



REVENUE ESTIMATES

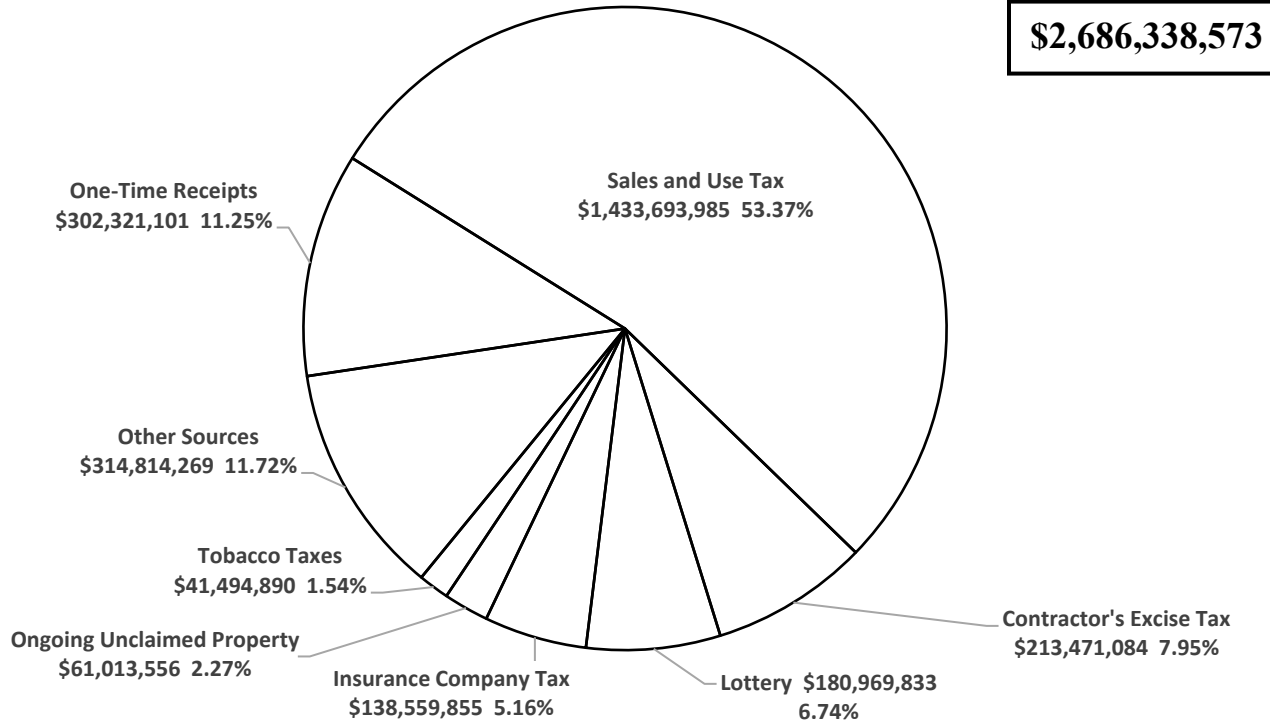
**PRESENTED TO
JOINT COMMITTEE ON APPROPRIATIONS
FEBRUARY 12, 2025**

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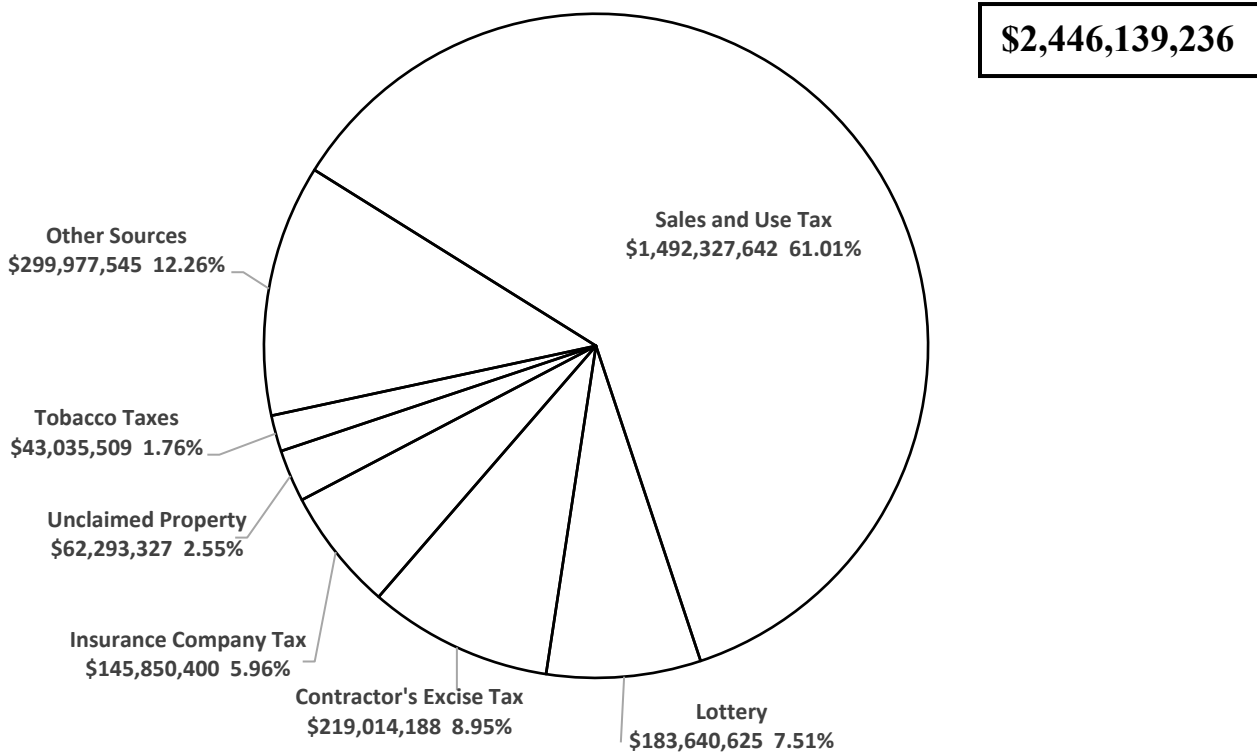
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FY2025 AND FY2026 GENERAL FUND REVENUES

FY2025 General Fund Revenues



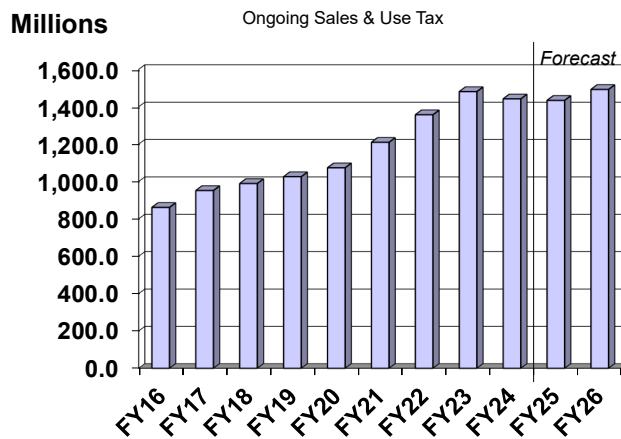
FY2026 General Fund Revenues



SALES AND USE TAX

Background: The sales tax is applied to the gross receipts of businesses, organizations, or persons engaged in retail sales, including the selling, leasing, and renting of tangible personal property, the sale of services, and the sale of products transferred electronically, as long as the products or services are not specifically exempt, intended for resale, or sold to a governmental or sales tax-exempt agency. The rate of the state’s sales tax was reduced from 4.5% to 4.2% in FY2024 (SDCL 10-45). A use tax of the same rate as the sales tax applies to all goods and services that are used, stored, or consumed in South Dakota on which South Dakota sales tax is not paid. The purchaser or consumer of the goods or services is responsible for reporting and remitting the use tax in the filing period in which they receive the goods or services (SDCL 10-46).

