

# TAX EXPENDITURES

## Sales and Use Tax Exemptions

**Annual Est. General  
Fund Revenue Loss**

### **Agriculture Group**

|  |               |
|--|---------------|
| 10-45-18, 10-45-18.2, 10-46-16, 10-46-16.2: Livestock, live poultry, ostriches, emus, or rheas, if such sales are part of a series of transactions incident to producing a finished product intended to be offered for an ultimate retail sale. Also includes live cattle, buffalo, sheep, goats, swine, poultry, and horses.  | \$160,075,000 |
| 10-45-18.3: Feed for cattle, buffalo, sheep, goats, swine, poultry, ostriches, emus, rheas, and domesticated fur-bearing animals defined in chapter 40-35, if such feed is used by farmers or ranchers who are regularly engaged in the business of raising and feeding such animals, or producing milk for sale for human consumption, and horses and other animals with the family equidae. Poultry does not include any fowl other than domestic fowl kept and raised for the market or the production of eggs for human consumption.             | \$51,200,000  |
| 10-45-16: Commercial fertilizer, either liquid or solid, when sold in quantities of five hundred pounds or more in a single sale to be used exclusively for agricultural purposes.   | \$39,600,000  |
| 10-45-15: Seed legumes, seed grasses, and seed grains sold in quantities of 25 pounds or more in a single sale to be used exclusively for agricultural purposes.   | \$31,602,000  |
| 10-45-3.4: (1) Parts or repairs on machinery or equipment which are clearly identifiable as used primarily for agricultural purposes, including irrigation equipment, if the part replaces a farm machinery or irrigation equipment part assigned a specific or generic part number by the manufacturer of the farm machinery or irrigation equipment; and (2) Maintenance items and maintenance services used on machinery or equipment which are clearly identifiable as used primarily for agricultural purposes, including irrigation equipment. | \$19,877,000  |
| 10-45-16.1, 10-46-17.5: Pesticides (including insecticides, herbicides, pesticides, rodenticides, and fumigants) and products or substances used in conjunction with application of the pesticides used exclusively for agricultural purposes. (Sales tax applies to endoparasiticides and ectoparasiticides)  | \$19,405,000  |
| 10-45-19, 10-46-17: Motor fuel, including kerosene, tractor fuel, liquefied petroleum gas, natural and artificial gas, diesel fuels, and distillate, when used for agricultural purposes. Agricultural purposes includes hay grinding but does not include the lighting or heating of any farm residence.  | \$17,919,000  |
| 10-45-12.1: Farm Product Warehousing & Storage   | \$8,200,000   |
| 10-45-12.1: Agricultural Services, except: Veterinary Services and Animal Specialty Services.  | \$7,365,000   |
| 10-45-93: Sale of agricultural and industrial production equipment in international commerce where physical delivery of the goods takes place in South Dakota if the property is to be shipped to a point outside the United States not to be returned to a point within the United States. (also 10-46E)  | \$325,000     |
| 10-45-12.1: Forestry Services  | \$250,000     |
| 10-45-18.6, 10-46-16.6: The sale of swine or cattle semen used for agricultural purposes.  | \$195,000     |
| 10-45-16.2, 10-45-16.3: Rental of devices primarily used to apply fertilizers, pesticides, herbicides, and insecticides for agricultural purposes if sales or use tax was paid on the original purchase of the device.   | \$26,000      |
| 10-45-18.4, 10-46-16.4: Live nondomestic animal regulated by the animal industry board pursuant to 40-3-26 if the animal is to be used by a farmer or rancher who is regularly engaged in the breeding and raising of such animals.  | \$26,000      |
| 10-45-19.1, 10-46-17.2: Electricity used to power irrigation pumps and horsepower charge on electric motors powering irrigation pumps when the purchase is exclusively for agricultural purposes.  | \$21,000      |
| 10-45-18.5, 10-46-16.5: Feed for nondomestic animals exempted in 10-45-18.4  | \$6,500       |

