

## GENERAL FUND RECEIPTS

	ACTUAL FY2010	ACTUAL FY2011	REVISED FY2012	PROJECTED FY2013
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 652,115,527	\$ 710,196,255	\$ 729,226,022	\$ 756,856,366
Contractor's Excise Tax	61,137,330	65,697,771	76,903,027	71,760,414
Alcohol Beverage Tax	9,822,974	9,916,603	10,199,407	10,424,164
Alcohol Beverage 2% Wholesale Tax	1,354,595	1,431,373	1,507,918	1,583,316
Cigarette Tax	30,000,000	30,000,000	30,000,000	30,000,000
Bank Franchise Tax	21,669,223	4,734,918	26,683,829	25,389,040
Insurance Company Tax	61,734,032	63,609,227	65,891,970	67,816,650
Licenses, Permits, and Fees	42,700,249	46,102,423	46,840,671	47,595,097
Investment Income and Interest	20,586,431	14,096,898	10,263,684	9,098,239
Charges for Goods and Services	16,856,600	23,049,390	23,352,213	22,377,359
Net Transfers In	35,507,852	31,191,097	31,217,480	30,371,404
Trust Funds	12,000,000	30,689,216	30,345,686	29,832,292
Severance Taxes	6,158,958	7,956,574	6,526,686	6,994,265
Lottery	5,979,831	6,212,123	7,005,000	7,090,000
Property Tax Reduction Fund	123,174,513	110,380,262	101,069,637	102,953,026
Sale-Leaseback	8,457,825	7,782,263	7,111,219	6,465,087
CRP Program	104,006	0	0	0
<b>SUBTOTAL (ONGOING RECEIPTS)</b>	<b>\$1,109,359,945</b>	<b>\$1,163,046,393</b>	<b>\$1,204,144,449</b>	<b>\$1,226,606,719</b>
<b>ONE-TIME RECEIPTS</b>				
Transfer from Tobacco Prev. and Red. Trust Fund	\$ 0	\$ 1,500,000	\$ 1,000,000	\$ 1,000,000
One-time Bank Franchise tax	0	0	10,000,000	0
CREP Savings	0	0	400,000	0
Securities Settlement	0	0	418,500	0
Transfer from Custer State Park Improvement Fund	2,433,637	4,466,930	0	0
Transfer from Tax Relief Fund	3,533,582	1,017,979	0	0
Transfer from Budgetary Accounting Fund	2,020,021	310,487	0	0
Transfer from Private Activity Bond Fee Fund	0	698,331	0	0
Transfer from Petroleum Release Fund	0	1,000,000	0	0
Department of Corrections L&E Funds	0	650,000	0	0
Transfer from Other Disease Fund	0	292,861	0	0
Transfer from Aeronautics Fund	2,033,581	0	0	0
Refund of Prior Year's Expense	2,200,307	0	0	0
Transfer from Large Project Liability Account	9,617,142	0	0	0
One-Time Refund	0	(26,101,108)	0	0
Unexpended Carryovers and Specials	435,801	1,420,466	0	0
Transfer from Budget Reserve Fund	0	0	20,155,015	0
Obligated Cash Carried Forward	0	0	0	37,806,110
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<b>\$ 22,274,072</b>	<b>\$ (14,744,054)</b>	<b>\$ 31,973,515</b>	<b>\$ 38,806,110</b>
<b>GRAND TOTAL</b>	<b>\$1,131,634,016</b>	<b>\$1,148,302,339</b>	<b>\$1,236,117,964</b>	<b>\$1,265,412,829</b>

**NOTE:** The totals may not add due to rounding.

### EXPLANATION OF ONGOING GENERAL FUND RECEIPTS

**Sales and Use Tax (SDCL 10-45 and 10-46):** A tax of 4% is imposed upon the gross receipts from selling, leasing, and renting tangible personal property and the sale of services. Starting January 1, 2006, all items subject to the state sales tax are taxed at 4% to conform to the Streamlined Sales Tax Project. A use tax of the same rate as the sales tax is imposed on goods and services that are used, stored, or consumed in South Dakota on which South Dakota sales tax was not paid. SB 262, passed by the 1994 Legislature, created the Sales and Use Tax Fund into which a portion of the sales tax is deposited to cover the Department of Revenue's cost of administering the tax. SB 63, passed by the 2003 Legislature, broadened the sales tax to include interstate telecommunication services. HB 1081, passed by the 2006 Legislature, exempts maintenance items

used on agricultural machinery and equipment from the sales and use tax. HB 1154, passed by the 2006 Legislature, imposed an excise tax of 4% on the gross receipts from the sale of farm machinery, farm attachment units, and irrigation equipment. Municipal tax no longer applies to these sales.

