



# **REVENUE ESTIMATES**

**PRESENTED TO  
JOINT COMMITTEE ON APPROPRIATIONS  
FEBRUARY 13, 2024**

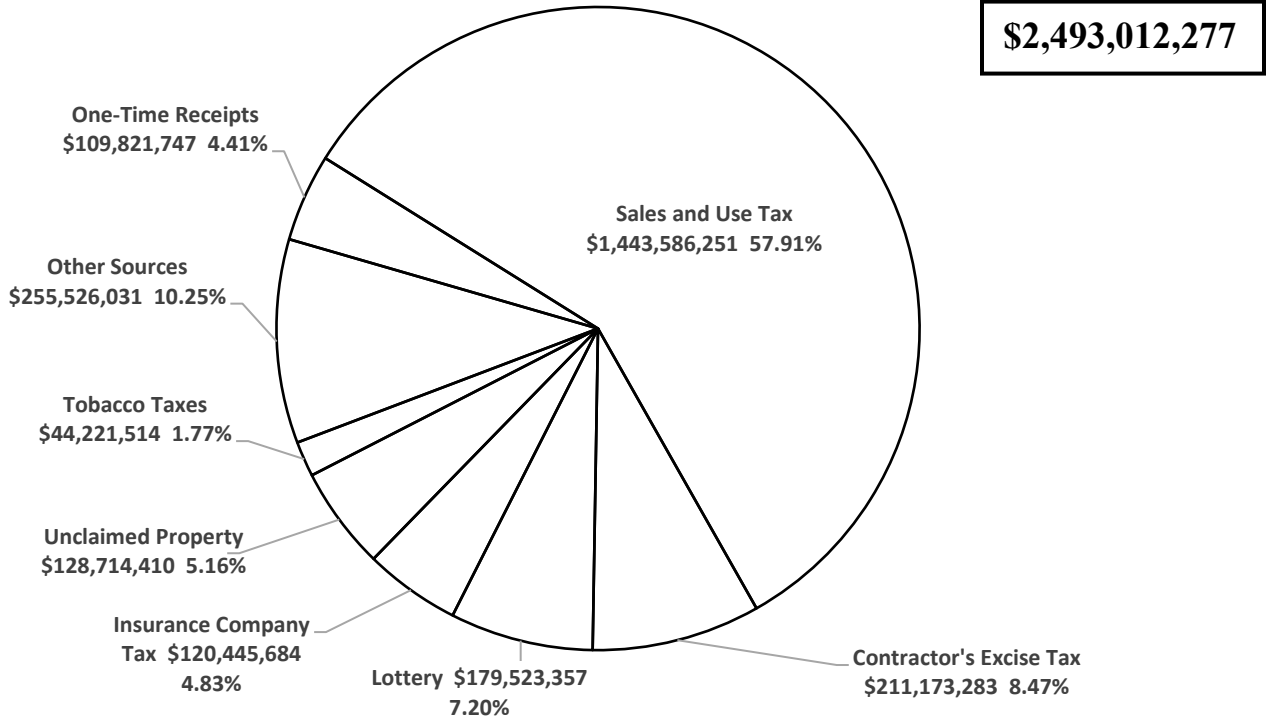


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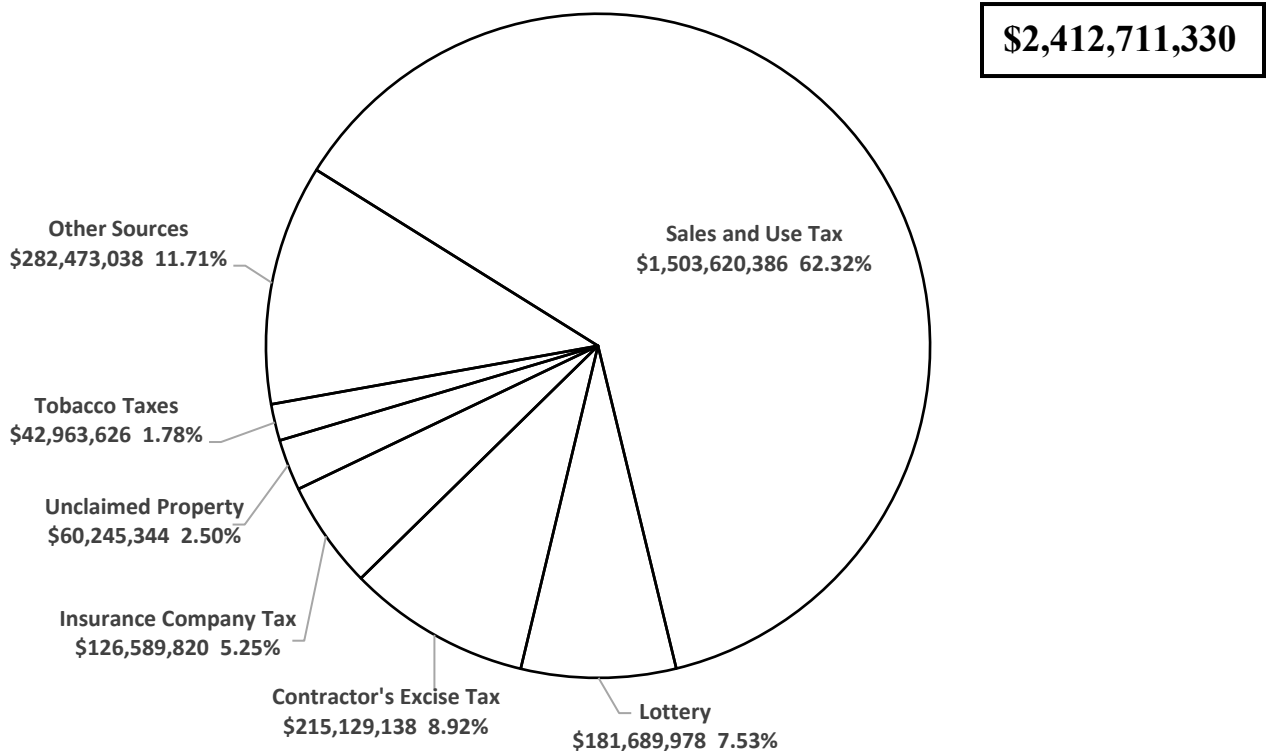
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# FY2024 AND FY2025 GENERAL FUND REVENUES

