.17	69,326.57	2.06%
Bristol	1%	7-96	21,129.50	22,234.72	5.23%
Britton	1%, 2%	1-84	334,510.10	327,634.31	-2.06%
Brookings	1%, 2%, 3%	1-82	5,571,111.75	5,370,062.60	-3.61%
Bryant	1%	1-95	33,344.02	35,590.60	6.74%
Buffalo	1%	7-97	42,858.83	45,279.08	5.65%
Burke	1%, 2%	3-88	134,685.59	146,627.24	8.87%
Canistota	1%, 2%	7-79	93,322.07	82,218.26	-11.90%
Canova	1%	9-88	7,960.15	13,228.01	66.18%
Canton	1%, 2%	4-77	539,574.31	571,256.92	5.87%
Carthage	1%	7-99	9,439.79	7,354.16	-22.09%
Castlewood	1%, 2%	1-89	70,904.74	62,311.18	-12.12%
Centerville	1%, 2%	7-79	100,433.50	102,636.60	2.19%
Central City	1%, 2%	7-75	61,862.12	53,243.35	-13.93%
Chamberlain	1%, 2%, 3%	4-79	829,605.64	828,392.85	-0.15%
Chancellor	1%, 2%, 3%	1-84	30,219.59	34,479.40	14.10%
Cheyenne River ST	1.5%, 2%, 3%, 4%	6-76	952,524.64	958,199.87	0.60%
Clark	1%, 2%	3-86	247,635.15	247,171.20	-0.19%
Clear Lake	1%, 2%	7-78	327,140.21	314,267.21	-3.94%
Colman	1%	1-96	57,792.50	49,625.94	-14.13%
Colome	1%, 2%	1-89	39,559.00	39,244.48	-0.80%
Colton	1%, 2%, 3%	1-98	80,181.16	90,890.57	13.36%
Corsica	1%, 2%	1-87	130,669.94	131,283.91	0.47%
Crooks	1%, 2%	9-89	51,462.86	53,168.04	3.31%
Custer	2%, 3%	7-77	834,933.46	845,018.02	1.21%
Dallas	1%	1-02	0.00	2,043.16	N/A
Davis	1%, 2%	7-94	7,801.49	6,320.85	-18.98%
DeSmet	1%, 2%	1-79	256,469.53	280,169.84	9.24%
Deadwood	1%, 2%, 3%	4-78	1,406,349.64	1,600,254.65	13.79%
Dell Rapids	1%, 2%	7-79	488,951.58	503,040.38	2.88%
Delmont	1%, 2%	11-88	33,915.60	33,673.05	-0.72%
Doland	1%	1-95	21,681.28	19,408.71	-10.48%
Dupree	1%	1-85	37,397.22	37,095.06	-0.81%
Eden	1%	11-91	11,187.73	9,648.89	-13.75%
Edgemont	1%, 2%	4-74	103,577.83	97,113.39	-6.24%
Egan	1%, 2%	1-89	19,398.67	15,170.54	-21.80%
Elk Point	1%, 2%	7-79	267,319.17	270,854.00	1.32%
Elkton	1%, 2%	1-95	63,613.36	90,377.60	42.07%
Emery	1%, 2%	1-90	42,118.60	40,318.61	-4.27%
Estelline	1%	1-92	43,827.69	44,094.91	0.61%
Ethan	1%, 2%	7-95	66,757.52	71,761.10	7.50%
Eureka	1%, 2%	7-85	177,257.19	187,385.55	5.71%
Faith	1%	3-85	64,280.28	66,582.98	3.58%
Faulkton	1%, 2%	7-88	154,221.08	162,210.12	5.18%
Flandreau	1%	7-81	179,789.75	224,969.41	25.13%
Florence	1%	1-97	14,676.08	13,648.88	-7.00%

Sales Tax/continued

City/Reservation	Rate(s)	Adopted	FY 2001 Remittance	FY 2002 Remittance	% Increase [Decrease]
Fort Pierre	1%, 2%, 3%	10-78	525,150.64	521,248.36	-0.74%
Freeman	1%, 2%	1-94	297,918.09	262,192.15	-11.99%
Garretson	1%, 2%	3-84	192,766.86	208,193.86	8.00%
Gary	1%	7-87	17,513.36	18,740.10	7.00%
Geddes	1%, 2%	5-87	36,521.18	39,905.24	9.27%
Gettysburg	1%, 2%, 3%	5-85	302,160.87	299,113.36	-1.01%
Gregory	1%, 2%	1-87	326,559.99	312,398.59	-4.34%
Groton	1%, 2%	1-79	242,308.18	272,799.23	12.58%
Harrisburg	1%, 2%	7-82	126,679.82	196,787.44	55.34%
Harrold	1%	1-94	18,159.89	16,153.25	-11.05%
Hartford	1%, 2%, 3%	1-78	269,058.89	285,706.06	6.19%
Hayti	1%	1-94	29,556.11	24,995.79	-15.43%
Henry	1%	1-95	17,053.15	16,295.37	-4.44%
Hermosa	1%, 2%	3-84	48,423.29	51,645.53	6.65%
Herried	1%	1-91	60,936.67	56,990.34	-6.48%
Highmore	1%, 2%	10-79	237,347.48	268,281.04	13.03%
Hill City	1%, 2%, 3%	7-77	441,908.36	443,228.58	0.30%
Hitchcock	1%	9-90	8,755.32	8,708.93	-0.53%
Hosmer	1%	7-82	17,780.24	18,275.05	2.78%
Hot Springs	1%, 2%, 3%	11-71	936,671.47	934,450.31	-0.24%
Hoven	1%	3-92	64,151.73	64,959.04	1.26%
Howard	1%, 2%	11-86	230,787.60	213,708.78	-7.40%
Humboldt	1%, 2%, 3%	7-82	76,035.62	82,585.51	8.61%
Hurley	1%, 2%	7-82	49,082.16	40,209.44	-18.08%
Huron	1%, 2%, 3%	10-72	3,429,377.87	3,328,908.85	-2.93%
Interior	1%, 2%	1-92	34,288.31	33,498.58	-2.30%
Ipswich	1%, 2%	7-77	167,212.57	164,661.67	-1.53%
Irene	1%, 2%	7-84	59,691.67	58,028.45	-2.79%
Iroquois	1%	7-81	17,952.18	22,037.84	22.76%
Isabel	1%	11-91	27,400.67	28,657.63	4.59%
Java	1%	7-99	7,511.12	6,826.28	-9.12%
Jefferson	1%, 2%	1-96	49,553.19	53,928.51	8.83%
Kadoka	1%, 2%	1-77	197,357.75	186,287.93	-5.61%
Kennebec	1%	7-78	33,007.74	40,080.18	21.43%
Keystone	2%, 3%	7-72	500,647.28	518,738.98	3.61%
Kimball	1%, 2%	1-81	182,176.14	191,095.12	4.90%
Lake Andes	1%, 2%	7-84	111,390.58	108,200.20	-2.86%
Lake Norden	1%	1-94	64,629.84	73,622.39	13.91%
Lake Preston	1%, 2%	1-81	127,389.37	114,336.20	-10.25%
Langford	1%	1-98	18,242.42	19,700.08	7.99%
Lead	1%, 2%, 3%	4-72	617,023.83	534,896.61	-13.31%
Lemmon	1%, 2%	1-89	327,814.55	360,153.31	9.86%
Lennox	1%, 2%	1-74	254,843.48	251,680.15	-1.24%
Leola	1%	11-87	30,514.86	36,283.26	18.90%
Letcher	1%, 2%	1-02	0.00	5,380.81	N/A
McIntosh	1%	3-92	12,466.45	12,357.86	-0.87%
McLaughlin	1%	1-93	51,670.40	53,253.65	3.06%
Madison	1%, 2%, 3%	4-72	1,728,211.64	1,705,258.69	-1.33%
Marion	1%, 2%	7-80	152,842.87	145,035.41	-5.11%
Martin	1%, 2%, 3%	7-80	266,497.42	263,677.79	-1.06%
Menno	1%	1-90	69,822.15	65,479.03	-6.22%
Midland	1%	7-83	21,400.87	40,351.18	88.55%
Milbank	1%, 2%	7-88	1,023,199.59	1,075,046.20	5.07%
Miller	1%, 2%	9-86	408,579.07	418,095.79	2.33%
Mission	1%, 2%	11-73	234,020.55	234,438.03	0.18%
Mitchell	2%, 3%	1-77	6,646,964.64	6,572,537.93	-1.12%
Mobridge	1%, 2%	11-86	893,630.68	886,227.52	-0.83%
Monroe	1%	1-81	6,087.69	6,552.99	7.64%
Montrose	1%, 2%	7-88	53,235.14	56,790.48	6.68%
Mount Vernon	1%, 2%, 3%	1-97	43,711.17	42,386.12	-3.03%
Murdo	1%, 2%, 3%	1-78	261,908.12	270,026.60	3.10%
New Underwood	2%	3-86	44,488.40	44,943.00	1.02%
Newell	1%, 2%	7-78	83,270.96	81,370.22	-2.28%
Nisland	1%, 2%	11-88	10,784.63	11,365.17	5.38%
North Sioux City	1%, 2%	5-88	4,086,236.54	2,148,008.31	-47.43%
Oacoma	1%, 2%, 3%	4-82	404,304.02	405,429.94	0.28%
Oglala ST	1.5%, 2%, 3%, 4%	12-70	1,121,147.73	1,242,542.47	10.83%
Olivet	1%	1-00	2,302.53	2,368.75	2.88%
Onida	1%, 2%	1-95	115,553.04	123,975.92	7.29%
Parker	1%, 2%	7-83	158,608.58	157,628.78	-0.62%
Parkston	1%, 2%, 3%	10-79	281,732.00	273,138.82	-3.05%
Philip	1%, 2%	4-76	258,120.31	271,267.83	5.09%
Pickstown	1%	1-89	24,100.42	24,494.33	1.63%
Pierre	1%, 2%, 3%	1-77	4,072,906.31	4,276,972.41	5.01%
Plankinton	1%, 2%	1-94	101,053.63	101,095.00	0.04%
Platte	1%, 2%, 3%	7-86	377,244.21	410,208.86	8.74%
Pollock	1%	7-92	31,440.67	29,767.89	-5.32%
Presho	1%	7-78	53,750.83	54,190.03	0.82%
Ramona	1%	1-97	7,910.99	7,281.30	-7.96%
Rapid City	2%, 3%	5-72	28,491,598.84	29,286,325.44	2.79%
Redfield	1%, 2%, 3%	1-81	569,463.35	550,498.06	-3.33%
Reliance	1%	1-99	16,831.64	30,865.09	83.38%