**Contractor's Excise Tax (SDCL 10-46A and 10-46B):** 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 subcontractors 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.

**Alcohol Beverage Tax (SDCL 35-5):** This tax is computed and levied 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. The state receives 75% of the total tax collected, and 25% of the collections are returned to the municipalities.

**Alcohol Beverage 2% Wholesale Tax (SDCL 35-5-6.1):** This tax is in addition to the tax imposed by SDCL 35-5-3, and 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.

**Cigarette Tax (SDCL 10-50):** HB 1297, passed by the 1995 Legislature, increased the cigarette tax from 23¢ to 33¢ per pack and imposed a tax upon all tobacco products at the rate of 10% of the wholesale purchase price, beginning in FY1996. HB 1147, passed by the 2003 Legislature, increased the cigarette tax from 33¢ per pack to 53¢ per pack. This tax rate became effective in March 2003. In November 2006, the voters of South Dakota adopted Initiated Measure 2 which increased the cigarette tax on a 20 pack of cigarettes by \$1.00 and the tax on a 25 pack of cigarettes by \$1.25. In addition, the tax on other tobacco products increased from 10% of the wholesale purchase price to 35% of the wholesale purchase price. The tax increase became effective January 1, 2007. The first \$30 million generated from this tax is deposited into the General Fund. The next \$5 million collected annually is deposited in the Tobacco Prevention and Reduction Trust Fund. Any tobacco tax revenue in excess of \$35 million is divided among the Property Tax Reduction Fund (33% share), the Education Enhancement Tobacco Tax Fund (33% share), and the Health Care Tobacco Tax Fund (34% share).

**Bank Franchise Tax (SDCL 10-43):** 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. Ninety-five percent of the taxes paid by banks organized under SDCL 51A-2-38 to 51A-2-43 are deposited in the General Fund, and five percent of the taxes collected are returned to the county where the bank or financial institution is located. Twenty-six and two-thirds percent of all other revenues collected from the tax are deposited in the General Fund and seventy-three and one-third percent are remitted to the county where the bank or financial institution is located.

**Insurance Company Tax (SDCL 10-44):** 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 0.08% 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 0.08% 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.

**Licenses, Permits, and Fees:** This receipt classification includes revenues received from the sales of a broad variety of licenses, permits, and filing fees that are assessed to defray administrative costs. State agencies collecting these revenues include the Departments of Agriculture, Health, Labor and Regulation, Public Safety, Social Services, Revenue, the Unified Judicial System, and the Secretary of State.

**Investment Income and Interest:** Revenues included in this category are from interest and the investment earnings of the general fund and nonparticipating funds in the Cash Flow Fund.

**Charges for Goods and Services:** Receipts included in this category are from charges made by institutions under 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; funds received from unclaimed property; 35% of fines, penalties, and forfeitures collected on county, township, or municipal offenses; and other miscellaneous charges. Also, any receipts from the Inheritance and Estate Tax are included in the Charges for Goods and Services category.

**Net Transfers In:** 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; the transfer from the Health Care Tobacco Tax Fund; lease payments to retire revenue bonds from various state agencies; and other miscellaneous receipts. Beginning in FY2010, the transfer from the Education Enhancement Tobacco Tax Fund to the general fund is included in this category.