## FY2024 General Fund Revenues



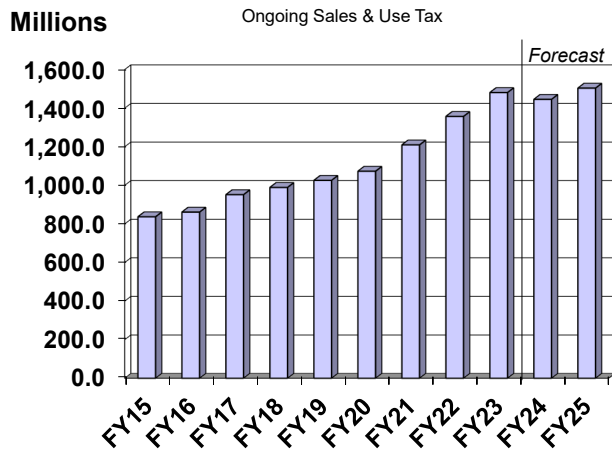
## FY2025 General Fund Revenues



# 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 FY2015 and FY2023 was 6.8%.
- Total net collections in FY2023 increased 6.9% (ongoing and one-time).
- Net collections from the sales and use tax account for approximately 62.3% of ongoing general fund revenues in FY2025.



FY2024 forecast includes a reduction of \$101.8M due to the state rate change from 4.5% to 4.2%.

**Currently:** In the first seven months of FY2024, ongoing sales and use tax collections, excluding audits, were \$881.1 million. This is a decrease of 2.8% from the first seven months of last year. The decrease is due to the state rate change from 4.5% to 4.2%.

**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, sales and use tax collections are forecasted. The regression equations used in the forecast, the coefficient of determination (R<sup>2</sup>) 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)**

$$STCDS = -775.75 + 0.06 \cdot SD \text{ Nonfarm Income} + 229.83 \cdot \text{Seasonal Indicator Variable} + 11.25 \cdot SD \text{ Leisure and Hospitality Employment} + 29.85 \cdot SD \text{ Housing Starts} + 387.40 \cdot \text{Consumer Price Index excluding Food and Energy}$$

**R<sup>2</sup> = .9945**

Equation 2: Business Related Purchases/Consumer Spending on Nondurables (STBUSCND)  
 STBUSCND = -1942.59 + 20.02\*SD Consumer Price Index + 0.03\*SD Nonfarm Personal Income + 365.14\*Seasonal Indicator Variable + 1265.48\*Stimulus Indicator Variable  
**R<sup>2</sup> = .9853**

Equation 3: Construction Related Purchases (STCON)  
 STCON = -585.71 + 25.21\*SD Construction Employment + 157.23\*Seasonal Indicator Variable + 16.45\*SD Housing Starts + 0.05\*SD Wage and Salary Disbursements + 0.04\*Farm Proprietors Income (lagged)  
**R<sup>2</sup> = .9647**

Equation 4: Recreation Related Purchases (STREC)  
 STREC = -308.98 + 11.09\*SD Leisure and Hospitality Employment + 0.02\*SD Disposable Income + 150.46\*Seasonal Indicator Variable – 0.88\*Oil Prices – 326.06\*COVID Indicator Variable  
**R<sup>2</sup> = .9877**

Equation 5: Utilities (STUTI)  
 STUTI = -250.70 + 0.01\*SD Nonfarm Income + 3.85\*Consumer Spending on Electricity and Natural Gas + 53.16\*Consumer Price Index for Energy – 297.69\*Indicator Variable  
**R<sup>2</sup> = .9676**

Total Taxable Sales Equation:  
 Total Taxable Sales = STCDS + STBUSCNDOTH + STCON + STREC + STUTI  
**R<sup>2</sup> = 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 R<sup>2</sup>. This is one way to identify how well an equation fits the data. An R<sup>2</sup> value close to one tells you that the equation has a good overall fit.

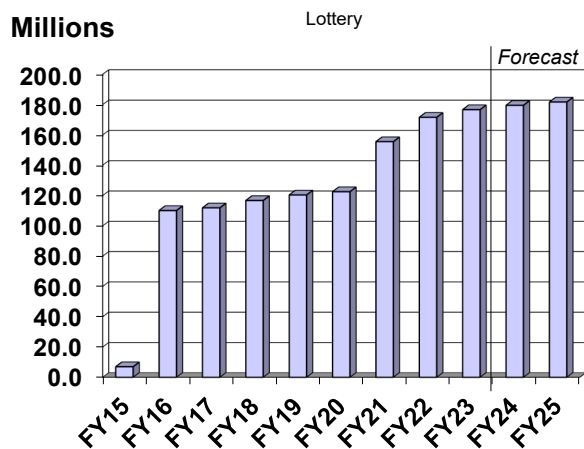
	<b>Actual FY2022</b>	<b>Actual FY2023</b>	<b>Estimate FY2024*</b>	<b>Estimate FY2025</b>
Ongoing SUT	1,356,844,793	1,480,572,850	1,443,586,251	1,503,620,386
Dollar Change	147,502,451	123,728,057	(36,986,599)	60,034,135
<i>Percent Change</i>	12.20	9.12	(2.50)	4.16
One-time SUT	28,305,843	0	12,319,527	0
<b>Total SUT</b>	<b>1,385,150,636</b>	<b>1,480,572,850</b>	<b>1,455,905,778</b>	<b>1,503,620,386</b>
Dollar Change	162,322,005	95,422,214	(24,667,072)	47,714,608
<i>Percent Change</i>	13.27	6.89	(1.67)	3.28

\* FY2024 forecast includes a reduction of \$101,808,114 due to the state rate change from 4.5% to 4.2%. The ongoing sales tax estimate before the reduction is \$1,545,394,365 or 4.4% growth from FY2023.

# 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 on-line 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. On-line games include Powerball, Mega Millions, and Dakota Cash.
- Receipts included in this category account for approximately 7.5% of ongoing general fund revenues in FY2025.



**Currently:** Through the first seven months of FY2024, the state’s share of video lottery receipts is up 0.2% compared to the same time a year ago. Through January 2024, total lottery revenues are up 1.3% compared to a year ago.

