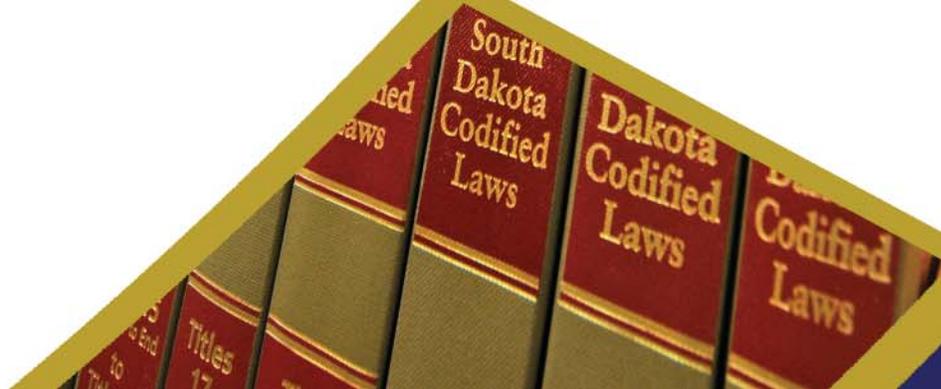


professional, dependable, accountable...in partnership with south dakota

2012 Annual report



South Dakota
Department
of
Revue

taxpayer bill of rights

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

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To the Honorable Dennis Daugaard, Governor of South Dakota;
the Honorable Members of our South Dakota Legislature;
and citizens of South Dakota:

I am pleased to present the South Dakota Department of Revenue annual report for the fiscal year of 2012. This report covers the services provided by the department as well as our accomplishments and a statistical recap of division performance. The department continues to promote commitment, communication, and customer service in our efforts to collect the revenue used to support programs utilized by the citizens of South Dakota.

South Dakota is on the slow road to recession recovery by recording modest increases in sales and use tax and contractors' excise tax collections. While not every tax type showed an increase, the overall results shown in our report reflects that South Dakota's position is stronger than some of our counterparts in other areas of the nation. Our great state has weathered the recent economic struggles by concentrating on maximizing revenues while resisting major changes to our current tax structure. The department will continue its mission in 2013 of providing customer-oriented, fair, reliable revenue administration by collecting all taxes required by law, supporting motor vehicle requirements and regulating the gaming industry and state's lottery.

South Dakota continues to be a leader in working with retailers and other states to simplify state tax systems to ensure equitable collection and payment of taxes on all applicable sales. Our goal is to encourage our nation's leaders to pass legislation so the administration of sales taxes would apply equitably to all sellers, whether they are main street businesses or selling by catalog or online. While it is unclear how long it will be before legislation of this nature is approved, the progress that has been made to achieve this goal is undeniable.

The department is committed to utilizing the latest technology to ease the compliance burdens of our customers. We continue to expand our eService options to promote simple, quick, and easy interaction with the department. Taxpayers can verify the correct sales and use tax rates for any address within South Dakota through Tax Match; file and remit tax due through SD Quest - quick, easy and secure tax filing; file or pay Prepaid Wireless, 911 Emergency Surcharge, or Motor Fuel Supplier taxes through EPath; and can renew motor vehicle registrations either online or at registration renewal self-service terminals located throughout the state. We continue to explore new ways to promote a positive relationship with taxpayers in a professional, dependable, and accountable manner, built on mutual respect and trust.

Thank you for the opportunity to serve the citizens of South Dakota. I hope you find this report to be a useful reference tool.

Respectfully,



Andy Gerlach
Secretary



department overview

our mission, our values

professional, dependable, accountable...

...in partnership with south dakota

our mission

Our mission is to serve South Dakotans and to support government services by collecting all taxes required by law, supporting motor vehicle requirements, and regulating the gaming industry and state's lottery to raise revenue for government programs. This is accomplished by providing taxpayers with current and complete information, education programs, and up-to-date technology to support tax filings, payments and motor vehicle registration. Our efforts have yielded high voluntary compliance rates in all areas and promote commitment, communication, and customer service.

We recognize our responsibilities to the taxpayers, and service is a priority. We are pleased to offer our professional services through the Internet and will continue to make progress while always promoting efficiency.

Our actions will comply with the statutory provisions of the State of South Dakota, and our duties under those statutes will be carried out in a fiscally responsible manner.



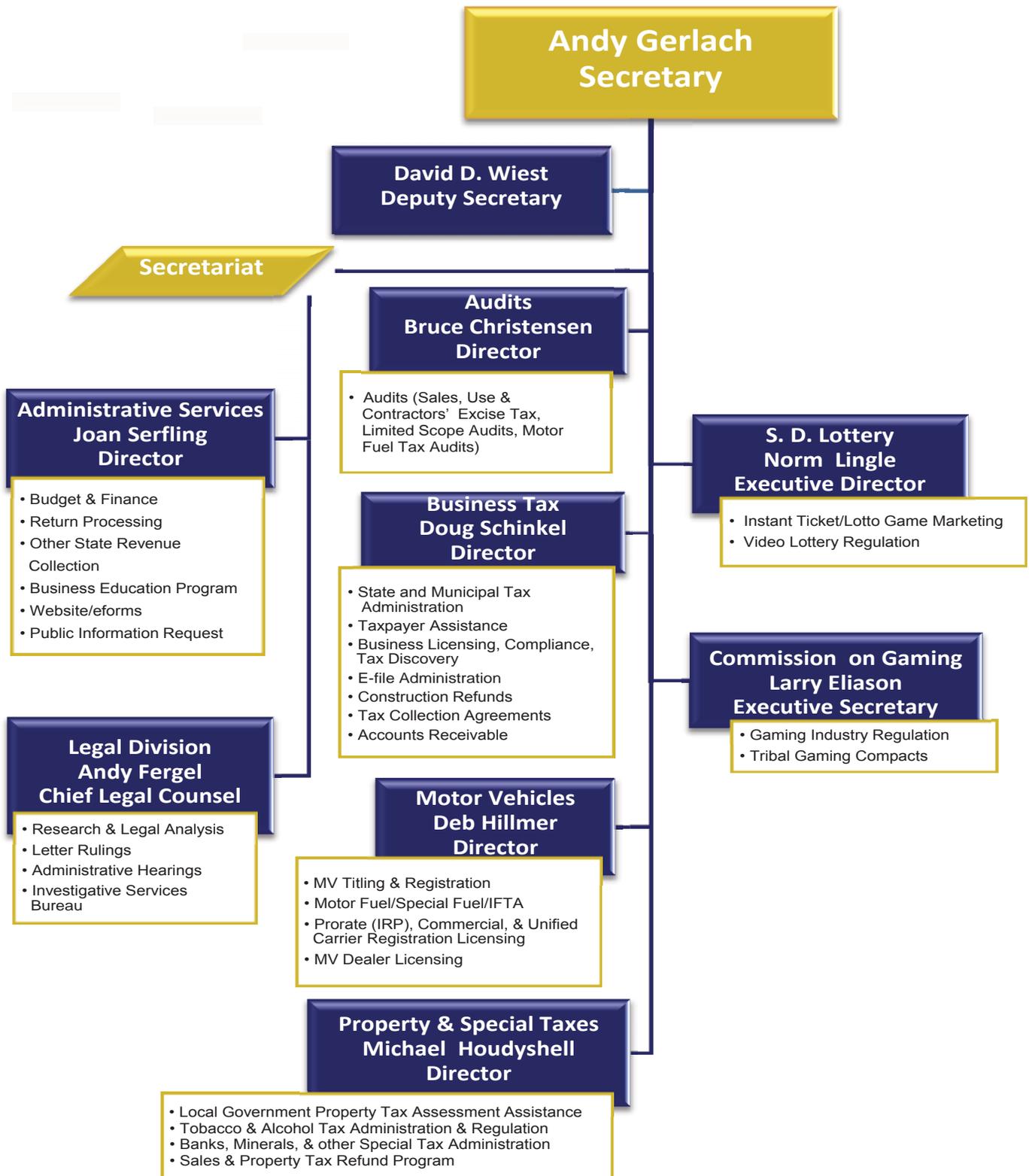
our values

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

department overview

organizational structure

south dakota department of revenue



department overview

The Department of Revenue consists of 6 divisions, 1 commission, and the Office of the Secretary. Included in the department are: Audits; Business Tax; Division of the Secretariat (which includes Administrative Services and Legal Services); Commission on Gaming; Lottery; Motor Vehicles; and Property and Special Taxes. The department secretary, division directors and a majority of staff are in Pierre, housed in three locations:

Anderson Building, 445 East Capitol Avenue: Office of the Secretary, Audits, Business Tax, Division of the Secretariat, Motor Vehicles, and Property and Special Taxes.

711 East Wells Avenue: South Dakota Lottery.

221 West Capitol Avenue, Suite 101: Commission on Gaming.

The department also has field offices and staff in Aberdeen, Deadwood, Mitchell, Rapid City, Sioux Falls, Watertown, Webster, and Yankton.

In fiscal year 2012, 245.5 full-time employees worked for the Department of Revenue administering, collecting, and distributing the state's 90 separate types of taxes and fees. Total administrative costs were \$66,173,661, of which \$948,476 were general fund dollars.



management team

First Row (left to right):
Doug Schinkel, Business Tax;
Andy Gerlach, Secretary;
David Wiest, Deputy Secretary.

Second Row (left to right):
Norm Lingle, Lottery;
Bruce Christensen, Audits;
Joan Serfling,
Administrative Services.

Third Row (left to right):
Andy Fergel, Legal;
Debra Hillmer, Motor Vehicles;
Michael Houdyshell,
Property and Special Taxes
Larry Eliason,
Commission on Gaming.



tax revenues: collections

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

In fiscal year 2012, revenue from all 36 state taxes totaled \$1,618,300,286, an increase of \$111,456,401 from fiscal year 2011 revenues of \$1,506,843,885. Total revenues from the past five years are shown below.

total revenues: a five-year comparison

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Percent of Change</u>
2008	1,470,272,771	7.34%
2009	1,444,656,266	-1.74%
2010	1,437,093,287	-0.52%
2011	1,506,843,885	4.85%
2012	1,618,300,286	7.40%
Five-Year Average	\$1,495,433,299	N/A

revenues by category

Of the total tax revenue collected in fiscal year 2012, 73.9% came from sales, use and contractors' excise taxes. Motor fuel taxes accounted for 9.5%, special taxes 9.3%, and motor vehicle taxes 8.3%. The table below shows a five year comparison of revenues collected in each category.

revenues by tax category 2008-2012

<u>Fiscal Year</u>	<u>Sales, Use and Excise Taxes*</u>	<u>Motor Fuel Taxes**</u>	<u>Special Taxes</u>	<u>Motor Vehicle Fees***</u>
2008	1,055,611,168	145,688,345	155,725,223	109,405,931
2009	1,066,082,423	138,152,006	136,743,929	103,677,908
2010	1,061,063,870	148,458,391	120,463,137	107,107,889
2011	1,137,637,580	152,242,306	102,098,046	114,865,953
2012	1,180,159,027	153,388,242	150,270,075	134,482,942
Five-Year Average	\$1,100,110,814	\$147,585,858	\$133,060,082	\$113,908,125

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

** Includes Tank Inspection Fees

*** Includes Single State Registration Fees

revenues by type of tax

In fiscal year 2012, the revenue produced by the 36 separate taxes and fees administered by the department varied from a low of \$0 to a high of \$755,248,642.

a three-year comparison of revenues by type of tax

	FY2010	% Increase (Decrease) over Previous Year	FY2011	% Increase (Decrease) over Previous Year	FY2012	% Increase (Decrease) over Previous Year
Sales and Use Taxes - State	\$652,743,552	-2.45%	\$720,605,500	10.40%	\$755,248,642	4.81%
Contractors' Excise Tax - State	70,477,345	-1.27%	65,697,771	-6.78%	82,991,355	26.32%
Sales, Use, Contractors' Excise Tax - Cities	275,340,008	-0.08%	286,386,166	4.01%	303,463,758	5.96%
Sales, Use, Contractors' Excise Tax - Tax Collection Agreements	8,017,452	19.53%	9,809,347	22.35%	11,773,780	20.03%
Tourism Tax	8,409,717	46.47%	9,474,051	12.66%	9,544,379	0.74%
Water and Environment Fund	1,485,689	796.44%	2,022,939	36.16%	1,377,662	-31.90%
Intermediate Care Facility	1,096,959	19.27%	1,019,970	-7.02%	1,283,367	25.82%
Refund for Construction of Facility	29,416,523	26.16%	29,359,411	-0.19%	0	-100.00%
Motor Vehicle Leasing Fund	1,352,180	-7.20%	1,535,468	13.56%	1,580,827	2.95%
Telecom	12,724,445	8.57%	11,726,957	-7.84%	12,895,257	9.96%
Aviation Fuel	625,523	-7.84%	707,430	13.09%	773,440	9.33%
Motor Fuel Tax	125,691,954	7.75%	130,809,072	4.07%	131,017,914	0.16%
Motor Fuel Tax - Tax Collection Agreements	3,320,624	3.25%	3,263,012	-1.73%	3,649,658	11.85%
Interstate Fuel Users Tax	1,935,793	-13.89%	1,400,847	-27.63%	1,474,069	5.23%
Tank Inspection Fees	16,884,496	9.96%	16,061,945	-4.87%	16,473,161	2.56%
Prorate	14,664,959	1.68%	15,380,235	4.88%	18,116,142	17.79%
Single State Registration Fees	470,271	-53.12%	1,191,231	153.31%	854,968	-28.23%
Motor Vehicle Titles and Registration	91,972,659	4.22%	98,294,487	6.87%	115,511,832	17.52%
Cigarette Tax - State	56,657,446	-0.93%	51,787,334	-8.60%	50,976,072	-1.57%
Cigarette Tax - Tax Collection Agreements	2,449,488	-7.07%	2,302,863	-5.99%	2,616,115	13.60%
Cigarette License Fees	12,150	-1.22%	14,175	16.67%	12,753	-10.03%
Other Tobacco Products	5,734,603	7.06%	6,056,866	5.62%	6,514,247	7.55%
Other Tobacco Products - Tax Collection Agreements	153,785	13.69%	190,603	23.94%	252,984	32.73%
Liquor License Fees	51,235	2.56%	90,000	75.66%	107,155	19.06%
Malt Beverage Beer License Fees	327,050	20.93%	337,850	3.30%	327,162	-3.16%
Alcoholic Beverage Brand Registration Fees	314,008	36.36%	327,276	4.23%	375,727	14.80%
Beer Tax	6,154,244	-0.43%	6,138,160	-0.26%	6,210,000	1.17%
Liquor Tax	6,943,041	6.23%	7,083,971	2.03%	7,371,909	4.06%
Alcoholic Beverage 2% Purchase Price Tax	1,354,594	5.42%	1,431,373	5.67%	1,490,640	4.14%
Wholesale Beer License Fee	3,400	30.77%	2,000	-41.18%	600	-70.00%
Underage Penalty Fee	186,000	18.10%	130,800	-29.68%	101,300	-22.55%
Bank Franchise/Bank Card Tax	31,157,026	-36.12%	15,203,536	-51.20%	59,796,153	293.30%
Inheritance Tax	143,682	817.57%	154	-99.89%	0	-100.00%
Ore Tax	3,906,203	88.72%	5,318,077	36.14%	7,124,767	33.97%
Energy Mineral Tax	4,505,399	-19.50%	5,276,994	17.13%	6,634,346	25.72%
Coin Laundry License Fees	252,433	99.17%	255,866	1.36%	251,470	-1.72%
Coin Laundry License Fees - Tax Collection Agreements	1,886	24.65%	1,687	-10.55%	1,711	1.42%
Amusement Device Fee	94,188	44.45%	93,011	-1.25%	56,892	-38.83%
Bingo License Fee	35,000	40.00%	30,000	-14.29%	30,000	0.00%
Bingo Tax	26,276	-5.34%	25,450	-3.14%	18,072	-28.99%
Totals	\$1,437,093,287	-0.52%	\$1,506,843,885	4.85%	\$1,618,300,286	7.40%

tax revenues: distribution

distribution of taxes and fees

In fiscal year 2012, the \$1,618,300,286 in tax revenues collected by the department was distributed to various funds and units of government. The largest portion of revenues, 57.2%, was deposited in the state's general fund, with 25% going to local governments, 12.1% to the State Highway Fund, and 5.7% to other uses.