- The average annual increase in collections from FY2016 and FY2024 was 6.4%.
- Total net collections in FY2024 decreased 2.6% (ongoing) due to the rate change from 4.5% down to 4.2%. The rate adjusted change in FY2024 was growth of 4.2%.
- Net collections from the sales and use tax account for approximately 61.0% of ongoing general fund revenues in FY2026.



FY2026 forecast includes an increase of \$6,823,473 due to the proposed repeal of the collection credit.

Currently: In the first seven months of FY2024, ongoing sales and use tax collections were \$888.7 million. This is a decrease of 1.1% from the first seven months of last year.

Estimate: Due to the broad nature of the sales and use tax, there are many different variables influencing collections including employment, income, the unemployment rate, inflation, etc. To quantify these theories, regression equations are used to see if historically there has been a statistically significant relationship between these and other variables, and sales and use tax collections. The sales and use tax data is divided into five different categories to account for the broad base of the sales and use tax. Independent variables are then used in the equations to see if historically a statistically significant relationship between them and taxable sales has existed. After finding the best fitting regression equation for each of the five categories, total taxable sales are forecasted. The regression equations used in the forecast, the coefficient of determination (R²) associated with the equations, and a brief explanation of how to read regression equations are below.

Equation 1: Consumer Spending on Durables and Services (STCDS)

$$\text{STCDS} = -695.96 + 0.06 \cdot \text{SD Nonfarm Income} + 233.43 \cdot \text{Seasonal Indicator Variable} + 13.60 \cdot \text{SD Leisure and Hospitality Employment} + 21.16 \cdot \text{SD Housing Starts} + 302.02 \cdot \text{Consumer Price Index excluding Food and Energy}$$

R² = .9956

Equation 2: Business Related Purchases/Consumer Spending on Nondurables (STBUSCND)
 $STBUSCND = -495.30 + 4.73*SD \text{ Consumer Price Index} + 0.09*SD \text{ Nonfarm Personal Income} + 386.02*Seasonal \text{ Indicator Variable} + 627.62*Stimulus \text{ Indicator Variable}$
R² = .9802

Equation 3: Construction Related Purchases (STCON)
 $STCON = -1095.73 + 729.32*Consumer \text{ Price Index} + 161.21*Seasonal \text{ Indicator Variable} + 49.09*SD \text{ Housing Starts} + 0.01*SD \text{ Wage and Salary Disbursements} + 0.03*Farm \text{ Proprietors Income (lagged)}$
R² = .9635

Equation 4: Recreation Related Purchases (STREC)
 $STREC = -312.70 + 11.28*SD \text{ Leisure and Hospitality Employment} + 0.02*SD \text{ Disposable Income} + 161.72*Seasonal \text{ Indicator Variable} - 0.84*Oil \text{ Prices} - 216.11*COVID \text{ Indicator Variable}$
R² = .9898

Equation 5: Utilities (STUTI)
 $STUTI = -312.11 + 0.01*SD \text{ Nonfarm Income} + 5.05*Consumer \text{ Spending on Electricity and Natural Gas} + 131.39*Consumer \text{ Price Index for Energy} - 96.50*Indicator \text{ Variable}$
R² = .9459

Total Taxable Sales Equation:
 $Total \text{ Taxable Sales} = STCDS + STBUSCNDOTH + STCON + STREC + STUTI$
R² = 1.0000

Basic steps to follow when reading a regression equation are:

- 1.) Identify the dependent variable (the variable on the left side of the equation) and the independent variables (the variables on the right side of the equation).
- 2.) Look at the signs of the independent variables. The signs tell you if there is a positive or a negative relationship between the dependent and the independent variable.
- 3.) Look at the numbers in front of the independent variables. They quantify the change in the dependent variable if there is a one-unit change in the independent variable, holding the other independent variables constant.
- 4.) Look at the R². This is one way to identify how well an equation fits the data. An R² value close to one tells you that the equation has a good overall fit.

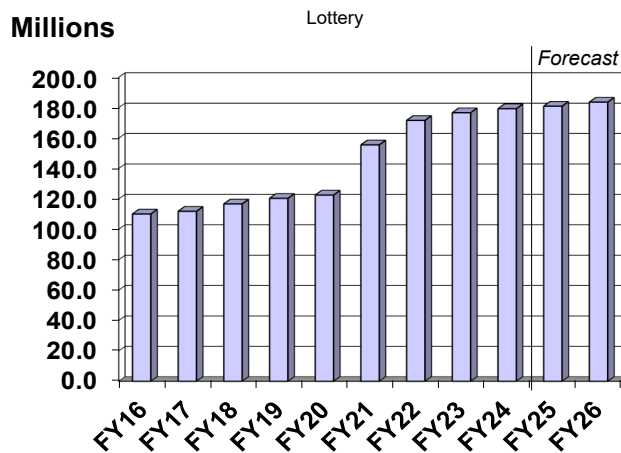
	Actual FY2023	Actual FY2024	Estimate FY2025	Estimate FY2026*
Ongoing SUT	1,480,572,850	1,441,678,770	1,433,693,985	1,492,327,642
Dollar Change	123,728,057	(38,894,080)	(7,984,785)	58,633,657
<i>Percent Change</i>	9.12	(2.63)	(0.55)	4.09
One-time SUT	0	12,319,527	0	0
Total SUT	1,480,572,850	1,453,998,297	1,433,693,985	1,492,327,642
Dollar Change	95,422,214	(26,574,553)	(20,304,312)	58,633,657
<i>Percent Change</i>	6.89	(1.79)	(1.40)	4.09

* FY2026 forecast includes an increase of \$6,823,473 due to the proposed repeal of the collection credit.

LOTTERY

Background: Receipts included in this category are the general fund’s share of revenues from the sale of instant and on-line lottery tickets. Beginning in FY2016, this category also includes the state’s share of video lottery receipts (SDCL 42-7A).

- All the net proceeds from the sale of instant lottery tickets are deposited in the general fund.
- Beginning in FY2019 through FY2023, the net proceeds from online lottery funds to the general fund increased pursuant to the passage of SB 183 from the 2018 legislative session.
- Instant tickets are the scratch tickets sold by retailers. Online games include Powerball, Mega Millions, and Dakota Cash.
- Receipts included in this category account for approximately 7.5% of ongoing general fund revenues in FY2026.



Currently: Through the first seven months of FY2025, the state’s share of video lottery receipts is up 0.8% compared to the same time a year ago. Through January 2025, total lottery revenues are up 1.6% compared to a year ago.

Estimate: The estimates are based on historical collections, current conditions, and information provided by the South Dakota Lottery.

	Actual FY2023	Actual FY2024	Estimate FY2025	Estimate FY2026
Instant/Online Lottery	14,095,499	15,305,223	15,135,952	15,733,820
Video Lottery	162,568,269	164,023,550	165,833,881	167,906,805
Total Receipts	176,663,767	179,328,773	180,969,833	183,640,625
Dollar Change	5,054,085	2,665,006	1,641,060	2,670,792
Percent Change	2.95	1.51	0.92	1.48

CONTRACTOR'S EXCISE TAX

Background: An excise tax of 2% is imposed on the gross receipts of all prime contractors on construction projects. Subcontractor's gross receipts are not subject to the 2% tax if they are furnished a valid prime contractor's exemption certificate by the prime contractor for each specific job performed. The gross receipts of both prime contractors and subcontractors providing construction services or realty improvement projects for qualifying utilities are subject to a 2% excise tax. Gross receipts resulting from construction services or realty improvements for public and private entities are subject to the excise tax. Therefore, projects for the U.S. Government, State of South Dakota, counties, cities, schools, hospitals, churches, and private individuals are taxable (SDCL 10-46A and 10-46B).