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

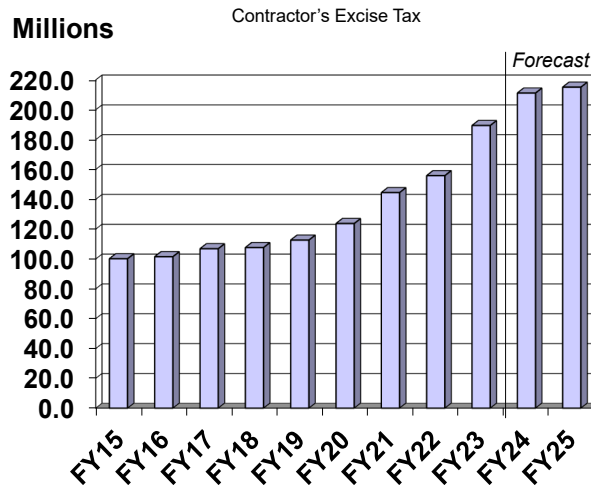
	Actual FY2022	Actual FY2023	Estimate FY2024	Estimate FY2025
Instant/Online Lottery	10,648,016	14,095,499	17,496,615	18,042,968
Video Lottery	160,961,666	162,568,269	162,026,742	163,647,010
<b>Total Receipts</b>	<b>171,609,682</b>	<b>176,663,767</b>	<b>179,523,357</b>	<b>181,689,978</b>
Dollar Change	16,082,633	5,054,085	2,859,590	2,166,621
Percent Change	10.34	2.95	1.62	1.21

## 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 FY2015 and FY2023 was 8.8%.
- Contractor's excise tax collections in FY2023 increased 21.6%.
- Net collections from the contractor's excise tax account for approximately 8.9% of ongoing general fund receipts in FY2025.



**Currently:** In the first seven months of FY2024, net contractor's excise tax collections were \$146.0 million. This is an increase of 13.7% 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.)

$$\text{Contractor's Excise Tax Collections} = -22.09 + 12.77 * \text{Seasonal Indicator Variable} + 0.01 * \text{SD Nonfarm Income} - 3.41 * \text{SD Unemployment Rate} + 0.21 * \text{SD Consumer Price Index} + 0.89 * \text{SD Housing Starts} + 22.27 * (\text{Stimulus Indicator Variable} * \text{Seasonal Indicator Variable})$$

$R^2 = .9744$

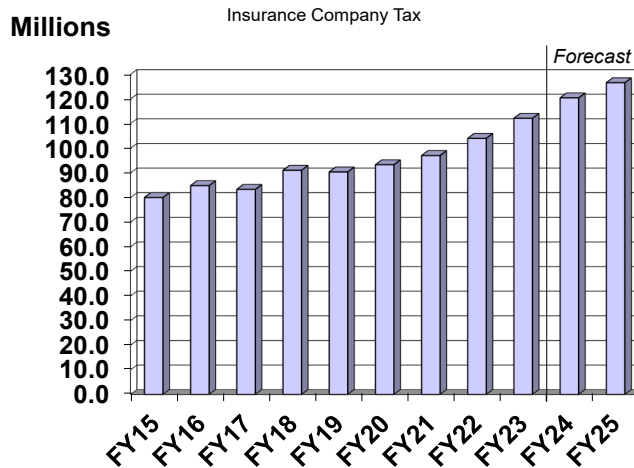
	Actual FY2022	Actual FY2023	Estimate FY2024	Estimate FY2025
Total Net Receipts	155,823,772	189,407,586	211,173,283	215,129,138
Dollar Change	11,375,506	33,583,813	21,765,697	3,955,855
Percent Change	7.88	21.55	11.49	1.87



# 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 FY2015 and FY2023 was 4.6%.
- Insurance company tax collections grew 7.8% in FY2023.
- Collections from this tax account for approximately 5.2% of ongoing general fund revenues in FY2025.



**Currently:** Through the first seven months of FY2024, \$74.0 million has been collected from this tax. This is an increase of 10.3% from the first seven months of last year.

**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.)

$$\text{Insurance Company Tax Collections} = 9.56 - 4.66 * \text{Seasonal Indicator Variable} + 0.01 * \text{SD Nonfarm Income} + 0.05 * \text{Consumer Spending on Insurance} - 0.60 * \text{Yield on Two-Year Treasury Note} + 2.42 * \text{Affordable Care Act Indicator Variable}$$

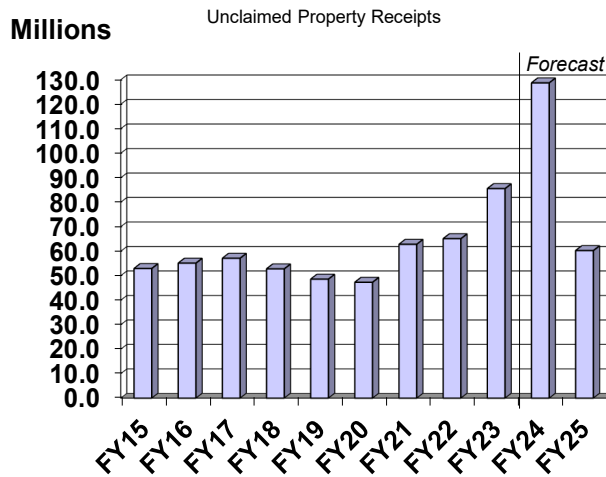
**R<sup>2</sup> = .9763**

	Actual FY2022	Actual FY2023	Estimate FY2024	Estimate FY2025
Receipts	103,995,420	112,141,293	120,445,684	126,589,820
Dollar Change	6,984,981	8,145,874	8,304,391	6,144,136
Percent Change	7.20	7.83	7.41	5.10

# UNCLAIMED PROPERTY RECEIPTS

**Background:** Receipts to the general fund from unclaimed property are the result of all funds in excess of \$50,000 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 unclaimed property receipts account for approximately 2.5% of ongoing general fund revenues in FY2025.
- The chart below shows the ongoing portion of unclaimed property receipts.