Sales Tax/continued

City/Reservation	Rate(s)	Adopted	FY 2001 Remittance	FY 2002 Remittance	% Increase [Decrease]
Roscoe	1%	1-79	35,784.52	31,274.77	-12.60%
Rosebud ST	1.5%, 2%, 3%, 4%	1-78	995,693.43	1,014,266.63	1.87%
Rosholt	1%	7-99	50,337.43	56,242.91	11.73%
Roslyn	1%	1-89	14,066.10	16,924.74	20.32%
Salem	1%, 2%	7-83	268,976.49	284,419.80	5.74%
Scotland	1%, 2%	7-82	196,423.71	199,286.92	1.46%
Selby	1%	9-87	73,841.64	62,751.24	-15.02%
Sherman	1%	7-01	0.00	2,625.59	N/A
Sioux Falls	1%, 2%, 3%	1-74	61,681,330.01	62,304,766.74	1.01%
Sioux Falls Lodging	1%	1-96	366,206.92	386,323.51	5.49%
Sisseton	1%, 2%	7-78	599,230.24	587,986.21	-1.88%
Spearfish	2%, 3%	10-71	3,408,943.33	3,615,498.76	6.06%
Spencer	1%, 2%	1-87	26,952.76	14,550.22	-46.02%
Springfield	1%	7-84	106,981.20	96,852.35	-9.47%
Standing Rock ST	1.5%, 2%, 3%, 4%	3-91	303,842.09	303,016.53	-0.27%
Stickney	1%, 2%	7-86	54,096.26	55,887.85	3.31%
Stratford	1%	7-01	0.00	6,132.24	N/A
Sturgis	1%, 2%, 3%	11-71	1,981,452.00	1,907,172.33	-3.75%
Summit	1%	7-93	14,512.93	11,807.25	-18.64%
Tabor	1%	7-93	27,056.91	27,373.64	1.17%
Tea	1%, 2%, 3%	7-82	312,108.88	354,788.36	13.67%
Timber Lake	1%	3-87	40,709.95	63,412.55	55.77%
Toronto	1%	9-85	23,650.76	25,124.60	6.23%
Trent	1%	1-99	7,561.12	8,370.75	10.71%
Tripp	1%, 2%	1-88	103,933.68	87,264.95	-16.04%
Tulare	1%	11-91	13,713.69	13,586.23	-0.93%
Tyndall	1%	1-86	104,085.22	92,281.55	-11.34%
Valley Springs	1%	1-91	35,428.24	34,042.85	-3.91%
Veblen	1%	1-89	17,078.48	16,065.66	-5.93%
Vermillion	1%, 2%, 3%	7-80	1,727,840.18	1,784,581.81	3.28%
Viborg	1%, 2%	4-80	181,060.40	155,600.01	-14.06%
Volga	1%	7-97	108,443.34	110,560.08	1.95%
Volin	1%	7-01	0.00	4,249.10	N/A
Wagner	1%, 2%	7-87	467,140.70	451,107.07	-3.43%
Wakonda	1%	1-82	20,907.30	20,824.81	-0.39%
Wall	1%, 2%, 3%	10-71	663,716.92	657,897.90	-0.88%
Warner	1%, 2%	7-98	25,164.81	25,376.24	0.84%
Wasta	1%	9-90	3,570.80	6,343.47	77.65%
Watertown	1%, 2%, 3%	1-78	8,305,333.61	8,508,029.73	2.44%
Waubay	1%, 2%	1-81	60,309.95	66,032.05	9.49%
Webster	1%, 2%	7-81	477,913.21	476,727.98	-0.25%
Wentworth	1%	7-94	15,822.67	15,906.65	0.53%
Wessington	1%	5-91	27,897.21	28,282.11	1.38%
Wessington Springs	1%, 2%	7-78	192,882.98	186,545.64	-3.29%
White Lake	1%	1-94	31,657.53	42,906.62	35.53%
White River	1%, 2%	7-78	93,016.75	105,978.74	13.94%
Whitewood	1%, 2%	7-76	110,315.43	105,542.58	-4.33%
Willow Lake	1%, 2%	5-85	41,664.14	46,506.51	11.62%
Wilmot	1%	7-98	48,029.88	46,107.18	-4.00%
Winner	1%, 2%	1-80	909,269.23	945,283.11	3.96%
Witten	1%	1-98	3,160.22	2,374.07	-24.88%
Woonsocket	1%, 2%	7-79	141,107.88	151,562.21	7.41%
Worthing	1%, 2%	1-84	50,116.59	56,470.83	12.60%
Yankton	1%, 2%, 3%	7-79	4,855,490.03	4,923,053.67	1.39%
TOTAL			\$179,749,683.67	\$180,686,078.63	0.52%

In fiscal year 2002, a total of 198 communities (plus four reservations) imposed local sales and use taxes. Some local governments have several different tax rates but the maximum local rate that can be levied in South Dakota is 3%.