NOTE: Because of when contractor's excise tax payments are due, collections are lagged one month (ex: collections recorded in July are payments made to contractors in June).

- The average annual increase in net contractor's excise tax collections between FY2016 and FY2024 was 9.2%.
- Contractor's excise tax collections in FY2024 increased 14.4%.
- Net collections from the contractor's excise tax account for approximately 9.0% of ongoing general fund receipts in FY2026.



Currently: In the first seven months of FY2025, net contractor's excise tax collections were \$143.7 million. This is a decrease of 1.6% from the first seven months of last year.

Estimate: Contractor's excise tax collections are estimated using a single regression equation. The equation and its coefficient of determination are below. (An explanation of how to read a regression equation can be found on page 3.)

$$\text{Contractor's Excise Tax Collections} = -15.07 + 13.53 * \text{Seasonal Indicator Variable} + 0.01 * \text{SD Nonfarm Income} - 4.10 * \text{SD Unemployment Rate} + 0.15 * \text{SD Consumer Price Index} + 0.55 * \text{SD Housing Starts} + 12.66 * (\text{Stimulus Indicator Variable} * \text{Seasonal Indicator Variable})$$

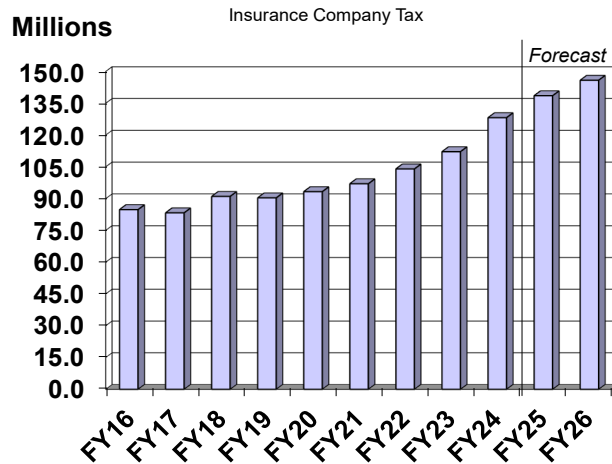
$R^2 = .9640$

	Actual FY2023	Actual FY2024	Estimate FY2025	Estimate FY2026
Total Net Receipts	189,407,586	216,712,589	213,471,084	219,014,188
Dollar Change	33,583,813	27,305,004	(3,241,505)	5,543,104
Percent Change	21.55	14.42	(1.50)	2.60

INSURANCE COMPANY TAX

Background: A tax of 2.5% of premiums on policies insuring risks located in South Dakota is imposed on insurance companies. In addition, the insurer must also pay a tax of 0.5% of the gross premium receipts on all fire insurance business done in the state. The tax imposed on insurance companies for life insurance policies is 2.5% of premiums on the first \$100,000 of annual life premiums per policy and eight one-hundredths of a percent for that portion of the annual life premiums per policy exceeding \$100,000. A life insurance policy (other than credit life as defined in SDCL 58-19) of a face amount of \$7,000 or less is taxed at the rate of 1.25% of premiums. The tax imposed on insurance companies for annuities is 1.25% of the consideration for annuity contracts on the first \$500,000 of annual consideration per annuity contract and eight one-hundredths of a percent for that portion of the annual consideration per annuity contract exceeding \$500,000. Farm mutual insurers and fraternal benefit societies are exempt from insurance company taxes (SDCL 10-44).

- The average annual increase between FY2016 and FY2024 was 5.5%.
- Insurance company tax collections grew 14.3% in FY2024.
- Collections from this tax account for approximately 6.0% of ongoing general fund revenues in FY2026.



Currently: Through the first half of FY2025, \$57.4 million has been collected from this tax. This is an increase of 12.3% from the first six months of last year. This revenue source is best reconciled quarterly.

Estimate: A regression equation is used to project collections from the insurance company tax. The equation and its coefficient of determination are below. (An explanation of how to read a regression equation can be found on page 3.)

$$\text{Insurance Company Tax Collections} = 7.83 - 5.10 * \text{Seasonal Indicator Variable} + 0.01 * \text{SD Nonfarm Income} + 0.03 * \text{Consumer Spending on Insurance} - 0.32 * \text{Yield on Two-Year Treasury Note} + 1.49 * \text{Affordable Care Act Indicator Variable}$$

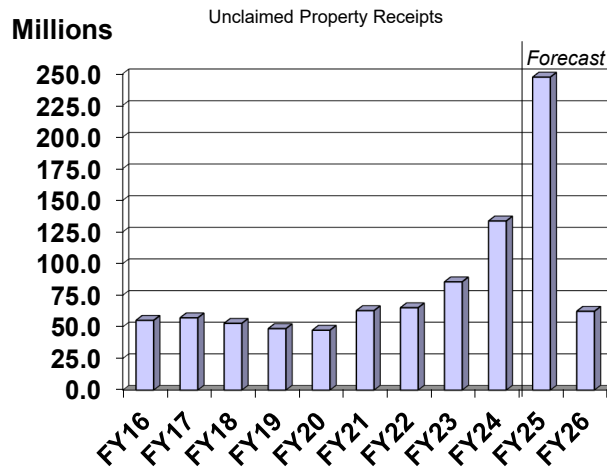
$R^2 = .9632$

	Actual FY2023	Actual FY2024	Estimate FY2025	Estimate FY2026
Receipts	112,141,293	128,189,481	138,559,855	145,850,400
Dollar Change	8,145,874	16,048,187	10,370,374	7,290,545
Percent Change	7.83	14.31	8.09	5.26

UNCLAIMED PROPERTY RECEIPTS

Background: Receipts to the general fund from unclaimed property are the result of all funds in excess of \$500,000 receipted into the Unclaimed Property Trust Fund. Property is considered abandoned after it has been unclaimed by the rightful owner for three years in South Dakota and must be submitted to the State Treasurer’s office per state law. These unclaimed funds are a perpetual liability of the state of South Dakota and if the owner of such funds is identified, the funds must be paid to the rightful owner.

- Collections from ongoing unclaimed property receipts account for approximately 2.5% of ongoing general fund revenues in FY2026.
- The chart below shows the total unclaimed property receipts.



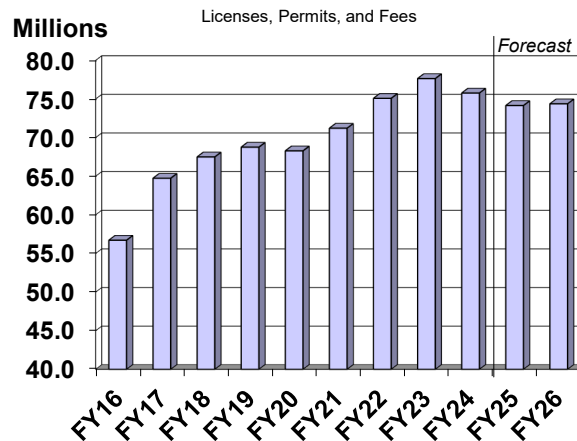
Estimate: The projections for unclaimed property receipts are based on historical collections and current conditions.