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**Annual Est. General  
Fund Revenue Loss**

### Healthcare Group

|   |                             |
|---|-----------------------------|
| <p>10-45-12.1: Health Services; 10-45-14, 10-45-15: Purchases by nonprofit hospitals; 10-45-14.10: Drugs to the extent used by humans that are prescribed, dispensed, or administered by a physician, chiropractor, optometrist, dentist, podiatrist, or audiologist; 10-45-14.9: Insulin that is not sold by prescription; 10-45-14.11: Durable medical equipment, mobility enhancing equipment, and prosthetic devices used by humans when prescribed by prescription, dispensed, or administered for a specific patient by a physician, chiropractor, optometrist, dentist or podiatrist; 10-45-14.12: Medical devices used by humans when prescribed by prescription, dispensed, or administered for a specific patient by a physician, chiropractor, optometrist, dentist or podiatrist; 10-45-14.6: Hospital meals paid for by a public entity.</p> | <p><b>\$120,000,000</b></p> |
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### Government

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|--|-----------------------------|
| <p>10-45-10: Purchases by the Federal Government, State Government, Public or Municipal Corporations, and Indian tribes. Estimate includes purchases by Educational Institutions and 10-45-14: purchases by Religious or Private Educational Institutions.</p> | <p><b>\$100,000,000</b></p> |
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### Business Group

|   |                            |
|---|----------------------------|
| <p>10-45-7: Lodging or campsites provided to any person for 28 or more consecutive days. Occasional rental of sleeping accommodations or camp sites, which is 10 or less days/year.</p>   | <p><b>\$48,000,000</b></p> |
| <p>10-45-11.1, 10-46-17.3: Goods and services furnished to meet warranty obligation.</p>  | <p><b>\$8,000,000</b></p>  |
| <p>10-45-20.6, 10-46-9.6: Replacement parts sold to retailers that will be installed in tangible personal property that will ultimately be for resale.</p>  | <p><b>\$7,500,000</b></p>  |
| <p>10-45-12.1: Exempts advertising services, which is the preparing and placement of ads. Exempts charges by media for placement of an ad in that media.</p>  | <p><b>\$7,000,000</b></p>  |
| <p>10-45-68, 10-46-56: Sale of credit card processing services to retailers.</p>  | <p><b>\$3,000,000</b></p>  |
| <p>10-45-12.1: Water Supply</p>   | <p><b>\$2,600,000</b></p>  |
| <p>10-45-9.1: Personal Property sold for lease.</p>   | <p><b>\$2,000,000</b></p>  |
| <p>10-45-13.1: Membership fees to membership organizations and services provided by membership organizations.</p>   | <p><b>\$2,000,000</b></p>  |
| <p>10-45-5.2: Sanitary services except for the collection and disposal of solid waste which is specifically listed as subject to sales tax.</p>   | <p><b>\$2,000,000</b></p>  |
| <p>10-45-20.1: Payments made by one member of a controlled group to another member of a controlled group which represent an allocation, reimbursement, or charge for services provided by or rendered by the members of the controlled group. The exemption provided in this section does not apply to the lease of tangible personal property unless the sales or use tax has been paid on the property by the lessor. (estimate also includes 10-45-20.2)</p> | <p><b>\$1,000,000</b></p>  |
| <p>10-45-29.1 Allows deduction from gross receipts charges to clients for tangible personal property or services purchased by the attorney or accountant on behalf of a client, provided the purchase was not a resale purchase.</p>  | <p><b>\$750,000</b></p>    |
| <p>10-45-12.5, 10-46-9.5: Fees or commissions received for rendering a service which provides for the sale of tangible personal property or services. 10-45-84, 10-45-90 Fees or commissions received by a retailer for arranging a loan for a customer to pay for property sold by that retailer.</p>  | <p><b>\$500,000</b></p>    |
| <p>10-45-12.1: Motion picture rentals to a commercially operated theater primarily engaged in the exhibition of motion pictures.</p>  | <p><b>\$500,000</b></p>    |
| <p>10-45-5.2: Research, development, and testing services (SIC 8733)</p>  | <p><b>\$500,000</b></p>    |
| <p>10-45-7.1, 10-46-68: Membership fees paid to a lodging house or hotel membership organization operated for the benefit of its members.</p>   | <p><b>\$250,000</b></p>    |
| <p>10-45-96: Deduction allowed for actual disbursements, including appropriate reserves, for the wages, salaries, payroll taxes, payroll deductions, workers' compensation costs, insurance premiums, welfare benefits, retirement benefits, and other employee benefits of its co-employees.</p>   | <p><b>\$250,000</b></p>    |
| <p>10-45-5.2: Radio &amp; Television Broadcasting</p>   | <p><b>\$250,000</b></p>    |
| <p>10-45-5: Leases of tangible personal property between one telephone company and another telephone company.</p>   | <p><b>\$250,000</b></p>    |