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

how taxes are distributed

<u>Tax</u>	<u>General Fund</u>	<u>Local Government</u>	<u>State Highway Fund</u>	<u>Other</u>
State Sales Tax	100%	-0-%	-0-%	-0-%
State Use Tax	100%	-0-%	-0-%	-0-%
State Contractors' Excise Tax	100%	-0-%	-0-%	-0-%
Municipal Sales and Use Tax (1)	-0-%	100%	-0-%	-0-%
Cigarette Excise Tax	(2)	-0-%	-0-%	-0-%
Cigarette License Fee	100%	-0-%	-0-%	-0-%
Estate Tax	90%	10%	-0-%	-0-%
Bank Franchise Tax	26.66%	73.33%	-0-%	-0-%
Bank Card Taxpayers	95%	5%	-0-%	-0-%
Ore Tax	100% (3)	-0-%	-0-%	-0-%
Coin Operated Laundromat Fee	100%	-0-%	-0-%	-0-%
Trading Stamp License Fee	100%	-0-%	-0-%	-0-%
Energy Minerals Severance Tax	50%	50%	-0-%	-0-%
Malt Beverage Occupational Tax	75%	25%	-0-%	-0-%
Conservation Tax	-0-%	-0-%	-0-%	(4)
Amusement Machine Registration	(5)	(5)	-0-%	-0-%
Distilled Spirits Occupational Tax	75%	25%	-0-%	-0-%
Wines and Diluted Beverages	75%	25%	-0-%	-0-%
Malt Beverage License Fee	50%	50%	-0-%	-0-%
Liquor License Fee (other than retail)	100%	-0-%	-0-%	-0-%
Other Tobacco Products Tax	(2)	-0-%	-0-%	-0-%
Alcoholic Beverage 2% Purchase Price Tax	100%	-0-%	-0-%	-0-%
Wholesale Liquor License Fee	100%	-0-%	-0-%	-0-%
Alcohol Beverage Brand Registration Fee	100%	-0-%	-0-%	-0-%
Aviation Fuel Tax	-0-%	-0-%	-0-%	Aeronautics Fund (DOT)

(continued on next page)

how taxes are distributed/continued

Tax	General Fund	Local Government	State Highway Fund	Other
Motor Fuel Tax	-0-%	-0-%	97%	(6)
Tank Inspection Fee	-0-%	-0-%	-0-%	(7)
Prorate Fee (8)	-0-%	98.5%	-0-%	(9)
Motor Vehicle Excise Tax	-0-%	-0-%	100%	
Motor Vehicle Registration Fee	-0-%	95.75%	-0-%	(10)
Motor Vehicle Licensing Receipts:				
Snowmobiles	-0-%	-0-%	-0-%	(11)
Plates and Permits	-0-%	-0-%	-0-%	LPR
Title and Penalty Fees	-0-%	-0-%	-0-%	MVF
Mobile Home Registration Fees	25%	63.75%	-0-%	11.25% - MVF

- (1) *The state retains an administrative fee, which varies from .55% to 1%.*
- (2) *The first \$30 million collected annually is deposited in the State General Fund. All revenue in excess of \$30 million goes into the Tobacco Prevention and Reduction Trust Fund.*
- (3) *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).*
- (4) *100% of the tax collected is placed in the Environment and Natural Resources fee fund.*
- (5) *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.*
- (6) *Each July, an amount equal to the number of snowmobiles licensed as of July times 125 gallons times the tax rate is transferred to a fund for snowmobile trails; \$135,000 is transferred to the value added agriculture subfund created in SDCL 1-16G-25; \$75,000 to the Department of Agriculture to be used for a grant to the Northern Crops Institute; \$500,000 to the coordinated natural resources conservation fund; an amount equal to the number of licensed motorized boats times 140 gallons times the tax rate is transferred to the parks recreation fund; \$700,000 to counties and townships pursuant to SDCL 10-47B-149.1; the taxes collected under the provisions of the International Fuel Tax Agreement are transferred to member jurisdictions; and 2% is transferred to the Motor Fuel Tax Administration Account.*
- (7) *Beginning January 1, 2003, 50% of the revenue collected shall be deposited in the ethanol fuel fund and the remaining 50% distributed as follows: 78.7% deposited in the capitol construction fund and 21.3% deposited in the petroleum release compensation fund.*
- (8) *Other prorate fees: duplicate cab card, trailer fees, tractor registration fees, and transfer fees are deposited in the State Highway Fund. Trailer ID fees and duplicate fees are deposited in the License Plate Special Revenue Fund (LPR). Title and penalty fees and administration fees are deposited in the State Motor Vehicle Fund (MVF).*
- (9) *.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.*
- (10) *1.75% is deposited in the State Motor Vehicle Fund (MVF), and 2.5% goes to the License Plate Special Revenue Fund (LPR).*
- (11) *90% goes to Game, Fish and Parks, 10% to the State Motor Vehicle Fund (MVF).*

a history of south dakota taxes

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

2011 Last Major Change: Fees increased on non-commercial, non-commercial gross weight, recreational and trailer, motorhome, motorcycles, and dealer plates. The increase in non-commercial gross weight fee schedule sets the current fees at 45% of the commercial license fees. The 30% break in license fees was changed to apply to vehicles 10 years of age and older.

1923 Motor Fuel

2009 Last Major Change: Changed how tax is applied to blended fuels (gasahol). Tax applied to ethyl alcohol at \$.08 per gallon and tax on gasoline at \$.22 per gallon.

1923 Cigarettes

2007 Last Major Change: Voters approved increasing the tax from \$.53 to \$1.53 per pack of 20 and \$.67 to \$1.92 per pack of 25.

1933 License Fees, Commercial

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

1935 Alcohol Beverage

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

1935 Sales Tax

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

1935 Mineral Extraction

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

1937 Motor Vehicle Registration

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

1939 Bank Franchise

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

1939 Use Tax

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

1941 Special Fuel

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 Mineral

No major changes made since implementation.

1979 Contractors' Excise Tax

1995 Last Major Change: Increased the tax rate on utility contracts from 1.5% to 2%.

1988 Tank Inspection Fee

1993 Last Major Change: Increased from \$.01 per gallon to \$.02 per gallon on all petroleum products introduced into this state.

1995 Other Tobacco Products Tax

2007 Last Major Change: Voters approved increasing from 10% to 35% the tax imposed on the wholesale purchase price of other tobacco products.

1998 Alcohol Beverage: Cider

1998: Cider was added as a category at a rate of \$.28 per gallon.

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.

<u>Tax</u>	<u>Description</u>
911 Emergency Surcharge	Monthly uniform surcharge of \$1.25 per service user line used to pay for allowable nonrecurring and recurring costs of the 911 system effective until July 1, 2018. All telecommunications service providers, wireless service providers, or Interconnected Voice over Internet Protocol service providers are responsible for collecting and remitting. (Authority: 35-45)
911 Prepaid Wireless Surcharge	Prepaid wireless surcharge of two percent upon the gross receipts of each retail transaction for the purchase of prepaid wireless telecommunications service to customers in South Dakota or sold to online customers with a South Dakota address. All prepaid wireless service seller and prepaid wireless service providers are responsible for collecting and remitting. (Authority: 35-45)
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: Wines - 1st Label: \$25.00, 2nd label: \$17.50; Malt and cereal beverages - \$25.00 all labels; All other alcoholic beverages - \$50.00 all labels)
Alcoholic Beverage 2%	Imposed on all distilled spirits and wines imported and received by in-state licensed liquor wholesalers. (Authority: SDCL 35-5-6.1) (Rate Base: 2% of the purchase price paid for alcoholic beverages)
Amusement Machine	Imposed on all mechanical or electronic amusement devices offered to the public for use. Any device used exclusively at a fair may be registered for 30 days by paying a fee of \$3.00. Devices manufactured before 1940 are exempt from the fee. (Authority: SDCL 10-58) (Rate Base: \$12.00 per machine; \$3.00 per machine, temporary)
Bank Franchise Tax	Imposed on all banks and financial corporations, small loan companies and savings and loan companies on their net annual earnings in lieu of sales tax on financial and banking services. (Authority: SDCL 10-43-2, 4) (Rate Base: 6% decreasing to .25% as income increases or \$200 per location minimum)
Beer License Fee	Imposed on all applicants requesting permission to operate as a malt beverage wholesaler or retailer; annual license and 50% of all fees (except brewers license fee which is retained in state general fund) retained at the local level. (Authority: SDCL 35-4-2)(Rate Base: \$500.00 - Brewer; \$400.00 - Wholesalers; \$200.00 - Off-Sale; \$300.00 - On-Off Sale; \$150.00 - Transfers; \$225.00 - off-sale malt beverage and South Dakota farm wines; \$325.00 - On-Off Sale malt beverage and South Dakota farm wines)
Beer Occupational Tax	Imposed on all 31-gallon barrels of malt beverages imported and received by all licensed beer and liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: \$8.50 per bbl.)
Bingo/Pull Tab Tax	All bingo paper and pull tab distributors pay a monthly tax of 5% of gross sales of these products. (Authority: SDCL 22-25-48) (Rate base: 5% of gross sales)
Bingo/Pull Tab Tax Licenses	Persons or entities selling bingo paper or pull tabs to any organization conducting bingo games or pull tab lotteries must acquire a distributor's license. Persons or entities manufacturing bingo paper or pull tabs and selling these products to South Dakota distributors must obtain a manufacturer's license. (Authority: SDCL 22-25-28, 29) (Rate base: Distributor- \$5,000 annually; Manufacturer- \$2,500 annually)
Cigarette Excise Tax	Imposed on all packs of 20 and 25 cigarettes; stamps applied by the cigarette distributor prior to any sale to retailers for resale. (Authority: SDCL 10-50-3) (Rate Base: \$1.53 cigarette stamp on packs of 20 and \$1.92 cigarette stamp on packs of 25)
Cider Tax	Imposed tax of \$.28 per gallon. (Authority: SDCL 35-5-3)
Cigarette License Fee	Imposed on all applicants requesting a cigarette wholesaler's or distributor's license; such licenses are required prior to the purchase and affixing of cigarette stamps. (Authority: SDCL 10-50-9) (Rate Base: \$150.00 annually)
Coin-Operated Laundromat Fee	Imposed on operators of coin-operated laundromats and dry cleaning businesses which is in lieu of sales or use tax provisions. \$20.00 per unit in cities of 1,000 population or over and all rural areas. \$16.00 per unit in cities of under 1,000 population. (Authority: SDCL 10-45-5.1) (Rate Base: \$16.00 per unit and \$20.00 per unit)
Commercial License Fee	In consideration of the unusual use of the public highways, each person, except as otherwise provided in this chapter, desiring to operate a motor vehicle, trailer or semitrailer, upon the public highways of this state as a motor carrier, annually pays the commercial motor vehicle fee based on gross weight. (Authority: SDCL 32-9-15 and SDCL 32-9-22) (Rate Base: fees are based on maximum gross weight)
Conservation Tax	Imposed on the severance of all energy minerals, paid quarterly by the severor. (Authority: SDCL 10-39B) (Rate Base: 2.4 mills of taxable value)

tax listing/ (continued)

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

<u>Tax</u>	<u>Description</u>																																							
Ore Tax	Imposed on all companies severing precious metals within the state; based on the gross production and net income from the sale of such metal. Each producer is given a 20 ounce exemption per year. (Authority: SDCL 10-39-43, 10-39-45.1, 10-39-56) (Base Rate: \$4 per ounce of gross gold production plus 10% of net income and 8% of royalties other than those owned by federal, state, or local governments; additional \$1 - \$4 per ounce if the average price of gold is \$500 or greater per ounce)																																							
Other Tobacco Products Tax	Imposed on distributors and wholesalers of cigars, snuff, chewing tobacco and any other products made up of tobacco, except cigarettes. The tax is imposed on the wholesale purchase price of other tobacco products and is paid on the fifteenth day of the month following the month of purchase. (Authority: SDCL 10-50-61) (Rate Base: 35%)																																							
Retail Liquor License Fee	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)																																							
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Sales Tax	Sales Tax applies on retailers' gross receipts from all sales of tangible personal property, and services and products transferred electronically not specifically exempted. Exemptions include, but are not limited to, sales to the state and its political subdivisions, certain agricultural products, motor vehicles, motor fuel, labor on construction and prescription drugs. A license is required. (Authority: SDCL 10-45) (Rate Base: 4%)																																							
Tank Inspection Fee	A \$0.02 per gallon fee is imposed upon any petroleum product received in this state. (Authority: SDCL 34A)																																							
Title and Penalty Fees	Title fees are \$5.00 per title; however, if the title is submitted more than 30 days after the date of sale, a late fee of one dollar for each week or fraction thereof beyond the 30-day limitation for 25 weeks and a late fee of \$50 for 26 weeks or more is imposed. (Authority: SDCL 32-3-18 and SDCL 32-3-27) (Rate Base: \$5.00 title fee, variable penalty)																																							
Tourism Tax	Imposed on lodging, visitor attractions, motor vehicle rentals, recreational vehicles, recreational services, spectator events, and visitor intensive businesses. (Authority: SDCL 10-45D) (Rate change effective 07/01/09 from 1% to 1.5%. New rate effective through 06/30/2013)																																							
Trading Stamp License Fee	Imposed annually on all trading stamp and coupon companies who wish to provide retailers with their products. (Authority: SDCL 37-19-1) (Rate Base: \$50.00)																																							
Use Tax	Use Tax is imposed on the privilege of the use, storage and consumption in this state of tangible personal property or services. Tax is imposed on persons using property and services. Certain exemptions apply; property exempted if taxed under 10-45. Use tax license required. (Authority: SDCL 10-46) (Rate Base: 4%)																																							
Wine Tax (High)	Imposed on wines, except sparkling wines, containing 14.1 to 20% alcohol by weight imported and received by in-state licensed liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: \$1.45 per gallon)																																							
Wines and Diluted	Imposed on all wines, except sparkling wine, and diluted beverages containing 3.2 to 14% alcohol by weight imported and received by in-state licensed liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: \$.93 per gallon)																																							
Wine Tax (over 20%)	Imposed on wines containing 20.1 to 24% alcohol by weight and all sparkling wine imported and received by in-state licensed liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: \$2.07 per gallon)																																							

legislative summary

2012 legislation recap - house bills

The 2012 South Dakota State Legislature passed several bills affecting the activities of the Department of Revenue. A complete listing of all bills introduced in the 2012 Legislative Session is available on the Legislative Research Council's website at <http://legis.state.sd.us/index.aspx>.