	Actual FY2023	Actual FY2024	Estimate FY2025	Estimate FY2026
Ongoing UCP	74,981,213	133,617,777	61,013,556	62,293,327
Dollar Change	9,883,585	58,636,564	(72,604,221)	1,279,771
<i>Percent Change</i>	<i>15.18</i>	<i>78.20</i>	<i>(54.34)</i>	<i>2.10</i>
One-time UCP	10,554,826	0	186,245,831	0
Total UCP	85,536,039	133,617,777	247,259,387	62,293,327
Dollar Change	20,438,411	48,081,738	113,641,610	(184,966,060)
<i>Percent Change</i>	<i>31.40</i>	<i>56.21</i>	<i>85.05</i>	<i>(74.81)</i>

LICENSES, PERMITS, AND FEES

Background: Revenues included in this category are receipts received from the sales of a broad variety of licenses, permits, and filing fees which are assessed to defray administrative costs. State agencies collecting these revenues are the Departments of Agriculture, Health, Labor and Regulation, Public Safety, Social Services, Revenue, the Unified Judicial System, and the Secretary of State.

- About 65% of the revenue collected in this category comes from securities fees.
- Collections in this category account for approximately 3.0% of ongoing general fund revenues in FY2026.



Currently: Through the first six months of FY2025, \$11.9 million has been collected in this category. This is a reduction of 17.0% from the first six months of last year. This revenue source is best reconciled quarterly.

Estimate: The different sources of receipts included in this category are estimated individually based on historical collections and current conditions.

	Actual FY2023	Actual FY2024	Estimate FY2025	Estimate FY2026
Receipts	77,636,494	75,761,844	74,145,331	74,368,707
Dollar Change	2,559,323	(1,874,650)	(1,616,513)	223,376
Percent Change	3.41	(2.41)	(2.13)	0.30

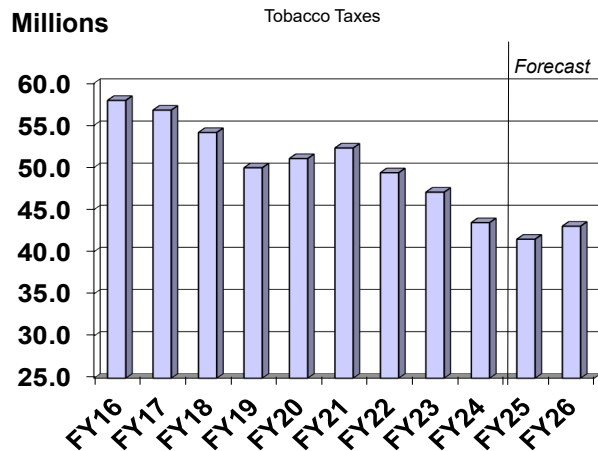
TOBACCO TAXES

Background: The cigarette tax is imposed at the rate of seventy-six and one-half mills on each cigarette (\$1.53 per pack of 20 cigarettes) and the tax on all other tobacco products is 35% of the wholesale purchase price. The first \$30 million generated by this tax increase is allocated to the general fund. The next \$5 million is deposited into the Tobacco Prevention and Reduction Trust Fund. Any revenue in excess of \$35 million is allocated to the state general fund. In FY2026, the Governor recommended that the amount deposited into the Tobacco Prevention and Reduction Trust Fund be reduced from \$5 million to \$2 million.

- Approximately 72% of the collections included in this category are from the tax on cigarettes, and the remainder is collected based on the tax on the wholesale purchase price of other tobacco products.
- Collections in this category account for approximately 1.8% of ongoing general fund receipts in FY2026.
- The total estimates and breakdown of where the dollars go are included in the following table.

	Actual FY2023	Actual FY2024	Estimate FY2025	Estimate FY2026
General Fund	30,000,000	30,000,000	30,000,000	30,000,000
TPRTF	5,000,000	5,000,000	5,000,000	2,000,000
Remainder to GF	17,074,649	13,462,155	11,494,890	13,035,509
Total	52,074,649	48,462,155	46,494,890	45,035,509

- The following chart includes the amount allocated directly to the general fund:



Currently: Through the first seven months of FY2025, the total collections from the tobacco taxes totaled \$27.3 million, which is down 4.5% compared to the same time a year ago.

Estimate: Collections from the tax on cigarettes and other tobacco products are estimated individually. The general fund is forecast to receive \$43,035,509 in FY2026. This includes an additional \$3M from the Tobacco Prevention and Reduction Trust Fund.

	Actual FY2023	Actual FY2024	Estimate FY2025	Estimate FY2026*
Total Receipts	47,074,649	43,462,155	41,494,890	43,035,509
Dollar Change	(2,310,730)	(3,612,494)	(1,967,265)	1,540,619
Percent Change	(4.68)	(7.67)	(4.53)	3.71

* Includes an additional \$3M due to the proposed reduction of the amount that goes to the Tobacco Prevention and Reduction Trust Fund.

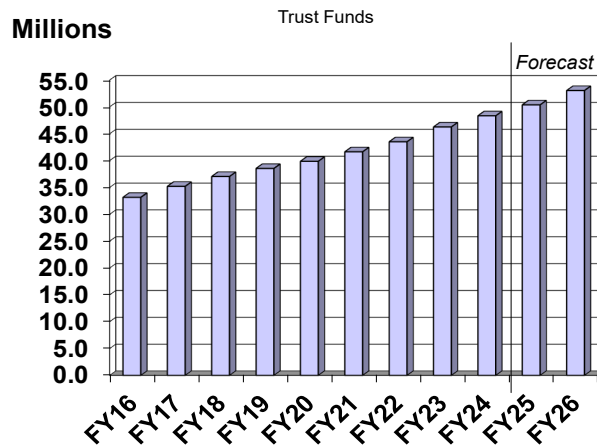
TRUST FUNDS

Background: Receipts included in this category are transfers from the Health Care Trust Fund (HCTF), the Education Enhancement Trust Fund (EETF), and the Dakota Cement Trust Fund (DCTF). Four percent of the market values of the trust funds are transferred to the general fund every year as long as the principal of the trust funds are not invaded. The market values are calculated using a 16-quarter average as of December 31st (SDCL 4-5-29.1 and 4-5-29.2). The earnings from the HCTF are to be used for health care related programs, and the earnings from the EETF and DCTF are to be used for education programs (Article 12, Sections 5 and 6 of the State Constitution; Article 13, Sections 20 and 21 of the State Constitution).

- The table below shows the amounts transferred from each of the trust funds to the general fund in FY2023 and FY2024, and the estimated amounts for FY2025 and FY2026.

	Actual FY2023	Actual FY2024	Estimate FY2025	Estimate FY2026
HCTF	6,612,325	7,276,454	7,925,672	8,650,000
EETF	25,277,997	26,389,450	27,383,330	28,650,000
DCTF	14,369,136	14,668,289	15,060,000	15,737,700
Total	46,259,258	48,334,193	50,369,002	53,037,700

- Receipts from the trust funds account for approximately 2.2% of ongoing general fund revenues in FY2026.



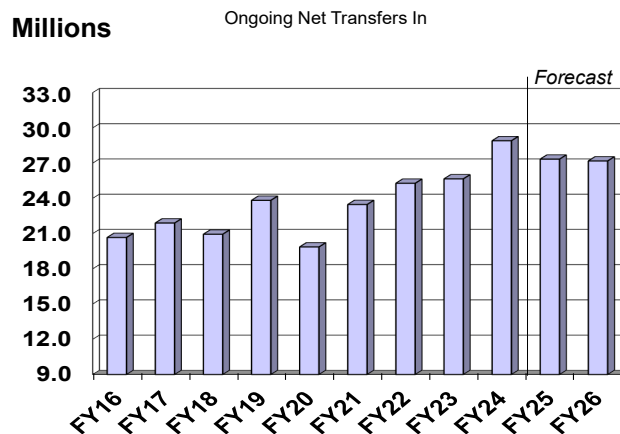
Estimate: The estimate for FY2026 includes the constitutionally required transfer from the Dakota Cement Trust and the amounts to be transferred from the Health Care Trust Fund and Education Enhancement Trust Fund pursuant to SDCL 4-5-29.1 and SDCL 4-5-29.2.