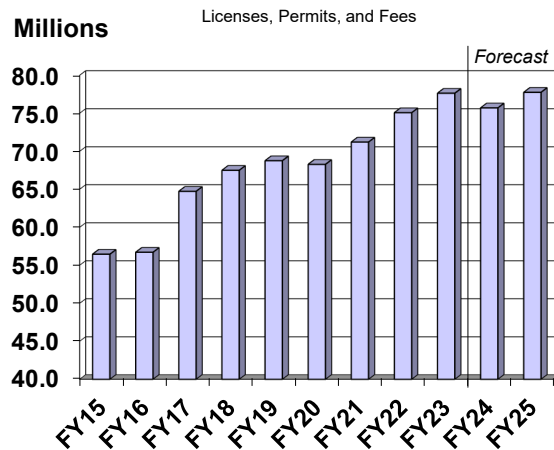
**Estimate:** The projections for unclaimed property receipts are based on historical collections and current conditions.

	Actual FY2022	Actual FY2023	Estimate FY2024	Estimate FY2025
Ongoing UCP	65,097,628	74,981,213	128,714,410	60,245,344
Dollar Change	2,287,698	9,883,585	53,733,197	(68,469,066)
Percent Change	3.64	15.18	71.66	(53.19)
One-time UCP	0	10,554,826	0	0
<b>Total UCP</b>	<b>65,097,628</b>	<b>85,536,039</b>	<b>128,714,410</b>	<b>60,245,344</b>
Dollar Change	2,287,698	20,438,411	43,178,371	(68,469,066)
Percent Change	3.64	31.40	50.48	(53.19)

## 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 3.2% of ongoing general fund revenues in FY2025.



**Currently:** Through the first seven months of FY2024, \$25.3 million has been collected in this category. This is a reduction of 4.5% from the first seven months of last year.

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

	Actual FY2022	Actual FY2023	Estimate FY2024	Estimate FY2025
Receipts	75,077,171	77,636,494	75,709,930	77,753,633
Dollar Change	3,864,275	2,559,323	(1,926,564)	2,043,703
Percent Change	5.43	3.41	(2.48)	2.70

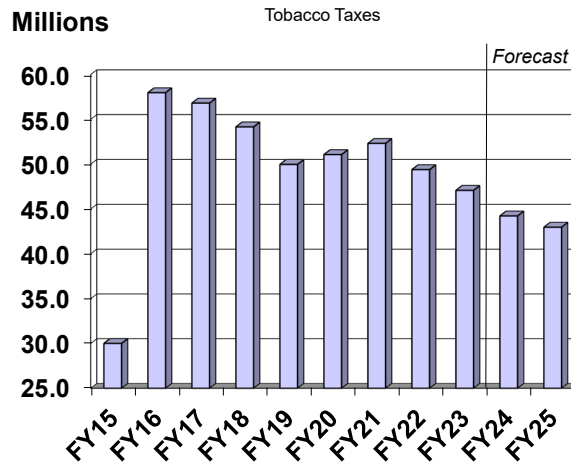
## TOBACCO TAXES

**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.

- Approximately 75% 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 FY2025.
- The total estimates and breakdown of where the dollars go are included in the following table.

	Actual FY2022	Actual FY2023	Estimate FY2024	Estimate FY2025
General Fund	30,000,000	30,000,000	30,000,000	30,000,000
TPRTF	5,000,000	5,000,000	5,000,000	5,000,000
Remainder to GF	19,385,379	17,074,649	14,221,514	12,963,626
<b>Total</b>	<b>54,385,379</b>	<b>52,074,649</b>	<b>49,221,514</b>	<b>47,963,626</b>

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



**Currently:** Through the first seven months of FY2024, the total collections from the tobacco taxes totaled \$28.6 million, which is down 4.7% 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 \$42,963,626 in FY2025.

	Actual FY2022	Actual FY2023	Estimate FY2024	Estimate FY2025
Total Receipts	49,385,379	47,074,649	44,221,514	42,963,626
Dollar Change	(2,928,814)	(2,310,730)	(2,853,135)	(1,257,888)
Percent Change	(5.60)	(4.68)	(6.06)	(2.84)

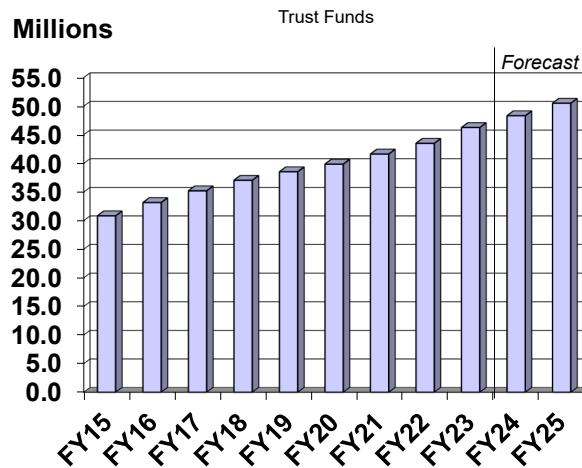
## TRUST FUNDS

**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 FY2022 and FY2023, and the estimated amounts for FY2024 and FY2025.

	<b>Actual FY2022</b>	<b>Actual FY2023</b>	<b>Estimate FY2024</b>	<b>Estimate FY2025</b>
HCTF	5,839,236	6,612,325	7,276,454	7,914,000
EETF	23,673,657	25,277,997	26,389,450	27,353,000
DCTF	13,982,377	14,369,136	14,654,000	15,240,160
<b>Total</b>	<b>43,495,271</b>	<b>46,259,258</b>	<b>48,319,904</b>	<b>50,507,160</b>

- Receipts from the trust funds account for approximately 2.1% of ongoing general fund revenues in FY2025.



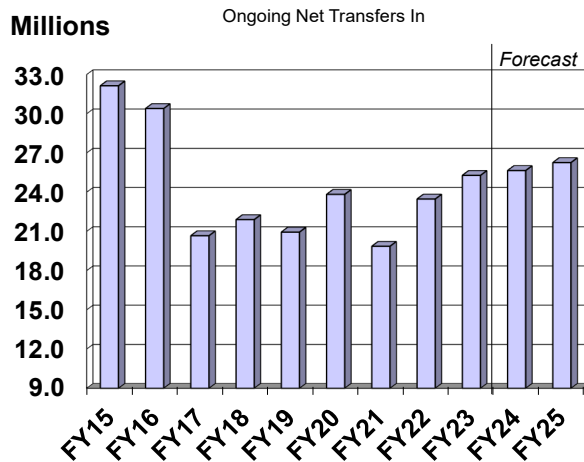
**Estimate:** The estimate for FY2025 includes the constitutionally required transfer from the Dakota Cement Trust and the amounts to be transferred from the Health Care Trust Fund and Education Enhancement Trust Fund pursuant to SDCL 4-5-29.1 and SDCL 4-5-29.2.

