FY23 Recommended Budget

January 25, 2022 Jim Terwilliger, Department Secretary



Our Mission

Serving South Dakota to provide fair, efficient, and reliable revenue administration with our partners to help fund public service statewide.

Core Values: Professionalism, Integrity, Public Service, Communication



Department of Revenue Leadership

David Wiest

Executive Secretary



Jim Terwilliger Secretary



Executive Director





Secretariat

Office of the Secretary Administration Legal Services

Secretariat

- Department Administration
- Legal Services and Representation
- Investigative Services Bureau (ISB)
- Budget, Finance and Internal Controls
- Communications, Education, Strategic Planning
- Technology Support and Project Management
- Lean / Continuous Improvement
- Remittance Services

Business Tax Division

Sales and Use Tax
Municipal Taxes
Contractor's Excise Tax
Tourism Tax
911 Surcharge

Business Tax Division

- License businesses
- Provide customer assistance
- Educate through seminars & trainings
- Conduct license reviews
- Collect delinquent taxes
- Provide support to the tribal tax collection agreements

Sales and Use Tax Contractor's Excise Tax

Sales Tax

applies to the gross receipts of all retail sales

Use Tax

applies when South Dakota's sales tax has not been paid

Contractor's Excise Tax

applies to the gross receipts of all contractors engaged in construction service or realty improvement projects in South Dakota.

4.5%

State sales and use tax

up to 2%

Municipal sales and use tax

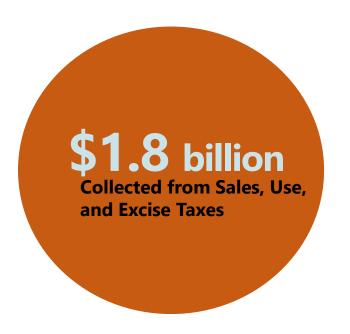
1%

Municipal gross receipts tax

2%

Contractor's excise tax

Sales, Use, and Contractor's Excise Taxes



Revenues

Тах Туре	FY21
Sales and use - State	\$1,234,423,091
Contractor's Excise - State	\$144,448,267
Sales and Use - Cities	\$457,125,466
Sales, Use, and Contractor's Excise - Tribal	\$12,800,218
Tourism	\$12,965,699

Special Taxes

PRIMARY FUNCTIONS

- Regulate Alcohol and Tobacco Industries
- Administer Various State Taxes
 - Alcohol Taxes
 - Tobacco Taxes
 - Bank Franchise Tax
 - Severance Taxes
- Administer Sales and Property Tax Refund for the Elderly and Disabled

\$146.1 million

FY2021 Total Revenue Collected

Motor Vehicle Division

Motor Vehicle Division

Motor Fuel Tax & Motor Vehicle Excise Tax fund the state's roads and bridges

Registration Fees fund <u>local</u> government roads and bridges

- Issue titles and collect motor vehicle excise tax
- Collect annual vehicle registration fees and issue license plates
- Collect and oversee motor fuel tax and licensees
- Oversee license credentials of trucking industry
- License motor vehicle dealers

Motor Vehicle Revenues

Motor Carrier Revenue

Revenue Source	FY21
Unified Carrier Registration Fees	\$881,871
International Fuel Tax Agreement (IFTA)	\$1,269,196
International Registration Plan (IRP) - Prorate	\$22,347,143

Motor Fuel Tax Revenue

Revenue Source	FY21
Aviation Fuel	\$666,510
Motor Fuel Tax	\$187,997,726
Motor Fuel Tax - Tribal	\$4,633,906
Tank Inspection Fees	\$17,682,616

Registration and Title Revenues

	FY2021
License Plate Fees - State's Share*	6,158,439.05
License Plate Fees - Counties', Cities', Townships' Share	57,961,136.08
Snowmobile Registration	339,644.67
Boat Registration Fees	1,889,978.65
Temporary Special Permits	85,256.00
Mobile Home Plates	4,380.00
Dealer Fees	456,318.02
Duplicate Plates, Replacement Plates	287,934.56
Title and Penalty Fees	3,029,109.56
Trailer ID Fees	81,922.55
Motorcycle Safety Education Fees	888,694.00
Mobile Home Registration Fees - States's Share	134,466.98
Motor Vehicle 4% Excise Tax	143,591,208.16
Snowmobile 3% Excise Tax	96,340.09
Duplicate Title Fees	198,530.00
DENR - Solid Waste Fees	1,392,535.33
DPS - Highway Patrol Fees	1,487,085.00
Total Receipts	218,082,978.70