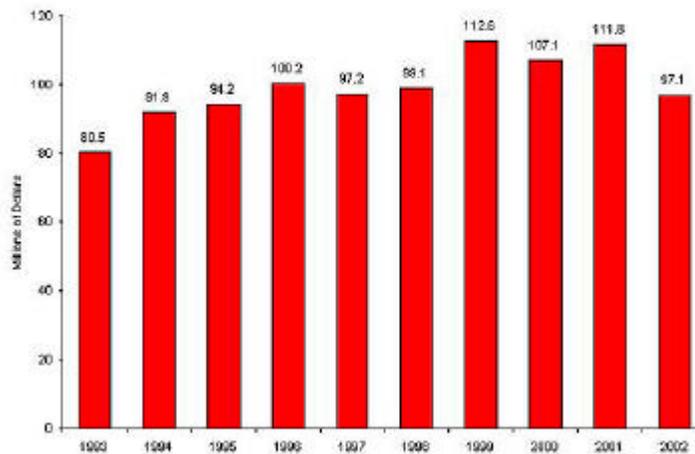
Of the surrounding states, only one state has more local governments which implement a sales tax: Iowa has 926 with a maximum local rate of 1%. Nebraska has 122 with a maximum local rate of 1.5%; North Dakota limits the maximum local rate to 2.5% with 96 local governments implementing sales taxes; and Minnesota has 12 such local governments with a maximum rate of 3%.

Special Taxes

Total Revenues

The Special Taxes division administers a variety of diverse taxes including cigarette excise taxes; inheritance taxes; bank franchise taxes; ore taxes; energy mineral severance taxes; coin-operated laundromat license fees; beer, wine and distilled spirits taxes; gaming excise taxes; beer and liquor license fees; other tobacco products; and alcohol beverage brand registration fees. In fiscal year 2002, revenues in this division showed a decrease from 2001 with total collections of \$97,089,422.

Total Special Tax Revenues: A Ten-Year Comparison

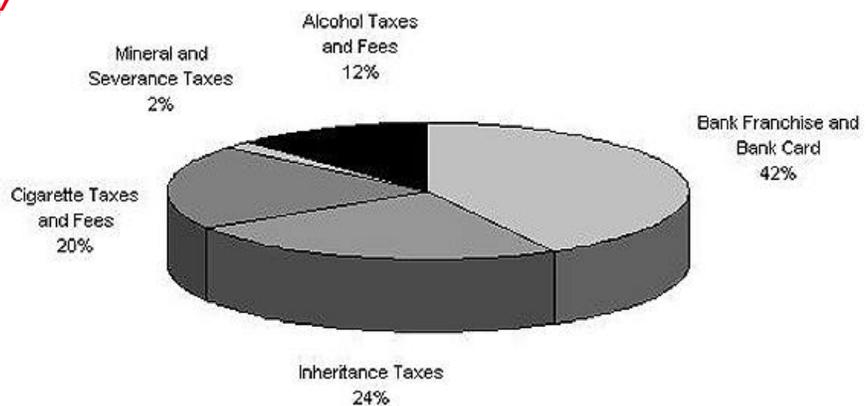


There are five major types of Special Taxes: bank franchise taxes, inheritance taxes, alcohol taxes, cigarette taxes, and mineral and severance taxes. In fiscal year 2002, bank franchise and bank card taxes generated about 42% of special tax revenues.

Tax Revenues by Category

Total Receipts - \$97,089,422

Other taxes accounted for 0.3% of total receipts.

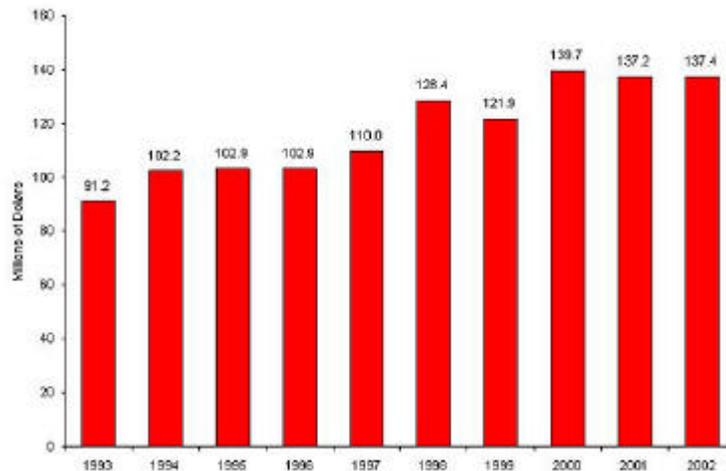


Fuel Tax and Motor Vehicle Licensing

Total Fuel Tax Revenues

Gasoline, ethanol blend, aviation fuel, jet fuel, liquid petroleum gas (LPG), and diesel fuel all fall into the fuel tax category. In fiscal year 2002, there were 2,946 fuel licenses in South Dakota, but only 1,260 licensees reported and remitted the tax.

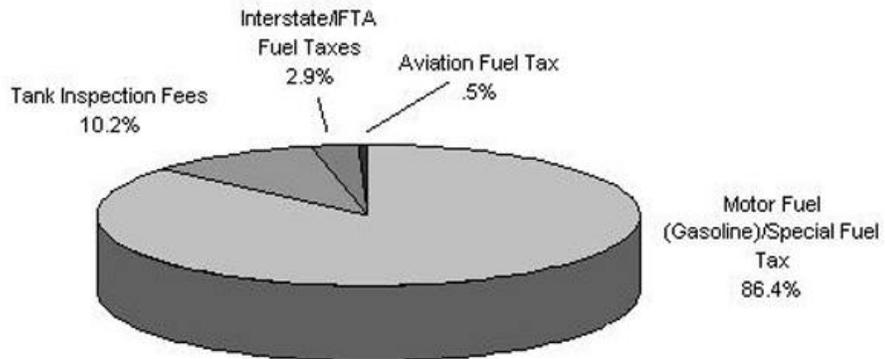
Fuel Tax Revenues: A Ten-Year Comparison



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

Tax Revenues by Category

Total Receipts - \$137,407,508



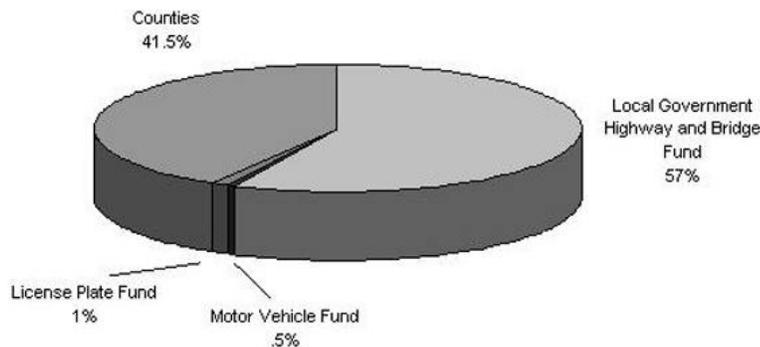
Motor Vehicle/ continued

Motor Vehicle Licensing

Commercial registration fees (licensing fees) are levied on intrastate and interstate motor carriers doing business in the state. The amount of the fee for interstate registration is determined by the percentage of miles the carrier travels in all the states. Over 98% of the fees are used by local governments to maintain public roads. Prorate registration revenues during fiscal year 2002 were \$11,611,420, the largest share of which was used to maintain state highways.

Distribution of Fees by Fund

Total Prorate Registration Fees - \$11,611,420



Distribution of Fees by County

Aurora	\$49,707	Fall River	\$51,840	Marshall	\$54,749
Beadle	124,706	Faulk	45,893	Meade	128,792
Bennett	36,983	Grant	67,143	Mellette	28,810
Bon Homme	56,795	Gregory	56,825	Miner	44,169
Brookings	128,396	Haakon	39,686	Minnehaha	484,371
Brown	209,896	Hamlin	47,837	Moody	53,797
Brule	55,246	Hand	68,490	Pennington	354,924
Buffalo	15,279	Hanson	35,300	Perkins	63,148
Butte	59,864	Harding	35,716	Potter	42,952
Campbell	35,633	Hughes	80,411	Roberts	90,053
Charles Mix	87,348	Hutchinson	75,668	Sanborn	41,395
Clark	63,213	Hyde	29,033	Shannon	55,979
Clay	62,550	Jackson	36,728	Spink	109,548
Codington	126,242	Jerauld	34,257	Stanley	29,462
Corson	70,165	Jones	26,404	Sully	38,801
Custer	49,976	Kingsbury	68,971	Todd	51,991
Davison	85,909	Lake	71,197	Tripp	81,830
Day	77,725	Lawrence	96,787	Turner	69,513
Deuel	48,107	Lincoln	107,338	Union	67,304
Dewey	54,230	Lyman	52,690	Walworth	48,046
Douglas	38,500	McCook	54,236	Yankton	96,151
Edmunds	59,962	McPherson	47,125	Ziebach	36,791
				TOTAL	\$4,898,584

