

## GENERAL FUND RECEIPTS

	<u>ACTUAL FY2014</u>	<u>ACTUAL FY2015</u>	<u>REVISED FY2016</u>	<u>PROJECTED FY2017</u>
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 823,401,593	\$ 836,587,108	\$ 872,644,580	\$ 904,858,369
Lottery	6,296,600	6,952,306	109,131,373	111,325,514
Contractor's Excise Tax	90,409,495	100,116,439	104,126,810	108,420,550
Insurance Company Tax	75,110,734	79,976,685	83,809,944	88,901,320
Unclaimed Property Receipts	59,761,191	52,914,188	57,957,560	50,515,127
Licenses, Permits, and Fees	52,203,471	56,457,033	56,607,933	58,560,191
Tobacco Taxes	30,000,000	30,000,000	56,318,587	55,866,280
Trust Funds	28,436,564	30,826,330	33,154,685	35,191,788
Net Transfers In	32,133,057	30,394,471	18,234,081	18,983,762
Alcohol Beverage Tax	10,790,053	10,772,363	11,142,062	11,419,878
Bank Franchise Tax	10,782,035	8,583,099	5,418,516	11,424,177
Charges for Goods and Services	10,461,221	11,754,275	11,161,982	15,690,151
Telecommunications Tax	0	0	6,113,840	6,113,840
Severance Taxes	5,424,019	5,396,624	3,720,123	4,103,238
Sale-Leaseback	5,838,681	5,236,813	4,663,938	4,138,575
Investment Income and Interest	4,528,811	864,665	5,331,243	4,964,022
Alcohol Beverage 2% Wholesale Tax	1,690,523	1,861,746	1,963,767	2,101,649
Property Tax Reduction Fund	106,529,196	112,690,797	N/A	N/A
<b>SUBTOTAL (ONGOING RECEIPTS)</b>	<u>\$ 1,353,797,245</u>	<u>\$ 1,381,384,943</u>	<u>\$ 1,441,501,024</u>	<u>\$ 1,492,578,431</u>
<b>ONE-TIME RECEIPTS</b>				
Transfer from Department of Corrections	\$ 0	\$ 0	\$ 4,957,509	\$ 0
Transfer from Petroleum Release Fund	0	0	3,500,000	0
Transfer from South Dakota Risk Pool	0	1,420,000	3,375,000	0
Refinancing Gains/Transfer from SDBA	0	5,567,283	0	0
Prior Period Adjustments	0	1,954,866	0	0
Transfer from Large Project Liability Acct.	19,424,586	1,299,428	0	0
One-Time Unclaimed Property Receipts	54,013,610	0	0	0
Unexpended Carryovers and Specials	4,152,194	16,286,079	0	0
Transfer from Property Tax Reserves	19,626,221	0	0	0
Transfer from Budget Reserve Fund	0	0	27,426,643	0
Obligated Cash Carried Forward	25,216,171	9,876,349	21,535,148	0
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<u>\$ 122,432,782</u>	<u>\$ 36,404,005</u>	<u>\$ 60,794,300</u>	<u>\$ 0</u>
<b>GRAND TOTAL</b>	<u><u>\$ 1,476,230,027</u></u>	<u><u>\$ 1,417,788,948</u></u>	<u><u>\$ 1,502,295,324</u></u>	<u><u>\$ 1,492,578,431</u></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. A portion of the sales tax is deposited into the Sales and Use Tax Fund to cover the Department of Revenue's cost of administering the tax.

**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 into the Capital Construction Fund. Beginning in FY2016, the state's share of video lottery is included in the lottery classification due to the repeal of the Property Tax Reduction Fund per HB1050, which passed during the 2015 Legislative session.

**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.

**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 the 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.

**Unclaimed Property Receipts (SDCL 43-41B):** 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, they must be paid to the rightful owner.

**Licenses, Permits, and Fees:** This receipt classification includes revenues received from the sales of a broad variety of licenses, permits, and filing fees 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.

**Tobacco Taxes (SDCL 10-50):** The excise tax on a 20 pack of cigarettes is \$1.53 in South Dakota and the tax on other tobacco products is 35% of the wholesale purchase price. 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. Through FY2015, any tobacco tax revenue in excess of \$35 million was 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). Beginning in FY2016 and in future years, all tobacco taxes collected in excess of \$35 million are reflected in the tobacco tax category as the Property Tax Reduction Fund, the Education Enhancement Tobacco Tax Fund, and the Health Care Tobacco Tax Fund were repealed.

**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.

**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 (through

FY2015); lease payments to retire revenue bonds from various state agencies; and other miscellaneous receipts. Beginning in FY2016, the receipts previously transferred from the Health Care Tobacco Tax Fund and the Education Enhancement Tobacco Tax Fund will be reflected in the tobacco tax classification as these two funds are repealed in FY2016. Also beginning in FY2016, the transfer from the Wind Energy Tax Fund (SDCL 10-35-22) is included in this category.

**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.

**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 defined as credit card banks 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. The 2014 Legislature revised the apportionment laws for banks who operate in multiple states. Beginning in 2015, multistate banks will be required to apportion receipts to South Dakota if the customer generating the receipt is located in South Dakota (customer based sourcing). Under the prior apportionment, multistate banks apportioned receipts to South Dakota if the activity generating the receipt occurred in South Dakota (cost of performance sourcing). As a result, some large financial institutions performing substantial services in the state may apportion fewer receipts to South Dakota, while other financial institutions with customers in the state, but no physical presence, may apportion receipts to South Dakota and pay bank franchise taxes for the first time.