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

- House Bill 1001** Clarifies and corrects certain references in existing statute. This was a clean up bill that resulted from the interim Sales Tax Review Committee.
- House Bill 1003** Replaces the 10% cap on productivity valuation assessments with a tiered system dependant on how close county valuations for cropland and non-cropland are from "full productivity" values. In addition, the bill extends the phase-in of productivity valuation system to taxes payable in 2019 (2018 assessment year).
- House Bill 1019** Changes snowmobile license renewal to be completed annually, which is consistent with the registration renewal requirement for other vehicle types.
- House Bill 1029** Allows the Department of Revenue to publish the names of certain delinquent taxpayers.
- House Bill 1031** Implements a licensing fee for the initial license and renewals for carriers licensed under the International Fuel Tax Agreement. This bill also increased the decal fee and provides for a mailing fee.
- House Bill 1032** Repeals the temporary permit for specialty license plates with organization or first responder decals. This is no longer needed with South Dakota's change to the plate with owner system.
- House Bill 1075** Allows for the annual assessment notice, tax bill, notice of delinquent taxes and notice of tax sales to be sent either regular mail or transmitted electronically (e-mail).
- House Bill 1116** Exempts bedding used for agricultural purposes from sales and use taxes. Bedding only includes "straw, corn stover, and bean straw."
- House Bill 1119** Adds local civic or service clubs and volunteer fire departments to the list of organizations eligible to sell pull-tabs from mechanical pull-tab dispensing machines. This bill allows for the use of bill-operated machines in addition to coin-operated models.
- House Bill 1138** Defines establishments with "roll your own" cigarette machines as cigarette manufacturers, subject to cigarette excise tax, escrow payments, and the same cigarette fire safety standards as any other traditional cigarette manufacturer.
- House Bill 1156** Consolidates existing statutes addressing special assessments into one chapter.
- House Bill 1206** Appropriates funds for emergency food assistance grants and repeals the sales tax on food refund program.
- House Bill 1223** Exempts religious organizations from paying sales tax on certain handling fees charged by a relief agency for the distribution of food provided for the assistance or relief of the poor, distressed, or underprivileged through food giveaway programs.

legislative summary/ (continued)

2012 legislative recap - senate bills

- Senate Bill 16** Establishes a final stage manufacturer dealer license and allows this dealer to reassign a manufacturer statement of origin.
- Senate Bill 17** Requires for fuel tax returns and reports to be filed by electronic means and fuel tax to be remitted electronically.
- Senate Bill 19** Allows the executive secretary of the Commission on Gaming to renew all types of licenses, issue additional retail licenses to applicants that have already been approved for those licenses, and to approve the location of retail licenses.
- Senate Bill 20** Allows returns and return information to be disclosed to officers, employees, and legal representatives of the Office of the Attorney General and other state agencies and departments.
- Senate Bill 62** Allows certain alcoholic beverage licensees to charge a corkage fee for serving wine supplied by customers and allows the customer to remove a partially consumed bottle of wine from the licensee's premises.
- Senate Bill 73** Revises the criteria for the assessment of real property in a flood plain.
- Senate Bill 81** Allows veterans currently serving on active duty to apply for special motor vehicle license plates.
- Senate Bill 91** Allows a shareholder of a subchapter S corporation that has ten or fewer shareholders, after notice and unanimous vote of shareholders, to represent the corporation during a property tax appeal to the Office of Hearing Examiners.
- Senate Bill 99** Allows for certain alcoholic beverage licensees or employees of a licensed establishment charged with certain felony offenses to be prohibited from entering the licensed premises.
- Senate Bill 100** Modifies the ethanol production incentive payment to include qualified producers of biobutanol.
- Senate Bill 107** Allows for the issuance of personalized motor vehicle license plates with a single character except the single numerical digit one or two.
- Senate Bill 108** Changes the maximum amount of an initial bet or subsequent bet for Deadwood gaming and tribal casino gaming to one thousand dollars.
- Senate Bill 112** Removes the cap of three Commission on Gaming retail licenses that can be held by any one person.
- Senate Bill 113** Provides a special motor vehicle license plate for recipients of the silver star medal, distinguished service cross, navy cross, air force cross, distinguished flying cross, bronze star medal with valor device, or bronze star medal.
- Senate Bill 123** Replaces the gross receipts tax paid by rural electric companies with a tax of \$0.0016 per kilowatt hour of retail electric energy and a tax of \$0.0008 per kilowatt hour of wholesale electric energy delivered.
- Senate Bill 174** Increases the 911 emergency surcharge and provides for the point of sale collection of the pre-paid wireless 911 emergency surcharge and funding for the upgrade of 911 emergency services.

sales, use and contractors' excise taxes

business tax division

-- doug schinkel, director

The Business Tax Division administers the sales tax, use tax, municipal tax, contractors' excise tax, and 911 surcharges, as well as the tax collection agreements with Indian tribes. The division issues licenses to new taxpayers, educates current taxpayers, performs reviews of businesses, handles compliance for licensed and unlicensed businesses, and collects delinquent taxes.

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

total revenues

Sales, use and contractors' excise taxes produce the largest portion of the total tax revenues, accounting for 71.3% of the total revenues in fiscal year 2012. These revenues come from over 80,130 businesses that currently pay sales, use and contractors' excise tax on their products and services. In fiscal year 2012, sales, use and contractors' excise taxes in South Dakota totaled \$1,153,477,535. This includes state taxes, municipal taxes, and taxes collected pursuant to tax collection agreements with Indian tribes.

Of the \$1,153,477,535 collected, 65.5% came from the state sales and use tax; 26.3% from municipal sales and use taxes; 7.2% from state contractors' excise tax; and 1% from taxes collected pursuant to a tax collection agreement with an Indian tribe.

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

total state revenues: sales, use and contractors' excise taxes

<u>Fiscal Year</u>	<u>Total State Revenues</u>	<u>Percent of Change</u>
2003	538,895,652	4.17%
2004	574,063,634	6.53%
2005	607,436,346	5.81%
2006	660,042,811	8.66%
2007	691,218,595	4.72%
2008	733,797,079	6.16%
2009	740,503,025	0.91%
2010	722,442,016	-2.44%
2011	786,303,271	8.84%
2012	838,239,997	6.61%

municipal taxes

While cities set their own tax rates, the department is responsible for collecting the actual taxes. Those revenues are then distributed to the taxing units based on the amount collected from each city (shown in the table on the next two pages). These sales tax revenues do not necessarily indicate the level of economic activity in these areas since municipalities vary in their tax rates and the size of their tax bases.

sales tax/ (continued)

municipal taxes

In fiscal year 2012, 260 communities imposed local sales and use taxes. The maximum local rate that can be levied in South Dakota is 2%. Cities may also impose a 1% municipal gross receipts tax which is levied in addition to the municipal sales tax. The gross receipts tax can be imposed on alcoholic beverages, eating establishments, lodging accommodations, ticket sales and admissions to places of amusement, or athletic and cultural events.

City	2012 Rate(s)	FY2011 Remittance	FY2012 Remittance	% Increase (Decrease)	City	2012 Rate(s)	FY2011 Remittance	FY2012 Remittance	% Increase (Decrease)
Aberdeen	1%, 2%	\$15,098,284.82	\$16,252,390.89	7.64%	Deadwood	1%, 2%	\$2,864,603.23	\$2,884,774.55	0.70%
Akaska	2%	14,724.19	18,042.26	22.53%	Dell Rapids	1%, 2%	821,395.90	853,386.17	3.89%
Alcester	2%	147,668.84	147,079.95	-0.40%	Delmont	2%	46,808.25	48,419.23	3.44%
Alexandria	2%	105,542.49	116,691.35	10.56%	Dimock	2%	23,175.28	29,007.53	25.17%
Alpena	1%	148,420.66	121,957.49	-17.83%	Doland	2%	56,587.57	58,388.53	3.18%
Andover	2%	38,445.24	13,525.58	-64.82%	Dupree	1%	61,508.57	51,431.03	-16.38%
Arlington	2%	399,991.95	620,068.15	55.02%	Eagle Butte	1%, 2%	457,140.00	493,044.55	7.85%
Armour	2%	231,990.31	243,324.59	4.89%	Eden	1%	18,786.07	16,652.68	-11.36%
Artesian	2%	16,614.62	19,215.86	15.66%	Edgemont	1%, 2%	202,847.44	190,960.87	-5.86%
Ashten	1%	7,722.54	10,210.98	32.22%	Egan	2%	25,073.99	22,410.42	-10.62%
Astoria	1%	22,821.84	60,235.90	163.94%	Elk Point	1%, 2%	405,231.22	407,568.53	0.58%
Aurora	1%	50,667.19	44,763.26	-11.65%	Elkton	2%	198,208.29	219,391.43	10.69%
Avon	2%	135,257.67	130,508.71	-3.51%	Emery	2%	119,820.75	116,344.18	-2.90%
Baltic	1%, 2%	121,340.10	129,241.58	6.51%	Estelline	2%	135,941.33	135,461.68	-0.35%
Belle Fourche	1%, 2%	1,995,064.71	2,101,684.52	5.34%	Ethan	2%	111,335.24	144,755.43	30.02%
Belvidere	2%	13,798.24	11,743.53	-14.89%	Eureka	2%	274,779.31	300,119.26	9.22%
Beresford	1%, 2%	762,959.79	857,267.47	12.36%	Fairfax	2%	29,270.11	31,611.01	8.00%
Big Stone City	2%	280,935.05	250,954.27	-10.67%	Faith	1%, 2%	212,607.61	251,706.29	18.39%
Bison	2%	175,476.17	204,761.29	16.69%	Faulkton	2%	273,371.20	301,027.91	10.12%
Blunt	1% GR/ST	35,218.26	40,815.10	15.89%	Flandreau	1%, 2%	633,769.82	577,405.63	-8.89%
Bonesteel	2%	60,736.12	61,205.60	0.77%	Florence	2%	51,851.43	44,714.12	-13.76%
Bowdle	2%	142,544.32	147,781.83	3.67%	Fort Pierre	1%, 2%	1,042,885.22	1,101,521.17	5.62%
Box Elder	1%, 2%	1,029,069.13	1,044,796.17	1.53%	Frankfort	1%	0.00	2,642.57	N/A
Brandon	1%, 2%	2,092,506.32	2,432,494.62	16.25%	Frederick	1%	21,190.72	19,784.49	-6.64%
Brandt	2%	18,435.84	18,801.31	1.98%	Freeman	2%	533,786.59	510,359.23	-4.39%
Bridgewater	2%	80,839.36	87,749.57	8.55%	Garretson	1%, 2%	341,225.93	300,800.51	-11.85%
Bristol	2%	66,160.43	67,599.84	2.18%	Gary	1%	47,080.97	76,705.10	62.92%
Britton	1%, 2%	619,222.85	649,914.11	4.96%	Gayville	2%	29,697.30	46,902.08	57.93%
Brookings	1%, 2%	10,589,815.77	10,864,029.82	2.59%	Geddes	2%	44,475.68	41,710.39	-6.22%
Bruce	1%	0.00	6,009.68	N/A	Gettysburg	1%, 2%	491,032.56	489,520.97	-0.31%
Bryant	2%	91,744.78	116,297.88	26.76%	Glenham	2%	16,030.40	26,858.85	67.55%
Buffalo	2%	161,181.20	177,056.92	9.85%	Gregory	1%, 2%	553,827.85	567,256.18	2.42%
Burke	2%	236,555.39	257,319.69	8.78%	Grenville	2%	12,388.27	16,312.52	31.68%
Camp Crook	1%	0.00	2,573.59	N/A	Groton	1%, 2%	484,305.75	532,400.75	9.93%
Canistota	1%, 2%	134,869.68	135,861.57	0.74%	Harrisburg	1%, 2%	668,747.14	621,263.97	-7.10%
Canova	1.95%	22,114.18	24,321.30	9.98%	Harrold	2%	72,599.44	52,190.06	-28.11%
Canton	1%, 2%	853,764.42	940,917.56	10.21%	Hartford	1%, 2%	633,754.49	612,180.21	-3.40%
Carthage	2%	37,716.69	42,099.80	11.62%	Hayti	2%	69,811.49	75,161.64	7.66%
Castlewood	2%	133,230.57	101,808.83	-23.58%	Hazel	1%	8,993.33	10,402.19	15.67%
Cavour	2%	7,006.59	23,843.20	240.30%	Hecla	1%	39,527.59	44,618.01	12.88%
Centerville	1%, 2%	145,247.46	158,374.60	9.04%	Henry	1%	28,737.14	28,072.03	-2.31%
Central City	2%	67,182.90	63,151.58	-6.00%	Hermosa	2%	110,090.25	104,967.94	-4.65%
Chamberlain	1%, 2%	1,292,356.56	1,327,882.12	2.75%	Herreid	2%	176,559.03	222,480.93	26.01%
Chancellor	1%, 2%	52,053.34	59,961.53	15.19%	Highmore	1%, 2%	449,365.42	450,904.41	0.34%
Clark	2%	374,768.32	397,806.75	6.15%	Hill City	1%, 2%	792,217.08	787,044.38	-0.65%
Clear Lake	1%, 2%	574,426.88	531,975.85	-7.39%	Hitchcock	1%	12,288.55	18,859.32	53.47%
Colman	2%	136,938.48	161,166.83	17.69%	Hosmer	2%	29,183.64	52,147.71	78.69%
Colome	2%	51,618.43	51,776.11	0.31%	Hot Springs	1%, 2%	1,388,749.94	1,427,805.51	2.81%
Colton	1%, 2%	111,038.44	123,280.33	11.02%	Hoven	2%	153,207.42	150,596.72	-1.70%
Conde	2%	0.00	26,868.30	N/A	Howard	2%	398,702.27	403,657.98	1.24%
Corona	2%	15,387.44	15,332.21	-0.36%	Hudson	2%	97,345.33	106,975.96	9.89%
Corsica	1%, 2%	240,949.21	287,892.26	19.48%	Humboldt	1%, 2%	129,834.71	118,457.64	-8.76%
Crooks	1%, 1.90%	121,400.33	122,136.76	0.61%	Hurley	2%	56,482.75	57,087.32	1.07%
Custer	1%, 2%	1,500,500.65	1,448,599.62	-3.46%	Huron	1%, 2%	5,838,140.75	6,362,280.73	8.98%
Dallas	1%, 2%	47,122.13	49,823.69	5.73%	Interior	1.90%	33,052.48	31,518.10	-4.64%
Davis	2%	8,630.31	10,364.79	20.10%	Ipswich	2%	368,326.43	373,012.02	1.27%
De Smet	1%, 2%	473,926.43	526,513.49	11.10%	Irene	1%, 2%	98,643.41	120,530.01	22.19%

sales tax/ (continued)