Motor Vehicle/ continued

Titles and Registration

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

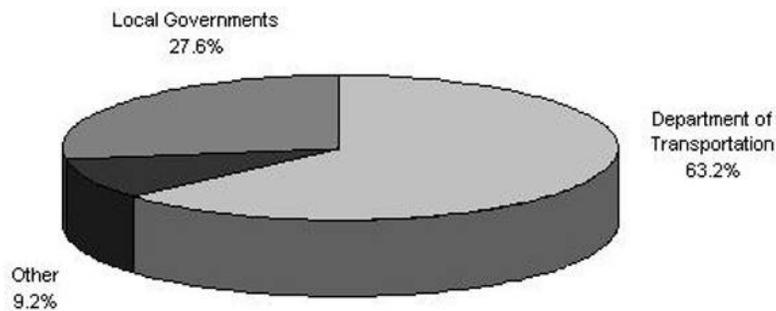
Title and Registration Revenues

	FY2001	FY2002	Percent Change
License Plate Fees - State's Share*	\$1,983,180	\$2,044,712	3.10%
License Plate Fees - Counties', Cities', Townships' Share	21,569,395	22,609,903	4.82%
Snowmobiles	176,124	110,020	-37.53%
Boats	731,282	753,677	3.06%
Temporary Special Permits	117,273	113,077	-3.58%
Mobile Home Plates	10,527	11,850	12.57%
Dealer Fees, Duplicate Dealer Plates	141,427	141,682	0.18%
Noncommercial Duplicate Plates	76,682	136,596	78.13%
Commercial Duplicate License Plates	1,260	2,530	100.79%
Title and Penalty Fees	1,980,674	2,159,452	9.03%
Trailer ID Fees	45,300	47,860	5.65%
Replacement Plate Fees	122,637	231,602	88.85%
Motorcycle Safety Education Fees	89,720	97,737	8.94%
Mobile Home Registration Fees - State's Share	204,204	199,016	-2.54%
Other Vehicle 3.0% Registration Fees	43,193,824	51,801,292	19.93%
Snowmobile 3.0% Initial Registration Fees	345,512	324,841	-5.98%
Register of Deeds Fees	134,515	144,085	7.11%
DENR Solid Waste Fees	941,417	977,637	3.85%
Total Receipts	\$71,864,953	\$81,907,569	13.97%

*State Motor Vehicle Fund, License Plate Special Revenue Fund

Distribution of Title and Registration Revenues

Total Disbursements - \$81,907,569



Property Taxes

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

How Property Taxes are Applied

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

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

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

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

Property Taxes/ continued

Local Units of Government Taxing a Hypothetical Parcel of Property

Property "X" is taxed at a rate of \$30.30 per thousand dollars of taxable value. Here's how that tax rate is broken down by unit of government:

<u>Unit of Government</u>	<u>Amount of Tax</u>
School District Tax	\$9.65 per thousand
County Tax	8.00 per thousand
City Tax	12.00 per thousand
Township Tax	0 per thousand
Water District Tax	0.25 per thousand
Fire District Tax	0.30 per thousand
Sanitary District Tax	0.10 per thousand
TOTAL	\$30.30 per thousand

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

Property Tax Variables

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

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

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

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

Property Taxes/ continued

Limits on Property Taxes

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

Total Property Taxes

Total Property Taxes 2000 - 2002

	Payable 2000	Payable 2001	Payable 2002
Agricultural Property	\$159,212,772.42	\$150,641,597.04	\$166,225,267.53
Non-Ag Acreages	294,622.44	1,279,712.09	2,733,688.53
Owner-Occupied Property	215,800,766.53	210,016,104.00	239,415,363.36
Manufactured Homes (Real) - Not Owner Occupied		1,172,450.15	1,587,635.82
Manufactured Homes (Real) - Owner Occupied		2,075,410.04	3,729,608.67
Other Property	207,037,884.55	203,536,413.04	213,873,016.90
Utilities			
Railroad	1,179,273.68	1,117,255.29	1,561,830.38
Telegraph			
Electric Light, Power, etc.	23,415,679.83	21,739,438.82	22,752,088.59
Telephone Companies (Within)	5,516,562.81	5,041,457.72	5,152,969.25
Telephone Companies (Without)	2,248,220.45	1,337,775.33	1,347,660.89
Special Assessments	8,165,303.93	8,783,549.72	8,774,865.67
TOTAL	\$622,871,086.64	\$606,741,163.24	\$667,153,995.59

Taxes Levied by Local Units of Government

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

Taxes Levied by Local Units of Government - 2002

	Amount Taxed	Percent of Total
County (Includes Library, Secondary Road, Fire Fighting Purposes, Telephone Outside-General Fund)	\$165,080,172.03	24.74%
Municipalities	81,296,731.49	12.19%
Schools	400,493,843.04	60.03%
Townships	11,508,383.36	1.72%
Special Assessments	8,774,865.67	1.32%
Total	\$667,153,995.59	100.00%

Property Taxes/ continued

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

Owner-Occupied Taxes Payable in 2002

City	Effective Tax Rate	X \$40,000 =	A Tax Of
Aberdeen	1.88%		\$753.44
Belle Fourche	2.14		856.46
Brandon	1.59		636.48
Brookings	1.85		740.52
Canton	2.22		887.40
Chamberlain	2.08		832.66
Dell Rapids	1.69		674.90
Flandreau	2.23		891.48
Hot Springs	2.34		934.66
Huron	2.31		925.82
Madison	1.85		739.84
Milbank	1.73		690.54
Mitchell	1.95		779.96

City	Effective Tax Rate	X \$40,000 =	A Tax Of
Mobridge	1.96%		\$784.04
Pierre	1.84		735.76
Rapid City	1.71		685.44
Redfield	2.88		1,150.90
Sioux Falls	1.55		621.86
Sisseton	2.20		881.62
Sturgis	2.24		895.56
Vermillion	2.06		824.84
Watertown	1.41		565.08
Webster	2.32		929.56
Winner	1.77		707.88
Yankton	1.69		675.92

Other Non-Agricultural Taxes Payable in 2002

City	Effective Tax Rate	X \$40,000 =	A Tax Of
Aberdeen	2.52%		\$1,006.40
Belle Fourche	2.77		1,109.08
Brandon	2.23		890.80
Brookings	2.57		1,027.82
Canton	2.85		1,140.02
Chamberlain	2.71		1,085.28
Dell Rapids	2.32		929.22
Flandreau	2.86		1,145.46
Hot Springs	2.97		1,187.62
Huron	2.95		1,179.12
Madison	2.48		992.46
Milbank	2.36		943.16
Mitchell	2.58		1,032.92

City	Effective Tax Rate	X \$40,000 =	A Tax Of
Mobridge	2.60%		\$1,038.36
Pierre	2.47		988.72
Rapid City	2.35		939.76
Redfield	3.51		1,405.22
Sioux Falls	2.19		875.84
Sisseton	2.84		1,134.24
Sturgis	2.88		1,151.92
Vermillion	2.71		1,084.94
Watertown	2.05		818.04
Webster	2.96		1,182.18
Winner	2.30		920.38
Yankton	2.32		928.54