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## Sales and Use Tax Exemptions

**Annual Est. General  
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### **Business Group (Continued)**

|  |           |
|--|-----------|
| 10-45-1.6: Exempts gross receipts received by a retailer from a manufacturer, wholesaler, or distributor pursuant to a written contract that requires the retailer to display the manufacturer, wholesaler, or distributor's product or signage in a specified manner or location. Discounts or deferred payment received by a retailer from a distributor, wholesaler, or manufacturer for purchasing a product for sale at retail does not constitute gross receipts subject to tax. | \$200,000 |
| 10-45-5.2: Goods or services with money advanced as an accommodation are retail purchases and are not included in gross receipts for funeral services and fees paid or donated for religious ceremonies are not included in gross receipts for funeral services.   | \$200,000 |
| 10-45-5.5, 10-46-2.5: Chemicals purchased for use by Lawn & Garden Services.   | \$150,000 |
| 10-45-92: Deduction allowed from auctions gross receipts for expenses for tangible personal property or services purchased by the auctioneer for that client, provided the purchase was not a resale purchase.   | \$100,000 |
| 10-45-14.2, 10-46-9.1: Ink and newsprint used to produce shoppers' guides.   | \$100,000 |
| 10-45-94: Postage by a mailing service provided the cost of postage is itemized on the customer's bill and the cost of the postage is no greater than the cost of the postage to the mailing service.  | \$50,000  |
| 10-45-12.4: Services provided to a rural water system by a wholly owned cooperative or nonprofit corporation.  | \$50,000  |
| 10-45-110: Exempts coins, currency, or bullion.  | \$32,000  |
| 10-45-12.7: Any person officiating an amateur sporting event. However, this exemption does not apply to any person officiating any sporting event sponsored and operated by any elementary, secondary, or postsecondary school.  | \$25,000  |
| 10-45-90, 10-46-63: Services performed for rodeos by promoters, stock contractors, stock handlers, announcers, judges, and clowns.   | \$25,000  |
| 10-45-18.1, 10-46-16.1: Live gamebirds sold by the producer to nonprofit organizations which release such birds or to commercial hunting operators who charge fees to hunt such birds.   | \$5,000   |
| 10-45-12.1: Consumer Credit Reporting Agencies and Mercantile Reporting Agencies.  | \$5,000   |

### **Educational Services**

|  |              |
|--|--------------|
| 10-45-12.1: Educational Services - Exempt schools: Continuing education programs, tutoring, and vocational counseling not including Rehabilitation counseling (See Social Services exemption for Rehabilitation counseling). | \$20,000,000 |
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### **Financial Group**