City	2012 Rate(s)	FY2011 Remittance	FY2012 Remittance	% Increase (Decrease)	City	2012 Rate(s)	FY2011 Remittance	FY2012 Remittance	% Increase (Decrease)
Iroquois	1%	\$31,042.95	\$34,305.36	10.51%	Revillo	1%	\$13,091.97	\$18,055.07	37.91%
Isabel	2%	72,386.92	76,343.67	5.47%	Roscoe	1%	79,015.27	60,431.96	-23.52%
Java	2%	17,559.99	17,911.67	2.00%	Rosholt	1%	69,817.87	93,814.87	34.37%
Jefferson	2%	126,772.01	120,863.67	-4.62%	Roslyn	2%	41,697.50	44,238.37	6.09%
Kadoka	1%, 2%	266,860.67	251,286.52	-5.84%	Saint Lawrence	2%	37,545.87	41,158.24	19.04%
Kennebec	1%, 2%	98,416.83	108,051.26	9.79%	Salem	1%, 2%	437,623.13	498,441.28	13.90%
Keystone	1%, 2%	823,613.65	777,403.26	-5.61%	Scotland	2%	452,337.01	372,595.34	-17.63%
Kimball	1%, 2%	294,540.77	385,478.56	30.87%	Selby	2%	204,971.37	214,316.11	4.56%
Kranzburg	2%	22,087.51	23,854.00	8.00%	Sherman	1%	5,638.20	4,370.25	-22.49%
La Bolt	1%	14,325.30	4,159.16	-70.97%	Sioux Falls	1%, 2%	94,256,261.62	100,069,234.00	6.17%
Lake Andes	2%	148,391.82	169,301.32	14.09%	Sioux Falls Lodging	1%	618,218.89	639,216.49	3.40%
Lake Norden	1%	170,917.09	185,280.32	8.40%	Sisseton	1%, 2%	968,940.03	1,035,938.85	6.91%
Lake Preston	2%	180,249.07	174,907.51	-2.96%	South Shore	1%	13,060.96	19,037.08	45.76%
Langford	2%	47,951.06	67,314.12	40.38%	Spearfish	1%, 2%	6,558,029.68	6,702,101.14	2.20%
Lead	1%, 2%	694,561.85	733,732.36	5.64%	Spencer	2%	18,622.68	17,310.39	-7.05%
Lemmon	2%	528,869.49	518,983.40	-1.87%	Springfield	2%	192,750.45	198,907.51	3.19%
Lennox	2%	610,567.34	438,503.59	-28.18%	Stickney	2%	99,996.04	108,003.86	8.01%
Leola	2%	96,037.52	102,988.40	7.24%	Stratford	1%	4,461.96	4,367.54	-2.12%
Lesterville	2%	18,523.05	31,429.63	69.68%	Sturgis	1%, 2%	2,919,867.03	2,954,783.43	1.20%
Letcher	1%, 2%	29,381.65	30,974.03	5.42%	Summerset	1%, 2%	289,563.75	357,529.74	23.47%
McIntosh	2%	40,129.12	44,533.79	10.98%	Summit	2%	87,647.15	91,496.86	4.39%
McLaughlin	1%	84,820.27	96,052.22	13.24%	Tabor	2%	69,176.23	78,120.18	12.93%
Madison	1%, 2%	2,494,240.28	2,840,108.95	13.87%	Tea	1%, 2%	856,664.37	886,434.69	3.48%
Marion	2%	224,167.67	212,826.11	-5.06%	Timber Lake	2%	156,451.49	241,276.04	54.22%
Martin	1%, 2%	354,096.32	403,729.22	14.02%	Toronto	1%	36,439.59	37,007.09	1.56%
Menno	2%	178,300.34	207,566.25	16.41%	Trent	1%	10,584.30	11,563.05	9.25%
Midland	2%	55,999.05	65,683.35	17.29%	Tripp	2%	125,263.99	128,667.01	2.72%
Milbank	1%, 2%	1,820,801.31	1,844,670.41	1.31%	Tulare	1%	26,549.72	38,423.97	44.72%
Miller	2%	694,539.55	727,322.11	4.72%	Tyndall	2%	262,121.53	265,762.98	1.39%
Mission	2%	409,110.27	483,384.48	18.16%	Utica	1%	0.00	7,713.38	N/A
Mitchell	1%, 2%	10,265,853.20	10,918,294.27	6.36%	Valley Springs	2%	94,969.68	92,540.99	-2.56%
Mobridge	1%, 2%	1,528,518.61	1,557,576.30	1.90%	Veblen	1%	87,330.69	38,126.07	-56.34%
Monroe	1%	4,567.12	6,294.22	37.82%	Vermillion	1%, 2%	3,035,558.10	3,296,420.24	8.59%
Montrose	2%	70,143.81	79,454.27	13.27%	Viborg	1%, 2%	254,193.83	241,495.09	-5.00%
Morristown	1%	3,785.38	5,429.44	43.43%	Volga	2%	309,774.42	335,190.83	8.20%
Mound City	2%	14,676.32	15,428.14	5.12%	Volin	2%	14,714.99	20,813.68	41.45%
Mount Vernon	1%, 2%	61,259.04	88,183.03	43.95%	Wagner	2%	695,717.57	833,671.98	19.83%
Murdo	1%, 2%	379,403.05	422,142.89	11.27%	Wakonda	2%	62,783.10	69,770.30	11.13%
New Underwood	2%	82,413.40	91,112.63	10.56%	Wall	1%, 2%	963,100.86	1,040,244.45	8.01%
Newell	2%	166,053.91	177,192.67	6.71%	Wallace	1%	4,667.62	5,396.65	15.62%
Nisland	2%	15,873.07	18,149.80	14.34%	Ward	2%	10,699.47	11,508.26	7.56%
North Sioux City	1%, 2%	1,877,965.59	1,802,350.22	-4.03%	Warner	2%	68,866.26	70,040.20	1.70%
Oacoma	1%, 2%	540,598.31	561,332.79	3.84%	Wasta	1%	5,375.13	6,027.65	12.14%
Oldham	2%	0.00	5,386.85	N/A	Watertown	1%, 2%	13,039,186.98	13,713,140.41	5.17%
Olivet	1%	7,695.01	6,289.22	-18.27%	Waubay	2%	111,336.28	105,603.54	-5.15%
Onida	2%	245,602.41	238,092.81	-3.06%	Webster	1%, 2%	776,866.55	782,280.10	0.70%
Orient	1%	15,088.82	16,947.31	12.32%	Wentworth	2%	38,560.73	38,290.01	-0.70%
Parker	2%	276,389.65	273,491.41	-1.05%	Wessington	1%	32,786.38	41,725.02	27.26%
Parkston	1%, 2%	460,448.84	463,213.20	0.60%	Wessington Springs	2%	314,396.74	340,368.54	8.26%
Philip	2%	363,248.84	423,272.57	16.52%	White	2%	115,766.46	78,125.06	-32.51%
Pickstown	2%	66,121.89	70,504.34	31.20%	White Lake	1%, 2%	123,277.42	84,138.66	-31.75%
Piedmont	2%	166,204.46	134,675.90	-18.97%	White River	2%	140,739.93	141,539.28	0.57%
Pierpont	2%	21,372.17	19,056.87	-10.83%	Whitewood	1%, 2%	207,831.95	294,480.51	41.69%
Pierre	1%, 2%	6,792,975.86	7,175,911.66	5.64%	Willow Lake	2%	73,427.37	68,267.39	-7.03%
Plankinton	2%	164,832.18	178,613.88	8.36%	Wilmot	2%	132,244.69	132,643.88	0.30%
Platte	1%, 2%	615,026.60	660,636.12	7.42%	Winner	1%, 2%	1,408,768.69	1,493,940.75	6.05%
Pollock	2%	104,840.47	102,744.21	-2.00%	Witten	2%	9,143.15	11,227.54	22.80%
Presho	2%	140,306.62	141,546.87	0.88%	Wolsey	2%	157,594.93	121,009.79	-23.21%
Pringle	2%	20,195.27	21,275.65	5.35%	Wood	2%	8,375.62	11,559.23	38.01%
Quinn	1% GR/ST	8,180.45	5,143.40	-37.13%	Woonsocket	2%	222,211.48	264,193.52	18.89%
Ramona	1%	19,045.13	20,077.00	5.42%	Worthing	1%, 2%	109,919.78	120,326.03	9.47%
Rapid City	1%, 2%	47,540,320.68	51,025,814.72	7.33%	Yale	1%	3,253.90	14,745.04	353.15%
Redfield	1%, 2%	851,612.19	882,233.23	3.60%	Yankton	1%, 2%	7,547,447.07	8,358,566.10	10.75%
Reliance	1%, 2%	62,633.46	55,764.71	-10.97%	TOTAL		\$286,386,165.53	\$303,463,757.93	5.96%

tribal tax collection agreements

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

Tribe	<u>2012 Rate(s)</u>	<u>FY2011 Remittance</u>	<u>FY2012 Remittance</u>	<u>% Increase (Decrease)</u>
Cheyenne River Sioux Tribe	2% ET, 4% ST, 1.5 Tourism	\$3,178,949.26	\$3,376,952.74	6.23%
Crow Creek Sioux Tribe	2% ET, 4% ST, 1.5 Tourism	0.00	238,067.80	N/A
Oglala Sioux Tribe	2% ET, 4% ST	3,165,565.43	4,208,711.78	32.95%
Rosebud Sioux Tribe	2% ET, 4% ST, 1.5 Tourism	2,382,668.55	2,859,627.64	20.02%
Sisseton Wahpeton Oyate	2% ET, 4% UT	1,563.35	1,221.39	-21.87%
Standing Rock Sioux Tribe	2% ET, 4% ST, 1.5 Tourism	989,897.46	1,051,776.94	6.25%
Yankton Sioux Tribe	2% ET, 4% UT	90,703.46	37,421.42	-58.74%
Total		\$9,809,347.51	\$11,773,779.71	20.03%

tourism tax

The division also administers the tourism or seasonal tax, which is an additional 1.5% tax on certain lodging and amusement services that is imposed for tourism promotion. The tourism tax rate changed effective July 1, 2009, from 1% to 1.5% through June 30, 2013. The tourism tax on lodging establishments, campgrounds, motor vehicle rentals, recreational equipment rentals, recreational services, spectator events and visitor attractions applies year-round. The tourism tax on visitor-intensive businesses applies during the months of June, July, August, and September. For FY2012, tourism tax collections, including audit collections, totalled \$9,544,379.

sales tax/ (continued)

special events

Revenue Agents license and collect state sales, municipal and tourism tax at various special events across the state throughout the year. The table below compares tax collected from some of South Dakota's major special events from fiscal year 2012 to the previous year.

total tax collected from special events 2011 - 2012

	<u>FY2011*</u>	<u>FY2012*</u>	<u>% Increase (Decrease)</u>
Brookings Art Festival	\$27,386.02	\$27,630.12	0.89%
Brown County Fair	25,739.59	28,921.26	12.36%
South Dakota State Fair	121,150.86	145,951.35	20.47%
Northern Hills Motorcycle Rally**	1,082,012.59	957,298.24	-11.53%
Southern Hills Motorcycle Rally ***	241,957.99	256,866.16	6.16%
Central States Fair	44,313.62	43,106.85	-2.72%
Sioux Empire Fair	39,209.00	43,673.26	11.39%
Spearfish Arts Festival	14,658.01	13,495.64	-7.93%
TOTAL	\$1,596,427.68	\$1,516,942.88	-4.98%

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

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

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

compliance and reviews

The division's Revenue Agents are responsible for locating, monitoring and investigating any leads they receive concerning businesses or individuals who may be operating in South Dakota without a tax license or those who fail to properly collect or remit sales, use or contractors' excise tax. They accomplish this using a variety of resources, including Internet searches, newspapers, bulletin boards, government contracts, building permits, information from other government agencies, and leads from audits or reviews. In fiscal year 2012, the Business Tax Division closed 11,295 cases and collected \$3,603,377.

The review program was implemented by the division as a means to increase compliance with the state's tax laws. By evaluating a taxpayer's records, Revenue Agents are able to identify any outstanding tax obligations the taxpayer may have to the state. As such reviews require less time to conduct, use of the program enables the department to contact a greater number of taxpayers including smaller businesses that may never come up for audit. Reviews also provide one-on-one tax law education to the taxpayer, increasing future compliance and collections, and operate more efficiently in terms of staff time and travel costs. In fiscal year 2012, the division conducted 521 reviews and collected \$1,101,624.

construction refund programs

South Dakota offers various programs that allow businesses to seek a refund of sales, use and contractors' excise tax, or delay the payment of sales and use taxes. The Business Tax Division monitored and processed refunds or tax savings totaling more than \$90 million since fiscal year 2002. The total amount refunded in fiscal year 2012 was \$20,857,940. Information on the types of programs offered in fiscal year 2012 is shown below.

new and expanded construction refund

This program now includes new and expanded construction plus agricultural refunds. Project costs must be greater than \$10 million. The program provides for refunds of contractors' excise tax and sales and use tax on project costs based on the following scale: \$0-\$10 million (no refund); \$10-\$40 (45%); \$40-\$500 million (55%); \$500 million and larger (no refund). Established in SDCL 10-45B, this program ends December 31, 2012.

wind energy

This program is available for new and expanded wind farms, electric transmission lines and new facilities that manufacture, assemble or distribute wind or transmission components. Project costs must be greater than \$10 million. The program provides for refunds of contractors' excise tax and sales and use tax on project costs based on the following scale: \$0-\$10 million (no refund); \$10-\$40 million (45%); \$40 million and larger (55%). Established in SDCL 10-45B, this program ends December 31, 2012.

large wind farms

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

small wind farms

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

streamlined sales tax project

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

The SSUTA was officially implemented on October 1, 2005, and effective that date, retailers can register to collect or pay sales taxes in the Agreement's member states through a Web-based centralized registration system. Since such registration began, the Business Tax Division has issued 1,737 tax licenses.

special taxes

property & special taxes division

-- michael houdyshell, director

division overview

The Division of Special Taxes administers taxes on tobacco, alcohol, banks, estates, minerals, and several small industries; regulates the tobacco and alcohol industries; and administers the state's sales and property tax refund program for the elderly and disabled. In the last 10 years, revenues from the division have ranged from a high of \$155.7 million in 2008 to \$97.9 million in 2005. In fiscal year 2012, revenues in this division showed an increase of \$48,172,029 from 2011 with total collections of \$150,270,075.

