



REVENUE **F**ORECASTS

**PRESENTED TO
JOINT APPROPRIATIONS COMMITTEE
FEBRUARY 2019**

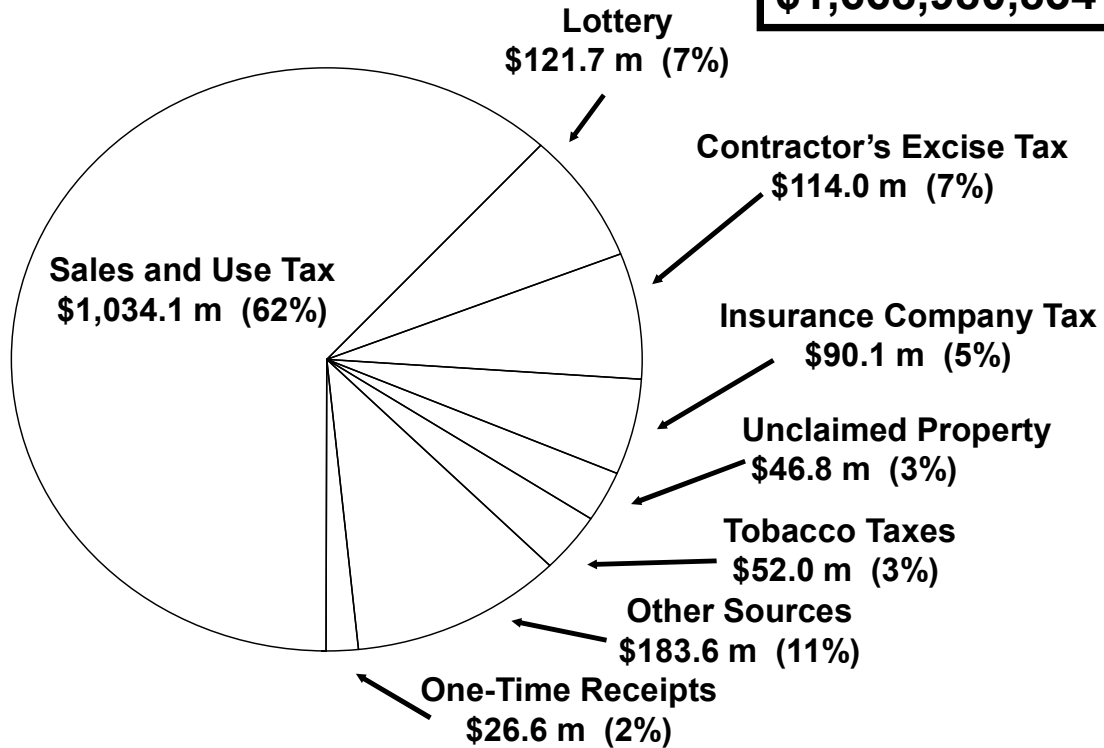
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FY2019 AND FY2020 GENERAL FUND REVENUES

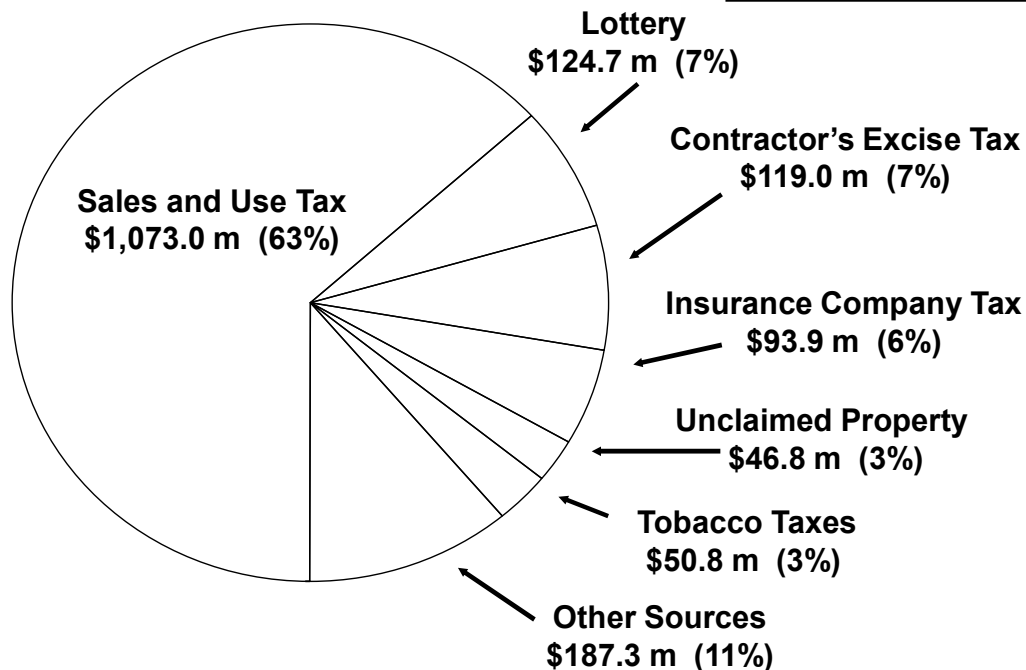
FY2019 General Fund Revenues

\$1,668,980,834



FY2020 General Fund Revenues

\$1,695,493,081



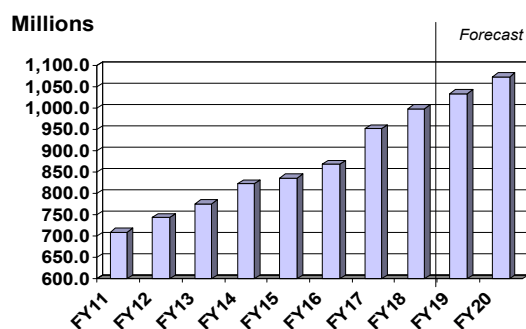
SALES AND USE TAX

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 is 4.5% (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).

- In addition to the state sales and use tax, municipalities may impose a general sales and use tax of up to 2%. The municipal sales and use tax applies to items or services that are subject to the state sales and use tax. The Department of Revenue is the administrative and enforcement agency for the municipal sales and use tax and collects a fee for this service. The municipal sales and use tax is reported on the same tax return as the state sales and use tax.
- Tax returns can be filed electronically via EPATH or mailed to the Remittance Center in Sioux Falls. The most common filing period is once a month. The deadline for filing is the 20th of the following month. Taxpayers using EPATH must make payments electronically on or before the 25th of the month.

NOTE: Because of when sales and use tax payments are due, sales and use tax collections are lagged one month (ex: collections recorded in January are from sales that occurred in December).