	<b>Actual FY2022</b>	<b>Actual FY2023</b>	<b>Estimate FY2024</b>	<b>Estimate FY2025</b>
Total Receipts	43,495,271	46,259,458	48,319,904	50,507,160
Dollar Change	1,867,232	2,764,187	2,060,446	2,187,256
Percent Change	4.49	6.36	4.45	4.53

## 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 FY2025.



**Currently:** Through the first seven months of FY2024, \$16.0 million has been collected in this category. This is an increase of 19.4% from the first seven months of last year.

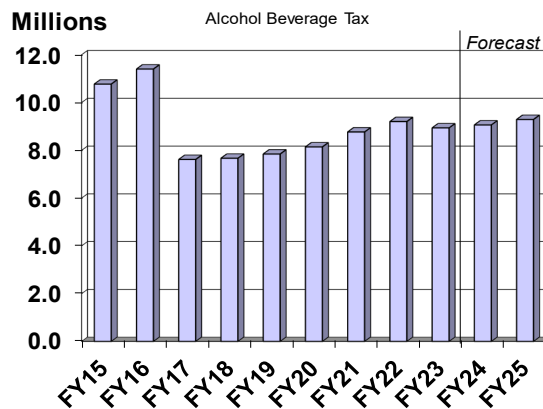
**Estimate:** The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2022	Actual FY2023	Estimate FY2024	Estimate FY2025
Ongoing NTI	25,279,507	25,652,534	26,260,498	25,673,827
Dollar Change	1,808,013	373,027	607,964	(586,671)
Percent Change	7.70	1.48	2.37	(2.23)
One-time NTI	3,061,037	0	0	0
<b>Total NTI</b>	<b>28,340,544</b>	<b>25,652,534</b>	<b>26,260,498</b>	<b>25,673,827</b>
Dollar Change	(1,876,604)	(2,688,010)	607,964	(586,671)
Percent Change	(6.21)	(9.48)	2.37	(2.23)

## 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 FY2025.



**Currently:** Through the first seven months of FY2024, \$4.9 million has been collected from this tax. This is an increase of 1.8% from the first seven months of last year.

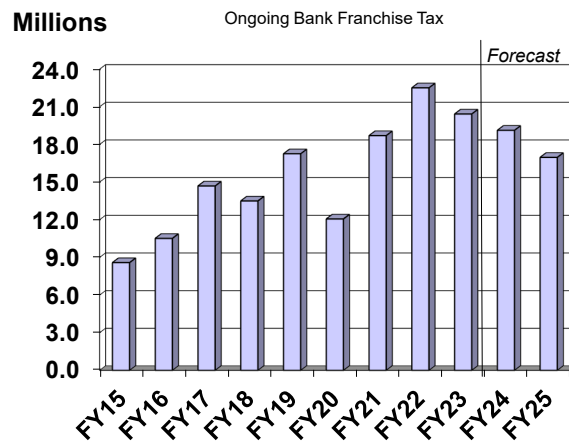
**Estimate:** The estimates are based on historical collections and current conditions.

	Actual FY2022	Actual FY2023	Estimate FY2024	Estimate FY2025
Total Receipts	9,203,968	8,939,732	9,061,584	9,292,085
Dollar Change	436,241	(264,235)	121,852	230,501
Percent Change	4.98	(2.87)	1.36	2.54

## 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 0.7% of ongoing general fund revenues in FY2025.



**Currently:** Through the first seven months of FY2024, \$5.2 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.

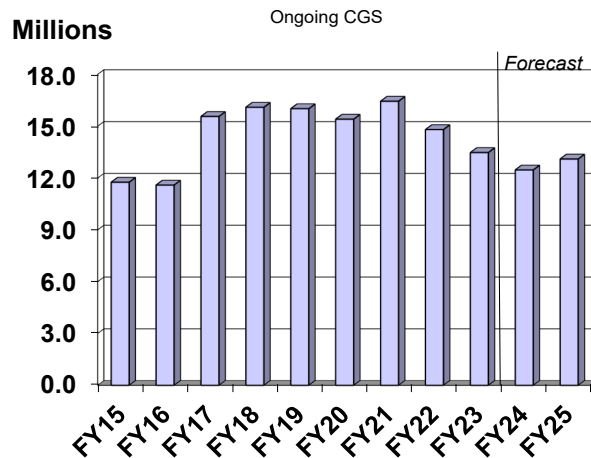
	Actual FY2022	Actual FY2023	Estimate FY2024	Estimate FY2025
Ongoing BFT	22,511,850	20,425,082	19,125,665	16,967,424
Dollar Change	3,809,828	(2,086,768)	(1,299,417)	(2,158,241)
Percent Change	20.37	(9.27)	(6.36)	(11.28)
One-Time BFT	1,568,296	699,173	727,097	0
<b>Total BFT</b>	<b>24,080,146</b>	<b>21,124,255</b>	<b>19,852,762</b>	<b>16,967,424</b>
Dollar Change	(4,635,666)	(2,955,891)	(1,271,493)	(2,885,338)
Percent Change	(16.14)	(12.28)	(6.02)	(14.53)



## 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 constant 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 FY2025.



**Currently:** Through the first seven months of FY2024, \$7.7 million has been collected in this category. This is an increase of 4.9% from the first seven months of last year.