Many of the taxes and fees collected by the division are shared between the State and local governments. Examples include bank franchise tax, energy minerals severance tax, amusement machine registration fees, and certain alcohol taxes and license fees. Of the total amount collected in fiscal year 2012, the division reverted \$25,448,945 back to counties and municipalities. Page 8 of this report provides additional information about the distribution of these revenues.

alcohol regulation

If an alcohol licensee is caught selling alcohol to a person under the age of 21, the Department penalizes the licensee with a fine or suspension. In fiscal year 2012, a total of \$101,300 in civil penalties was collected from businesses/alcohol licensees who made illegal sales to persons under the age of 21.

If an alcohol licensee has been caught selling alcohol to a person under the age of 21 three or more times in a 24-month period, the Department will typically suspend the alcohol license for 14 days. Licenses may also be suspended for other violations, such as after-hour sales or selling alcohol to someone who is obviously intoxicated. In the fiscal year 2012, the department has suspended the licenses of one business for one day, four businesses for three days each, one business for seven days, two businesses for 14 days each, and one business for 45 days.

The Department receives information on underage sales from county clerks of court and from city and county law enforcement officers when they conduct alcohol compliance checks. In fiscal year 2012, nine cities (Aberdeen, Brookings, Mitchell, Pierre, Rapid City, Sioux Falls, Sisseton, Spearfish, and Watertown) conducted compliance checks. In addition, ten counties (Aurora, Brookings, Brule, Davison, Fall River, Lincoln, Minnehaha, Miner, Pennington, and Roberts) conducted compliance checks. The chart on the following page indicates the number of compliance checks and the failure rate for the past five calendar years.

special taxes / (continued)

<u>Calendar Year</u>	<u>Number of Checks</u>	<u>Number of Illegal Sales</u>	<u>Failure Rates</u>
2007	579	96	16.6%
2008	950	139	14.2%
2009	1177	182	15.5%
2010	890	135	15.2%
2011	1045	108	10.3%
Total	4641	660	14.2% (avg.)

sales and property tax refund program

The Sales or Property Tax Refund Program is a method of returning to senior and disabled citizens, within certain income guidelines, some of the dollars they pay each year in sales and property taxes. The program has been in effect since 1974 and during that period has returned over \$29 million to qualifying South Dakotans. The following chart indicates the number of refunds requested and approved as well as the dollars refunded for the past five fiscal years.

sales and property tax refunds: 2008 - 2012

<u>Fiscal Year</u>	<u>Applications Received</u>	<u>Applications Approved</u>	<u>Dollars Refunded</u>
2008	3081	2823	\$564,639
2009	3115	2909	600,982
2010	2680	2411	501,060
2011	2784	2392	466,125
2012	2380	2205	440,140
Total	14,040	12,740	\$2,572,946

property taxes

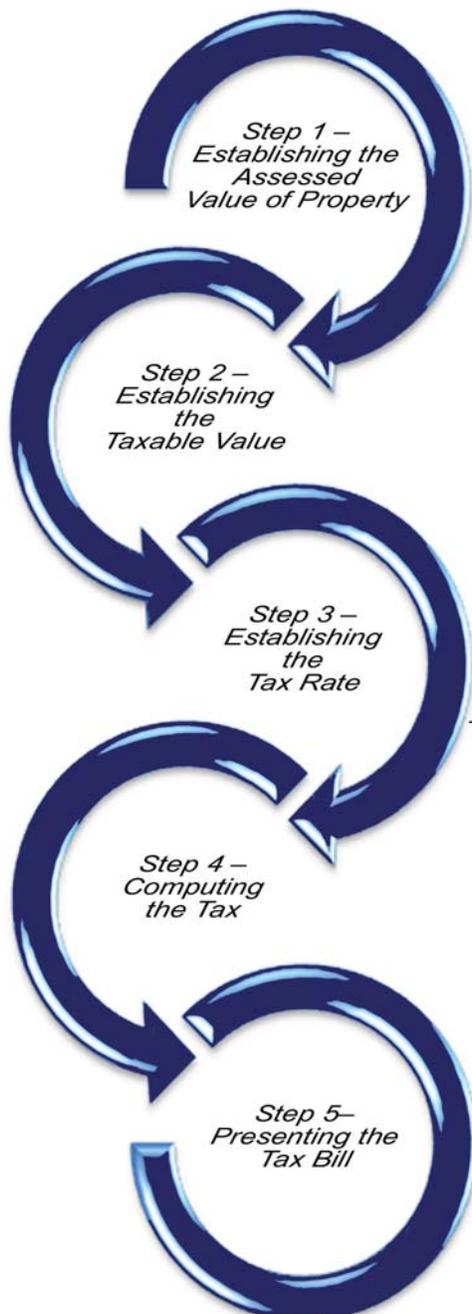
property & special taxes division

-- **michael houdyshell, director**

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

steps in the determination of property taxes

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



- **The full and true (assessed) value of all property in the state is determined as of the legal assessment date which is Nov. 1 prior to the assessment year (November 1, 2011 for the 2012 assessment year, taxes payable in 2013).**

Each Director of Equalization in the 66 counties in the State is to assess all real property within the county at the full and true value. Assessment notices are sent to the property owner on or before March 1 of each year.

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

All property is to be assessed at full and true value. Then the property is equalized to 85% for property tax purposes. If the county is at 100% of full and true value, then the equalization factor (the number to get to the 85% taxable value) would be 0.85.
(example: full and true value of \$120,000 x 85% = taxable value of \$102,000)

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

Tax levies for each taxing jurisdiction are determined by dividing the tax levy request by the total taxable value within the taxing jurisdiction and multiplying the result by 1,000. For example, if the taxable value within a city is \$10,000,000 and the city has a tax levy request of \$100,000, the tax levy is computed as follows:

Tax levy – (tax levy requested divided by taxable value) X 1,000
Tax levy – (\$100,000/\$10,000,000) X 1,000 = \$10 per thousand

- **Taxes are computed for individual properties.**

Taxes are computed by multiplying the taxable value times the tax levy. For example, if the person has property with taxable value of \$102,000, the property taxes for city purposes would be computed as follows:

Taxes = taxable value (Tax levy divided by 1,000)
Taxes = \$102,000 x (\$10/1,000) = \$1,020

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

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

Taxes are due and payable January 1 of the year following assessment (2012 assessment, taxes are due and payable January 1, 2013). They do not become delinquent if one-half of the taxes are paid before May 1 and the remaining half paid before November 1.

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

property taxes / (continued)

In 2012, South Dakota property owners paid more than \$1 billion to fund local governments and provide K-12 education for the state's children. The following two tables show the portion of the total taxes paid by each classification of property, and where the money collected is spent.

property taxes: who pays

Year Taxes Are Payable	<u>Agricultural*</u>	<u>% of Total</u>	<u>Owner - Occupied</u>	<u>% of Total</u>	<u>Commercial</u>	<u>% of Total</u>	<u>Utilities</u>	<u>% of Total</u>	<u>Special Assessments</u>	<u>% of Total</u>	<u>TOTAL</u>
2002	168,958,956	25.33	243,144,972	36.45	215,460,653	32.30	30,814,549	4.62	8,774,866	1.32	667,153,996
2003	176,354,349	25.24	258,757,664	37.03	222,277,922	31.81	31,052,406	4.44	10,279,053	1.47	698,721,394
2004	183,027,601	25.24	273,180,527	37.67	229,836,765	31.69	30,282,567	4.18	8,835,378	1.22	725,162,838
2005	190,743,858	25.21	289,985,539	38.32	236,891,146	31.31	28,975,635	3.83	10,120,766	1.34	756,716,943
2006	202,173,330	25.17	309,831,254	38.58	252,523,983	31.44	27,191,751	3.39	11,422,093	1.42	803,142,410
2007	211,381,559	24.93	330,332,434	38.96	267,236,569	31.52	25,266,119	2.98	13,675,583	1.61	847,892,758
2008	219,709,028	24.87	348,147,127	39.41	277,552,244	31.42	22,957,006	2.60	15,057,152	1.70	883,422,556
2009	231,587,046	24.81	368,765,290	39.51	292,805,927	31.37	23,025,217	2.47	17,091,242	1.83	933,274,722
2010	239,627,362	24.50	388,867,662	39.76	307,499,562	31.44	23,463,130	2.40	18,467,990	1.89	977,925,706
2011	240,496,832	23.97	403,337,138	40.21	312,194,141	31.12	22,646,984	2.26	24,485,447	2.44	1,003,160,542
2012	252,715,223	24.50	414,066,249	40.14	321,656,276	31.18	24,275,738	2.35	18,819,754	1.83	1,031,533,239

* Agricultural property taxes include NA-Z taxes

property taxes: where the money goes

For Taxes Payable In	<u>County</u>	<u>% of Total</u>	<u>Municipalities</u>	<u>% of Total</u>	<u>Schools</u>	<u>% of Total</u>	<u>Townships</u>	<u>% of Total</u>	<u>Special Assessments</u>	<u>% of Total</u>	<u>TOTAL</u>
2002	165,080,172	24.74	81,296,731	12.19	400,493,843	60.03	11,508,383	1.72	8,774,866	1.32	667,153,996
2003	172,099,579	24.63	87,349,216	12.50	417,257,623	59.72	11,735,923	1.68	10,279,053	1.47	698,721,394
2004	182,029,759	25.10	92,005,243	12.69	430,465,020	59.36	11,827,439	1.63	8,835,378	1.22	725,162,838
2005	190,946,759	25.23	96,379,649	12.74	447,203,111	59.10	12,066,658	1.59	10,120,766	1.34	756,716,943
2006	201,763,441	25.12	102,625,076	12.78	475,005,462	59.14	12,326,339	1.53	11,422,093	1.42	803,142,410
2007	215,590,027	25.43	109,964,079	12.97	495,863,786	58.48	12,798,789	1.51	13,675,583	1.61	847,892,264
2008	231,487,473	26.20	116,772,552	13.22	506,618,292	57.35	13,487,087	1.53	15,057,152	1.70	883,422,556
2009	248,284,680	26.60	124,481,492	13.34	529,246,426	56.71	14,170,891	1.52	17,091,242	1.83	933,274,722
2010	267,475,363	27.35	131,066,116	13.40	546,181,894	55.85	14,734,342	1.51	18,467,990	1.89	977,925,706
2011	268,440,562	26.76	133,749,586	13.33	560,022,922	55.83	16,462,026	1.64	24,485,447	2.44	1,003,160,542
2012	281,180,299	27.26	139,272,206	13.50	574,213,937	55.67	18,047,044	1.75	18,819,753	1.82	1,031,533,239

property taxes / (continued)

taxable valuations by county

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

taxable valuations: 2012 taxes payable 2013

County	Ag Real Valuation	Owner-Occupied Valuation	Other Valuation	Total Valuation	County	Ag Real Valuation	Owner-Occupied Valuation	Other Valuation	Total Valuation
Aurora	\$377,326,442	\$37,972,588	\$22,038,881	\$437,337,911	Hyde	\$303,690,190	\$18,493,579	\$22,768,407	\$344,952,176
Beadle	715,118,630	424,813,969	309,787,592	1,449,720,191	Jackson	133,511,803	14,577,112	12,263,571	160,352,486
Bennett	117,167,924	18,585,008	8,634,957	144,387,889	Jerauld	252,702,455	29,592,085	21,937,064	304,231,604
Bon Homme	342,401,378	87,502,837	38,930,464	468,834,679	Jones	191,246,205	12,645,302	11,922,434	215,813,941
Brookings	583,006,965	883,132,770	676,613,932	2,142,753,667	Kingsbury	510,914,693	102,600,819	76,477,396	689,992,908
Brown	805,020,969	1,210,133,958	754,989,690	2,770,144,617	Lake	428,822,692	338,126,595	198,476,389	965,425,676
Brule	355,601,844	89,246,358	53,412,618	498,260,820	Lawrence	37,283,588	1,001,448,862	912,326,421	1,951,058,871
Buffalo	104,157,138	1,199,164	1,180,671	106,536,973	Lincoln	521,202,966	2,364,102,616	878,468,567	3,763,774,149
Butte	157,900,437	258,813,736	131,417,375	548,131,548	Lyman	386,317,236	39,100,536	36,074,670	461,492,442
Campbell	196,300,171	24,988,872	18,504,370	239,793,413	Marshall	419,893,917	101,128,158	79,228,318	600,250,393
Charles Mix	571,281,961	129,023,786	93,284,154	793,589,901	McCook	467,031,942	125,704,984	53,984,308	646,721,234
Clark	448,956,964	43,429,800	73,374,879	565,761,643	McPherson	394,387,458	36,728,326	31,263,514	462,379,298
Clay	367,457,438	259,018,609	163,396,078	789,872,125	Meade	378,070,243	905,059,444	378,162,221	1,661,291,908
Codington	445,994,702	937,185,313	537,941,905	1,921,121,920	Mellette	141,680,487	10,924,533	5,557,516	158,162,536
Corson	151,623,869	10,432,901	28,389,857	190,446,627	Miner	367,351,803	26,634,275	41,748,550	435,734,628
Custer	96,136,931	386,869,807	264,414,680	747,421,418	Minnehaha	617,391,559	5,879,027,396	4,157,224,589	10,653,643,544
Davison	290,608,585	542,573,370	383,410,292	1,216,592,247	Moody	458,559,112	146,119,098	39,729,115	644,407,325
Day	395,399,774	114,564,589	144,763,467	654,727,830	Pennington	214,605,829	3,675,021,087	2,595,652,767	6,485,279,683
Deuel	410,366,629	93,970,841	72,436,474	576,773,944	Perkins	276,276,399	27,106,356	17,961,003	321,343,758
Dewey	134,211,389	12,369,963	12,537,454	159,118,806	Potter	351,177,130	40,777,256	29,622,045	421,576,431
Douglas	283,584,744	33,826,539	16,632,852	334,044,135	Roberts	425,441,752	131,341,910	77,572,914	634,356,576
Edmunds	461,209,966	92,917,375	76,395,095	630,522,436	Sanborn	321,578,487	29,115,037	18,741,551	369,435,075
Fall River	99,807,160	190,295,120	180,404,315	470,506,595	Shannon	23,298,730	2,334,552	2,494,073	28,127,355
Faulk	427,627,772	22,080,198	12,167,509	461,875,479	Spink	889,389,430	85,203,427	73,151,883	1,047,744,740
Grant	384,965,622	160,482,268	180,207,145	725,655,035	Stanley	197,244,184	92,751,708	63,261,957	353,257,849
Gregory	299,808,294	51,602,394	26,412,795	377,823,483	Sully	475,834,335	32,048,848	43,912,442	551,795,625
Haakon	274,946,441	26,479,292	19,472,800	320,898,533	Todd	91,982,100	9,371,269	11,359,289	112,712,658
Hamlin	336,116,766	152,522,723	97,615,921	586,255,410	Tripp	487,204,783	80,329,577	45,091,446	612,625,806
Hand	662,041,128	59,530,090	31,495,320	753,066,538	Turner	523,288,657	199,913,064	72,946,544	796,148,265
Hanson	283,607,194	70,167,184	29,847,999	383,622,377	Union	454,246,012	635,665,514	307,785,392	1,397,696,918
Harding	159,599,041	17,294,956	47,073,725	223,967,722	Walworth	230,518,514	97,011,559	79,057,606	406,587,679
Hughes	216,818,134	622,565,527	308,101,815	1,147,485,476	Yankton	365,993,658	646,154,430	360,910,180	1,373,058,268
Hutchinson	590,447,105	132,025,601	89,340,724	811,813,430	Ziebach	121,990,105	3,117,070	5,669,675	130,776,850