^{*}State Motor Vehicle Fund, License Plate Revolving Fund

Property Tax Division

\$1.5 billion

To fund local governments and provide K-12 education

2021 Tax Distribution

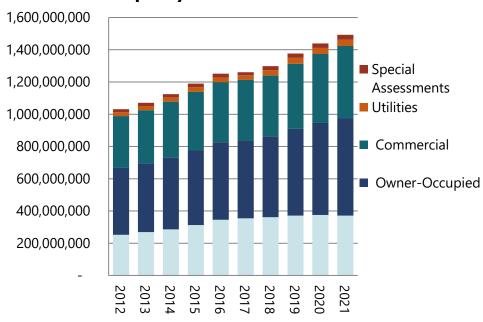
Schools	56%
County	27%
Municipalities	13%
Townships	2%
Special Assessments	2%

Property Tax Division

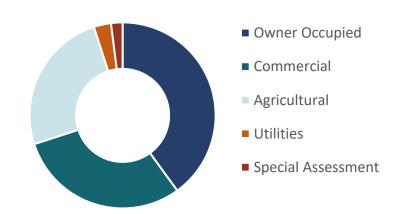
- Provide oversight of county property tax systems
- Assist local governments through training and certification
- Administer:
 - Telephone Gross Receipts Tax
 - Alternative tax for commercial wind farms and rural electric

Property Tax Contribution Breakdown

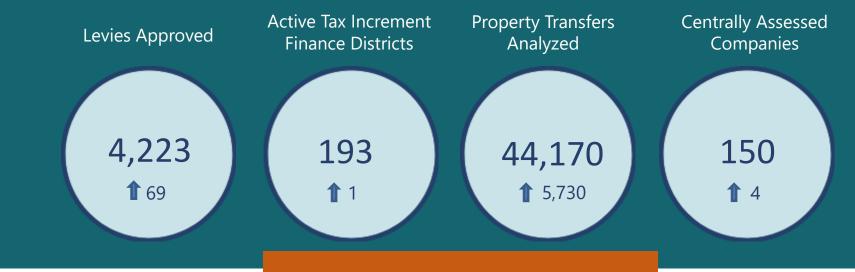
Property Tax Contribution



2021 Tax Contribution Breakdown



Property Tax Year End 2021



211/19

Certified Assessors/Attendance Annual School

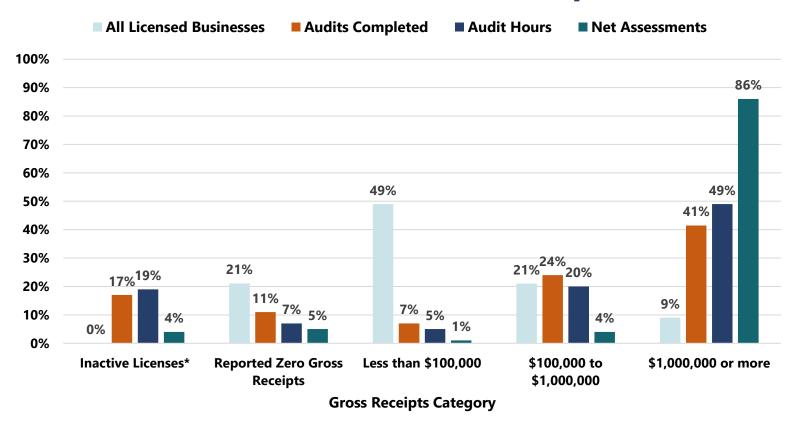
Audit Division

Sales and Use Tax
Municipal Taxes
Contractor's Excise Tax
Tourism Tax
Motor Fuel Tax
Bank Franchise Tax

