



Eliminating Sales Tax on Groceries

Overview

Governor Noem promised that her number one priority for the 2023 legislative session is eliminating the 4.5% state sales tax on groceries. 37 states do not levy a sales tax on food. Currently, South Dakota is one of only three states that tax groceries at the full sales tax rate without any offsetting tax credit.

Eliminating the sales tax on groceries is the best way to help families that are feeling the pressures of inflation at the grocery store. Since January 2021, the cost of a gallon of milk has risen 21%, a pound of ground beef costs 28% more, and the price of a dozen eggs has risen a staggering 133%.

This proposal will relieve some of the pressure on families' budgets by making groceries more affordable and putting hundreds of dollars back into the pockets of every South Dakota family each year.

This proposal includes eliminating the tax on candy and soda. We shouldn't choose what our citizens do or don't eat, and this will make implementation easier for retailers and businesses across the state. This proposal does not impact sales taxes collected by local governments.

South Dakota's finances are in a strong position. Our state's reserve fund balance is the largest in our history – 20.5% of our overall budget. We have a AAA credit rating. And tax revenues for FY 2023 have beaten projections by \$135 million through November 2022.

Funding

The estimated amount of state taxes being eliminated under this proposal is \$102.4 million in FY 2024. This proposal will not impact local sales tax.

We have \$208 million in ongoing general fund revenue available even after this historic tax cut. This is the right tax cut at the right time. Because of our strong financial condition, we can put money back in the pockets of South Dakotans, and still make strong investments for South Dakota's future.