	Actual FY2023	Actual FY2024	Estimate FY2025	Estimate FY2026
Total Receipts	46,259,458	48,334,193	50,369,002	53,037,700
Dollar Change	2,764,187	2,074,736	2,034,809	2,668,698
Percent Change	6.36	4.48	4.21	5.30

NET TRANSFERS IN

Background: Receipts included in this category are general fund reimbursements by the Highway Fund; receipts from the Department of Game, Fish, and Parks; receipts from the Motor Vehicle Fund; the state’s share of the Deadwood gaming revenue (SDCL 42-7B-28.1 and SDCL 42-7B-48.1); the transfer from the wind energy tax fund (beginning in FY2016); the transfer from the State Veteran’s Home Operating fund (beginning in FY2017); the transfer from the Prison Industries Revolving fund; and other miscellaneous receipts.

- Receipts included in this category account for approximately 1.1% of ongoing general fund revenues in FY2026.



Currently: Through the first seven months of FY2025, \$15.8 million has been collected in this category. This is a decrease of 1.1% from the first seven months of last year.

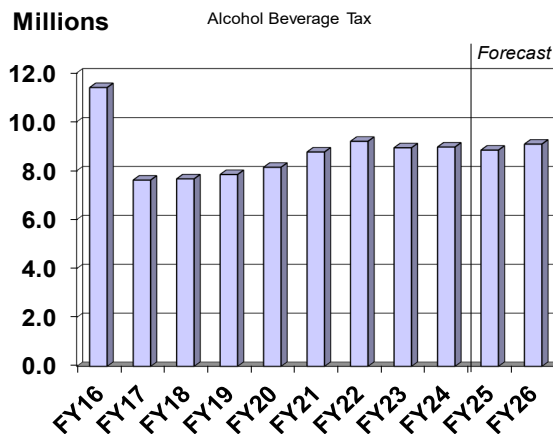
Estimate: The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2023	Actual FY2024	Estimate FY2025	Estimate FY2026
Ongoing NTI	25,652,534	28,901,042	27,335,034	27,180,576
Dollar Change	373,027	3,248,508	(1,566,008)	(154,458)
Percent Change	1.48	12.66	(5.42)	(0.57)
One-time NTI	0	0	0	0
Total NTI	25,652,534	28,901,042	27,335,034	27,180,576
Dollar Change	(2,688,010)	3,248,508	(1,566,008)	(154,458)
Percent Change	(9.48)	12.66	(5.42)	(0.57)

ALCOHOL BEVERAGE TAX

Background: A tax is levied on manufacturers and wholesalers of alcoholic beverages, and is computed on all alcoholic beverages purchased, received, or imported from a distiller, manufacturer, or foreign wholesaler for sale to a retail dealer. The taxation rates are as follows: 1) \$8.50 per 31 gallon barrel (or a prorata share thereof) on malt beverages; 2) all light wines and diluted beverages (except sparkling wines and cider) having more than 3.2% and not more than 14% alcohol by weight, 93¢ per gallon; 3) all wines (except sparkling wines) having more than 14% and not more than 20% alcohol by weight, \$1.45 per gallon; 4) all wines (except sparkling wines) having more than 20% and not more than 24% alcohol by weight, and all sparkling wines containing alcohol, \$2.07 per gallon; 5) all cider having not more than 10% alcohol by weight, 28¢ per gallon; and, 6) all other alcoholic beverages, \$3.93 per gallon (SDCL 35-5).

- Prior to FY2017, the state received 75% of the tax collected, and 25% of the collections went to the municipalities.
- Beginning in FY2017 per the passage of SB 2, the state receives 50% of the tax collected with 25% going to the municipalities and 25% going to the counties.
- Collections from this tax account for approximately 0.4% of ongoing general fund revenues in FY2026.



Currently: Through the first seven months of FY2025, \$4.7 million has been collected from this tax. This is a decrease of 3.4% from the first seven months of last year.

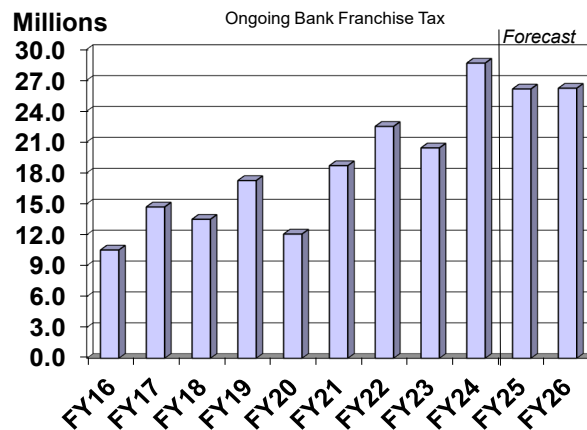
Estimate: The estimates are based on historical collections and current conditions.

	Actual FY2023	Actual FY2024	Estimate FY2025	Estimate FY2026
Total Receipts	8,939,732	8,969,518	8,843,674	9,089,635
Dollar Change	(264,235)	29,786	(125,844)	245,961
Percent Change	(2.87)	0.33	(1.40)	2.78

BANK FRANCHISE TAX

Background: In lieu of sales tax on financial and banking services, an annual tax is imposed on banks, financial institutions, and savings and loan associations based upon net income assignable to South Dakota. The tax rates are as follows: 1) 6% on net income of \$400 million or less; 2) 5% on net income exceeding \$400 million but equal to or less than \$425 million; 3) 4% on net income exceeding \$425 million but equal to or less than \$450 million; 4) 3% on net income exceeding \$450 million but equal to or less than \$475 million; 5) 2% on net income exceeding \$475 million but equal to or less than \$500 million; 6) 1% on net income exceeding \$500 million but equal to or less than \$600 million; 7) 0.5% on net income exceeding \$600 million but equal to or less than \$1.2 billion; and 8) 0.25% on net income exceeding \$1.2 billion. The minimum tax payable is \$200 (SDCL 10-43).

- 95% of the taxes paid by bank card taxpayers and 26 2/3% of all other revenues are deposited in the general fund. The remaining 5% of collections from bank card taxpayers and the 73 1/3% of revenues received from all other banks are remitted to the county where the bank or financial institution is located.
- Collections from this tax account for approximately 1.1% of ongoing general fund revenues in FY2026.



Currently: Through the first seven months of FY2025, \$9.9 million has been collected from this tax.

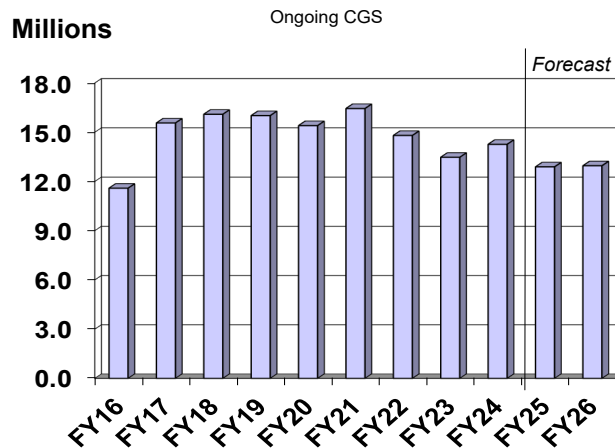
Estimate: Collections received from bank card taxpayers and other banks are estimated individually. The estimate is based on historical collections and current conditions.