Audit Division

- Verify information reported on tax returns
- Ensure required record keeping
- Ensure customer understanding of tax laws
- Educate through one-on-one trainings

FY2021 Audit Metric Distribution by Business Size



In-State vs. Out-of-State Net Assessments





Most Common Errors Found During an Audit

- 1. Under-reporting tax due to poor record keeping
- 2. Use Tax
 - Not remitting use tax on goods and services purchased/used
 - Not remitting use tax on equipment brought in from out-of-state
- 3. Not reporting contractor's excise tax correctly
- 4. Municipal Tax and Municipal Gross Receipts Tax (MGRT) reporting errors
- 5. Not having valid exemption certificates on file

Lottery Division

The South Dakota Lottery works to ensure the Lottery remains a viable and sustainable source of revenue to the state of South Dakota.

The South Dakota Lottery works closely with the South Dakota Lottery Commission, which is comprised of five members.

SD Lottery

- Markets:
 - Instant Tickets
 - Lotto Games
- Regulates:
 - Video Lottery

Lottery Division



Where the Money Went (FY2021)

	General	Capital Construction	Department of
	Fund	Fund	Social Services
Instant Tickets	\$5,059,850	\$ -	\$ -
Lotto Tickets	\$2,789,279	\$5,180,089	
Video Lottery	\$148,615,940	\$ -	\$157,448
Video Lottery License Fees	\$75,000	\$ -	\$ -
Totals	\$156,540,069	\$5,180,089	\$157,448

Commission on Gaming

The South Dakota Commission on Gaming is a five-member commission appointed by the Governor.

The Commission regulates limited wagering in Deadwood, as well as live horse and simulcast racing.

Sports betting started in Deadwood in September, 2021.

Commission on Gaming

- Regulate the gaming industry in:
 - City of Deadwood
 - Pari-mutuel horse racing
 - Pari-mutuel wagering
- Collect and distribute gaming taxes and fees
- Administer Indian gaming compacts

FY2021 Total Gaming Action in Deadwood

Commission on Gaming

\$1.4 billion

FY2021 Revenues

Total Additions to Fund:	\$16,648,486
Penalty on Disciplinary Action	\$11,643
Device Testing Fees	\$9,428
Interest	\$41,661
Application Fees	\$59,817
License Fees	\$81,121
City Slot Tax	\$437,500
FY20 Device Tax	\$4,974,000
Gross Revenue Tax	\$11,033,316

FY 2021 Distributions

Total Allocations from Fund:	\$16,187,847
Capital Equipment	\$962
SD Department of Social Services (SDCL 42-7B-48.3)	\$30,000
SD Historical Preservation (SDCL 42-7B-48)	\$100,000
School Districts (SDCL 42-7B-48.1)	\$108,656
Other Municipalities (SDCL 42-7B-48.1)	\$108,656
Lawrence County (SDCL 42-7B-48)	\$944,584
SD General Fund (SDCL 42-7B-28.1)	\$1,180,731
Administrative Expenses (Includes DOR Admin Charge)	\$1,226,521
SD General Fund (SDCL 42-7B-48.1)	\$760,589
SD Tourism (SDCL 42-7B-48)	\$3,778,338
City of Deadwood (SDCL 42-7B-48 & 48.1)	\$7,948,810

Department Initiatives

Education

Our Seminars Cover:

- Auctioneers New!
- Sales, Use, and Contractor's Excise
 Tax Now Online!
- o Motor Vehicle Title Training New!
- o Indian Country & Real Property
 Taxation New!
- Bookkeeping
- o Property Tax
- Agriculture Business
- Alcohol & Tobacco Taxes

All of our seminars are free of charge.

Online Resources

Stay #OnlineAndOutOfLine this season by taking advantage of our resources we've provided electronically!

- Tax Facts
- o Live Chat
- Virtual Office Visits
- o DMV Now Kiosks
- o Tax Education

New Ways to Learn

In Fiscal Year 2021, the Department of Revenue shared resources with our partners!