**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; 35% of fines, penalties, and forfeitures collected on county, township, or municipal offenses; and other miscellaneous charges. Beginning in FY2017, additional receipts are anticipated from the Department Corrections from miscellaneous charges that will now be receipted into the general fund.

**Telecommunications Tax (SDCL 10-33A):** A tax of 4% is imposed on the gross receipts of telecommunications services within the state. Through FY2015, sixty percent of the revenue collected from this tax is dedicated to the Property Tax Reduction Fund with the remaining forty percent deposited to the County Telecommunications Gross Receipts Fund. Beginning in FY2016, the receipts from this tax is included in this separate classification as the state portion is receipted directly into the general fund due to the repeal of the Property Tax Reduction 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. An additional tax of 10% is imposed on the net profits from the sale of precious metals severed. For persons severing precious metals who 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.

**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.

**Investment Income and Interest (SDCL 4-5-30.1):** Revenues included in this category are from interest and the investment earnings of the general fund and nonparticipating funds in the Cash Flow Fund. Through FY2014, 90% of the estimated proration due to the general fund from the Cash Flow Fund is credited in the current year and the remaining 10% is credited in the succeeding fiscal year after the actual proration amount is determined. During the 2015 legislative session, legislation passed to repeal the 90% accelerated interest proration and return to the original practice of prorating 100% of interest earnings in the succeeding fiscal year when the actual proration amount has been determined. Thus, the general fund will receive the 10% proration in FY2015 from the prior year earnings. Beginning with the FY2016 distribution, the general fund will receive 100% of the interest income from the prior year.

**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.

**Property Tax Reduction Fund:** The Property Tax Reduction Fund (PTRF) was created to fund property tax relief in South Dakota. Revenues deposited in the PTRF came from five 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; 3) 33% share of revenue generated from the tobacco tax in excess of \$35 million; 4) transfer from the wind energy tax fund per SDCL 10-35-22; and, 5) 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. Beginning in FY2016, no receipts are reflected from the PTRF as it was repealed by the 2015 Legislature. The ongoing sources previously flowing through the PTRF will be allocated to the general fund through the lottery, tobacco taxes, net transfers in, and telecommunications tax categories.

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

**Transfer from Department of Corrections (FY2016):** In FY2016, the Governor is recommending a transfer from several Department of Corrections internal funds totaling \$5.0 million due to the restructuring of the Department's budget for FY2017.

**Transfer from Petroleum Release Compensation Fund (FY2016):** In FY2016, the Governor is recommending a transfer from the Petroleum Release Compensation Fund of \$3.5 million to help pay for emergency special appropriations recommended for FY2016.

**Transfer from South Dakota Risk Pool (FY2015 and FY2016):** SB 55, passed by the 2015 Legislature, transferred \$1.4 million from the reserve portion of the South Dakota Risk Pool Fund to the general fund in FY2015. In FY2016, the Governor is recommending a transfer of \$3.4 million from the South Dakota Risk Pool Fund to the general fund.

**Refinancing Gains/Transfer from SDBA (FY2013 and FY2015):** This represents refunding gains from the South Dakota Building Authority by refinancing bonds. Also included in the FY2015 total of \$5.2 million are funds remaining from the defeasance of bonds from the debt reduction package approved by the 2014 Legislature.

**Transfer from Tax Refund Construction Liability Account (FY2014 and FY2015):** HB 1040, passed by the 2014 Legislature, transferred \$19.4 million from the Tax Refund Construction Liability account to help pay for outstanding bonds to reduce future ongoing expenses. In FY2015, \$1.3 million was available in the Tax Refund Construction Liability account net of all obligations and was transferred to the general fund.

**One-Time Unclaimed Property Receipts (FY2014):** HB 1270, passed by the 2012 Legislature, changed the dormancy period for most unclaimed property from 5 years to 3 years. This change resulted in 3 years of unclaimed property collections in FY2014, of which the one-time portion was \$54.0 million.

**Unexpended Carryovers and Special Appropriations (FY2014, and FY2015):** Unexpended balances reverting to the general fund from prior years for special appropriations and carryovers are reflected in receipts as unexpended carryovers and

specials. Included in FY2015 is \$16.0 million as the Legislature repealed the Medicaid reserve special appropriation in FY2015.

**Transfer from Property Tax Reserves (FY2014):** Included in the FY2014 revised budget is a transfer of \$19.6 million from the Property Tax Reserve to help pay outstanding bonds in order to reduce future ongoing expenses.

**Transfer from Budget Reserve Fund (FY2016):** In FY2016, the Governor is recommending a transfer of \$27.4 million from the Budget Reserve Fund to the general fund. This transfer will help pay outstanding bonds at the Board of Regents and the Technical Institutes to provide a tuition freeze for students.

**Obligated Cash Carried Forward:** This is the amount of prior year cash carried forward to meet obligations existing at the end of the previous year. SB 90, passed by the 2013 Legislature, obligated \$1.0 million of FY2013 cash and carried it forward to FY2014. In addition, \$24.2 million of FY2013 cash was obligated and transferred to the Budget Reserve Fund in FY2014 per state law. This \$25.2 million of FY2013 cash was carried forward to FY2014 as one-time revenue. In FY2014, \$9.9 million of cash was obligated and transferred to the Budget Reserve Fund in FY2015 per state law. This \$9.9 million of obligated cash is reflected as a one-time receipt in FY2015. In FY2015, \$21.5 million of cash was obligated and transferred to the Budget Reserve Fund in FY2016 per state law. This \$21.5 million of obligated cash is reflected as a one-time receipt in FY2016.