	Actual FY2023	Actual FY2024	Estimate FY2025	Estimate FY2026
Ongoing BFT	20,425,082	28,659,255	26,147,508	26,222,175
Dollar Change	(2,086,768)	8,234,173	(2,511,747)	74,667
Percent Change	(9.27)	40.31	(8.76)	0.29
One-Time BFT	699,173	1,443,391	1,414,044	0
Total BFT	21,124,255	30,102,647	27,561,552	26,222,175
Dollar Change	(2,955,891)	8,978,392	(2,541,095)	(1,339,377)
Percent Change	(12.28)	42.50	(8.44)	(4.86)

CHARGES FOR GOODS AND SERVICES

Background: Receipts included in this category are from charges made by institutions under the Department of Human Services and the Department of Social Services; audit charges made by the Auditor General to state and local governments; child support collections paid back to the state received by the Department of Social Services; 35% of fines, penalties, and forfeitures collected by or through the use of a circuit or magistrate court, clerk, or other court officer for violations of a county, township, municipal, or chartered governmental unit's ordinance, charter, or bylaw; and other miscellaneous charges. Beginning in FY2017, additional receipts from the Department of Corrections are being receipted directly into the general fund.

- Revenues to the general fund from this category are relatively stable from year to year.
- In FY2017, the primary increase is due to additional receipts from the Department of Corrections due to the budget restructuring.
- Receipts included in this category account for approximately 0.5% of ongoing general fund revenues in FY2026.



Currently: Through the first seven months of FY2025, \$7.3 million has been collected in this category. This is a decrease of 5.3% from the first seven months of last year.

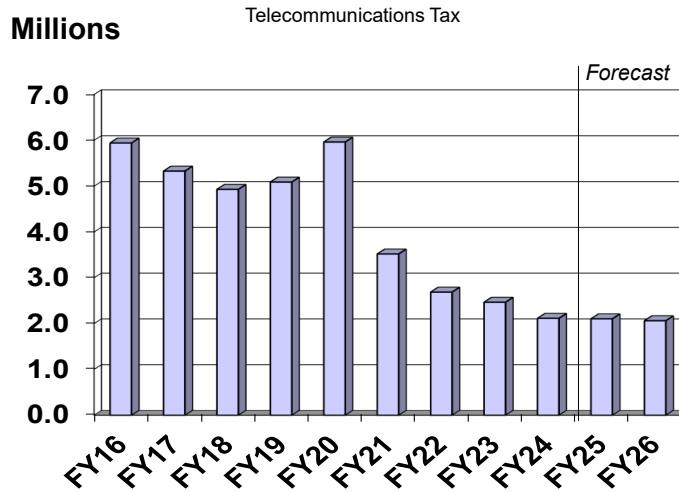
Estimate: The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2023	Actual FY2024	Estimate FY2025	Estimate FY2026
Ongoing CGS	13,473,405	14,262,896	12,891,904	12,956,682
Dollar Change	(1,330,846)	789,491	(1,370,992)	64,778
Percent Change	(8.99)	5.86	(9.61)	0.50

TELECOMMUNICATIONS TAX

Background: A gross receipts tax is imposed at the rate of 4% of telecommunications services within the state (SDCL 10-33A). Through FY2015, sixty percent of the revenue generated from this tax was dedicated to the Property Tax Reduction Fund (PTRF) with the remaining forty percent deposited into the County Telecommunications Gross Receipts Fund.

- Collections from this tax account for less than 0.1% of ongoing general fund revenues in FY2026.



Currently: Through the first seven months of FY2024, \$1.1 million has been collected from this source. This is an increase of 3.8% from the first seven months of last year.

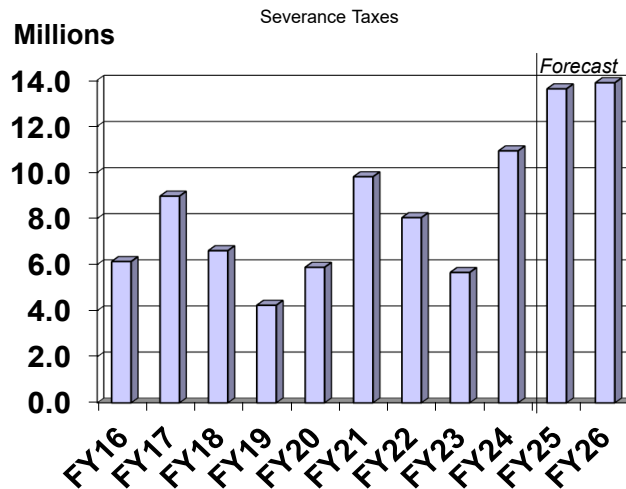
Estimate: Collections from the telecommunications tax is based on historical collections and current conditions.

	Actual FY2023	Actual FY2024	Estimate FY2025	Estimate FY2026
Total Receipts	2,466,873	2,116,069	2,104,723	2,062,833
Dollar Change	(221,585)	(350,803)	(11,346)	(41,890)
Percent Change	(8.24)	(14.22)	(0.54)	(1.99)

SEVERANCE TAXES

Background: A severance tax is imposed at the rate of \$4 per ounce of gold severed in South Dakota and an additional per ounce tax of up to \$4 which is dependent on the price of gold. In addition, there is a tax of 10% of the net profits from the sale of precious metals severed (SDCL 10-39). Owners or operators of energy minerals must pay a tax equal to 4.5% of the taxable value of any energy minerals severed (SDCL 10-39A).

- Currently, all precious metal severance taxes are deposited in the general fund.
- One-half of the energy mineral severance taxes received are returned to the county where the energy minerals were severed and one-half of the taxes are deposited in the general fund.
- Collections included in this category account for approximately 0.6% of ongoing general fund revenues in FY2026.



Currently: Through the first seven months of FY2025, \$11.5 million has been collected in this category. This is an increase of 30.0% from the first seven months of last year.

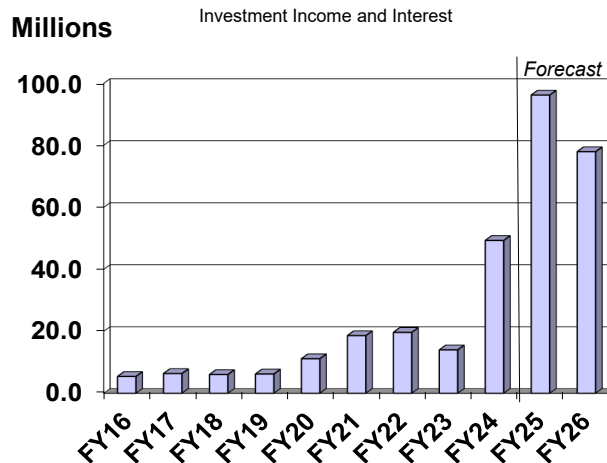
Estimate: Collections from taxes on precious metals and energy minerals are estimated separately. The estimates of collections from the severance taxes on gold and precious metals are based on history as well as gold prices. The estimates of collections from the tax on energy minerals are based on history and the projected price of crude oil and natural gas.

	Actual FY2023	Actual FY2024	Estimate FY2025	Estimate FY2026
Total Receipts	5,657,605	10,932,699	13,623,014	13,887,309
Dollar Change	(2,376,337)	5,275,094	2,690,315	264,295
Percent Change	(29.58)	93.24	24.61	1.94

INVESTMENT INCOME AND INTEREST

Background: Revenues included in this category are from interest and the investment earnings of the general fund and nonparticipating funds in the cash flow fund. (Nonparticipating means the earnings attributable to the company are deposited in the general fund.) The South Dakota Investment Council is responsible for investing the money in the cash flow fund (SDCL 4-5).