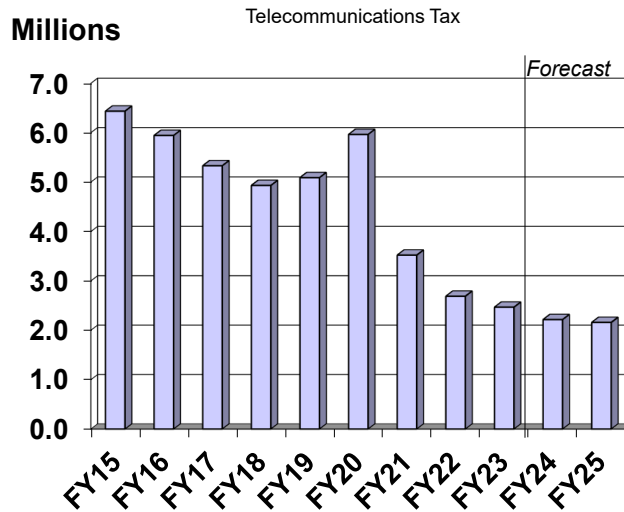
**Estimate:** The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2022	Actual FY2023	Estimate FY2024	Estimate FY2025
Ongoing CGS	14,804,251	13,473,405	12,466,396	13,099,393
Dollar Change	(1,640,178)	(1,330,846)	(1,007,009)	632,997
Percent Change	(9.97)	(8.99)	(7.47)	5.08

# 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.

- Beginning in FY2016, the receipts from this tax are included in this separate classification due to the repeal of the PTRF.
- Collections from this tax account for less than 0.1% of ongoing general fund revenues in FY2025.



**Currently:** Through the first seven months of FY2024, \$1.0 million has been collected from this source. This is a decrease of 15.2% from the first seven months of last year.

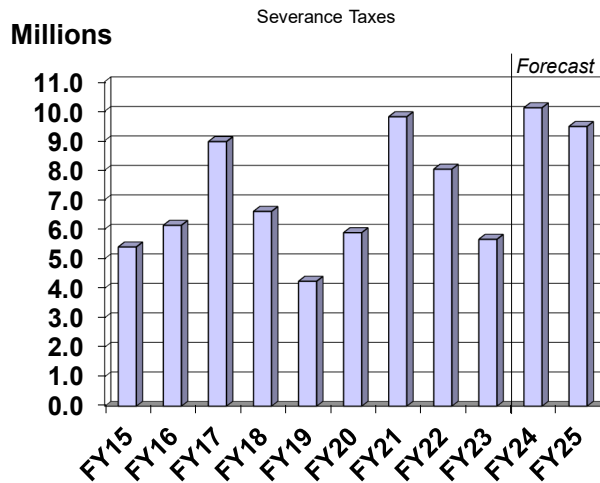
**Estimate:** Collections from the telecommunications tax is based on historical collections and current conditions.

	Actual FY2022	Actual FY2023	Estimate FY2024	Estimate FY2025
Total Receipts	2,688,458	2,466,873	2,215,973	2,157,855
Dollar Change	(832,120)	(221,585)	(250,900)	(58,118)
Percent Change	(23.64)	(8.24)	(10.17)	(2.62)

## 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 0.4% of ongoing general fund revenues in FY2025.



**Currently:** Through the first seven months of FY2024, \$8.8 million has been collected in this category. This is an increase of 92.0% from the first seven months of last year.

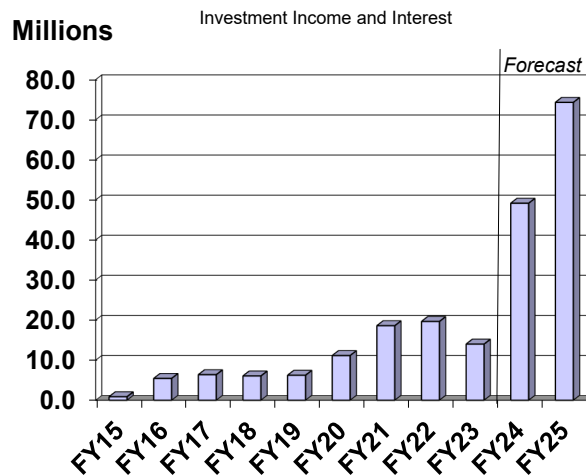
**Estimate:** Collections from taxes on precious metals and energy minerals are estimated separately. The estimates of collections from the severance taxes on gold and precious metals are based on history as well as gold prices. The estimates of collections from the tax on energy minerals are based on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

	Actual FY2022	Actual FY2023	Estimate FY2024	Estimate FY2025
Total Receipts	8,033,942	5,657,605	10,115,359	9,482,838
Dollar Change	(1,776,659)	(2,376,337)	4,457,754	(632,521)
Percent Change	(18.11)	(29.58)	78.79	(6.25)

## 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).

- The amounts collected in FY2015 and FY2016 are based on discontinuing the accelerated 90% interest earnings for the current year's proration starting in FY2015. Thus, only 10% of the previous year's proration (FY2014) is reflected in FY2015 receipts and 100% of the earnings from the previous year are reflected in FY2016 receipts.
- 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 3.1% of ongoing general fund revenues in FY2025.



**Currently:** Through the first seven months of FY2024, \$49.0 million has been collected in this category. This is an increase of 256.0% from the first seven months of last year.

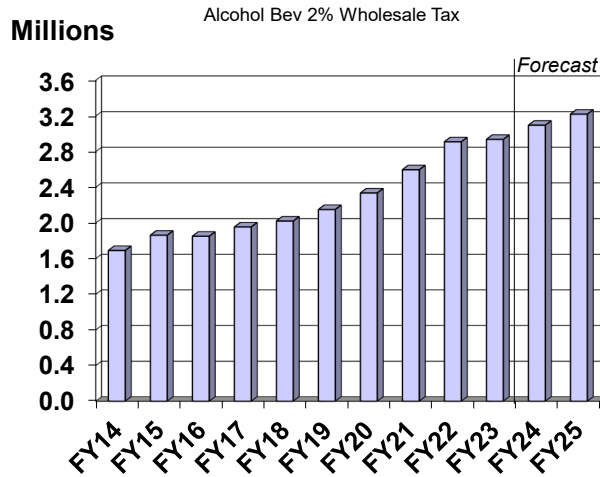
**Estimate:** The estimate is based on information provided by the South Dakota Investment Council and historical collections. Stimulus funding has been held in the cash flow fund. Increased cash balances and increased return rates are the reasons for increased interest income in FY2024 and FY2025. The earnings of the cash flow fund for FY2023 are distributed in FY2024. The earnings of the cash flow fund for FY2024 are distributed in FY2025.

	Actual FY2022	Actual FY2023	Estimate FY2024	Estimate FY2025
Total Receipts	19,648,565	14,000,549	49,154,738	74,319,000
Dollar Change	1,056,268	(5,648,016)	35,154,189	25,164,262
Percent Change	5.68	(28.75)	251.09	51.19

## 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 FY2025.



**Currently:** Through the first seven months of FY2024, \$1.9 million has been collected from this tax. This is an increase of 5.4% from the first seven months of last year.