This year, we shifted our Sales and Use Tax Seminar and Contractor's Excise Tax Seminar from in person to online over Zoom video conferencing.

A total of 193 people attended virtually throughout our 6 trainings!

Fiscal Year 2021 By The Numbers

106

Courses completed by county officials through LMS

103

Tax Fact Publications 1,045

Customers who received training

14,437

Live Chat Events

Lean

Why Lean?

- 1. Promotes incremental changes over time
- 2. Dramatically improves the performance and effectiveness of processes
- 3. Increases transparency to internal and external stakeholders
- 4. Actively engages all employees
- 5. Allocates more staff time to "mission critical" work

6. Uses metrics and visual controls to provide rapid feedback to improve decision making and problem-solving

DOR Employees have taken Lean Core Concepts

Fiscal Year 2021 By The Numbers 20
Improvement projects submitted

40 Staff from other agencies took lean training

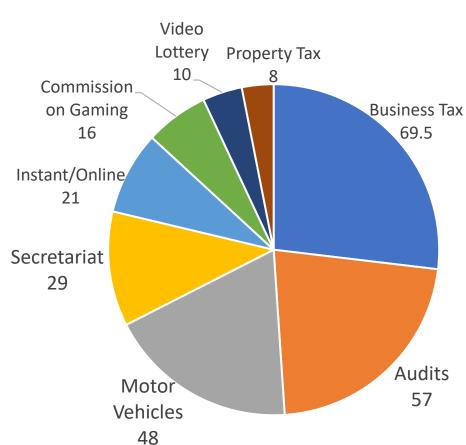
8 Virtual trainings held despite working from home

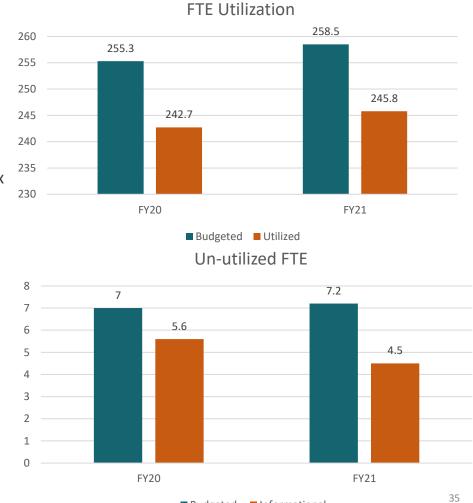
Five Year Outlook

- Keeping Technology Current
 - SD Cars re-write
 - Tax Administration System (CEDAR)
 - Property Tax Data system
- Cannabis Regulation and Taxation
- Recruiting and Retaining Quality Workforce

Overview of Workforce

FY2021 FTE by Program





Budgeted

■ Informational

Workforce Information

Overtime

- FY21 1834.5 hours for \$47,186.25
- FY22 YTD 3,002.5 hours for \$78,199.95
- Main Drivers of OT
 - Title Processing
 - Sturgis Rally

Turnover

- 8.9% in FY2021
- 9.3% in FY2022 YTD

By The Numbers

O

Long term Vacant positions

O Positions being

contracted out due to

vacancv

11.6%

% Retirement Eligible Today 24.3%

% Retirement Eligible in 5 Years 38.2%

% Retirement Eligible in 10 Years

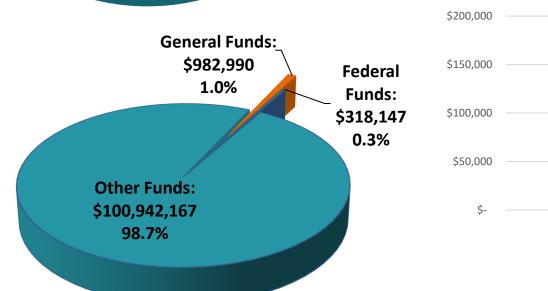
Governor's FY2023 Budget Recommendation

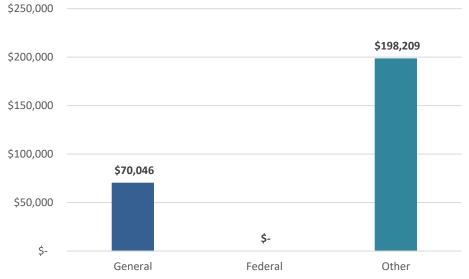
FY2023 Recommended Budget

	FTE	General Funds	Federal Funds	Other Funds	Total
FY2022 Operating Budget	258.5	\$912,944	\$318,147	\$100,743,958	\$101,975,049
FY2023 Requested + / (-) FY2023 Requested	2.0	\$70,046	\$0	\$198,209	\$268,255
Budget	260.5	\$982,990	\$318,147	\$100,942,167	\$102,243,304