- The Streamlined Sales and Use Tax Agreement project (SSUTA) is a multi-state effort to design, test and implement a system to radically simplify sales and use tax collection and administration by retailers and states. The ultimate goal is for the US Congress to require remote sellers to collect and remit state sales tax. South Dakota has been involved in the project since its inception, and is one of 23 full member states. The SSUTA was officially implemented on October 1, 2005, and effective on that date, retailers can register to report and pay sales taxes in the Agreement's member states through a Web-based centralized registration system.
- Any person who files a return to remit taxes imposed by chapter 10-45 is allowed, as compensation for the expense of collecting and paying the tax, a credit equal to 1.5% of the gross amount of the tax due. The credit may not be greater than \$70.00 per month. The credit is granted to those persons who timely file and pay their sales tax due and who file and pay by electronic means. No credit is granted to any person who has outstanding tax returns due to the department or who has outstanding tax remittances due to the department.
- The average annual increase in net collections between FY2010 and FY2018 was 5.34%.
- Net collections from the sales and use tax account for approximately 63% of ongoing general fund revenues in FY2020.



Currently: In the first seven months of FY2019, sales and use tax collections, excluding audits, were \$627.8 million. This is an increase of 5.1% from the first seven months of last year. Year-to-date

collections are 61.32% of the most current revised FY2019 estimate. Historically, 61.14% of the total revenue collected from this tax is received in the first seven months.

Estimate: Due to the broad nature of the sales and use tax, many different variables influence collections. These influential variables include employment, income, the unemployment rate, inflation, etc. To quantify these theories, regression equations are used to determine if historically a statistically significant relationship exists between these and other variables and sales and use tax collections. The sales and use tax data is divided into five different categories (taxable sales from consumer spending on durables and services, consumer spending on nondurables and business related purchases, construction related purchases, recreation related purchases, and utilities) to account for the broad base of the sales and use tax. Different variables are used in the equations to determine 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^2) 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)

$STCDS = -241.39 + 0.06*SD \text{ Nonfarm Income} + 200.42*Seasonal \text{ Dummy} + 8.53*SD \text{ Manufacturing Employment} + 26.24*SD \text{ Housing Starts}$

$R^2 = .9956$

Equation 2: Business Related Purchases/Consumer Spending on Nondurables (STBUSCND)

$STBUSCND = -2,490.03 + 7.93*SD \text{ Nonfarm Employment} + 275.63*Seasonal \text{ Dummy} + 0.71*Exports + 5.48*CPIF$

$R^2 = .9937$

Equation 3: Construction Related Purchases (STCON)

$STCON = -555.16 + 22.23*SD \text{ Construction employment} + 0.01*(SD \text{ Nonfarm Income} * Seasonal \text{ dummy}) + 7.37*SD \text{ Housing Starts} + 0.05*SD \text{ wage and salary disbursements} + 0.03*Farm \text{ Proprietors Income (lagged)}.$

$R^2 = .9870$

Equation 4: Recreation Related Purchases (STREC)

$STREC = -33.56 + 0.02*SD \text{ Nonfarm Income} + 4.15*SD \text{ Leisure and Hospitality Employment} + 0.01*(SD \text{ Disposable Income} * Seasonal \text{ Dummy}) - 0.47*oil \text{ price}.$

$R^2 = .9963$

Equation 5: Utilities (STUTI)

$STUTI = 70.13 + 0.02*SD \text{ Nonfarm Income} + 3.09*Consumer \text{ Spending on Electricity and Natural Gas} + 0.02*Farm \text{ Proprietors Income}.$

$R^2 = .9860$

Collection Equation:

$Sales \text{ Tax Collections} = -2.33 + 0.045*Total \text{ Taxable Sales}.$

$R^2 = .9998$

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 indicate whether a positive or a negative relationship between the dependent and the independent variable exists.
- 3.) Look at the numbers in front of the independent variables. They quantify the change in the dependent variable if a one unit change in the independent variable occurs, holding the other independent variables constant.
- 4.) Look at the R^2 . This is a measure to identify how good an equation fits the data. An R^2 value close to one indicates the equation has an excellent overall fit.

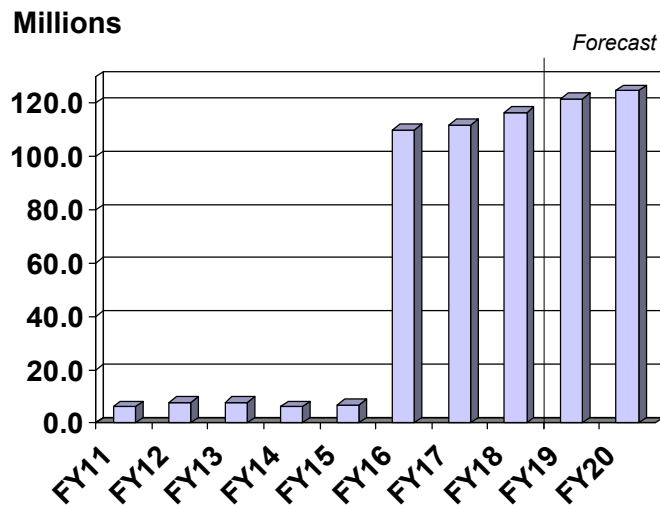
	Estimate for FY2019	Estimate for FY2020
Sales and Use Tax Collections	1,023,883,039	1,061,570,944
+ Audit Collections	12,004,912	13,329,159
+ Boat Tax	2,234,305	2,301,334
+Off-Road Vehicle & MH Tax	<u>2,610,744</u>	<u>2,622,647</u>
= Base Estimate	1,040,732,999	1,079,824,084
- DOR Indirect Funding	(6,586,504)	(6,784,099)
= Net Sales Tax Estimate	1,034,146,495	1,073,039,985

	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
Total Receipts	951,223,081	988,823,603	1,034,146,495	1,073,039,985
Dollar Change	90,317,376	37,600,522	45,322,892	38,893,490
Percent Change	10.49	3.95	4.58	3.76

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 of the net proceeds from the sale of instant lottery tickets are deposited in the general fund.
- Prior to FY2019, the first \$1.4 million of the net proceeds from the sale of on-line lottery tickets are deposited in the general fund. In FY2019 and FY2020, the percentage of on-line lottery tickets dedicated to the general fund is 25% and 35%, respectively. The remaining net proceeds from the sale of on-line lottery tickets are deposited in the Capital Construction Fund.
- Due to the repeal of the Property Tax Reduction Fund effective July 1, 2015, forty-nine and one half percent of video lottery net machine income now flows to the general fund in this category. Previous to FY2016, the video lottery receipts flowed through the Property Tax Reduction Fund.
- Instant tickets are the scratch tickets sold by retailers. On-line games include Powerball, Mega Millions, Hot Lotto, Dakota Cash, and Wild Card 2.
- Receipts included in this category account for approximately 7.7% of ongoing general fund revenues in FY2020.