- This category also includes some interest and rent income from the Department of Social Services and the Department of Corrections.
- Receipts in this category account for approximately 3.2% of ongoing general fund revenues in FY2026.



Currently: Through the first seven months of FY2025, \$95.9 million has been collected in this category. This is an increase of 95.8% from the first seven months of last year.

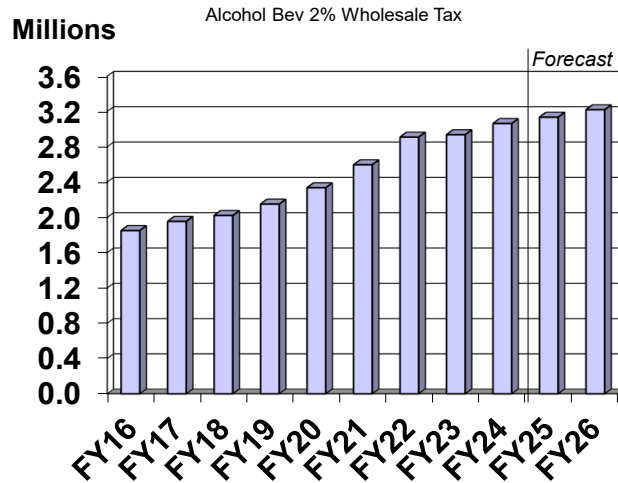
Estimate: The estimate is based on information provided by the South Dakota Investment Council and historical collections. Stimulus funding has been held in the cash flow fund. Increased cash balances and increased return rates are the reasons for increased interest income in FY2024 through FY2026. The earnings of the cash flow fund for FY2024 are distributed in FY2025. The earnings of the cash flow fund for FY2025 are distributed in FY2026.

	Actual FY2023	Actual FY2024	Estimate FY2025	Estimate FY2026
Total Receipts	14,000,549	49,318,506	96,218,690	77,952,050
Dollar Change	(5,648,016)	35,317,957	46,900,184	(18,266,640)
Percent Change	(28.75)	252.26	95.10	(18.98)

ALCOHOL BEVERAGE 2% WHOLESALE TAX

Background: In addition to the tax imposed by SDCL 35-5-3, a tax is levied at the rate of 2% of the purchase price upon the purchase of alcoholic beverages, except malt beverages, by a wholesaler from a distiller, manufacturer, or supplier (SDCL 35-5-6.1).

- Collections from this tax account for approximately 0.1% of ongoing general fund revenues in FY2026.



Currently: Through the first seven months of FY2025, \$1.9 million has been collected from this tax. This is a decrease of 1.2% from the first seven months of last year.

Estimate: The estimates are based on historical collections and current conditions.

	Actual FY2023	Actual FY2024	Estimate FY2025	Estimate FY2026
Total Receipts	2,936,973	3,063,771	3,135,389	3,219,878
Dollar Change	27,262	126,797	71,618	84,489
Percent Change	0.94	4.32	2.34	2.69

GOVERNOR'S RECOMMENDED FY2025 VS. FEBRUARY REVISED FY2025

	<u>GOV. REC.</u> <u>FY2025</u>	<u>FEB. REV.</u> <u>FY2025</u>	<u>DOLLAR</u> <u>CHANGE</u>	<u>PERCENT</u> <u>CHANGE</u>
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,447,481,493	\$ 1,433,693,985	(13,787,508)	(0.95)
Lottery	180,371,432	180,969,833	598,401	0.33
Contractor's Excise Tax	210,476,413	213,471,084	2,994,671	1.42
Insurance Company Tax	137,869,952	138,559,855	689,903	0.50
Unclaimed Property Receipts	61,013,556	61,013,556	0	0.00
Licenses, Permits, and Fees	74,354,008	74,145,331	(208,677)	(0.28)
Tobacco Taxes	42,022,292	41,494,890	(527,402)	(1.26)
Trust Funds	50,329,002	50,369,002	40,000	0.08
Net Transfers In	27,213,839	27,335,034	121,195	0.45
Alcohol Beverage Tax	8,993,932	8,843,674	(150,258)	(1.67)
Bank Franchise Tax	26,038,817	26,147,508	108,691	0.42
Charges for Goods and Services	12,818,059	12,891,904	73,845	0.58
Telecommunications Tax	2,062,768	2,104,723	41,955	2.03
Severance Taxes	12,742,661	13,623,014	880,353	6.91
Investment Income and Interest	96,173,690	96,218,690	45,000	0.05
Alcohol Bev 2% Wholesale Tax	3,148,244	3,135,389	(12,855)	(0.41)
TOTAL (ONGOING RECEIPTS)	<u>\$ 2,393,110,158</u>	<u>\$ 2,384,017,472</u>	<u>\$ (9,092,686)</u>	<u>(0.38)</u>
ONE-TIME RECEIPTS				
Bank Franchise Tax Prior Year Revenue	\$ 54,690	\$ 1,414,044	1,359,354	2485.56
One-Time Unclaimed Property Receipts	167,664,409	186,245,831	18,581,422	11.08
Transfer from Budget Reserve Fund	33,926,134	33,926,134	0	0.00
Obligated Cash Carried Forward	80,735,092	80,735,092	0	0.00
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 282,380,325</u>	<u>\$ 302,321,101</u>	<u>\$ 19,940,776</u>	<u>7.06</u>
GRAND TOTAL	<u><u>\$ 2,675,490,483</u></u>	<u><u>\$ 2,686,338,573</u></u>	<u><u>\$ 10,848,090</u></u>	<u><u>0.41</u></u>

GOVERNOR'S RECOMMENDED FY2026 VS. FEBRUARY REVISED FY2026

	GOV. REC. FY2026	FEB. REVISED FY2026	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax*	\$ 1,515,543,231	\$ 1,492,327,642	(23,215,589)	(1.53)
Lottery	182,417,534	183,640,625	1,223,091	0.67
Contractor's Excise Tax	215,914,398	219,014,188	3,099,790	1.44
Insurance Company Tax	145,772,725	145,850,400	77,675	0.05
Unclaimed Property Receipts	62,293,327	62,293,327	0	0.00
Licenses, Permits, and Fees	74,590,338	74,368,707	(221,631)	(0.30)
Tobacco Taxes**	43,533,077	43,035,509	(497,568)	(1.14)
Trust Funds	52,860,366	53,037,700	177,334	0.34
Net Transfers In	27,059,380	27,180,576	121,196	0.45
Alcohol Beverage Tax	9,106,692	9,089,635	(17,057)	(0.19)
Bank Franchise Tax	26,222,175	26,222,175	0	0.00
Charges for Goods and Services	12,882,837	12,956,682	73,845	0.57
Telecommunications Tax	2,007,797	2,062,833	55,036	2.74
Severance Taxes	13,158,489	13,887,309	728,820	5.54
Investment Income and Interest	77,147,167	77,952,050	804,883	1.04
Alcohol Bev 2% Wholesale Tax	3,234,179	3,219,878	(14,301)	(0.44)
TOTAL (ONGOING RECEIPTS)	\$ 2,463,743,712	\$ 2,446,139,236	\$ (17,604,476)	(0.71)

* Sales and Use Tax estimates include the repeal of the collection credit in the amount of \$6,823,473.

** Tobacco Taxes estimates include an additional \$3M to the general fund due to reducing the amount of Tobacco Taxes to the Tobacco Prevention and Reduction Trust Fund from \$5M to \$2M.