	Ag Real Valuation	Owner-Occupied Valuation	Other Valuation	Total Valuation
State Totals	\$23,006,747,961	\$24,136,893,890	\$15,667,431,622	\$62,811,073,473

The following chart shows the change in each classification of property, as well as the change in each classification's percentage of total valuation for taxes payable from 2002 to 2012.

taxable valuations by category: 2002-2012

For Taxes Payable in	Agricultural*	% of Total	Owner-Occupied	% of Total	Commercial	% of Total	Utilities	% of Total	TOTAL
2002	11,549,861,305	35.68	11,934,525,973	36.87	7,753,707,599	23.95	1,134,307,137	3.50	32,372,402,014
2003	12,277,695,126	35.43	13,038,052,643	37.62	8,212,742,597	23.70	1,126,545,169	3.25	34,655,035,535
2004	13,085,504,017	35.07	14,269,607,712	38.25	8,811,374,289	23.62	1,141,657,751	3.06	37,308,143,769
2005	14,015,749,247	35.03	15,523,846,537	38.79	9,362,992,929	23.40	1,113,225,824	2.78	40,015,814,537
2006	15,097,290,060	34.80	16,954,988,100	39.08	10,238,689,250	23.60	1,093,714,459	2.52	43,384,681,869
2007	16,427,689,981	34.54	18,633,455,339	39.18	11,336,818,639	23.84	1,158,792,774	2.44	47,556,756,733
2008	17,688,985,934	34.23	20,353,223,881	39.39	12,504,672,828	24.20	1,124,579,669	2.18	51,671,462,309
2009	19,058,117,169	34.49	21,687,103,039	39.25	13,334,072,762	24.13	1,169,829,792	2.12	55,249,122,762
2010	19,690,137,457	34.11	22,768,420,477	39.44	14,051,480,469	24.34	1,222,801,442	2.12	57,732,839,845
2011	19,691,529,066	33.38	23,726,031,354	40.22	14,345,035,001	24.32	1,222,426,811	2.07	58,985,022,232
2012	21,198,601,461	34.84	24,168,972,982	39.72	14,186,603,573	23.32	1,289,522,163	2.12	60,843,700,179

*Agricultural value includes NA-Z value for pay 2002 to 2010

productivity valuation

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

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

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

The transition to productivity valuation did not change the appeal rights of property owners. In South Dakota, property cannot be assessed for more than its market value and must be assessed equitably in relation to other property in the county.

property taxes / (continued)

limits on property taxes

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

state aid to education payments

Agricultural and owner-occupied property owners benefit from the funding for education provided by the state. The state provides extra revenue for K-12 education that would otherwise have to be paid by these property owners. The benefit is provided to the taxpayer through a tax rate reduction for the school general fund levy. The school general fund levy rates for taxes payable in 2013 are set statewide as follows:

Ag	\$2.322/\$1,000 of value
Owner-Occupied	\$4.029/\$1,000 of value
Other	\$8.628/\$1,000 of value

property tax caps

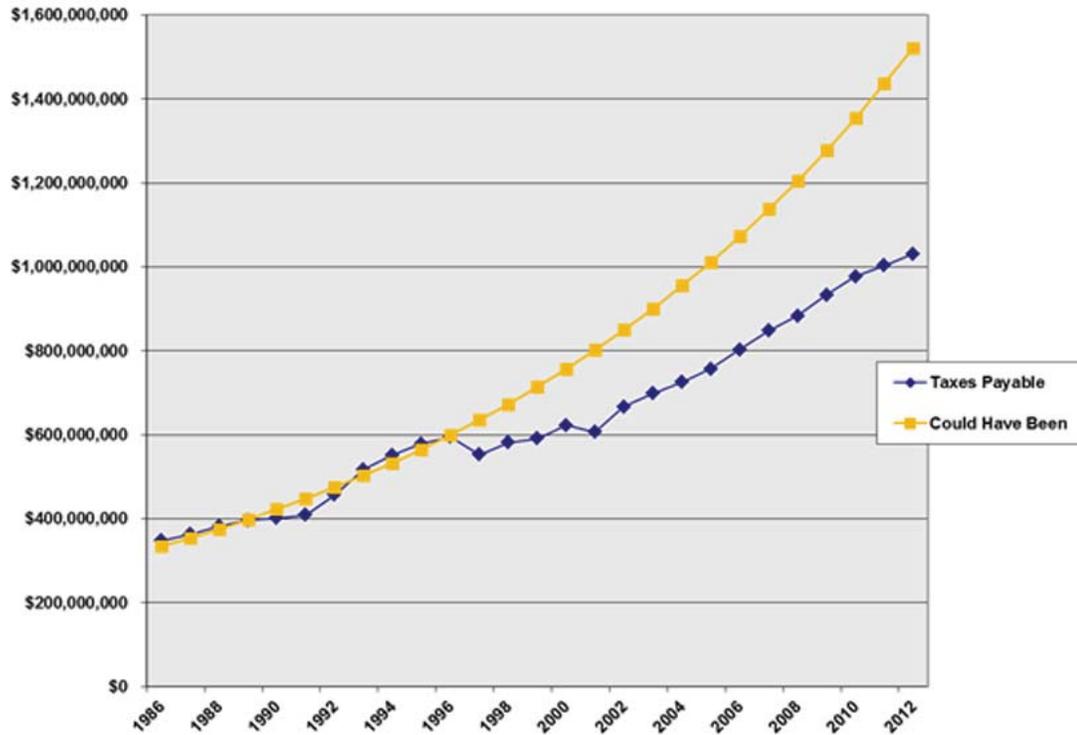
State law limits the amount of property taxes that local governments (counties, cities, townships, fire districts, etc.) can collect from their property owners. Market increases in the value of the property within the taxing district automatically decrease the property tax rates upon that property to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

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

combined effect of tax caps and state aid payments

Historically, property taxes have increased at a rate of about 6% per year since 1947. Property tax caps and state aid to education payments have significantly slowed this increase. If the historical rate of property tax growth had continued through the 1990's, current property owners would be paying over \$1.40 billion in property taxes. Instead, property owners are paying just over \$1 billion of property taxes. The chart on the next page shows the historical growth of property taxes and the actual growth of property taxes. These programs were implemented in 1997.

historical growth of property taxes v. actual growth



effective property tax rates

The following table shows the effective tax rate for owner-occupied, agricultural, and commercial property in 25 South Dakota jurisdictions payable in 2012. The “Other” category includes commercial property, utility property, and residential property not occupied by the owner. The effective tax rate is the percentage of a property’s assessed (market) value that will be paid in taxes. For example, if the effective tax rate is 2%, and the assessed (market) value of the property is \$150,000, then the taxes will be about \$3,000 per year. The “Agricultural” effective tax rate is for the agricultural property in the township around the cities on the list.

<u>City</u>	<u>Agricultural Effective Tax Rate</u>	<u>Owner-Occupied Effective Tax Rate</u>	<u>Other Effective Tax Rate</u>	<u>City</u>	<u>Agricultural Effective Tax Rate</u>	<u>Owner-Occupied Effective Tax Rate</u>	<u>Other Effective Tax Rate</u>
Aberdeen	1.20	1.66	2.06	Mobridge	1.50	2.33	2.90
Belle Fourche	1.07	1.76	2.16	Pierre	1.04	1.45	1.83
Brandon	1.05	1.50	1.89	Rapid City	1.21	1.44	1.85
Brookings	1.22	1.47	1.91	Redfield	1.06	2.70	3.32
Canton	0.94	1.82	2.20	Sioux Falls	0.96	1.37	1.81
Chamberlain	0.98	1.84	2.23	Sisseton	1.04	2.04	2.43
Dell Rapids	1.10	1.63	2.02	Sturgis	1.09	1.85	2.24
Flandreau	1.09	1.90	2.29	Vermillion	1.26	1.88	2.41
Hot Springs	1.26	1.75	2.14	Watertown	1.02	1.28	1.67
Huron	1.12	1.91	2.30	Webster	1.14	1.89	2.28
Madison	0.95	1.75	2.17	Winner	1.02	1.68	2.06
Milbank	1.15	1.63	2.01	Yankton	1.18	1.49	1.88
Mitchell	1.19	1.72	2.13	Statewide	1.01	1.45	1.84

fuel tax & motor vehicle licensing

motor vehicles division

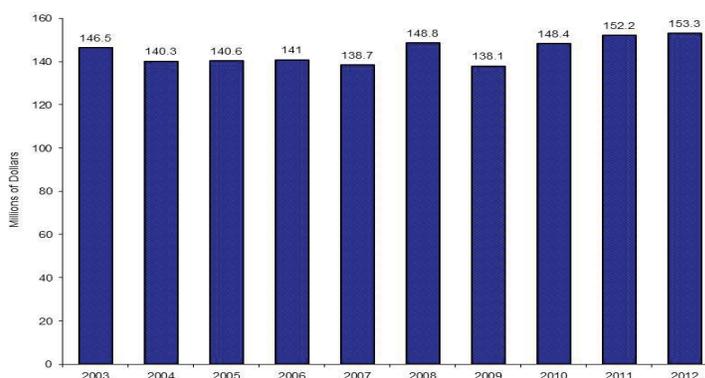
-- *deb hillmer, director*

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

total fuel tax revenues

Gasoline, ethyl and methyl alcohol, aviation fuel, jet fuel, liquid petroleum gas (LPG), and diesel fuel all fall into the fuel tax category. In fiscal year 2012, total fuel tax revenues amounted to \$153,388,242. Motor fuel (gasoline) and special fuel taxes accounted for 87.8% of the total fuel tax revenues for fiscal year 2012 with 10.7% from tank inspection fees, 1.0% from interstate/IFTA fuel taxes, and the remaining 0.5% from the aviation fuel tax. The chart below compares South Dakota's fuel tax revenues for the past 10 years.

total fuel revenues (2003-2012)



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 2012, there were 1,297 refunds totaling \$223,964.73. The motor fuel refund program for non-highway use of motor and special fuels was repealed by the 2011 South Dakota Legislature and officially ended on June 30, 2011.

motor fuel supplier e-filing

In fiscal year 2012, the Division of Motor Vehicles introduced online return filing for motor fuel suppliers. A person that owns motor fuel or special fuel in the pipeline and terminal distribution system in South Dakota and makes sales or authorizes the removal of this fuel from the terminal at the rack must be licensed as a Supplier. This license requirement includes the person who owns fuel in the pipeline immediately before it is withdrawn at the terminal rack. South Dakota suppliers are required to file and remit motor fuel tax through the Department's online filing portal known as EPath. The Epath system allows Suppliers to enter or upload their schedules or templates and performs all calculations required to complete the return. Electronic return filing and tax remittance will be expanded over time to include all types of motor fuel licenses.

titles and registration

Any vehicle (including manufactured homes, trailers, snowmobiles, ATV's and large boats) that operates on South Dakota's roadways and waterways must have a title verifying ownership. Vehicles and boats used on public roadways or waterways must also be registered. Registration is confirmed by the issuance of a license plate, decal or permit. Title and registration revenues for fiscal year 2012 totaled \$115,511,832 which were distributed as follows: 57.3% to the Department of Transportation, 33.0% to local governments, and the remaining 9.7% to other sectors.

title and registration revenues

	<u>FY2011</u>	<u>FY2012</u>	<u>Percent Change</u>
License Plate Fees - State's Share*	\$ 2,694,250	\$ 3,444,881	27.86%
License Plate Fees - Counties', Cities', Townships' Share	29,004,199	38,079,343	31.29%
Snowmobiles	143,580	129,065	-10.11%
Boats	872,016	883,940	1.37%
Temporary Special Permits	58,521	68,715	17.42%
Mobile Home Plates	8,505	9,400	10.52%
Dealer Fees	226,369	219,091	-3.22%
Duplicate Plates, Replacement Plates	212,489	221,698	4.33%
Title and Penalty Fees	2,370,766	2,466,561	4.04%
Trailer ID Fees	62,827	67,882	8.05%
Motorcycle Safety Education Fees	521,203	563,143	8.05%
Mobile Home Registration Fees - State's Share	76,207	93,101	22.17%
Other Vehicle 3% Excise Tax	59,030,600	66,235,705	12.21%
Snowmobile 3% Excise Tax	379,779	353,777	-6.85%
Register of Deeds Fees	190,090	193,020	1.54%
DENR - Solid Waste Fees	1,180,658	1,199,149	1.57%
DPS - Highway Patrol Fees	1,262,428	1,283,361	1.66%
Total Receipts	\$98,294,487	\$115,511,832	17.52%

*State Motor Vehicle Fund, License Plate Special Revenue Fund

motor vehicle registration options

Several options are available to South Dakotans to renew their motor vehicle registration. In addition to the regular options of renewing in person at the county Treasurer's Office or by mail through the county, the Division of Motor Vehicles also offers online Internet renewal. The South Dakota Customized Automated Registration System can be accessed at www.SDcars.org and is available any time, day or night. Motor vehicle owners can complete a vehicle's registration renewal from 90 days until 10 days prior to a vehicle's registration expiration date. Online renewals are not accepted less than 10 days before the expiration date in order to allow time for processing.



motor vehicles / (continued)

motor vehicle registration options (continued)

Vehicle owners wanting to renew online must enter an identification number along with their date of birth. In the case of a company, detailed instructions and a password that must be used in the online renewal process are provided by mail. Delivery of the registration and license plate decals is completed by regular mail and may take up to 10 days for delivery. In addition to the registration and mailing fees, a convenience fee of \$1.00 per vehicle is assessed to cover bank processing fees.