Currently: Through the first seven months of FY2019, the state's share of video lottery receipts are up 4.7% compared to the same time period a year ago. Through January 2019, instant ticket sales were up 11.8% compared to a year ago, while online sales are up 4.5%.

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

	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
Instant Lottery	5,577,739	6,300,942	6,860,000	6,860,000
Online Lottery	1,400,000	1,400,000	2,100,000	2,800,000
Video Lottery	104,849,517	108,974,498	112,788,605	115,044,377
Total Receipts	111,827,256	116,675,440	121,748,605	124,704,377
Dollar Change	1,769,987	4,848,184	5,073,165	2,955,772
Percent Change	1.61	4.34	4.35	2.43

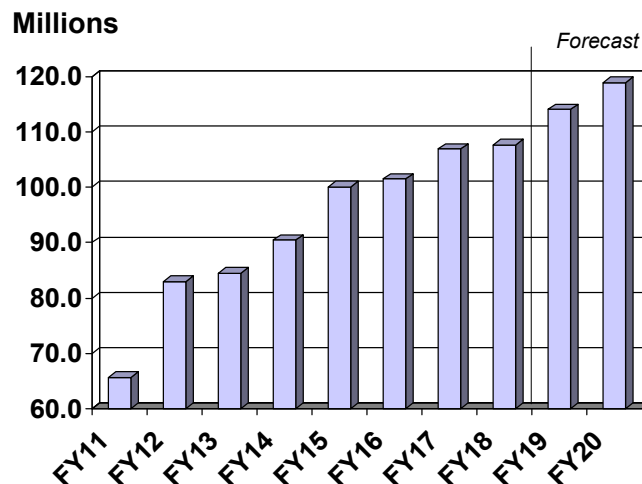
CONTRACTOR'S EXCISE TAX

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).

- The date the tax return and payment is due depends on the frequency at which the taxpayer must file and the method of tax remittance. Contractor's excise tax returns can be filed electronically via EPATH or mailed to the Remittance Center in Sioux Falls. The most common filing period is once a month. The deadline for filing is the 20th of the following month. Taxpayers using EPATH must make payments electronically on or before the 25th of the month. If gross receipts are small or if there is a unique situation to the business, taxpayers may file at a different frequency than monthly. These returns are due the last day of the month following the reporting period.

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 FY2010 and FY2018 was 5.0%.
- Net collections from the contractor's excise tax account for approximately 7.0% of ongoing general fund receipts in FY2020.



Currently: In the first seven months of FY2019, net contractor's excise tax collections were \$78.9 million. This is an increase of 8.08% from the first seven months of last year. Year-to-date collections are 69.22% of the most current revised FY2019 estimate. Historically, 68.46% of the total revenue collected from this tax is received in the first seven months.

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 4.)

Contractor's Excise Tax Collections = $-44.87 + 1.80 \cdot \text{SD Construction, Natural Resources, and Mining Employment} + 0.01 \cdot (\text{Seasonal Dummy} \cdot \text{SD Nonfarm Income}) - 1.80 \cdot \text{SD Unemployment Rate} + 4.23 \cdot \text{Price Index for Metal Materials and Wood Products} + 12.53 \cdot \text{Consumer Price Index} + 0.46 \cdot \text{SD Housing Starts}$.

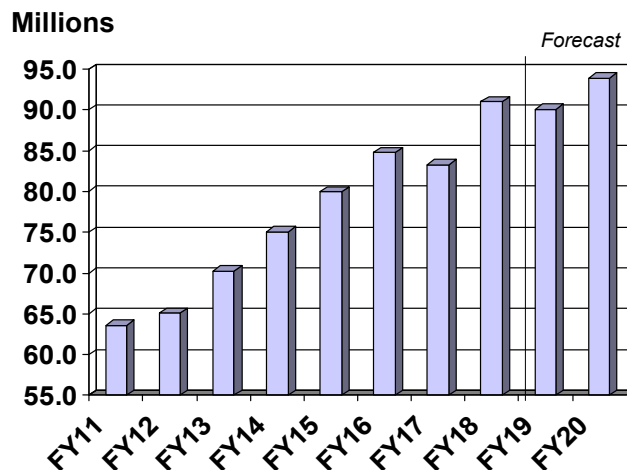
$R^2 = .9936$

	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
Net Receipts	106,828,537	107,626,628	114,001,095	118,911,908
Dollar Change	5,331,986	798,091	6,374,467	4,910,813
<i>Percent Change</i>	5.25	0.75	5.92	4.31

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).

- Beginning in FY2017, an 80% credit may be claimed against the insurance company tax for contributions made to scholarship granting organization (SDCL 13-65-2).
- The average annual increase between FY2010 and FY2018 was 4.97%.
- Collections from this tax account for approximately 5.5% of ongoing general fund receipts in FY2020.



Currently: Through the first seven months of FY2019, \$54.7 million has been collected from this tax. This is a decrease of 5.35% from the first seven months of last year. Year-to-date collections are 60.73% of the most current revised FY2019 estimate. Historically, 63.11% of the total revenue collected from this tax is received in the first seven months.

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 4.)

Insurance Company Tax Collections = 5.94 + 0.40*SD Nonfarm Income – 3.87*Seasonal Dummy + 0.06*Consumer Spending on Insurance - 0.36*Yield on 2 year Treasury Note + 2.40 Adjustment for Affordable Care Act.

$R^2 = .9776$

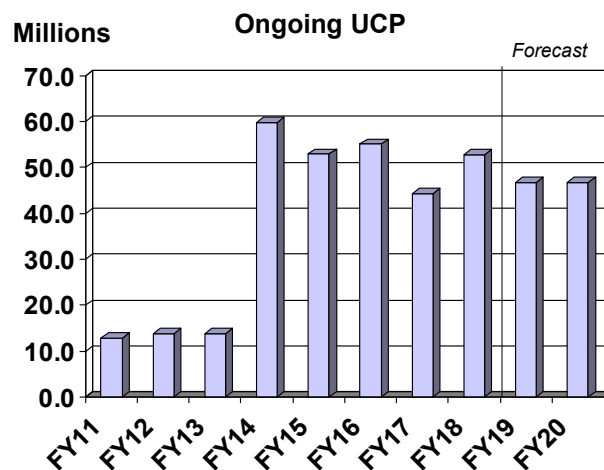
	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
Net Receipts	83,271,532	91,021,843	90,070,384	93,920,140
Dollar Change	(1,523,772)	7,750,311	(951,459)	3,849,756
Percent Change	(1.80)	9.31	(1.05)	4.27

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. The estimate for FY2019 and FY2020 in the graph below represents the ongoing portion of unclaimed property receipts.

- Collections from unclaimed property receipts account for approximately 2.8% of ongoing general fund revenues in FY2020.

