

GENERAL FUND RECEIPTS

	ACTUAL FY2011	ACTUAL FY2012	REVISED FY2013	PROJECTED FY2014
ONGOING RECEIPTS				
Sales and Use Tax	\$ 710,196,255	\$ 744,413,638	\$ 769,552,224	\$ 802,456,550
Contractor's Excise Tax	65,697,771	82,991,355	84,575,782	90,012,663
Alcohol Beverage Tax	9,916,603	10,186,442	10,424,622	10,663,856
Alcohol Beverage 2% Wholesale Tax	1,431,373	1,490,640	1,586,870	1,678,318
Cigarette Tax	30,000,000	30,000,000	30,000,000	30,000,000
Bank Franchise Tax	4,734,918	29,688,991	22,888,629	23,245,655
Insurance Company Tax	63,609,227	65,076,133	67,813,444	70,623,120
Licenses, Permits, and Fees	46,102,423	48,402,362	49,350,210	50,357,967
Investment Income and Interest	14,096,898	10,394,581	5,915,327	5,919,892
Charges for Goods and Services	23,049,390	24,069,498	25,105,514	40,123,408
Net Transfers In	31,191,097	31,015,337	31,356,757	31,111,279
Trust Funds	30,689,216	30,345,686	27,101,070	27,754,535
Severance Taxes	7,956,574	10,441,940	9,468,116	9,906,238
Lottery	6,212,123	7,834,332	7,920,000	7,920,000
Property Tax Reduction Fund	110,380,262	102,441,742	107,925,905	112,923,432
Sale-Leaseback	7,782,263	7,111,219	6,465,087	5,838,681
SUBTOTAL (ONGOING RECEIPTS)	<u>\$1,163,046,393</u>	<u>\$1,235,903,897</u>	<u>\$1,257,449,557</u>	<u>\$1,320,535,594</u>
ONE-TIME RECEIPTS				
One-time Unclaimed Property Receipts	\$ 0	\$ 0	\$ 12,614,328	\$ 29,245,000
Transfer from Tax Relief Fund	1,017,979	0	4,133,192	0
Misc. Settlements	0	418,500	2,366,100	0
Transfer from Budgetary Accounting Fund	310,487	0	1,839,990	0
Refinancing Gains	0	396,295	1,738,786	0
Transfer from Tobacco Prev. and Red. Trust Fund	1,500,000	1,000,000	0	0
One-time Bank Franchise tax	0	14,336,418	0	0
CREP Savings	0	400,000	0	0
Transfer from Custer State Park Improvement Fund	4,466,930	0	0	0
Transfer from Private Activity Bond Fee Fund	698,331	0	0	0
Transfer from Petroleum Release Fund	1,000,000	0	0	0
Department of Corrections L&E Funds	650,000	0	0	0
Transfer from Other Disease Fund	292,861	0	0	0
One-Time Refund	(26,101,108)	0	0	0
Reduction to Ongoing Bank Franchise Tax	0	0	(16,641,948)	(16,641,948)
Unexpended Carryovers and Specials	1,420,466	9,775,378	0	0
Transfer from Budget Reserve Fund	0	20,155,015	0	0
Obligated Cash Carried Forward	0	0	75,655,964	0
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ (14,744,054)</u>	<u>\$ 46,481,606</u>	<u>\$ 81,706,412</u>	<u>\$ 12,603,052</u>
GRAND TOTAL	<u>\$1,148,302,339</u>	<u>\$1,282,385,503</u>	<u>\$1,339,155,969</u>	<u>\$1,333,138,646</u>

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, exempted 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 and the Education Enhancement Tobacco Tax Fund; lease payments to retire revenue bonds from various state agencies; and other miscellaneous receipts.

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. Due to the passage of Constitutional Amendment O in the 2012 election, the transfer from the Dakota Cement Trust Fund to the general fund was changed from \$12 million each fiscal year to four percent of the market value, similar to the transfers from the Health Care Trust Fund and the Education Enhancement Trust Fund. This change will take effect for the FY2013 transfer from the Dakota Cement Trust Fund.

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 online 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.

EXPLANATION OF ONE-TIME GENERAL FUND RECEIPTS

One-time Unclaimed Property Receipts (FY2013 and FY2014): Mergers within the banking industry resulted in a large one-time increase of unclaimed property in FY2013, of which \$12.6 million is expected to be one-time. HB 1270, passed by the 2012 Legislature, changed the dormancy period for most unclaimed property from 5 years to 3 years. This change will result in 3 years of unclaimed property collections in FY2014, of which the one-time portion is estimated to be \$29.2 million.

Reduction to Ongoing Bank Franchise Tax (FY2013 and FY2014): Consolidation of the banking industry along with new financial regulations has caused uncertainty in the bank franchise tax revenue source in the short term. Due to this uncertainty, a \$16.6 million one-time reduction to ongoing receipts for bank franchise tax is included in the one-time receipts for both FY2013 and FY2014.

Transfer from Tax Relief Fund (FY2011 and FY2013): SB 196, passed by the 2010 Legislature, transferred \$1.0 million from the Tax Relief Fund to the general fund in FY2011 to help balance the budget. In FY2013, the Governor is recommending a transfer of \$4.1 million from the tax relief to help fund the shortfall in the state health insurance program.

Misc. National Settlements (FY2012 and FY2013): This represents South Dakota's allocation of miscellaneous one-time national securities settlements in FY2012 and FY2013.

Transfer from Budgetary Accounting Fund (FY2011 and FY2013): SB 196, passed by the 2010 Legislature, transferred \$0.3 million from the Budgetary Accounting Fund to the General Fund in FY2011 to help balance the budget. In FY2013, the Governor is recommending a transfer of \$1.8 million from the Budgetary Accounting Fund to help fund the shortfall in the state health insurance program.

Refinancing Gains (FY2012 and FY2013): This represents refunding gains from the South Dakota Building Authority by refinancing bonds.

Transfer from the Tobacco Prevention and Reduction Trust Fund (FY2011 and FY2012): 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.

One-time Bank Franchise Tax (FY2012): This represents a one-time receipt 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 of \$14.3 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.

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

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.

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

Unexpended Carryovers (FY2011 and FY2012): 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: HB 1269, passed the by 2012 Legislature, transferred \$20.2 million from the Budget Reserve fund to the General Fund to cover emergency 2011 flood expenses and other outstanding disaster costs, as well as fund 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. SB 192, passed by the 2012 Legislature, obligated \$27.8 million of FY2012 cash which was used to fund FY2013 one-time expenses. In addition, \$47.8 million of FY2012 cash was obligated and transferred to the Budget Reserve Fund in FY2013 as required by state law. The \$75.7 million total of FY2012 obligated cash was carried forward to FY2013 as one-time revenue.