Property Taxes/ continued

Agricultural Taxes Payable in 2002

Township	Effective Tax Rate	X \$40,000 =	A Tax Of	Township	Effective Tax Rate	X \$40,000 =	A Tax Of
Aberdeen Twp. 6-1	1.38%		\$551.14	Mobridge Twp. 62-3 (Unorg.)	1.21%		\$485.86
Belle Fourche Twp. 9-1 (Unorg.)	1.29		515.78	Pierre Twp. 32-2 (Unorg.)	1.34		535.50
Brandon Twp. 49-2	1.11		443.02	Rapid City Twp. 51-4 (Unorg.)	1.37		547.06
Brookings Twp. 5-1	1.53		612.68	Redfield Twp. 56-4	1.27		507.96
Canton Twp. 41-1	1.17		467.50	Sioux Falls Twp. 49-5	1.10		438.60
Chamberlain Twp. 7-1	1.21		484.84	Sisseton Twp. 54-8	1.18		470.90
Dell Rapids Twp. 49-3	1.05		420.24	Sturgis Twp. 46-1 (Unorg.)	1.25		500.14
Flandreau Twp. 50-3	1.36		544.34	Vermillion Twp. 13-1	1.43		573.92
Hot Springs Twp. 23-2 (Unorg.)	1.50		601.12	Elmira Twp. 14-4	1.06		424.32
Clyde Twp. 2-2	1.38		550.80	Webster Twp. 18-4	1.38		552.84
Lakeview Twp. 39-2	1.16		462.40	Lamro Twp. 59-2	1.15		458.66
Alban Twp. 25-4	1.25		499.46	Unorganized Twp. 63-3	1.29		514.76
Mitchell Twp. 17-2	1.24		496.74				

Sales to Assessment Ratio Analysis

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

Sales for Years 2000,2001

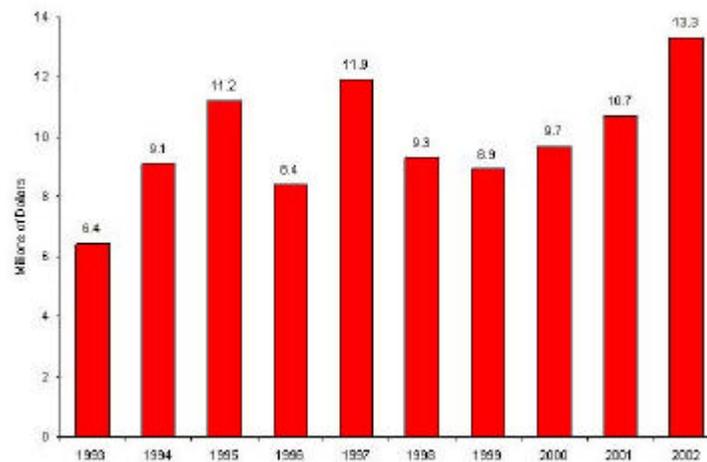
County	Ag	Non-Ag	County	Ag	Non-Ag	County	Ag	Non-Ag
Aurora	83.4%	90.0%	Fall River	87.1%	87.3%	Marshall	79.5%	93.8%
Beadle	86.7	93.9	Faulk	98.6	100.0	Meade	94.1	92.0
Bennett	91.8	90.0	Grant	90.4	90.2	Mellette	88.6	92.7
Bon Homme	89.3	98.5	Gregory	88.2	98.0	Miner	78.4	94.6
Brookings	74.5	93.3	Haakon	103.7	101.2	Minnehaha	79.0	88.6
Brown	76.6	89.3	Hamlin	89.4	91.9	Moody	80.4	87.0
Brule	82.3	94.7	Hand	87.6	104.4	Pennington	77.1	83.3
Buffalo	92.7	0.0	Hanson	83.1	88.8	Perkins	86.0	100.0
Butte	96.1	94.4	Harding	91.9	89.0	Potter	91.9	102.4
Campbell	89.2	100.6	Hughes	86.1	88.4	Roberts	87.9	94.9
Charles Mix	87.7	91.0	Hutchinson	83.2	90.7	Sanborn	77.9	89.1
Clark	87.8	101.3	Hyde	95.0	86.0	Shannon	87.0	100.0
Clay	82.5	90.7	Jackson	83.9	84.1	Spink	87.6	99.4
Codington	84.5	89.8	Jerauld	72.5	95.7	Stanley	93.5	86.8
Corson	100.8	100.5	Jones	87.0	107.9	Sully	88.9	90.1
Custer	78.2	93.2	Kingsbury	80.4	90.0	Todd	89.0	80.9
Davison	79.1	88.6	Lake	83.6	95.6	Tripp	91.9	94.0
Day	92.9	93.8	Lawrence	0.0	84.5	Turner	90.8	95.1
Deuel	81.2	89.2	Lincoln	87.7	87.6	Union	80.8	98.0
Dewey	101.7	99.7	Lyman	85.7	100.0	Walworth	85.3	99.0
Douglas	86.3	91.6	McCook	82.8	88.2	Yankton	82.6	95.5
Edmunds	91.9	93.8	McPherson	86.4	95.4	Ziebach	80.8	110.4
						Statewide	86.8%	89.4%

Audits

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

Audits are used to correct errors businesses may make in the payment of their taxes. Such corrections meant an additional \$13,354,826 in tax revenues (assessments and penalties) in fiscal year 2002.

Total Assessments: A Ten-Year Comparison



Audits and Assessments

	Number of Audits	Assessments
Sales, Use and Contractors' Excise Tax	1,237	\$10,877,907
Limited Scope Audits	7	101,612
Bank Franchise, Severance Taxes, and Inheritance Taxes	2,037	1,999,770
Fuel Taxes, Prorate (IRP), and IFTA	422	375,537
TOTAL	3,703	\$13,354,826

Collection Allowances

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

Allowances FY 2002

Tobacco Distributors	3.5% of the value of the tax indicia they purchase	\$657,703.34
Fuel Suppliers/Marketers	2.25% of the tax paid. One-third is kept by the supplier and the remaining two-thirds is given to the marketer.	\$2,832,389.28
Importer	Two-thirds of the allowance in 10-47B-34.	\$25,172.56
LPG Vendor	2% of the first 25,000 gallons taxed each month; 1% on the gallons taxed in excess of 25,000 each month. Maximum \$500 per month.	\$3,099.26

Tax Refund Programs

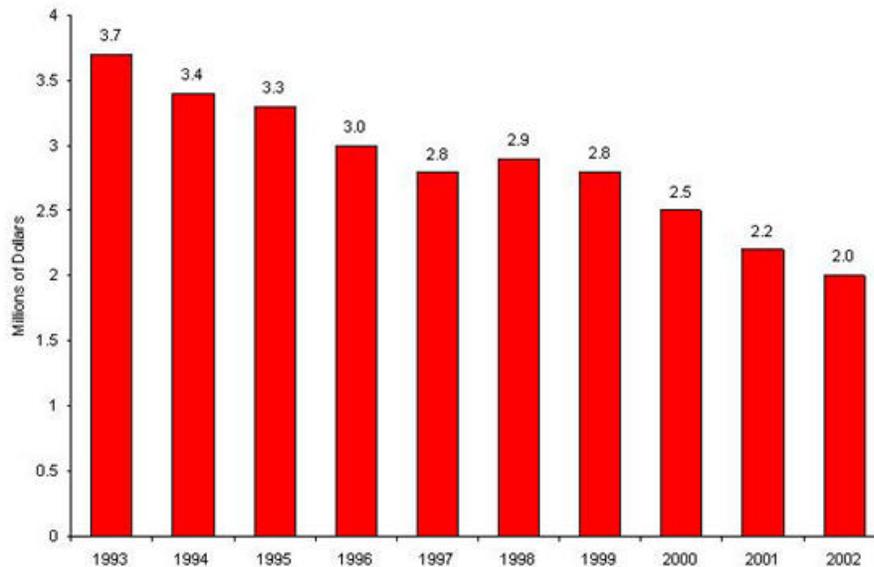
Tax refunds are an essential part of South Dakota's tax system. They apply to two groups: (1) consumers using vehicles and equipment off highways and roads for agricultural or commercial purposes who may receive motor fuel tax refunds; and (2) the elderly and disabled who are eligible for sales and property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

Motor Fuel Tax Refunds

Motor fuel used to operate agricultural and commercial equipment, other than aircraft, off of roads and highways is not subject to fuel tax. Consumers documenting this off-highway usage receive motor fuel tax refunds. During fiscal year 2002, there were 7,149 refunds totaling \$2,026,589.83. The average refund was \$283.48 in fiscal year 2002, as compared to \$288.34 in 2001 and \$297.48 in 2000.