ADOPTED FY2025 VS. FEBRUARY REVISED FY2025

	<u>LEG ADOPTED FY2025</u>	<u>FEB. REVISED FY2025</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,503,099,599	\$ 1,433,693,985	\$ (69,405,614)	(4.62)
Lottery	183,126,656	180,969,833	(2,156,823)	(1.18)
Contractor's Excise Tax	221,365,672	213,471,084	(7,894,588)	(3.57)
Insurance Company Tax	125,089,820	138,559,855	13,470,035	10.77
Unclaimed Property Receipts	61,013,556	61,013,556	0	0.00
Licenses, Permits, and Fees	77,611,286	74,145,331	(3,465,955)	(4.47)
Tobacco Taxes	42,537,115	41,494,890	(1,042,225)	(2.45)
Trust Funds	50,387,330	50,369,002	(18,328)	(0.04)
Net Transfers In	25,348,873	27,335,034	1,986,161	7.84
Alcohol Beverage Tax	9,148,840	8,843,674	(305,166)	(3.34)
Bank Franchise Tax	17,715,124	26,147,508	8,432,384	47.60
Charges for Goods and Services	13,497,285	12,891,904	(605,381)	(4.49)
Telecommunications Tax	2,196,234	2,104,723	(91,511)	(4.17)
Severance Taxes	9,881,951	13,623,014	3,741,063	37.86
Investment Income and Interest	74,319,000	96,218,690	21,899,690	29.47
Alcohol Bev 2% Wholesale Tax	3,154,196	3,135,389	(18,807)	(0.60)
TOTAL (ONGOING RECEIPTS)	<u>\$ 2,419,492,537</u>	<u>\$ 2,384,017,472</u>	<u>\$ (35,475,065)</u>	<u>(1.47)</u>
ONE-TIME RECEIPTS				
One-Time Unclaimed Property Receipts	\$ 0	\$ 186,245,831	\$ 186,245,831	N/A
Bank Franchise Tax Prior Year Revenue	0	1,414,044	1,414,044	N/A
Transfer from Budget Reserve Fund	0	33,926,134	33,926,134	N/A
Obligated Cash Carried Forward	0	80,735,092	80,735,092	N/A
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 0</u>	<u>\$ 302,321,101</u>	<u>\$ 302,321,101</u>	<u>N/A</u>
GRAND TOTAL	<u>\$ 2,419,492,537</u>	<u>\$ 2,686,338,573</u>	<u>\$ 266,846,036</u>	<u>11.03</u>

ACTUAL FY2024 VS. FEBRUARY REVISED FY2025

	ACTUAL FY2024	FEB. REVISED FY2025	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,441,678,770	\$ 1,433,693,985	\$ (7,984,785)	(0.55)
Lottery	179,328,773	180,969,833	1,641,060	0.92
Contractor's Excise Tax	216,712,589	213,471,084	(3,241,505)	(1.50)
Insurance Company Tax	128,189,481	138,559,855	10,370,374	8.09
Unclaimed Property Receipts	133,617,777	61,013,556	(72,604,221)	(54.34)
Licenses, Permits, and Fees	75,761,844	74,145,331	(1,616,513)	(2.13)
Tobacco Taxes	43,462,155	41,494,890	(1,967,265)	(4.53)
Trust Funds	48,334,193	50,369,002	2,034,809	4.21
Net Transfers In	28,901,042	27,335,034	(1,566,008)	(5.42)
Alcohol Beverage Tax	8,969,518	8,843,674	(125,844)	(1.40)
Bank Franchise Tax	28,659,255	26,147,508	(2,511,747)	(8.76)
Charges for Goods and Services	14,262,896	12,891,904	(1,370,992)	(9.61)
Telecommunications Tax	2,116,069	2,104,723	(11,346)	(0.54)
Severance Taxes	10,932,699	13,623,014	2,690,315	24.61
Investment Income and Interest	49,318,506	96,218,690	46,900,184	95.10
Alcohol Bev 2% Wholesale Tax	3,063,771	3,135,389	71,618	2.34
TOTAL (ONGOING RECEIPTS)	\$ 2,413,309,338	\$ 2,384,017,472	\$ (29,291,866)	(1.21)
ONE-TIME RECEIPTS				
One-Time Unclaimed Property Receipts	\$ 0	\$ 186,245,831	\$ 186,245,831	N/A
Bank Franchise Tax Prior Year Revenue	1,443,391	1,414,044	(29,347)	(2.03)
One-Time Sales and Use Tax	12,319,527	0	(12,319,527)	(100.00)
Unexpended Carryovers and Specials	14,910,359	0	(14,910,359)	(100.00)
Transfer from Budget Reserve Fund	0	33,926,134	33,926,134	N/A
Obligated Cash Carried Forward	96,775,123	80,735,092	(16,040,031)	(16.57)
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 125,448,400	\$ 302,321,101	\$ 176,872,700	140.99
GRAND TOTAL	\$ 2,538,757,738	\$ 2,686,338,573	\$ 147,580,835	5.81

FEBRUARY REVISED FY2025 VS. FEBRUARY REVISED FY2026

	FEB. REVISED FY2025	FEB. REVISED FY2026	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax*	\$ 1,433,693,985	\$ 1,492,327,642	\$ 58,633,657	4.09
Lottery	180,969,833	183,640,625	2,670,792	1.48
Contractor's Excise Tax	213,471,084	219,014,188	5,543,104	2.60
Insurance Company Tax**	138,559,855	145,850,400	7,290,545	5.26
Unclaimed Property Receipts	61,013,556	62,293,327	1,279,771	2.10
Licenses, Permits, and Fees	74,145,331	74,368,707	223,376	0.30
Tobacco Taxes	41,494,890	43,035,509	1,540,619	3.71
Trust Funds	50,369,002	53,037,700	2,668,698	5.30
Net Transfers In	27,335,034	27,180,576	(154,458)	(0.57)
Alcohol Beverage Tax	8,843,674	9,089,635	245,961	2.78
Bank Franchise Tax	26,147,508	26,222,175	74,667	0.29
Charges for Goods and Services	12,891,904	12,956,682	64,778	0.50
Telecommunications Tax	2,104,723	2,062,833	(41,890)	(1.99)
Severance Taxes	13,623,014	13,887,309	264,295	1.94
Investment Income and Interest	96,218,690	77,952,050	(18,266,640)	(18.98)
Alcohol Bev 2% Wholesale Tax	3,135,389	3,219,878	84,489	2.69
TOTAL (ONGOING RECEIPTS)	\$ 2,384,017,472	\$ 2,446,139,236	\$ 62,121,764	2.61
ONE-TIME RECEIPTS				
One-Time Unclaimed Property Receipts	\$ 186,245,831	\$ 0	\$ (186,245,831)	(100.00)
Bank Franchise Tax Prior Year Revenue	1,414,044	0	(1,414,044)	(100.00)
Transfer from Budget Reserve Fund	33,926,134	0	(33,926,134)	(100.00)
Obligated Cash Carried Forward	80,735,092	0	(80,735,092)	(100.00)
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 302,321,101	\$ 0	\$ (302,321,101)	(100.00)
GRAND TOTAL	\$ 2,686,338,573	\$ 2,446,139,236	\$ (240,199,337)	(8.94)

* In FY2026, Sales and Use Tax estimates include the repeal of the collection credit in the amount of \$6,823,473.

** In FY2026, Tobacco Taxes estimates include an additional \$3M to the general fund due to reducing the amount of Tobacco Taxes to the Tobacco Prevention and Reduction Trust Fund from \$5M to \$2M.