	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
Ongoing UCP	44,386,220	52,766,031	46,808,689	46,808,689
One-time UCP	12,714,729	0	0	0
Total UCP	57,100,949	52,766,031	46,808,689	46,808,689



Currently: Through January of FY2019, net unclaimed property receipts to the general fund were \$56.0 million, which is up 29.00% compared to the same time period last fiscal year, which is primarily due to timing as some unclaimed property receipts were delayed in FY2018.

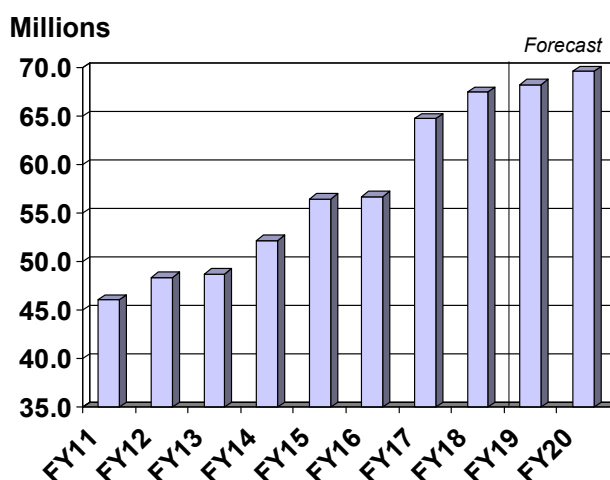
Estimate: The projections for unclaimed property receipts are based on historical collections and current conditions.

	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
Ongoing UCP	44,386,220	52,766,031	46,808,689	46,808,689
Dollar Change	(10,721,296)	8,379,811	(5,957,342)	0
Percent Change	(19.46)	18.88	(11.29)	0

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 70% of the revenue collected in this category comes from securities fees. Collections from securities fees are affected by conditions in the stock market. During the boom years of the late nineties and early part of this century, collections from securities fees were strong. After the stock market bubble burst in 2001, collections from securities fees decreased. In the past several years, collections have increased due to a growing economy and stock market.
- Collections in this category account for approximately 4.1% of ongoing general fund revenues in FY2020.



Currently: Through the first seven months of FY2018, \$24.0 million has been collected in this category. This is a decrease of 35.33% from the first seven months of last year. Year-to-date collections are 35.21% of the most current revised FY2019 estimate, which is primarily due to the timing of receipts. Historically, 51.10% of the total revenue is collected in the first seven months.

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

	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
Receipts	64,730,175	67,492,051	68,253,274	69,642,362
Dollar Change	8,018,125	2,761,876	761,224	1,389,087
Percent Change	14.14	4.27	1.13	2.04

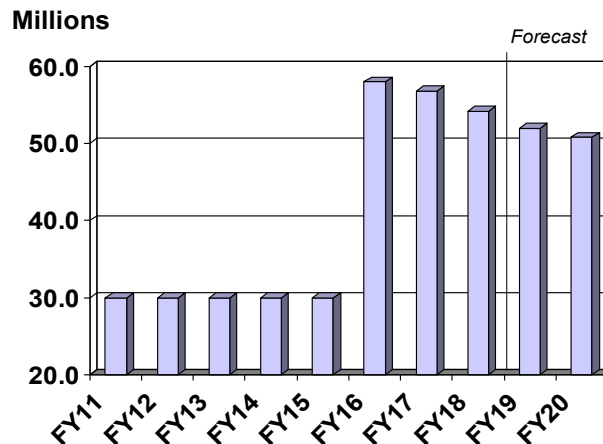
TOBACCO TAXES

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 87% of the collections included in this category are from the tax on cigarettes, and the remaining 13% is collected based on the tax on the wholesale purchase price of other tobacco products.
- The number of packs of cigarettes sold in South Dakota has been declining. In FY2008, 37.4 million packs of cigarettes were sold in the state; in FY2018, 32.6 million packs were sold.
- Collections in this category account for approximately 3.0% of ongoing general fund revenues for FY2020.

	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
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	26,809,149	24,157,663	21,964,572	20,765,053
Total	61,809,149	59,157,663	56,964,572	55,765,053

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



Currently: Through the first seven months of FY2019, the total collections from the tobacco taxes totaled \$33.1 million, which was down 4.8% compared to the same time period a year ago.

Estimate: Collections from the tax on cigarettes and other tobacco products are estimated individually based on historical collections and current conditions.

	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
Total Receipts	56,809,149	54,157,663	51,964,572	50,765,053
Dollar Change	(1,158,563)	(2,651,486)	(2,193,091)	(1,199,520)
Percent Change	(2.00)	(4.67)	(4.05)	(2.31)

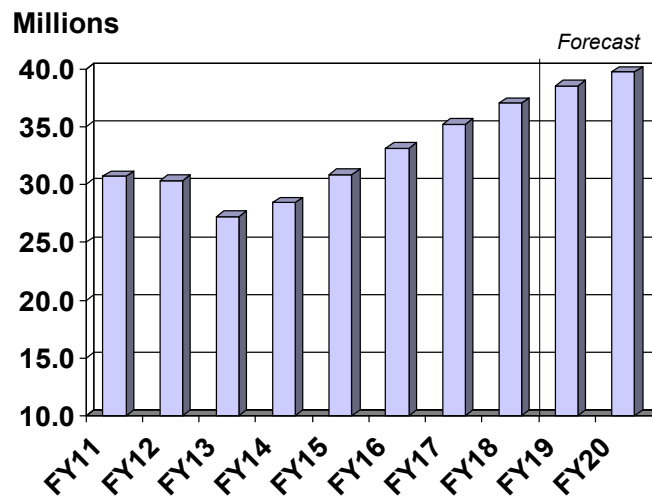
TRUST FUNDS

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 FY2017 and FY2018, and the estimated amounts for FY2019 and FY2020.

	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
HCTF	4,970,123	5,214,739	5,414,857	5,520,073
EETF	18,242,854	19,377,842	20,430,222	21,334,593
DCTF	11,981,721	12,442,947	12,682,857	12,883,000
Total	35,194,697	37,035,528	38,527,936	39,737,666

- Receipts from the trust funds account for approximately 2.3% of ongoing general fund revenues in FY2020.



Currently: As of December 31st, the estimated rate of return for the fiscal year for the trust funds was -1.7% to -2.0%.