Effective July 1, 1999, \$.03 of every gallon of gasoline on which a refund is claimed is deposited into an Agricultural Fund. This amounted to \$313,354.56 in fiscal year 2002.

Motor Fuel Tax Refunds: A Ten-Year Comparison



Tax Refunds/ continued

Refunds to the Elderly and Disabled

Tax refund dollars for the elderly and disabled benefitted citizens in every South Dakota county in fiscal year 2002. Pennington County had the largest number of participants with 495, followed by Minnehaha County with 463, Brown County with 256, and Shannon County with 237.

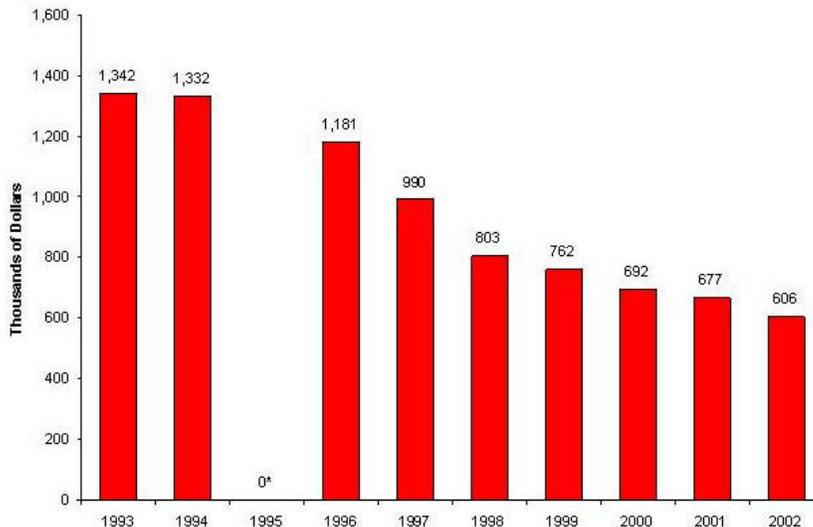
County	Amount of Refunds FY 2001	Number of Applications FY 2001	Amount of Refunds FY 2002	Number of Applications FY 2002
Aurora	\$4,103	18	\$3,830	17
Beadle	18,405	129	13,474	109
Bennett	3,996	22	3,696	20
Bon Homme	6,486	33	5,887	34
Brookings	11,274	80	9,494	73
Brown	38,279	271	34,416	256
Brule	2,740	23	2,208	18
Buffalo	720	4	641	4
Butte	7,962	50	7,435	49
Campbell	1,758	12	954	8
Charles Mix	14,851	91	12,874	86
Clark	4,293	27	3,559	25
Clay	1,811	17	1,947	18
Codington	18,361	146	16,142	120
Corson	4,068	20	4,081	21
Custer	7,485	48	7,061	42
Davison	24,501	163	19,845	136
Day	10,992	70	9,765	63
Deuel	13,421	72	9,692	62
Dewey	20,183	85	18,633	80
Douglas	4,006	26	3,245	24
Edmunds	6,581	39	4,523	36
Fall River	13,300	105	12,509	98
Faulk	1,038	10	776	8
Grant	7,352	56	6,711	56
Gregory	13,451	73	13,467	70
Haakon	306	2	227	2
Hamlin	7,308	50	5,772	42
Hand	3,976	35	4,068	34
Hanson	1,088	6	1,076	6
Harding	113	1	85	1
Hughes	10,326	73	9,697	74
Hutchinson	7,982	48	5,759	38
Hyde	1,917	14	1,760	12
Jackson	2,629	15	2,260	15
Jerauld	2,029	17	2,472	19
Jones	225	2	318	2
Kingsbury	5,858	45	5,297	45
Lake	11,773	82	11,146	78
Lawrence	12,454	93	12,718	89
Lincoln	5,501	39	4,238	34
Lyman	3,329	22	2,495	18
Marshall	7,533	49	6,506	39
McCook	3,697	23	3,210	19
McPherson	4,694	27	3,601	20

Tax Refunds/ continued

County	Amount of Refunds FY 2001	Number of Applications FY 2001	Amount of Refunds FY 2002	Number of Applications FY 2002
Meade	\$14,493	93	\$11,636	86
Mellette	5,087	21	3,944	18
Miner	2,958	20	2,489	17
Minnehaha	74,291	537	61,557	463
Moody	5,775	40	4,471	30
Pennington	77,244	495	76,896	495
Perkins	3,917	29	3,127	24
Potter	1,704	14	2,119	15
Roberts	9,102	63	6,838	52
Sanborn	3,879	17	2,309	14
Shannon	47,798	233	50,301	237
Spink	6,330	44	4,078	32
Stanley	722	5	584	4
Sully	400	2	418	2
Todd	11,924	56	12,449	60
Tripp	10,383	60	9,679	55
Turner	5,158	38	3,961	33
Union	6,759	47	5,632	40
Walworth	12,012	75	10,950	75
Yankton	13,164	97	12,093	90
Ziebach	9,813	40	10,813	38
TOTAL	\$677,068	4,355	\$605,914	4,000

The number of refund applications by group in 2002 were: Elderly single - 2,088; Elderly household - 333; Disabled single - 1,278; and Disabled household - 301. Supplemental checks in the amount of \$100 were sent to the 1,000 individuals with the lowest reported income.

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



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

Legal Services

In fiscal year 2002, the Legal Division was comprised of five full-time attorneys, four full-time Investigative Services Bureau (ISB) Special Agents, one full-time Assistant Attorney General, three part-time fraud auditors, and one secretary. In addition to providing routine legal counsel to the department, the legal staff worked on 489 cases during FY 2002, 315 of which were new cases. The ISB Special Agents examined 79 individuals and businesses, of which 47 were investigated for tax crimes.

The Supreme Court issued one decision during the year which affected the department. At issue in that case was whether a contractor was providing construction services subject to the contractors' excise tax or selling tangible personal property.

There are currently fifteen cases pending before the Supreme Court, nine of which involve alcohol beverage license suspensions.

Supreme Court Summaries

AT&T Corporation v. Department of Revenue, 2002 SD 25, 640 NW2d 752. This case involved the applicability of contractors' excise tax to a taxpayer performing construction work listed in Division C of the Standard Industrial Classification Manual (1987). The Department conducted an audit of the taxpayer, assessing about \$700,000 in tax. The main issue raised by the taxpayer involved the assessment of contractors' excise tax on the installation of telephone switching equipment. The Supreme Court held that the tax applied.

Butler Machinery Company v. Department of Revenue, Supreme Ct. No. 22202. Butler sells and leases equipment. A Department audit of Butler assessed use tax on repair parts installed by Butler into its sales fleet and rental/lease fleet. The hearing examiner ruled that Butler was exempt from the tax involving the sales fleet but not the rental/lease fleet. The Secretary of Revenue adopted this decision and the assessment was confirmed by the circuit court. Butler appealed to the Supreme Court.

Loren Poirier, d/b/a Muddy Creek Oil & Gas Inc., and Muddy Creek Oil & Gas, Inc. v. Department of Revenue, Supreme Ct. No. 22221. This case involves whether motor fuel tax can be imposed on an Indian-owned corporation located on an Indian reservation. Muddy Creek, a Pine Ridge Reservation convenience store, claims it's exempt from the tax because it's an Indian operating in Indian country. The Department maintains the Hayden-Cartwright Act provides express authority to impose the tax. The circuit court agreed with the Department. Muddy Creek appealed to the Supreme Court.

Cooperative Agronomy Services v. Department of Revenue, Supreme Ct. No. 22264. This case involves whether services are exempt from sales tax merely because they are indirectly associated with agriculture. Cooperative Agronomy Services (CAS) provides fertilizer storage services to twelve local coops in SD. The twelve coops own CAS. CAS argued that its services are exempt from sales tax because the sale of the fertilizer is exempt. The Department argued that the storage services were separate from the sale of the fertilizer and did not fit within any exemption. The circuit court held that because the fertilizer is eventually used for agricultural purposes, the storage services are exempt. The Department appealed to the Supreme Court.