Other options available through SDcars.org include:



Registration Renewal Reminder:

Through SDcars.org, motor vehicle owners can choose to receive their vehicle registration renewal reminder by regular mail, email notification, or opt to receive no renewal notice.

Seller's Permit

A vehicle owner considering selling their vehicle in a private sale can obtain a seller's permit online. This permit allows a buyer to drive during the interval between purchase and registration for a period of 30 days or upon registration whichever comes first.



Report of Sale:

In South Dakota, when a vehicle is sold or transferred, the sale must be reported. A report of sale (ROS) must be completed by the seller and serves as a notification of a sale. While this does not generate any action against the title or registration record, this may protect the seller from liability that may result from moving or operating a vehicle after the date of sale. An ROS between private parties is mandatory and must be filed within 15 days of the date of sale.



Vehicle owners interested in obtaining a personalized plate for their vehicle can check the plate's availability through the "CK A PL8" option in SDcars. Personalized license plates can be placed on any non-commercial registered car, truck, motor home and/or motorcycle. Commercial vehicles like delivery vans or taxis may not carry personalized plates. Personalized plates for motor vehicles except motorcycles must contain no more than seven characters (letters or numbers) and cannot be the single numerical digit one or two. Personalized plate requests for motorcycles may use up to six characters and cannot be the single numerical digit one or two.



motor vehicle registration options (continued)



South Dakota is an electronic lien and title state. A vehicle record denoting a lien will no longer be a paper document. The VIN ✓ (VIN check) option provides title status, vehicle information such as year, make, brand at time of title issue, and lienholder information. Participating lenders receive lien verification electronically through a third party provider. Lenders that choose not to participate can utilize this search option for lien verification. The search is completed by entering the vehicle's identification number (VIN or serial number).

All of these options and more are available 24 hours, 7 days a week at SDcars.org!

self-service terminals

Another registration renewal option is utilizing a motor vehicle registration self-service terminal (SST). The 24-hour SST is a fully automated motor vehicle registration renewal station and dispenses license renewal tags on the spot. Vehicle owners from any county can use the terminal with the proper identification. A vehicle owner can navigate through the easy touch screen (voice assistance available) with a valid South Dakota driver's license, South Dakota identification card, or if a company, the information provided on its renewal notice. Once the payment has been submitted and the transaction is completed, the license renewal tags and vehicle registration are dispensed directly from the machine.

The SST allows vehicle owners to register up to 90 days prior and 30 days after the expiration of their current license tags. A \$2 convenience fee per vehicle is assessed. Self-service terminals are currently operating in the following locations: the Public Safety Building on Kansas City Street in Rapid City, the Sioux Falls Get-N-Go located at Arrowhead Parkway and Dawley Farms, the Sioux Falls Hy-Vee located at 49th and Louise, and in the Pierre Department of Revenue office located at 445 East Capitol Avenue.

commercial 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 2012 were \$18,116,142. The largest share (57%) was distributed to the local government highway and bridge fund, with 41.5% to the counties, 1% to the license plate fund, and 0.5% to the motor vehicle fund.

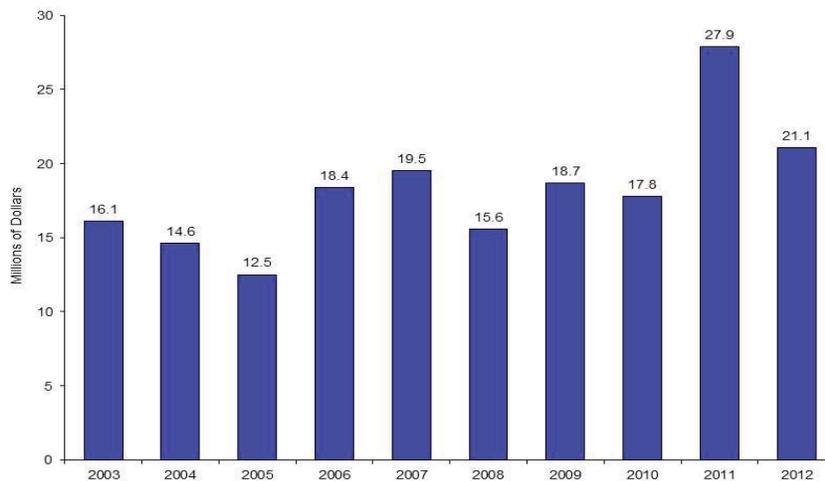
taxpayer audits

audit division

-- bruce christensen, director

To insure that businesses are correctly reporting their taxes, the department regularly performs audits. An audit may be conducted on any business, in-state or out-of-state, large or small, which may have a tax liability to South Dakota. Audits are used to correct errors businesses may make in reporting their taxes. Such corrections meant an additional \$21,112,295.90 in assessments (tax, penalty and interest) in fiscal year 2012.

total assessments: a ten-year comparison



audits and assessments

	Number of <u>Audits</u>	<u>Assessments</u>
Sales, Use and Contractors' Excise Tax	1,669	\$20,919,966.85
Limited Scope Audits	3	0.00
Fuel Taxes, Prorate (IRP) and IFTA	235	192,329.05
TOTAL	1,907	\$21,112,295.90

legal services

legal division

-- andrew l. fergel, chief legal counsel

The Legal Division is comprised of a Chief Legal Counsel, two full-time attorneys, four full-time Special Agents dedicated to the Investigative Services Bureau (ISB), and one legal secretary. In addition to providing routine legal counsel to the department, the legal staff worked on 492 new cases during FY2012. The ISB Special Agents examined 225 individuals and businesses, of which 40 were investigated for tax and motor vehicle crimes. During FY2012, there was one Supreme Court decision and one Federal Court decision which affected the Department.

court summaries

Law v. City of Sioux Falls, 2011 S. D. 63, 804 N.W.2d 428. The City of Sioux Falls enacted a zoning ordinance regulating the location of new on-sale alcoholic beverage businesses seeking to place video lottery machines in their establishments. Rick Law brought a declaratory judgment action against the city challenging the validity of its zoning ordinance. The South Dakota Lottery, a division of the Department of Revenue intervened on the matter. The South Dakota Supreme Court affirmed the circuit court's ruling that the City exceeded its authority when it enacted the ordinance and held that South Dakota's constitutional and statutory scheme indicated the State intended to fully occupy the field of video lottery, to the exclusion of municipal regulation.

Midwest Railcar Repair, Inc. v. South Dakota Department of Revenue and Regulation, 659 F.3d 664 (8th Cir. 2011). Midwest Railcar Repair sought a declaration that the department's imposition of use tax upon it constituted a discriminatory tax in violation of the federal Railroad Revitalization and Regulatory Reform Act ("4-R Act"). Cross motions for summary judgment were filed and the District Court granted the department's motion for summary judgment and denied Midwest Railcar Repair's motion for summary judgment. The panel for the U.S. Court of Appeals for the Eighth Circuit affirmed the decision of the District Court and held that any discriminatory treatment of the taxpayer did not have the effect of discriminating against railroad carriers, and therefore did not violate the catch-all provision of the 4-R Act.

administrative services

administrative services division

-- joan serfling, director

Administrative Services provides support services to the department in the areas of budget and finance and the operation of the Remittance Center by processing printed returns for the department along with providing lockbox services to a number of state agencies and programs. Administrative Services personnel develop and coordinate internal and external training and education opportunities, are responsible for printed and electronic public relation efforts, and assist in the coordination, direction and application of technology promoting efficiencies in the Department and to promote the State's eGovernment initiative. The department's Remittance Center in Sioux Falls processed over \$877 million in payments in fiscal year 2012. Other agencies for which the Remittance Center collects revenues include Agriculture; Game, Fish and Parks; Social Services; Health; Environment and Natural Resources; Human Services; Unified Judicial System; Legislative Audits; and Retirement.

fiscal year 2012 - remittance center

Dollars processed for Revenue	\$701,211,157
Dollars processed for other agencies	176,716,541
<hr/>	
Total dollars processed	\$877,927,698
Total documents processed	480,706

education program

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

Tax education seminars are conducted throughout the state on an annual basis. The general educational tax seminars offered by the department are as follows:

basic sales tax seminar

Each seminar is three-hours and covers:

- ◇ How and when to apply for a tax license
- ◇ Exemptions from sales and use taxes
- ◇ Use tax
- ◇ Municipal taxes
- ◇ Purchases for resale
- ◇ How to file returns, both by paper and electronically

contractors' excise tax

Each seminar is three-hours and covers:

- ◇ How and when to apply for a contractors' excise tax license
- ◇ Projects for qualifying utilities and governmental agencies
- ◇ Prime and subcontractors
- ◇ Sales and use tax
- ◇ Owner-furnished materials
- ◇ Reservation projects
- ◇ How to file excise tax returns

administrative services

border tax seminars

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

The Border Tax Seminar – Sales Tax is held in the morning from 9:00 – 12:00 and discusses:

- ◇ Requirements to register in SD and the bordering state
- ◇ Awareness of major differences between South Dakota and the bordering state's tax laws
- ◇ How these differences may affect your business
- ◇ Practical tips on how to manage sales and use tax obligations for both states
- ◇ Streamlined Sales Tax Project
- ◇ Filing returns

The Border Tax Seminar – Construction Contractors is held from 1:00 – 4:00 and discusses:

- ◇ Requirements for registration in SD and the bordering state
- ◇ Differences between SD and the bordering state's taxes for contractors
- ◇ Prime and subcontractors
- ◇ Point of taxation
- ◇ Special jurisdictions/tribal agreements
- ◇ Owner furnished materials
- ◇ Qualified utilities
- ◇ Filing returns

CPE and CEU credits are awarded for each seminar if requested.

Other training and instructional options include:

small business workshops

The workshop is sponsored jointly by the South Dakota Department of Revenue, the South Dakota Department of Labor and Regulation, the Small Business Development Center (SBDC), and the Small Business Administration (SBA). The workshop agenda includes a discussion by the Dept. of Revenue on sales, use and contractors' excise taxes; the Dept. of Labor and regulation covers labor and employment laws, wages and hours, unemployment insurance tax, unemployment insurance benefits, and the New Hire Reporting Law; and the SBDC and SBA update attendees about their no-cost, business consulting services for new and existing businesses.

specialized training/group presentations/speaking engagements

Specialized training and customized presentations are tailored to the needs of an organization, business, or group and are available upon request. These events vary from simple question and answer sessions to instructional visual presentations with training materials. The Department Education Coordinator will work with the requester to design an informative session that will utilize available resources and cater to subject matter relevant to the group, organization or event.

More information on educational opportunities available through the department is available at <http://dor.sd.gov/> in the Business Tax "Tax Education" section.

south dakota lottery

norm lingle, executive director

The South Dakota Lottery markets instant tickets and lotto games, and regulates video lottery to raise revenue for state programs and projects. Since its inception in 1987, the Lottery has distributed over \$2.14 billion in revenue.

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

sales and revenue

Total fiscal year 2012 Lottery revenue distributed to state funds was more than \$103.7 million. These revenues come from three main sources, as evidenced in the chart below.

*fy2012 lottery sales and revenue**

	<u>Sales</u>	<u>Prizes</u>	<u>Commission</u>	<u>Revenue Distributed</u>
Instant Tickets	\$ 24,772,392	\$ 14,888,496	\$ 1,386,613	\$ 6,600,976
Lotto Tickets	28,365,084	14,351,483	1,501,390	9,305,577
Video Lottery**	550,055,033	373,410,903	88,322,065	87,795,243
			Total:	\$103,701,796

*Unaudited

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

instant tickets

The Lottery launched 32 new instant ticket games during fiscal year 2012. Prices for instant tickets ranged from \$1 to \$10, and prizes ranged from \$1 to \$100,000 as well as merchandise prizes.

At the close of fiscal year 2012, there were 603 licensed instant ticket retailers across the state. Retailers receive a 5% commission for selling tickets, a 1% commission for cashing winning tickets with prizes up to \$100, and 1% for selling tickets with prizes of more than \$100.

Fiscal year 2012 instant ticket sales were up 11.5% from the previous year and revenues were up 40.2%. Revenue from the sale of instant tickets is distributed to the General Fund.

lotto tickets

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

At the end of fiscal year 2012, there were 591 licensed lotto retailers.¹ Lotto retailers also receive a 5% commission for selling tickets, plus varying bonuses for selling larger winning tickets.

Lotto games reported an overall sales increase of 13.7%; transfers were up 13.9% from fiscal year 2011. The first \$1.4 million of revenue from the sale of lotto tickets is distributed to the General Fund, and the balance is distributed to the Capital Construction Fund.

video lottery

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

Video lottery sales (cash in) decreased by 5.7% in fiscal year 2012. The average number of active video lottery machines during fiscal year 2012 was 9,128 and the average number of licensed establishments was 1,459. The revenue from video lottery is calculated on net machine income, which is cash-in (sales) minus cash-out (prizes). Net machine income is divided between the state and machine operators on a 50/50 split. One-half of one percent (0.5%) of the state's share is retained by the Lottery for administration.

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

fy2012 lottery revenue distribution

	<u>General Fund</u>	<u>Capital Construction Fund</u>	<u>Property Tax Reduction Fund</u>	<u>Dept. of Human Services**</u>
Instant Tickets*	\$6,600,976			
Lotto Tickets*	1,400,000	\$7,905,577		
Video Lottery**	225,000		\$87,438,844	\$131,399
Totals:	\$8,225,976	\$7,905,577	\$87,438,844	\$131,399

*Unaudited

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

The Lottery's website, lottery.sd.gov, offers winning numbers, prize claim forms, retailer forms and licensing and accounting information, recent winners' stories, and other general information about the Lottery. The Lottery also maintains a Facebook page at facebook.com/sdlottery.

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

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

commission on gaming

larry eliason, executive secretary

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

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

The Commission may issue six types of Deadwood gaming licenses (slot machine manufacturer or distributor; operator; route operator; retail, key employee, and support), tribal gaming licenses, and four types of live racing and simulcast licenses (simulcast provider, simulcast site, simulcast pari-mutuel, and multiple category live racing). The commission is supported by the commission fund which is comprised of revenues from annual device fees, licensing fees, other miscellaneous revenue and the gaming tax collected from Deadwood. The tax rate is defined by SDCL 42-7B-28 and 42-7B-28.1 and total 9% of the adjusted gross revenue. SDCL 42-7B-28.1, 42-7B-48, 42-7B-48.1, and 42-7B-48.3 establish the distribution structure of the taxes collected. Per 42-7B-28.1, 1% of the adjusted gross revenue goes directly to the State General Fund. According to 42-7B-48, 40% of the tax is transferred to the Department of Tourism, 10% is paid to Lawrence County and the remaining 50% stays in the commission fund.