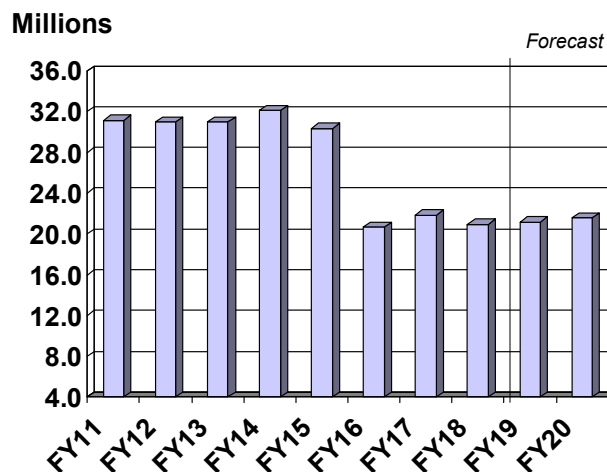
Estimate: The estimate for FY2019 and FY2020 includes the constitutionally required transfer from the Dakota Cement Trust and the amounts to be transferred from the Health Care Trust Fund and Education Enhancement Trust Fund pursuant to SDCL 4-5-29.1 and SDCL 4-5-29.2.

	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
Total Receipts	35,194,697	37,035,528	38,527,936	39,737,666
Dollar Change	2,047,830	1,840,831	1,492,408	1,209,730
Percent Change	6.18	5.23	4.03	3.14

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 obligation recovery center fee (beginning in FY2016); 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.

- In FY2016, the Health Care Tobacco Tax Fund and the Education Enhancement Tobacco Tax Fund were repealed. These receipts are now included in the Tobacco Taxes revenue category in FY2016.
- In FY2017, this category includes receipts from the Department of Corrections that were previously utilized internally by the department.
- In FY2018 through FY2020, there are transfers of \$2.0 million in each fiscal year from the Veteran's Home Operating fund included in the receipts and forecasts.
- Receipts included in this category account for approximately 1.3% of ongoing general fund revenues in FY2020.



Currently: Through the first seven months of FY2019, \$13.6 million has been collected in this category. This is an increase of 5.7% from the first seven months of last year. Year-to-date collections are 64.26% of the estimate below.

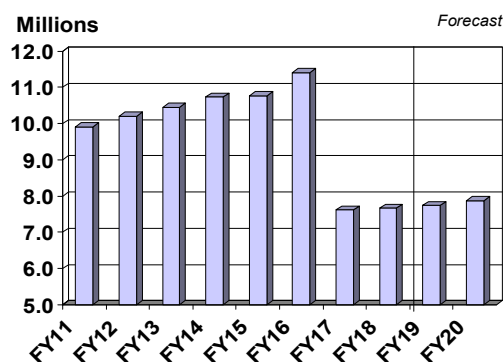
Estimate: The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
Total Receipts	21,897,071	20,941,048	21,172,988	21,562,412
Dollar Change	1,232,211	(956,023)	231,940	389,424
Percent Change	5.96	(4.37)	1.11	1.84

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 go to the municipalities. Beginning in FY2017, 25% of the tax is allocated to the counties, 25% is allocated to the municipalities, and 50% is allocated to the state general fund.
- Collections from this tax account for approximately 0.5% of ongoing general fund revenues in FY2020.



Currently: Through the first seven months of FY2019, \$4.2 million has been collected from this tax. This is a decrease of 7.28% from the first seven months of last year. Year-to-date collections are 54.66% of the most current revised FY2019 estimate. Historically, 54.48% of the total revenue collected from this tax is received in the first seven months.

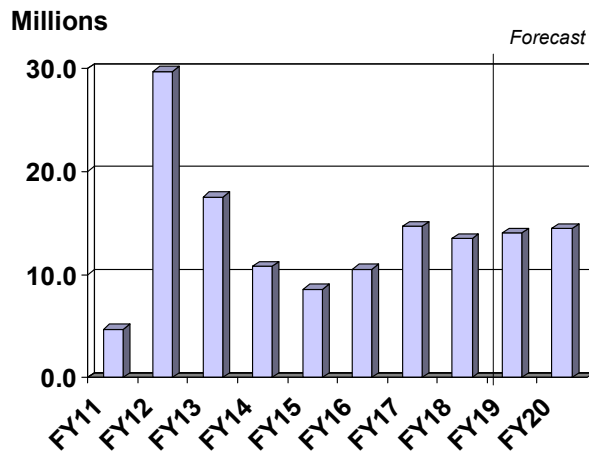
Estimate: The estimates are based on historical collections and current conditions.

	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
Total Receipts	7,617,533	7,668,288	7,743,580	7,882,160
Dollar Change	(3,785,543)	50,754	75,293	138,580
Percent Change	(33.20)	0.67	0.98	1.79

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).

- Ninety-five percent 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.
- During the 2014 legislative session, legislation was passed to revise the apportionment laws for banks that operate in multiple states from cost of performance sourcing of income to customer based sourcing of income.
- In FY2017, payments are now due on an annual basis.
- Collections from this tax account for approximately 0.9% of ongoing general fund revenues in FY2020.



Currently: Through the first seven months of FY2019, \$3.7 million has been collected from this tax. This is an increase of 18.14% from the first seven months of last year.

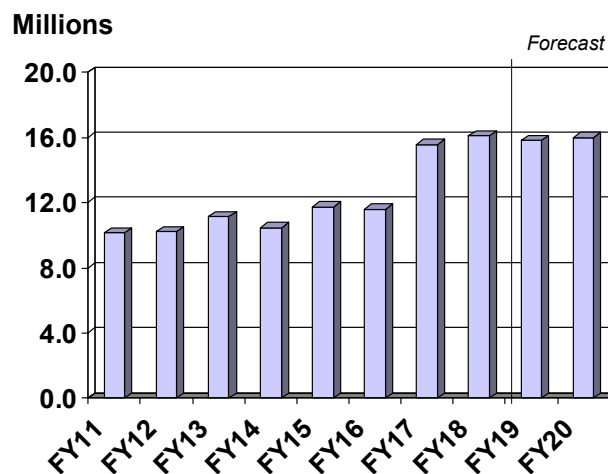
Estimate: Collections received from bank card taxpayers and other banks are estimated individually. The estimate is based on historical collections and current conditions.

	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
Total Receipts	14,688,771	13,494,940	14,036,446	14,471,640
Dollar Change	4,176,017	(1,193,831)	541,506	435,195
Percent Change	39.72	(8.13)	4.01	3.10

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.
- Receipts included in this category account for approximately 0.9% of ongoing general fund revenues in FY2020.



Currently: Through the first seven months of FY2019, \$8.6 million has been collected in this category. This is a decrease of 10.62% from the first seven months of last year. Year-to-date collections are 54.38% of the most current revised FY2019 estimate. Historically, 55.17% of the total revenue is collected in the first seven months.