Legal Services/continued

Western Wireless Corporation and Sioux Falls Cellular Communications Corporation v. Department of Revenue, Supreme Ct. No. 22273. At issue was whether use tax should be applied to billing services used by a cellular telephone business in South Dakota. The Department conducted an audit of Western Wireless and assessed, among other things, use tax on billing services purchased from an out-of-state billing service provider. Western Wireless argued that it didn't purchase services but rather exempt tangible personal property and that the services were otherwise exempt under the United States Commerce Clause. The circuit court upheld the assessment and held that the transactions did involve a service subject to use tax, and that the use tax didn't violate the Commerce Clause. Western Wireless appealed to the Supreme Court.

Graceland College Center for Professional Development and Lifelong Learning, Inc. v. Department of Revenue, Supreme Ct. No. 22347. During an audit of Graceland, the Department assessed tax on fees for professional seminars provided by the company. Graceland argued that it was an exempt entity either as a vocational school or as a continuing education service. The circuit court affirmed the audit. Graceland appealed to the Supreme Court.

In re Alcohol Beverage License Suspension of Cork N' Bottle, Inc., Supreme Ct. No. 22280. This case involves an alcohol beverage licensee's appeal of an order from the Secretary of Revenue. The Secretary ordered that the Cork N' Bottle's alcohol beverage licenses be suspended for two weeks for selling alcohol to an underage individual. The circuit court upheld the suspension and the licensee appealed to the Supreme Court.

In re Alcohol Beverage License Suspension of Richard and Clara Kafka, Supreme Ct. No. 22404. This case also involves an alcohol beverage licensee's appeal of an order from the Secretary of Revenue. The Secretary ordered that the Kafkas' alcohol beverage license be suspended for two weeks for selling alcohol to an underage individual. The circuit court upheld the suspension and the licensee appealed to the Supreme Court.

In re Alcohol Beverage License Suspension of M.G. Oil Company, Supreme Ct. No. 22411; Supreme Ct. No. 22412; Supreme Ct. No. 22413; Supreme Ct. No. 22414; and Supreme Ct. No. 22435. These cases involve an alcohol beverage licensee's appeal of an order from the Secretary of Revenue. The Secretary ordered that the alcohol beverage license of M.G. Oil Company be suspended for two weeks for selling alcohol to underage individuals. The circuit court held that four of M.G. Oil Company's businesses didn't substantially comply with SDCL 35-2-10.1, a statute that provides a defense for businesses that make illegal sales of alcohol. The circuit court held that the fifth business did substantially comply with this statute. Both the Department and M.G. Oil Company appealed. These cases have been stayed pending the resolution of In re Alcohol Beverage License Suspension of Cork N' Bottle, Inc., Supreme Ct. No. 22280.

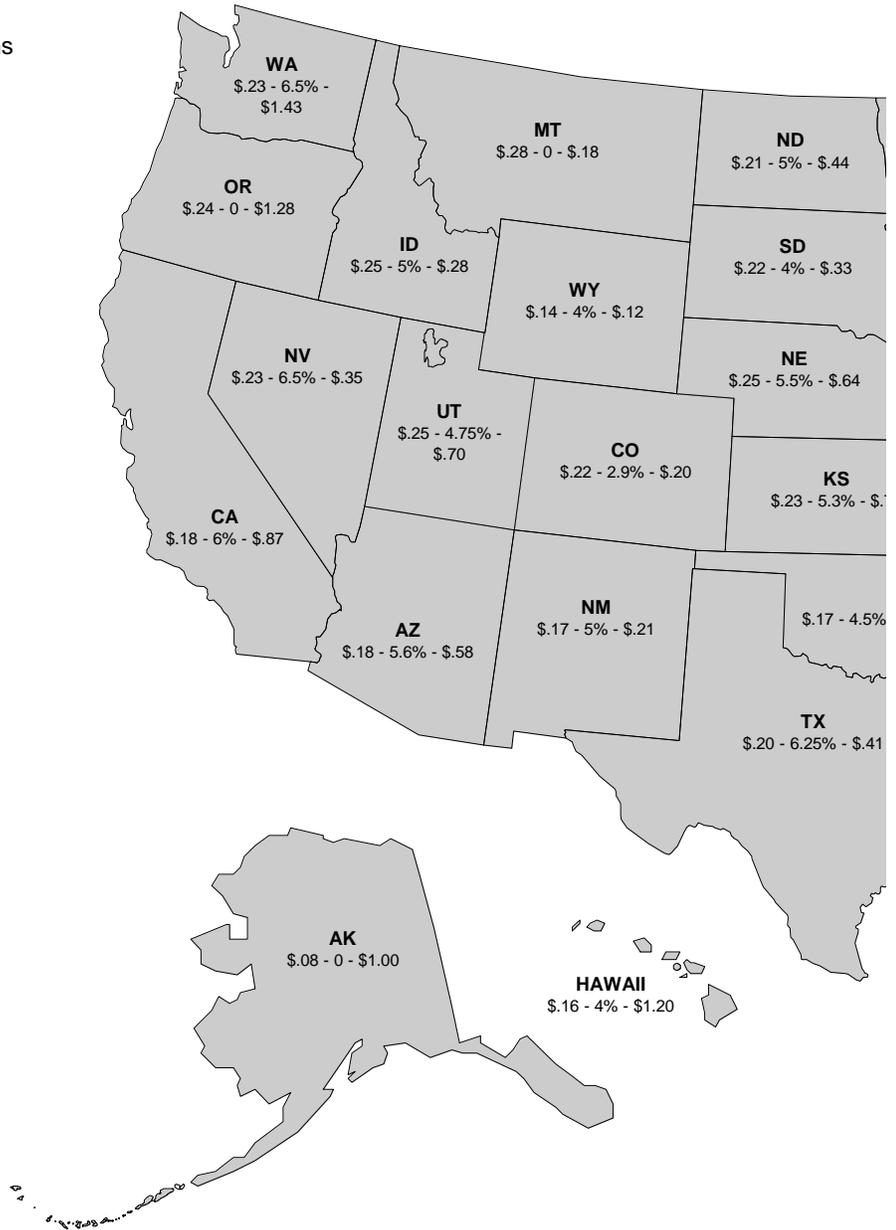
In re Alcohol Beverage License Suspension of Continental Leisure, Inc., Supreme Ct. No. 22426. This case involves an alcohol beverage licensee's appeal of an order from the Secretary of Revenue. The Secretary ordered that the alcohol beverage license of Carousel Casino be suspended for two weeks for selling alcohol to an underage person. The circuit court held that Carousel Casino substantially complied with SDCL 35-2-10.1, a statute that provides a defense for businesses that make illegal sales of alcohol. The Department appealed. This case has been stayed pending the resolution of In re Alcohol Beverage License Suspension of Cork N' Bottle, Inc., Supreme Ct. No. 22280.

In re Alcohol Beverage License Suspension of Kelly's Sports Lounge, Inc., Supreme Ct. No. 22436. This case involves an alcohol beverage licensee's appeal of an order from the Secretary of Revenue. The Secretary ordered that the alcohol beverage license of Kelly's Sports Lounge be suspended for two weeks for selling alcohol to an underage person. The circuit court held that Kelly's Sports Lounge substantially complied with SDCL 35-2-10.1, a statute that provides a defense for businesses that make illegal sales of alcohol. The Department appealed. This case has been stayed pending the resolution of In re Alcohol Beverage License Suspension of Cork N' Bottle, Inc., Supreme Ct. No. 22280.