FY2023 Recommended Budget

Proposed Budget Increases by Source





^{* \$73,424,026} of Other Fund Authority is for Informational Budgets (Instant/Online Prizes and Commission on Gaming)

Secretariat

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FY2023 Recommended Budget

Secretariat

	FTE	General Funds	Federal Funds	Other Funds	Total
FY2022 Operating Budget	29.0	\$0	\$0	\$4,171,785	\$4,171,785
FY2023 Increase / (Decrease)	1.0	\$0	\$0	\$173,709	\$173,709
FY2023 Recommended	30.0	\$0	\$0	\$4,345,494	\$4,345,494
Personal Services		\$0	\$0	\$2,552,550	\$2,552,550
Operating Expenses		\$0	\$0	\$1,792,944	\$1,792,944
Total FY2023 Budget		\$0	\$0	\$4,345,494	\$4,345,494

Fund Source: Other Funds - Sales & Use Tax Collection Fund & Motor Vehicle Fund

Secretariat Budget Request

- Technology Project Manager

 1 FTE
 - \$83,709 Personal Services
- \$90,000 Operating Expenses
 – increased field office rent in Rapid City
 and Aberdeen

Business Tax

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FY2023 Recommended Budget

Business Tax

	FTE	General Funds	Federal Funds	Other Funds	Total
FY2022 Operating Budget	69.5	\$0	\$0	\$5,682,619	\$5,682,619
FY2023 Increase / (Decrease	0.0	\$0	\$0	\$24,500	\$24,500
FY2023 Recommended	69.5	\$0	\$0	\$5,707,119	\$5,707,119
Personal Services		\$0	\$0	\$4,861,917	\$4,861,917
Operating Expenses		\$0	\$0	\$845,202	\$845,202
Total FY2023 Budget		\$0	\$0	\$5,707,119	\$5,707,119

Fund Source: Other Funds - Sales & Use Tax Collection Fund

Business Tax Budget Request

\$24,500 Operating Expenses

 create and maintain Streamlined Sales Tax

 (SST) rates and boundary tables for municipalities

Motor Vehicles

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FY2023 Recommended Budget

Motor Vehicle

		General	Federal	Other	
	FTE	Funds	Funds	Funds	Total
FY2022 Operating Budget	48.0	\$0	\$313,714	\$9,301,451	\$9,615,165
FY2023 Increase / (Decrease	0.0	\$0	\$0	\$0	\$0
FY2023 Recommended	48.0	\$0	\$313,714	\$9,301,451	\$9,615,165
Personal Services		\$0	\$0	\$3,073,429	\$3,073,429
Operating Expenses		\$0	\$313,714	\$6,626,051	\$6,939,765
Total FY2023 Budget		\$0	\$313,714	\$9,699,480	\$10,013,194

No Recommended Increases

Fund Source: Other Funds - Motor Vehicle Fund & License Plate Revolving Fund

Property Tax

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FY2023 Recommended Budget

Property Tax

		General	Federal	Other	
_	FTE	Funds	Funds	Funds	Total
FY2022 Operating Budget	8.0	\$912,944	\$0	\$0	\$912,944
FY2023 Increase / (Decrease	1.0	\$70,046	\$0	\$0	\$70,046
FY2023 Recommended	9.0	\$982,990	\$0	\$0	\$982,990
Personal Services		\$713,651	\$0	\$0	\$713,651
Operating Expenses		\$269,339	\$0	\$0	\$269,339
Total FY2023 Budget		\$982,990	\$0	\$0	\$982,990