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

	Actual FY2022	Actual FY2023	Estimate FY2024	Estimate FY2025
Total Receipts	2,909,711	2,936,973	3,095,984	3,219,823
Dollar Change	313,554	27,262	159,011	123,839
Percent Change	12.08	0.94	5.41	4.00

## GOVERNOR'S RECOMMENDED FY2024 VS. FEBRUARY REVISED FY2024

	<u>GOV. REC.</u> <u>FY2024</u>	<u>FEB. REVISED</u> <u>FY2024</u>	<u>DOLLAR</u> <u>CHANGE</u>	<u>PERCENT</u> <u>CHANGE</u>
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 1,435,189,097	\$ 1,443,586,251	\$ 8,397,154	0.59
Lottery	177,813,515	179,523,357	1,709,842	0.96
Contractor's Excise Tax	207,999,417	211,173,283	3,173,866	1.53
Insurance Company Tax	120,382,354	120,445,684	63,330	0.05
Unclaimed Property Receipts	106,876,913	128,714,410	21,837,497	20.43
Licenses, Permits, and Fees	75,715,166	75,709,930	(5,236)	(0.01)
Tobacco Taxes	44,315,875	44,221,514	(94,361)	(0.21)
Trust Funds	48,360,904	48,319,904	(41,000)	(0.08)
Net Transfers In	25,194,167	26,260,498	1,066,331	4.23
Alcohol Beverage Tax	9,183,170	9,061,584	(121,586)	(1.32)
Bank Franchise Tax	18,941,200	19,125,665	184,465	0.97
Charges for Goods and Services	12,298,640	12,466,396	167,756	1.36
Telecommunications Tax	2,319,050	2,215,973	(103,077)	(4.44)
Severance Taxes	8,361,759	10,115,359	1,753,600	20.97
Investment Income and Interest	49,154,738	49,154,738	0	0.00
Alcohol Bev 2% Wholesale Tax	3,040,095	3,095,984	55,889	1.84
<b>TOTAL (ONGOING RECEIPTS)</b>	<u>\$ 2,345,146,060</u>	<u>\$ 2,383,190,530</u>	<u>\$ 38,044,470</u>	<u>1.62</u>
<b>ONE-TIME RECEIPTS</b>				
Bank Franchise Tax Prior Year Revenue	\$ 1,751,228	\$ 727,097	\$ (1,024,131)	(58.48)
One-Time Sales and Use Tax	9,726,426	12,319,527	2,593,101	26.66
Unexpended Carryovers and Specials	6,400,000	0	(6,400,000)	(100.00)
Obligated Cash Carried Forward	96,775,123	96,775,123	0	0.00
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<u>\$ 114,652,777</u>	<u>\$ 109,821,747</u>	<u>\$ (4,831,030)</u>	<u>(4.21)</u>
<b>GRAND TOTAL</b>	<u><u>\$ 2,459,798,837</u></u>	<u><u>\$ 2,493,012,277</u></u>	<u><u>\$ 33,213,440</u></u>	<u><u>1.35</u></u>

## GOVERNOR'S RECOMMENDED FY2025 VS. FEBRUARY REVISED FY2025

	GOV. REC. FY2025	FEB. REVISED FY2025	DOLLAR CHANGE	PERCENT CHANGE
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 1,494,649,338	\$ 1,503,620,386	\$ 8,971,048	0.60
Lottery	179,963,037	181,689,978	1,726,941	0.96
Contractor's Excise Tax	212,036,057	215,129,138	3,093,081	1.46
Insurance Company Tax	126,522,130	126,589,820	67,690	0.05
Unclaimed Property Receipts	60,103,683	60,245,344	141,661	0.24
Licenses, Permits, and Fees	77,756,620	77,753,633	(2,987)	(0.00)
Tobacco Taxes	43,205,556	42,963,626	(241,930)	(0.56)
Trust Funds	50,650,800	50,507,160	(143,640)	(0.28)
Net Transfers In	25,073,004	25,673,827	600,823	2.40
Alcohol Beverage Tax	9,396,965	9,292,085	(104,880)	(1.12)
Bank Franchise Tax	17,299,461	16,967,424	(332,037)	(1.92)
Charges for Goods and Services	12,876,310	13,099,393	223,083	1.73
Telecommunications Tax	2,276,173	2,157,855	(118,318)	(5.20)
Severance Taxes	9,326,838	9,482,838	156,000	1.67
Investment Income and Interest	74,929,000	74,319,000	(610,000)	(0.81)
Alcohol Bev 2% Wholesale Tax	3,138,450	3,219,823	81,373	2.59
<b>TOTAL (ONGOING RECEIPTS)</b>	<u>\$ 2,399,203,422</u>	<u>\$ 2,412,711,330</u>	<u>\$ 13,507,908</u>	<u>0.56</u>

## ADOPTED FY2024 VS. FEBRUARY REVISED FY2024

	<u>LEG ADOPTED FY2024</u>	<u>FEB. REVISED FY2024</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 1,457,750,000	\$ 1,443,586,251	\$ (14,163,749)	(0.97)
Lottery	185,788,211	179,523,357	(6,264,854)	(3.37)
Contractor's Excise Tax	195,000,000	211,173,283	16,173,283	8.29
Insurance Company Tax	114,432,223	120,445,684	6,013,461	5.26
Unclaimed Property Receipts	57,185,445	128,714,410	71,528,965	125.08
Licenses, Permits, and Fees	76,869,354	75,709,930	(1,159,424)	(1.51)
Tobacco Taxes	46,560,484	44,221,514	(2,338,970)	(5.02)
Trust Funds	48,538,231	48,319,904	(218,327)	(0.45)
Net Transfers In	23,891,068	26,260,498	2,369,430	9.92
Alcohol Beverage Tax	9,272,874	9,061,584	(211,290)	(2.28)
Bank Franchise Tax	19,927,443	19,125,665	(801,778)	(4.02)
Charges for Goods and Services	15,273,363	12,466,396	(2,806,967)	(18.38)
Telecommunications Tax	2,047,035	2,215,973	168,938	8.25
Severance Taxes	8,170,526	10,115,359	1,944,833	23.80
Investment Income and Interest	20,334,000	49,154,738	28,820,738	141.74
Alcohol Bev 2% Wholesale Tax	3,202,359	3,095,984	(106,375)	(3.32)
<b>TOTAL (ONGOING RECEIPTS)</b>	<u>\$ 2,284,242,616</u>	<u>\$ 2,383,190,530</u>	<u>\$ 98,947,914</u>	<u>4.33</u>
<b>ONE-TIME RECEIPTS</b>				
Bank Franchise Tax Prior Year Revenue	\$ 0	\$ 727,097	\$ 727,097	N/A
One-Time Sales and Use Tax	0	12,319,527	12,319,527	N/A
Unexpended Carryovers and Specials	0	0	0	N/A
Obligated Cash Carried Forward	0	96,775,123	96,775,123	N/A
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<u>\$ 0</u>	<u>\$ 109,821,747</u>	<u>\$ 109,821,747</u>	<u>N/A</u>
<b>GRAND TOTAL</b>	<u><u>\$ 2,284,242,616</u></u>	<u><u>\$ 2,493,012,277</u></u>	<u><u>\$ 208,769,661</u></u>	<u><u>9.14</u></u>