**Trust Funds (SDCL 4-5-29.1, SDCL 4-5-29.2, and Article 13, Sections 20 and 21 of the State Constitution):** Receipts included in this category are transfers from the Health Care Trust Fund, the Education Enhancement Trust Fund, and the Dakota Cement Trust Fund. Four percent of the market value is transferred from the Health Care Trust Fund and the Education Enhancement Trust Fund to the general fund as long as the principal of the trust funds is not invaded. The earnings from the Health Care Trust Fund are to be used for health care related programs, and the earnings from the Education Enhancement Trust Fund are to be used for education enhancement programs. Each fiscal year, a transfer of \$12 million is made from the Dakota Cement Trust Fund to the general fund. Other than this transfer, the original principal of the trust fund is to remain intact. However, the Legislature shall, by appropriation, make distributions from the difference between the \$12 million annual transfer and 5% of the market value of the trust fund for the support of education, but not for the replacement of state aid to general education or special education, if the increase in the market value of the trust fund is sufficient to maintain the original principal of the trust fund after such distributions.

**Severance Taxes (SDCL 10-39 and 10-39A):** A severance tax is imposed at the rate of \$4 per ounce of gold severed in South Dakota as well as an additional per ounce tax if the price of gold is in excess of \$800 per ounce. In addition, there is a tax of 10% of the net profits from the sale of precious metals severed. For persons severing precious metals that were in business in the state prior to January 1, 1981, 100% of the revenues collected are deposited in the General Fund. For persons permitted on or after January 1, 1981, for the purpose of severing precious metals, 80% of the revenues collected are deposited in the General Fund, and 20% are remitted to the county in which the precious metals were severed. Owners or operators of energy minerals must pay a tax equal to 4.5% of the taxable value of any energy minerals severed. One-half of the energy mineral severance taxes received are returned to the county where the energy minerals were severed and one-half are credited to the General Fund.

**Lottery (SDCL 42-7A):** Receipts under this classification include the general fund's share of revenues from the sale of instant and on-line lottery tickets. All of the net proceeds from the sale of instant lottery tickets are deposited in the General Fund. The first \$1.4 million of the net proceeds from the sale of on-line lottery tickets are deposited in the General Fund, and the remaining net proceeds are deposited in the Capital Construction Fund.

**Property Tax Reduction Fund:** The Property Tax Reduction Fund (PTRF) was created to fund property tax relief in South Dakota. SB 225, passed during the 1996 legislative session, provides that the Commissioner of the Bureau of Finance and Management may transfer monies available from the PTRF to the General Fund to provide property tax relief through state aid to education. Revenues deposited in the PTRF come from four sources: 1) 49.5% of video lottery net machine income; 2) 60% of the revenue from the 4% tax on the gross receipts of telecommunication services, which is imposed by HB 1104 passed by the 2003 Legislature; 3) 33% share of revenue generated from the tobacco tax in excess of \$35 million; and 4) unobligated cash remaining at the end of a fiscal year after the transfer into the Budget Reserve Fund, if the amount in the PTRF does not exceed 15% of the general fund appropriations in the General Appropriations Act for the previous fiscal year.

**Sale-Leaseback:** Receipts under this classification are derived from the annuity contract purchased with the proceeds from the sale of certificates of participation associated with the December 1986 sale-leaseback transaction.

**CRP Program:** Receipts under this classification are derived from federal Conservation Reserve Program payments that farmers signed over to the state in exchange for lump sum payments. FY2010 is the last year that payments were received under this program.

#### **EXPLANATION OF ONE-TIME GENERAL FUND RECEIPTS**

**Transfer from the Tobacco Prevention and Reduction Trust Fund (FY2011, FY2012, and FY2013):** SB 196, passed by the 2010 Legislature, transferred \$1.5 million from the Tobacco Prevention and Reduction Trust Fund to the General Fund to help balance the budget. HB 1251, passed by the 2011 Legislature, transferred \$1.0 million from the Tobacco Prevention and Reduction Trust fund to the General Fund to help balance the budget. In FY2013, the Governor is proposing to transfer \$1.0 million from the Tobacco Prevention and Reduction trust fund to the General Fund.

**One-time Bank Franchise Tax (FY2012):** This represents a one-time payment of bank franchise tax due to a reallocation of bank income over prior tax years which were deemed allowable by the IRS. The reallocation of income caused a one-time increase in South Dakota's bank franchise tax which is expected to net \$10.0 million in FY2012.