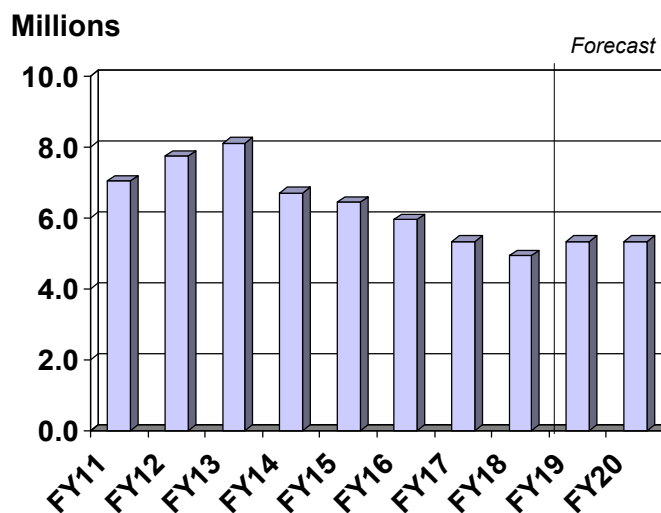
Estimate: The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
Total Receipts	15,562,672	16,094,652	15,819,705	15,985,086
Dollar Change	3,973,155	531,980	(274,947)	165,381
Percent Change	34.28	3.42	(1.71)	1.05

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.
- The chart below shows the historical collections of this particular source of revenue that has flowed through the PTRF to the state general fund from FY2011 through FY2015 as well as the projected amounts through FY2020.
- Collections from this tax account for approximately 0.3% of ongoing general fund revenues in FY2020.



Currently: Through the first seven months of FY2020, \$2.6 million has been collected from this source. This is an increase of 8.16% from the first seven months of last year.

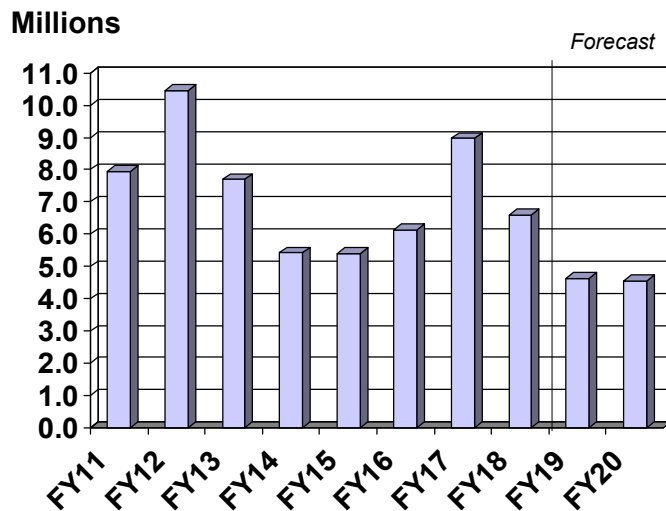
Estimate: Collections from the telecommunications tax is based on historical collections and current conditions.

	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
Total Receipts	5,329,876	4,931,125	5,325,615	5,325,615
Dollar Change	(613,441)	(398,751)	394,490	0
Percent Change	(10.32)	(7.48)	8.00	0

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.
- Gold production decreased in South Dakota in 2018 compared to 2017. In 2017, 95,372 ounces of gold were produced in the state, while 76,840 ounces of gold were produced in 2018.
- Oil production in South Dakota was down slightly in 2018 compared to 2017, with 1,304,621 bbls in 2017 produced and an estimated 1,274,630 bbls in 2018.
- Collections included in this category account for approximately 0.4% of ongoing general fund revenues in FY2020.



Currently: Through the first seven months of FY2018, \$2.8 million has been collected in this category. This is a decrease of 46.40% from the first seven months of last year.

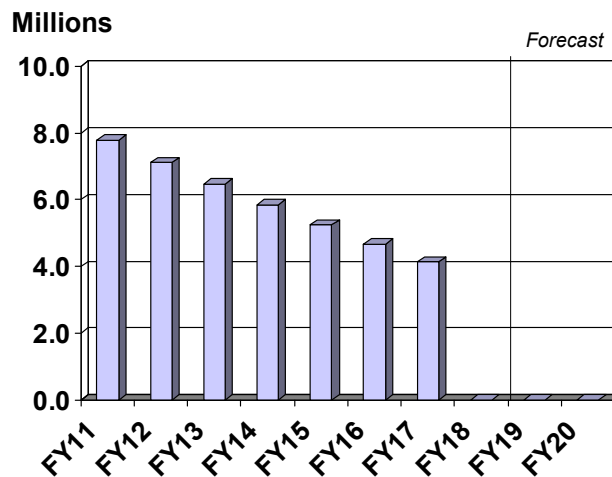
Estimate: Collections from taxes on precious metals and energy minerals are estimated separately. The estimates of collections from the severance taxes on gold and precious metals are based on history and current conditions. The estimates of collections from the tax on energy minerals are based on history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

	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
Total Receipts	8,968,233	6,602,808	4,621,641	4,566,042
Dollar Change	2,836,975	(2,365,425)	(1,981,168)	(55,599)
Percent Change	46.27	(26.38)	(30.00)	(1.20)

SALE-LEASEBACK

Background: On December 1, 1986, the state sold a number of buildings and then leased them back. The purpose of doing this was to take advantage of a tax opportunity which provided a large sum of money for capital improvements. Proceeds from the sale were also used to purchase an annuity contract. Starting December 1, 1987, annuity payments are deposited in the general fund. The annuity payments are then used to make the lease payments, which are appropriated annually by the legislature.

- This is an in-and-out revenue source.
- FY2017 was the final year for the sale lease-back annuity payment.

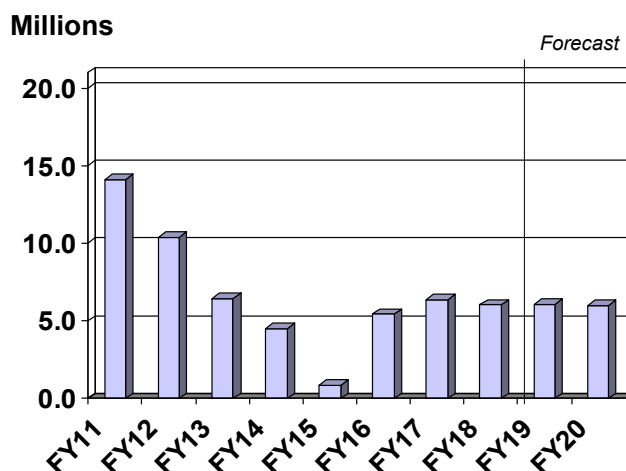


	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
Total Receipts	4,138,575	NA	NA	NA
Dollar Change	(525,363)			
Percent Change	(11.26)			

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 yield of the cash flow fund has varied over the years, which has affected the interest income. Due to higher interest rates, the yield ranged from 4.2% to 5.1% from FY2007 through FY2010. In the past several years, the yield has decreased due to low interest rates. In FY2017 and FY 2018, the yield was 1.2% each year, respectively.
- In 2015, legislation was passed to discontinue the accelerated 90% interest earnings for the current year's proration. Thus, only 10% of the previous year's proration is reflected in FY2015 receipts and 100% of the earnings from the previous year are reflected in FY2016 receipts.
- Receipts in this category account for approximately 0.4% of ongoing general fund revenues in FY2020.