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|---|-------------|
| 10-45-12.1: Commissions earned or service fees paid by an insurance company to an agent or representative for the sale of a policy. 10-44-8 Insurance companies are exempt from all other taxes, except sales or use tax on tangible personal property and taxes on real property. Insurance companies do not owe use tax on the purchase of services, if the service provider does not collect the applicable sales tax. | \$7,700,000 |
| 10-45-20.5, 10-46-2.1: Services by a related corporation to a financial institution or services by a financial institution to a related corporation if they are part of a controlled group of corporations.   | \$1,000,000 |
| 10-45-12.1: Commodity Contracts Brokers & Dealers; 10-45-12.1: Brokers, Dealers, and Flotation Companies; 10-46-9.2: Brokers licensed under Title 47.   | \$1,000,000 |
| 10-43-5: Bank franchise tax is paid in lieu of other taxes, except sales or use tax on tangible personal property. Financial institutions do not owe use tax on services, if the service provider does not collect the applicable sales tax.  | \$750,000   |
| 10-45-12.1: Financial services of institutions subject to the tax under Chapter 10-43 (Bank Franchise) including loan origination fees, late payment charges, nonsufficient fund check charges, stop payment charges, safe deposit box rent, exchange charges, commission on travelers checks, charges for administration of trusts, interest charges, and "points" charged on loans.                                     | \$280,000   |
| 10-45-12.6, 10-46-6.2: Sale of credit services by credit bureaus to financial institutions that are paying bank franchise taxes.  | \$25,000    |
| 10-45-13.5: exempts receipts received by the state and political subdivisions from management services provided to a revolving loan fund operated by a nonprofit entity.  | \$5,000     |

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### Transportation Group

|  |             |
|--|-------------|
| 10-45-12.1: Railroad Transportation & Rental of Railroad Cars.   | \$7,500,000 |
| 10-45-12.1: Arrangement of Passenger Transportation; Arrangement of Transportation of Freight & Cargo; Local and Suburban Passenger Transportation, except Limousine Services; Trucking and Courier services, except air, except collection and disposal of solid waste; Pipelines, except Natural Gas; Transportation on rivers and canals; and school buses. 10-45-67, 10-46-55: Natural gas transportation by pipeline. | \$3,000,000 |

### Social Services

|   |              |
|---|--------------|
| 10-45.12.1: Social services and credit counseling services provided by individual and family social services. | \$10,000,000 |
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### Manufacturing Group

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|---|-------------|
| 10-46-5: Excludes the fabrication costs from the fair market value of tangible personal property fabricated by a contractor or subcontractor for use in the contract. The fair market value is subject to use tax.  | \$1,000,000 |
| 10-46-3: Tangible personal property not originally purchased for use in this state, but thereafter used, stored, or consumed in this state if the equipment is more than seven years old at the time it is brought into this state.   | \$500,000   |
| 10-45-14.4, 10-46-9.3: Packing material used or consumed by manufacturers, processors, or fabricators as raw material. 10-45-14.5, 10-46-9.4 Packing material sold to retailers if the retailer used the article as wrappers or containers to hold other tangible personal property sold by the retail that is subject to sales or use tax and the articles are supplied free by the retailer as a convenience to the customer. | \$100,000   |

### Civic & Nonprofit Association Events/Admissions/Donations

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|--|-----------|
| 10-45-13: Exempts tax on the gross receipts of various sales and admission for civic and nonprofit associations and purposes.            | \$100,000 |
| 10-45-13.2, 10-46-15.4: Donations of tangible personal property or services given without charge to organizations exempt from sales tax. | \$5,000   |

### Miscellaneous Sales Tax Exemptions

|   |             |
|---|-------------|
| Mini-storage receipts are not specifically subject to tax and therefore are exempt. | \$1,400,000 |
| 10-45-13.4: Library copying charges.  | \$25,000    |

### **Total Sales and Use Tax Exemptions**

**\$717,774,500**

## Other Tax Expenditures

|   |              |
|---|--------------|
| 10-44-4: Tax credit for principal office or regional home office for insurance companies.               | \$12,332,231 |
| 10-45-27.2: Collection allowance for sales tax of 1.5% of collections with a maximum of \$70 per month. | \$4,500,000  |
| 10-50-18: Distributor discount of 1% of cigarette stamp face value.                                     | \$547,327    |

### **Total Other Tax Expenditures**

**\$17,379,558**

## **Grand Total Tax Expenditures**

**\$735,154,058**