In fiscal year 2012, total gaming action was \$1,143,131,192 up 4.84% from the previous year. At the close of the fiscal year, there were 3,667 licensed gaming devices, 140 retail locations, and approximately 1,450 licensed gaming employees.

fy2012 recap of commission fund

Revenues

FY12 Device Tax	\$7,334,000.00
Gross Revenue Tax	9,181,798.22
City Slot Tax	266,818.17
Application Fees	105,915.00
License Fees	128,455.00
Interest	67,389.58
Device Testing Fees	29,895.48
Penalties on Disciplinary	14,750.00

Fund Total

\$17,129,021.45

Distributions

Administrative Expenses	\$976,210.75
Expenses reimbursed by Applicants/Licensees	234,370.00
Capital Equipment	3,563.74
Lawrence County (Per 42-7B-48)	805,096.93
Other Municipalities - Lawrence County (Per 42-7B-48.1)	380,368.75
School Districts (Per 42-7B-48.1)	380,368.75
SD Tourism (Per 42-7B-48)	3,220,387.71
State General Fund (Per 42-7B-48.1)	2,662,581.30
State General Fund (Per 42-7B-28.1)	1,006,371.17
State Historical Preservation (Per 42-7B-48)	100,000.00
Department of Human Services (per 42-7B-48.3)	5,645.36
City of Deadwood (Per 42-7B-48, 48.1)	7,243,716.42

Total Distributions from Fund:

\$17,018,680.88

commission on gaming/ (continued)

fy2012 recap of racing funds

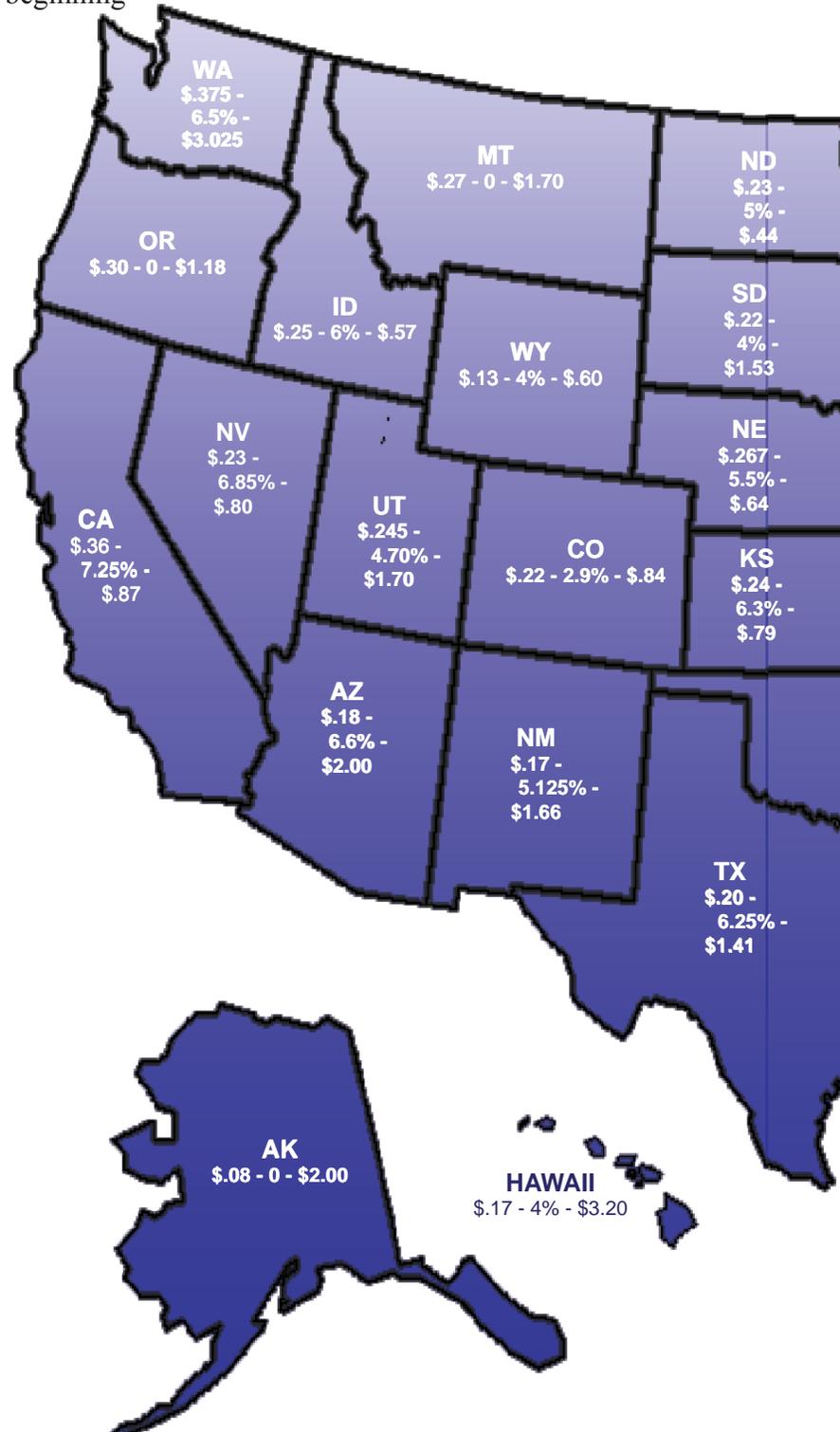
	Special Fund	Revolving Fund	Bred Fund	Totals
Beginning Cash Balance (07/01/2011)	\$15,388	\$327,596	\$151,108	\$494,092
Revenues:				
Horse Revenue	37,780	328,228	66,822	432,831
Greyhound Revenue	23,339	78,219	37,059	138,617
Interest	0	10,885	3,824	14,709
Transfer from Agency Fund	(119,870)	101,984	17,886	0
License & Fines - Horse	48,545			48,545
License & Fines - Dog	3,560			3,560
Total Revenues:	\$8,742	\$846,912	\$276,700	\$1,132,354
Expenses:				
Aberdeen Horse Racing Track				
SD Bred Point Money			47,000	47,000
Purse Supplements, Racing Operations and Advertising & Promotion		245,000		245,000
Jockey Bonus		7,500		7,500
SD Bred Stakes Money			57,000	57,000
Ft Pierre Horse Racing Track				
SD Bred Point Money			47,000	47,000
Purse Supplements, Racing Operations and Advertising & Promotion		245,000		245,000
Jockey Bonus		4,000	*	4,000 *
SD Bred Stakes Money			53,000	53,000
Total Track Disbursements:	\$ -	\$501,500	\$204,000	\$705,500
Ending Cash Balance (6/30/12)	\$8,742	\$345,412	\$72,700	\$426,854

*Disbursement to Verendrye Benevolent Association pending

how sd compares to other states

At just \$1,674, South Dakota had the fourth lowest per capita state tax burden in 2011, according to the latest figures available from the U.S. Bureau of the Census and Bureau of Economic Analysis.* The following is the listing of per capita state tax burdens for all 50 states, beginning with the highest.

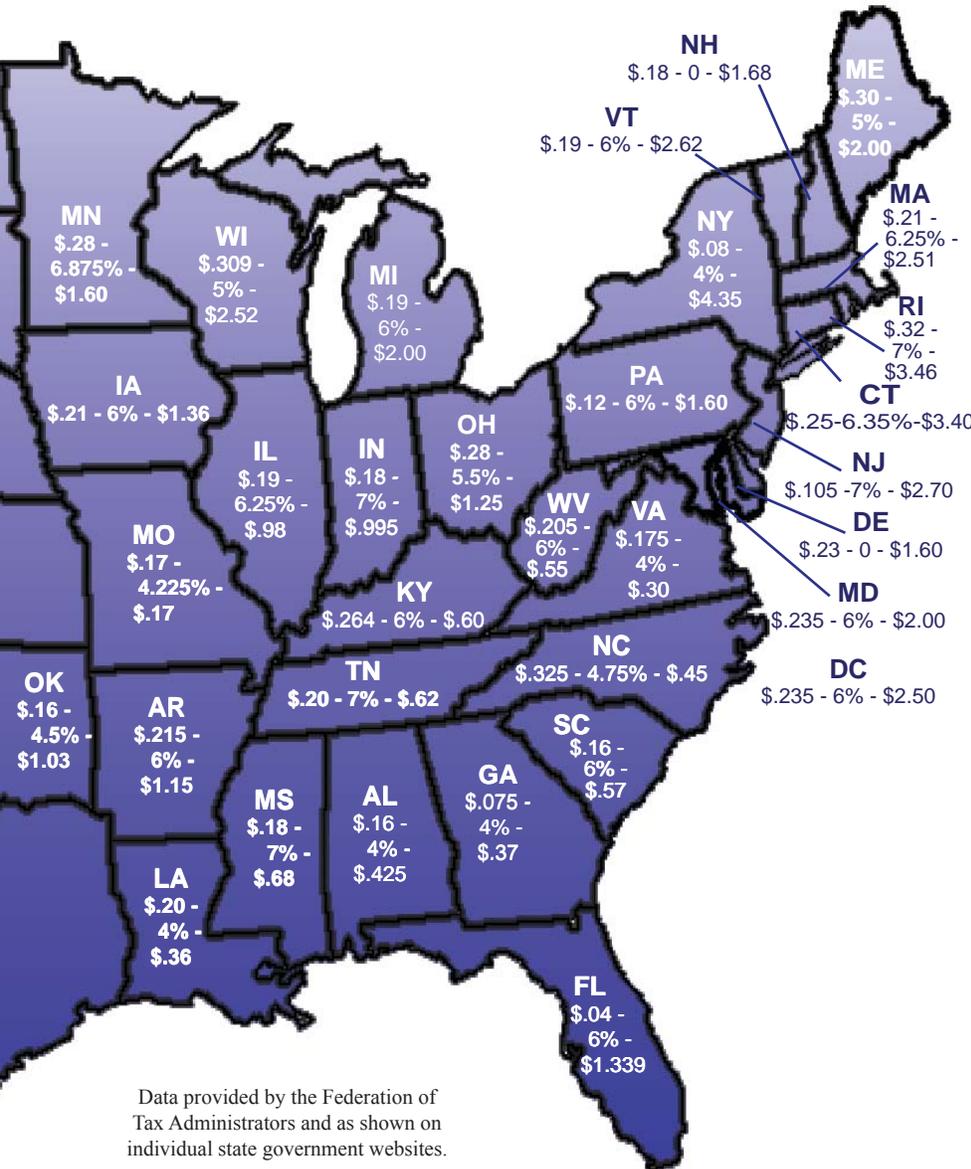
Alaska	\$7,662
North Dakota	5,589
Wyoming	4,333
Vermont	4,291
Connecticut	3,751
Minnesota	3,546
Hawaii	3,533
New York	3,491
Massachusetts	3,353
Delaware	3,327
California	3,266
New Jersey	3,082
West Virginia	2,772
Maine	2,768
Maryland	2,746
Wisconsin	2,687
Arkansas	2,634
Rhode Island	2,604
Washington	2,549
Pennsylvania	2,539
New Mexico	2,392
Michigan	2,384
Kansas	2,378
Iowa	2,363
Kentucky	2,335
Nevada	2,325
North Carolina	2,320
Montana	2,308
Indiana	2,288
Illinois	2,287
Mississippi	2,254
Nebraska	2,254
Ohio	2,181
Virginia	2,150
Oregon	2,095
Idaho	2,058
Oklahoma	2,048
Utah	1,944
Louisiana	1,938
Colorado	1,850
Alabama	1,798
New Hampshire	1,760
Florida	1,708
Tennessee	1,696
Texas	1,682
Missouri	1,682
South Dakota	1,674
Arizona	1,673
South Carolina	1,643
Georgia	1,630



* www.taxadmin.org/fta/rate/11taxbur.html

how sd compares to other states/continued

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



Five Highest Gasoline Tax Rates

Washington	\$0.375
California	\$0.36
North Carolina	\$0.325
Rhode Island	\$0.32
Wisconsin	\$0.309

Seven Highest Sales Tax Rates

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

Nine Highest Cigarette Tax Rates

New York	\$4.35
Rhode Island	\$3.46
Connecticut	\$3.40
Hawaii	\$3.20
Washington	\$3.025
New Jersey	\$2.70
Vermont	\$2.62
Wisconsin	\$2.52
Massachusetts	\$2.51

Comparing the Region

	Gas Tax (cts. per gallon)	Sales Tax (%)	Cigarette Tax (per package)
South Dakota	22	4	1.53
Iowa	21	6	1.36
Minnesota	28	6.875	1.60
Montana	27	0	1.70
Nebraska	26.7	5.5	0.64
North Dakota	23	5	0.44
Wyoming	13	4	0.60

department resources

Main Offices

Revenue - Pierre Office* - Anderson Building, 445 East Capitol Avenue, Pierre, SD 57501-3185, ph. 605.773.3311 (main phone)

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

S.D. Lottery - 711 East Wells Avenue, P.O. Box 7107, Pierre, SD 57501, ph. 605.773.5770

S.D. Commission on Gaming - 221 West Capitol Avenue, Suite 101, Pierre, SD 57501, ph. 605.773.6050

Field Offices

Aberdeen Area Revenue Office - 419 Moccasin Drive, Aberdeen, SD 57401, ph. 605.626.2218

Deadwood Gaming Office - 696 Main Street, 2nd Floor, Deadwood, SD 57732, ph. 605.578.3074

Mitchell Area Revenue Office - 417 North Main, Suite 112, P.O. Box 1103, Mitchell, SD 57301, ph. 605.995.8080

Rapid City Revenue Office - 4447 South Canyon Road, Suite 6, Rapid City, SD 57702, ph. 605.394.2332

Rapid City Lottery Office - 1000 Cambell Street, Suite 2, Rapid City, SD 57701, ph. 605.394.5106

Sioux Falls Revenue Office - 300 South Sycamore Avenue, Suite 102, Sioux Falls, SD 57110, ph. 605.367.5800

Sioux Falls Lottery Office - 3824 South Western Avenue, Sioux Falls, SD 57105, ph. 605.367.5840

Watertown Area Revenue Office - 1505 10th Avenue SE, Suite 1, Watertown, SD 57201, ph. 605.882.5188

Yankton Area Revenue Office - 1900 Summit Street, Yankton, SD 57078, ph. 605.668.2939

Toll-Free Phone Center

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

Department Website

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

Facebook and YouTube

Like us on Facebook!! Visit our facebook page at <https://www.facebook.com/SDRevenue>.



Check out our videos on YouTube at <http://www.youtube.com/user/southdakotador>.



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 2012 Annual Report* is written and designed to make information accessible to the general reader. Three hundred copies of this document were printed by the department at a cost of \$4.47 per document.



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