Currently: Through the first seven months of FY2019, \$6.0 million has been collected in this category. This is an increase of 2.13% from the first seven months of last year. The yield of the cash flow fund is estimated at 1.3% for FY2019 of which earnings will be distributed in FY2020.

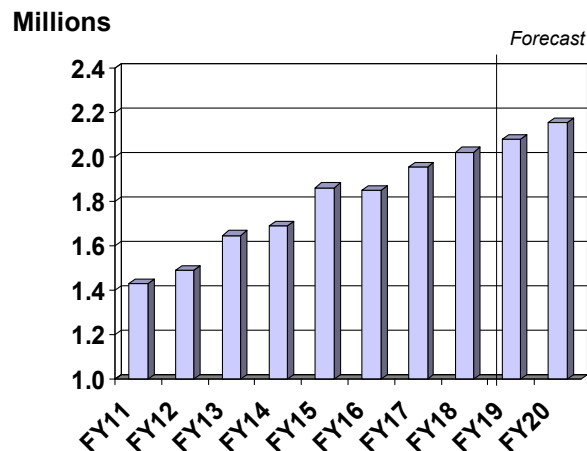
Estimate: The estimate is based on information provided by the South Dakota Investment Council and historical collections.

	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
Total Receipts	6,366,142	6,053,274	6,069,622	6,015,500
Dollar Change	927,531	(312,868)	16,349	(54,122)
Percent Change	17.05	-4.91	0.27	(0.89)

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 FY2020.



Currently: Through the first seven months of FY2019, \$1.4 million has been collected from this tax. This is a decrease of 0.9% from the first seven months of last year. Year-to-date collections are 64.51% of the most current revised FY2018 estimate. Historically, 57.00% of the total revenue collected from this tax is received in the first seven months.

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

	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
Total Receipts	1,954,454	2,020,940	2,079,092	2,154,446
Dollar Change	103,939	66,486	58,152	75,354
Percent Change	5.62	3.40	2.88	3.62

GOVERNOR'S REVISED FY2019 VS. FEBRUARY REVISED FY2019

	GOV. NOEM REC FY2019	BFM FEB. REVISED FY2019	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$1,035,338,915	\$1,034,146,495	(1,192,420)	(0.12)
Lottery	121,476,169	121,748,605	272,436	0.22
Contractor's Excise Tax	112,746,581	114,001,095	1,254,514	1.11
Insurance Company Tax	90,997,833	90,070,384	(927,449)	(1.02)
Unclaimed Property Receipts	45,717,206	46,808,689	1,091,483	2.39
Licenses, Permits, and Fees	68,081,386	68,253,274	171,888	0.25
Tobacco Taxes	52,132,028	51,964,572	(167,456)	(0.32)
Trust Funds	38,538,267	38,527,936	(10,331)	(0.03)
Net Transfers In	20,899,725	21,172,988	273,263	1.31
Alcohol Beverage Tax	7,868,302	7,743,580	(124,722)	(1.59)
Bank Franchise Tax	14,036,446	14,036,446	0	0.00
Charges for Goods and Services	16,014,872	15,819,705	(195,167)	(1.22)
Telecommunications Tax	5,325,615	5,325,615	0	0.00
Severance Taxes	4,641,755	4,621,641	(20,114)	(0.43)
Investment Income and Interest	5,977,210	6,069,622	92,412	1.55
Alcohol Bev 2% Wholesale Tax	2,101,698	2,079,092	(22,606)	(1.08)
TOTAL (ONGOING RECEIPTS)	\$1,641,894,008	\$1,642,389,739	\$495,731	0.03
ONE-TIME RECEIPTS				
Transfer from Dept. of Agriculture	\$ 705,101	\$ 705,101	\$ 0	0.00
Prior Period Adjustments	1,827,079	1,827,079	0	
Transfer from Budget Reserve Fund	7,160,087	7,160,087	0	0.00
Obligated Cash Carried Forward	16,898,828	16,898,828	0	0.00
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 26,591,095	\$ 26,591,095	\$ 0	0.00
GRAND TOTAL	\$1,668,485,103	\$1,668,980,834	\$495,731	0.03

GOVERNOR'S RECOMMENDED FY2020 VS. FEBRUARY REVISED FY2020

	GOV. NOEM REC FY2020	BFM FEB. REVISED FY2020	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,073,785,445	\$ 1,073,039,985	\$ (745,460)	(0.07)
Lottery	124,426,492	124,704,377	277,885	0.22
Contractor's Excise Tax	117,575,682	118,911,908	1,336,226	1.14
Insurance Company Tax	94,763,267	93,920,140	(843,127)	(0.89)
Unclaimed Property Receipts	45,717,206	46,808,689	1,091,483	2.39
Licenses, Permits, and Fees	69,244,701	69,642,362	397,661	0.57
Tobacco Taxes	51,676,427	50,765,053	(911,374)	(1.76)
Trust Funds	39,819,384	39,737,666	(81,718)	(0.21)
Net Transfers In	21,289,150	21,562,412	273,262	1.28
Alcohol Beverage Tax	8,006,881	7,882,160	(124,721)	(1.56)
Bank Franchise Tax	14,471,640	14,471,640	0	0.00
Charges for Goods and Services	16,182,137	15,985,086	(197,051)	(1.22)
Telecommunications Tax	5,325,615	5,325,615	0	0.00
Severance Taxes	5,201,824	4,566,042	(635,782)	(12.22)
Investment Income and Interest	6,015,500	6,015,500	0	0.00
Alcohol Bev 2% Wholesale Tax	2,177,052	2,154,446	(22,606)	(1.04)
TOTAL (ONGOING RECEIPTS)	\$ 1,695,678,403	\$ 1,695,493,081	\$ (185,322)	(0.01)
ONE-TIME RECEIPTS				
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 0	\$ 0	0	0.00
GRAND TOTAL	\$ 1,695,678,403	\$ 1,695,493,081	(\$185,322)	(0.01)