## ACTUAL FY2023 VS. FEBRUARY REVISED FY2024

	<u>ACTUAL FY2023</u>	<u>FEB. REVISED FY2024</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 1,480,572,850	\$ 1,443,586,251	\$ (36,986,599)	(2.50)
Lottery	176,663,767	179,523,357	2,859,590	1.62
Contractor's Excise Tax	189,407,586	211,173,283	21,765,697	11.49
Insurance Company Tax	112,141,293	120,445,684	8,304,391	7.41
Unclaimed Property Receipts	74,981,213	128,714,410	53,733,197	71.66
Licenses, Permits, and Fees	77,636,494	75,709,930	(1,926,564)	(2.48)
Tobacco Taxes	47,074,649	44,221,514	(2,853,135)	(6.06)
Trust Funds	46,259,458	48,319,904	2,060,446	4.45
Net Transfers In	25,652,534	26,260,498	607,964	2.37
Alcohol Beverage Tax	8,939,732	9,061,584	121,852	1.36
Bank Franchise Tax	20,425,082	19,125,665	(1,299,417)	(6.36)
Charges for Goods and Services	13,473,405	12,466,396	(1,007,009)	(7.47)
Telecommunications Tax	2,466,873	2,215,973	(250,900)	(10.17)
Severance Taxes	5,657,605	10,115,359	4,457,754	78.79
Investment Income and Interest	14,000,549	49,154,738	35,154,189	251.09
Alcohol Bev 2% Wholesale Tax	2,936,973	3,095,984	159,011	5.41
<b>TOTAL (ONGOING RECEIPTS)</b>	<u>\$ 2,298,290,062</u>	<u>\$ 2,383,190,530</u>	<u>\$ 84,900,468</u>	<u>3.69</u>
<b>ONE-TIME RECEIPTS</b>				
Bank Franchise Tax Prior Year Revenue	\$ 699,173	\$ 727,097	\$ 27,924	3.99
One-Time Sales and Use Tax	0	12,319,527	12,319,527	N/A
Unexpended Carryovers and Specials	17,709,410	0	(17,709,410)	(100.00)
One-Time Unclaimed Property Receipts	10,554,826	0	(10,554,826)	(100.00)
Obligated Cash Carried Forward	115,478,433	96,775,123	(18,703,310)	(16.20)
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<u>\$ 144,441,842</u>	<u>\$ 109,821,747</u>	<u>\$ (34,620,095)</u>	<u>(23.97)</u>
<b>GRAND TOTAL</b>	<u><u>\$ 2,442,731,904</u></u>	<u><u>\$ 2,493,012,277</u></u>	<u><u>\$ 50,280,373</u></u>	<u><u>2.06</u></u>

## FEBRUARY REVISED FY2024 VS. FEBRUARY REVISED FY2025

	<u>FEB. REVISED FY2024</u>	<u>FEB. REVISED FY2025</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 1,443,586,251	\$1,503,620,386	\$ 60,034,135	4.16
Lottery	179,523,357	181,689,978	2,166,621	1.21
Contractor's Excise Tax	211,173,283	215,129,138	3,955,855	1.87
Insurance Company Tax	120,445,684	126,589,820	6,144,136	5.10
Unclaimed Property Receipts	128,714,410	60,245,344	(68,469,066)	(53.19)
Licenses, Permits, and Fees	75,709,930	77,753,633	2,043,703	2.70
Tobacco Taxes	44,221,514	42,963,626	(1,257,888)	(2.84)
Trust Funds	48,319,904	50,507,160	2,187,256	4.53
Net Transfers In	26,260,498	25,673,827	(586,671)	(2.23)
Alcohol Beverage Tax	9,061,584	9,292,085	230,501	2.54
Bank Franchise Tax	19,125,665	16,967,424	(2,158,241)	(11.28)
Charges for Goods and Services	12,466,396	13,099,393	632,997	5.08
Telecommunications Tax	2,215,973	2,157,855	(58,118)	(2.62)
Severance Taxes	10,115,359	9,482,838	(632,521)	(6.25)
Investment Income and Interest	49,154,738	74,319,000	25,164,262	51.19
Alcohol Bev 2% Wholesale Tax	3,095,984	3,219,823	123,839	4.00
<b>TOTAL (ONGOING RECEIPTS)</b>	<u>\$ 2,383,190,530</u>	<u>\$2,412,711,330</u>	<u>\$ 29,520,800</u>	<u>1.24</u>
<b>ONE-TIME RECEIPTS</b>				
Bank Franchise Tax Prior Year Revenue	\$ 727,097	\$ 0	\$ (727,097)	(100.00)
One-Time Sales and Use Tax	12,319,527	0	(12,319,527)	(100.00)
Unexpended Carryovers and Specials	0	0	0	N/A
Obligated Cash Carried Forward	96,775,123	0	(96,775,123)	N/A
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<u>\$ 109,821,747</u>	<u>\$ 0</u>	<u>\$ (109,821,747)</u>	<u>(100.00)</u>
<b>GRAND TOTAL</b>	<u><u>\$ 2,493,012,277</u></u>	<u><u>\$2,412,711,330</u></u>	<u><u>(80,300,947)</u></u>	<u><u>(3.22)</u></u>