How SD Compares to Other States

At just \$1,292, South Dakota had the lowest per capita state tax burden in fiscal year 2001, according to the latest figures available from the U.S. Bureau of the Census and Bureau of Economic Analysis. Following is a listing of per capita state tax burdens for all 50 states, beginning with the highest:

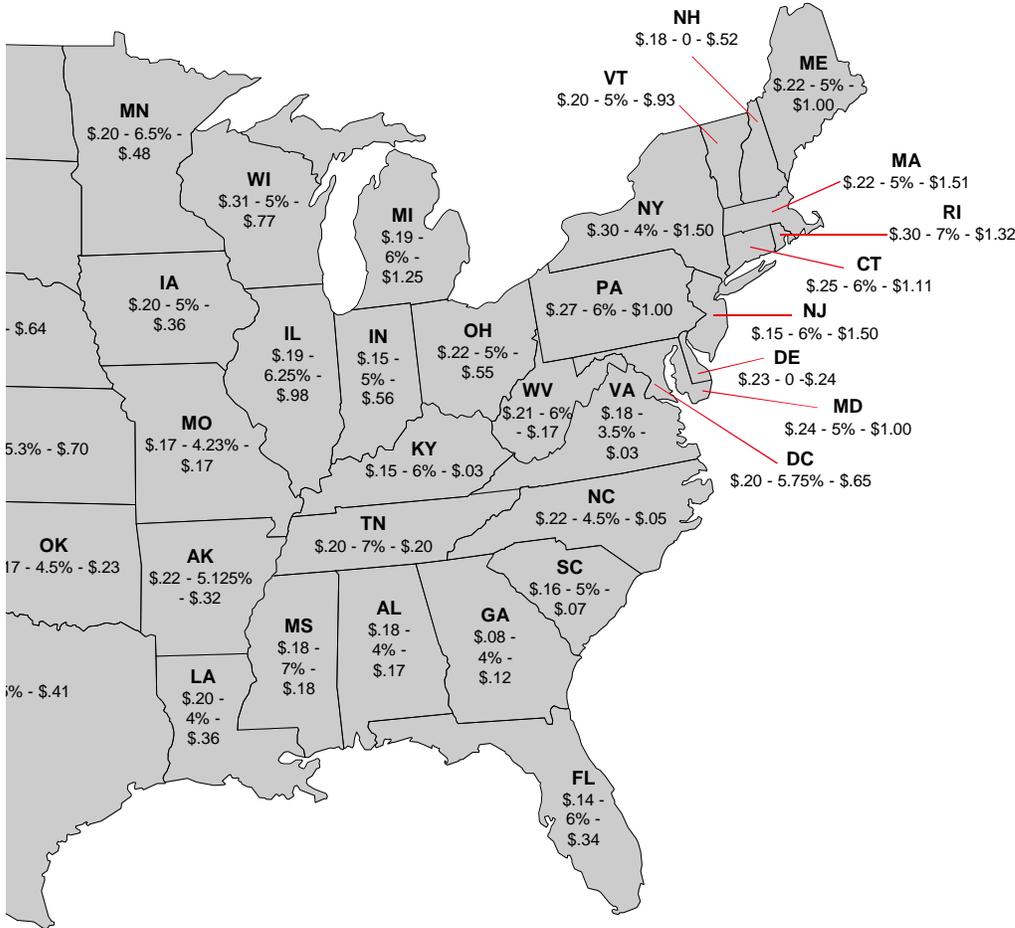
Connecticut	\$3,092
Hawaii	2,865
Delaware	2,731
Minnesota	2,722
Massachusetts	2,700
California	2,622
Vermont	2,533
New York	2,359
Wyoming	2,274
New Jersey	2,269
Alaska	2,250
Michigan	2,228
New Mexico	2,188
Wisconsin	2,179
Rhode Island	2,118
Washington	2,117
Maine	2,074
Maryland	2,007
North Dakota	1,940
Idaho	1,936
Kentucky	1,931
North Carolina	1,909
West Virginia	1,900
Illinois	1,855
Kansas	1,853
Pennsylvania	1,836
Oklahoma	1,833
Arkansas	1,824
Virginia	1,821
Nevada	1,820
Utah	1,791
Nebraska	1,768
Iowa	1,765
Ohio	1,725
Georgia	1,714
Colorado	1,713
Oregon	1,697
Indiana	1,669
Mississippi	1,662
Montana	1,654
Louisiana	1,611
Arizona	1,593
Missouri	1,570
Florida	1,521
South Carolina	1,513
Alabama	1,426
New Hampshire	1,410
Texas	1,380
Tennessee	1,363
South Dakota	1,292
National Average	1,969



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

How SD Compares to Other States/continued

* Data provided by the Federation of Tax Administrators, the American Petroleum Institute, and the Sales Tax Clearinghouse



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.

Five Highest Gasoline Tax Rates

- Wisconsin \$0.31
- New York \$0.30
- Rhode Island \$0.30
- Montana \$0.28
- Pennsylvania \$0.27
- South Dakota \$0.22**

Five Highest Sales Tax Rates

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

Five Highest Cigarette Tax Rates

- Massachusetts \$1.51
- New Jersey \$1.50
- New York \$1.50
- Washington \$1.43
- Rhode Island \$1.32
- South Dakota \$0.33**

Comparing the Region

	Gas Tax (cts. per gallon)	Sales Tax (%)	Cigarette Tax (cts. per package)
South Dakota	22	4	33
Iowa	20	5	36
Minnesota	20	6.5	48
Montana	28	0	18
Nebraska	25	5.5	64
North Dakota	21	5	44
Wyoming	14	4	12

2002: The Tax Year In Review

Streamlined Sales Tax Project

South Dakota took a giant leap forward in the Streamlined Sales Tax Project with the adoption of House Bills 1001, 1002, and 1003 during the 2002 Legislature. These bills bring South Dakota into compliance with the simplification and uniformity provisions found in the Streamlined Sales Tax Agreement. The legislation gives the state one sales tax rate, requires cities to have one sales tax rate per city, makes the state sales tax rate and the city sales tax rate the same, and changes a number of other provisions that will help retailers administer sales tax with less cost. Nearly 40 states are currently involved in the Streamlined Sales Tax Project.

Economic Development Tax Refunds

The Department of Revenue administers two economic development tax refund programs. The first is a refund of the contractors' excise tax paid on the construction of an agricultural processing facility and a refund of sales and use tax paid on the purchase of agricultural processing equipment. The second is a refund of the contractors' excise tax on the construction of commercial power production facilities using renewable resources. In FY02, the department processed nine refund requests and refunded \$1,371,129.28 through these programs.

Internet Filing/Website/Listserv

Finishing its third year of operation in October 2002, the Department's electronic tax filing and payment system, SD QUEST (Quick Easy Secure Tax Filing), reported a total of 21,877 returns filed with \$205,486,662 in sales, use and contractors' excise tax collected, up from 19,324 returns and \$181,874,435 in taxes collected for the previous year. With SD QUEST, taxpayers have the option of using a toll-free Telefile system by calling 1-877-725-3773 or logging on to the Internet at www.sdquest.com.

As more people utilize computer technology and communicate via e-mail, the Department has expanded its efforts to keep taxpayers informed by creating an e-mail listserv of taxpayers. Currently, over 10,000 taxpayers have provided an e-mail address, allowing the Department to share updated information and answer taxpayer questions in a more efficient and expedient manner.



Department Resources

Field Offices

Department of Revenue

Anderson Building
445 East Capitol Avenue
Pierre, SD 57501-3100
1-800-TAX-9188
Fax: 605-773-5129

Aberdeen Area Office

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

Rapid City Area Office

4447 S. Canyon Rd., Ste 6
Rapid City, SD 57702-1889
(605) 348-2332
Fax: 394-6076

Watertown Area Office

1505 10th Ave. SE, Suite 1
Watertown, SD 57201-5300
(605) 882-5188
Fax: 882-5199

Mitchell Area Office

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

Sioux Falls Area Office

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

Yankton Area Office

Kanner Building
3113 N. Spruce St., Ste 127
Yankton, SD 57078-5320
(605) 668-2939
Fax: 668-2936

Toll-Free Phone Center

Help is just a phone call away with the Department of Revenue's free helpline! Offering answers to your tax questions Monday thru Thursday from 8:00am to 6:00pm CST and Friday from 8:00am to 5:00pm CST. Just call 1-800-TAX(829)-9188.

Department Website

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

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

*The **South Dakota Department of Revenue Annual Report** is written and designed to make information accessible to the general reader. Five hundred seventy-five copies of this document were printed by the department at a cost of \$3.30 per document.*