ADOPTED FY2019 VS. FEBRUARY REVISED FY2019

	LEG. ADOPTED FY2019	REVISED FY2019	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$1,029,090,230	\$1,034,146,495	\$ 5,056,265	0.49
Lottery	120,659,812	121,748,605	1,088,793	0.90
Contractor's Excise Tax	111,415,004	114,001,095	2,586,091	2.32
Insurance Company Tax	90,176,480	90,070,384	(106,096)	(0.12)
Unclaimed Property Receipts	49,505,508	46,808,689	(2,696,819)	(5.45)
Licenses, Permits, and Fees	67,934,656	68,253,274	318,618	0.47
Tobacco Taxes	54,514,454	51,964,572	(2,549,882)	(4.68)
Trust Funds	38,618,079	38,527,936	(90,143)	(0.23)
Net Transfers In	21,006,868	21,172,988	166,120	0.79
Alcohol Beverage Tax	8,159,825	7,743,580	(416,245)	(5.10)
Bank Franchise Tax	13,708,579	14,036,446	327,867	2.39
Charges for Goods and Services	17,000,000	15,819,705	(1,180,295)	(6.94)
Telecommunications Tax	4,385,195	5,325,615	940,420	21.45
Severance Taxes	7,082,431	4,621,641	(2,460,790)	(34.74)
Investment Income and Interest	6,050,000	6,069,622	19,622	0.32
Alcohol Bev 2% Wholesale Tax	2,238,563	2,079,092	(159,471)	(7.12)
TOTAL (ONGOING RECEIPTS)	\$1,641,545,684	\$1,642,389,739	\$844,055	0.05
ONE-TIME RECEIPTS				
Transfer from Dept. of Agriculture	\$ 0	\$ 705,101	\$ 705,101	100.00
Prior Period Adjustments	0	1,827,079	1,827,079	100.00
Transfer from Budget Reserve Fund	0	7,160,087	7,160,087	100.00
Obligated Cash Carried Forward	0	16,898,828	16,898,828	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 0	\$ 26,591,095	\$ 26,591,095	100.00
GRAND TOTAL	\$1,641,545,684	\$1,668,980,834	\$27,435,150	1.67

ACTUAL FY2018 VS. FEBRUARY REVISED FY2019

	ACTUAL FY2018	BFM FEB. REVISED FY2019	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 988,823,603	\$1,034,146,495	\$ 45,322,892	4.58
Lottery	116,675,440	121,748,605	5,073,165	4.35
Contractor's Excise Tax	107,626,628	114,001,095	6,374,467	5.92
Insurance Company Tax	91,021,843	90,070,384	(951,459)	(1.05)
Unclaimed Property Receipts	52,766,031	46,808,689	(5,957,342)	(11.29)
Licenses, Permits, and Fees	67,492,051	68,253,274	761,223	1.13
Tobacco Taxes	54,157,663	51,964,572	(2,193,091)	(4.05)
Trust Funds	37,035,528	38,527,936	1,492,408	4.03
Net Transfers In	20,941,048	21,172,988	231,940	1.11
Alcohol Beverage Tax	7,668,288	7,743,580	75,292	0.98
Bank Franchise Tax	13,494,940	14,036,446	541,506	4.01
Charges for Goods and Services	16,094,652	15,819,705	(274,947)	(1.71)
Telecommunications Tax	4,931,125	5,325,615	394,490	8.00
Severance Taxes	6,602,808	4,621,641	(1,981,167)	(30.00)
Investment Income and Interest	6,053,274	6,069,622	16,348	0.27
Alcohol Bev 2% Wholesale Tax	2,020,940	2,079,092	58,152	2.88
TOTAL (ONGOING RECEIPTS)	\$1,593,405,861	\$1,642,389,739	\$48,983,878	3.07
ONE-TIME RECEIPTS				
Transfer from Dept. of Agriculture	\$ 0	\$ 705,101	\$ 705,101	100.00
Transfer from DOR agency fund	3,871,437	0	(3,871,437)	(100.00)
Transfer from Petroleum Release Fund	1,300,000	0	(1,300,000)	(100.00)
Transfer from Workforce Education Fund	792,729	0	(792,729)	(100.00)
Transfer from Prescription Drug Plan Fund	750,000	0	(750,000)	(100.00)
Transfer from Telecommunication Fund	750,000	0	(750,000)	(100.00)
Transfer from Video Lottery Fund	500,000	0	(500,000)	(100.00)
Transfer from Court Automation Fund	500,000	0	(500,000)	(100.00)
Transfer from Technology Fund	500,000	0	(500,000)	(100.00)
Transfer from Private Activities Bond Fee Fund	480,743	0	(480,743)	(100.00)
Transfer from Budgetary Accounting Fund	261,396	0	(261,396)	(100.00)
Transfer from Veterans' Home Operating Fund	120,000	0	(120,000)	(100.00)
Prior Period Adjustments	(1,309,473)	1,827,079	3,136,552	(239.53)
Unexpended Carryovers and Specials	204,351	0	(204,351)	(100.00)
Transfer from Budget Reserve Fund	5,855,710	7,160,087	1,304,377	22.28
Obligated Cash Carried Forward	7,943,412	16,898,828	8,955,416	112.74
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 22,520,305	\$ 26,591,095	\$ 4,070,790	18.08
GRAND TOTAL	\$1,615,926,166	\$1,668,980,834	\$53,054,668	3.28

FEBRUARY REVISED FY2019 VS. FEBRUARY REVISED FY2020

	FEB. REVISED FY2019	FEB. REVISED FY2020	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,034,146,495	\$ 1,073,039,985	\$ 38,893,490	3.76
Lottery	121,748,605	124,704,377	2,955,772	2.43
Contractor's Excise Tax	114,001,095	118,911,908	4,910,813	4.31
Insurance Company Tax	90,070,384	93,920,140	3,849,756	4.27
Unclaimed Property Receipts	46,808,689	46,808,689	0	0.00
Licenses, Permits, and Fees	68,253,274	69,642,362	1,389,088	2.04
Tobacco Taxes	51,964,572	50,765,053	(1,199,519)	(2.31)
Trust Funds	38,527,936	39,737,666	1,209,730	3.14
Net Transfers In	21,172,988	21,562,412	389,424	1.84
Alcohol Beverage Tax	7,743,580	7,882,160	138,580	1.79
Bank Franchise Tax	14,036,446	14,471,640	435,194	3.10
Charges for Goods and Services	15,819,705	15,985,086	165,381	1.05
Telecommunications Tax	5,325,615	5,325,615	0	0.00
Severance Taxes	4,621,641	4,566,042	(55,599)	(1.20)
Investment Income and Interest	6,069,622	6,015,500	(54,122)	(0.89)
Alcohol Bev 2% Wholesale Tax	2,079,092	2,154,446	75,354	3.62
TOTAL (ONGOING RECEIPTS)	\$ 1,642,389,739	\$ 1,695,493,081	\$ 53,103,342	3.23
ONE-TIME RECEIPTS				
Transfer from Dept. of Agriculture	\$ 705,101	\$ 0	\$ (705,101)	(100.00)
Prior Period Adjustments	1,827,079	0	(1,827,079)	(100.00)
Transfer from Budget Reserve Fund	7,160,087	0	(7,160,087)	(100.00)
Obligated Cash Carried Forward	16,898,828	0	(16,898,828)	(100.00)
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 26,591,095	\$ 0	(26,591,095)	(100.00)
GRAND TOTAL	\$ 1,668,980,834	\$ 1,695,493,081	\$26,512,247	1.59