Fund Source: General Funds

Property Tax Budget Request

 1.0 FTE – Property Tax Specialist focusing on providing education and support to county offices

Audits

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FY2023 Recommended Budget

Audits

		General	Federal	Other	
	FTE	Funds	Funds	Funds	Total
FY2022 Operating Budget	57.0	\$0	\$0	\$5,010,615	\$5,010,615
FY2023 Increase / (Decrease	0.0	\$0	\$0	\$0	\$0
FY2023 Recommended	57.0	\$0	\$0	\$5,010,615	\$5,010,615
_					
Personal Services		\$0	\$0	\$4,483,165	\$4,483,165
Operating Expenses		\$0	\$0	\$527,450	\$527,450
Total FY2023 Budget		\$0	\$0	\$5,010,615	\$5,010,615

No Recommended Increases

Fund Source: Other Funds - Sales & Use Tax Collection Fund & Motor Vehicle Fund

SD Lottery – Instant & On-line

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FY2023 Recommended Budget

SD Lottery - Instant & On-Line Operations

(Informational Budget)

		General	Federal	Other	
	FTE	Funds	Funds	Funds	Total
FY2022 Operating Budget	21.0	\$0	\$0	\$62,615,957	\$62,615,957
FY2023 Increase / (Decrease	0.0	\$0	\$0	\$0	\$0
FY2023 Recommended	21.0	\$0	\$0	\$62,615,957	\$62,615,957
Personal Services		\$0	\$0	\$1,628,150	\$1,628,150
Operating Expenses		\$0	\$0	\$60,987,807	\$60,987,807
Total FY2023 Budget		\$0	\$0	\$62,615,957	\$62,615,957

No Recommended Increases

Fund Source: Other Funds - Instant & On-Line

SD Lottery – Video Lottery

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FY2023 Recommended Budget SD Lottery - Video Lottery

		General	Federal	Other	
	FTE	Funds	Funds	Funds	Total
FY2022 Operating Budget	10.0	\$0	\$0	\$2,759,866	\$2,759,866
FY2023 Increase / (Decrease	0.0	\$0	\$0	\$0	\$0
FY2023 Recommended	10.0	\$0	\$0	\$2,759,866	\$2,759,866
Personal Services		\$0	\$0	\$806,979	\$806,979
Operating Expenses		\$0	\$0	\$1,952,887	\$1,952,887
Total FY2023 Budget		\$0	\$0	\$2,759,866	\$2,759,866

No Recommended Increases

Fund Source: Other Funds - Video Lottery

Commission on Gaming

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FY2023 Recommended Budget

Commission on Gaming

(Informational Budget)

		General	Federal	Other	
_	FTE	Funds	Funds	Funds	Total
FY2022 Operating Budget	16.0	\$0	\$0	\$10,808,069	\$10,808,069
FY2023 Increase / (Decrease	0.0	\$0	\$0	\$0	\$0
FY2023 Recommended	16.0	\$0	\$0	\$10,808,069	\$10,808,069
Personal Services		\$0	\$0	\$1,187,795	\$1,187,795
Operating Expenses		\$0	\$0	\$9,620,274	\$9,620,274
Total FY2023 Budget		\$0	\$0	\$10,808,069	\$10,808,069

No Recommended Increases

Fund Source: Other Funds - Deadwood Gaming Administration

Special Appropriations

HB1014- \$450,000 (General Funds) - Sales Tax Refunds for the Elderly and Disabled

The Department provides refunds for real property tax and sales tax to persons who are elderly and disabled pursuant to SDCL chapters 10-18A and 10-45A.

FY22 Budget Changes – (SB60)

• \$4,800,000 (Other Funds) – 2023 License Plate Reissue

License plates are reissued every seven years pursuant to SDCL 32-5-83. This was changed from a five-year cycle to seven years in 2020's HB1154. Preparation and production will begin Spring 2022. Plates will be shipped to County Treasurer offices to be ready for distribution starting in January 2023.

Questions?



South Dakota Department of Revenue



@SDRevenue



South Dakota DOR



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