**CREP Savings (FY2012):** This represents a one-time transfer from the South Dakota Building Authority as the Conservation Reserve Enhancement Program (CREP) bonds have been paid in full and these funds are no longer needed for the CREP program as the program is scheduled to end in November of 2013.

**Securities Settlement (FY2012):** This represents South Dakota's allocation of a one-time national securities settlement.

**Transfer from Custer State Park Improvement Fund (FY2010, and FY2011):** This represents the repayment to the General Fund of the \$12 million appropriation from SB 218, passed by the 2007 Legislature. In FY2010, HB 1300, passed by the 2009 Legislature, transferred \$2.2 million plus interest to the General Fund. In FY2011, \$3.8 million plus interest was transferred to the General Fund which completes repayment of the \$12 million special appropriation.

**Transfer from Tax Relief Fund (FY2010 and FY2011):** HB 1215, passed by the 2009 Legislature, transferred \$1.5 million from the Tax Relief Fund to the General Fund in FY2010. SB 49 and SB 196, passed by the 2010 Legislature, transferred \$2.0 million and \$1.0 million from the Tax Relief Fund to the general fund in FY2010 and FY2011, respectively, to help balance the budget in both fiscal years.

**Transfer from Budgetary Accounting Fund (FY2010 and FY2011):** SB 49 and SB 196, passed by the 2010 Legislature, transferred \$2.0 million and \$0.3 million from the Budgetary Accounting Fund to the General Fund in FY2010 and FY2011, respectively, to help balance the budget in both fiscal years.

**Transfer from Private Activity Bond Fee Fund (FY2011):** SB 196, passed by the 2010 Legislature, transferred \$0.7 million from the Private Activities Bond Fee Fund to the General Fund to help balance the budget.

**Transfer from Petroleum Release Compensation Fund (FY2011):** SB 196, passed by the 2010 Legislature, transferred \$1.0 million from the PRCF to the General Fund to help balance the budget.

**Transfer from Department of Corrections Local and Endowment Funds (FY2011):** This represents a one-time transfer of \$0.7 million from the Department of Corrections Local and Endowment Funds to the General Fund to help balance the budget.

**Transfer from Other Disease Fund (FY2011):** This represents a one-time transfer of \$0.3 million from the Other Disease Fund to the General Fund to help balance the budget.

**Transfer from State Aeronautics Fund (FY2010):** SB 49, passed by the 2010 Legislature, transferred \$2.0 million from the State Aeronautics Fund to the General Fund to help balance the budget.

**Refund of Prior Year's Expense (FY2010):** This represents a \$2.2 million one-time receipt for a refund of the prior year's expense.

**Transfer from Tax Refund Construction Liability Fund (FY2010):** SB 49, passed by the 2010 Legislature, transferred \$9.6 million from the Tax Refund Construction Liability Fund to the General Fund to help balance the budget.

**One-time Refund (FY2011):** This represents a one-time refund due to an overpayment of taxes from previous fiscal years which were paid in full in FY2011. This is represented as a negative one-time receipt.

**Unexpended Carryovers (FY2010 and FY2011):** Unexpended balances that revert to the General Fund from prior years for special appropriations and carryovers are reflected in receipts as unexpended carryovers and specials.

**Transfer from Budget Reserve Fund:** In FY2012, the Governor is recommending to transfer \$20.2 million from the Budget Reserve fund to the General Fund to cover emergency expenses. Of the total, \$14.0 million is recommended to reimburse the Emergency and Disaster fund for projected 2011 flood costs as well as other outstanding disaster costs. The remaining \$6.2 million is recommended to be utilized in the Fire Suppression fund for emergency pine beetle suppression in Custer State Park and other privately owned land in the Black Hills.

**Obligated Cash Carried Forward:** This is the amount of prior year cash carried forward to meet obligations that existed at the end of the previous year. The Governor is recommending \$27.8 million of FY2012 cash be committed for FY2013 one-time expenses as well as \$10.0 million be obligated to the Budget Reserve fund. This \$37.8 million of FY2012 obligated cash is carried forward to FY2013 as one-time revenue.