

SD's Food Tax and the Streamlined Sales tax agreement

These are the parts of the Streamlined Sales and Use Tax Agreement that impact food tax repeal options:

Section 302: STATE AND LOCAL TAX BASES

The tax base for local jurisdictions shall be identical to the state tax base unless otherwise prohibited by federal law.

Section 308: STATE AND LOCAL TAX RATES

A. No member state shall have multiple state sales and use tax rates on items of personal property or services, except that a member state may impose a single additional rate, which may be zero, on food and food ingredients and drugs as defined by state law, pursuant to the Agreement.

B. A member state that has local jurisdictions that levy a sales or use tax shall not have more than one local sales tax rate or more than one local use tax rate per local jurisdiction.

The whole Streamlined Sales and Use Tax Agreement is 261 pages:

https://www.streamlinedsalestax.org/docs/default-source/agreement/ssuta/ssuta-as-amended-through-12-18-20.pdf?sfvrsn=4b26a714_8

This shows South Dakota is one of the states that is in compliance with the Streamline Sales Tax Agreement: <http://www.streamlinedsalestax.org/>

Actually a former official in South Dakota's Dept. of Revenue, Scott Peterson (I talked with him often.) was one of the people who helped get this started and went from SD to be the national director of the Streamline Sales Tax association. Thus, South Dakota was involved from the get-go.

Cathy Brechtelsbauer, 605-335-6222
2-2-2021

"No other tax so directly takes food off the family table " as the food tax in South Dakota.
- Matt Gassen, director, Feeding South Dakota

Google
 “Grocery Stores
Dakota Dunes SD”:

Fareway Grocery
Sioux City, IA
 (712) 252-0388

Cubby's Convenience
 Store
 Dakota Dunes, SD
 (605) 232-9263

Save-A-Lot Grocery
 Store
Sioux City, IA
 (712) 224-2080

Walmart Supercenter
South Sioux City, NE
 (402) 494-8858

Fareway Grocery
Sioux City, IA
 (712) 276-1873

Fareway Grocery
 4016 Indian Hills Dr
Sioux City, IA
 (712) 239-0528

Hy-Vee
 Cornhusker Plaza
South Sioux City, NE
 (402) 494-4675

Hy-Vee
 Marketplace Shopping
 Center
Sioux City, IA
 (712) 277-8120

Maria's Supermarket
South Sioux City, NE
 (402) 494-9169

Family Dollar
South Sioux City, NE
 (402) 494-9135

Plaza Latina Grocery
 Store
Sioux City, IA
 (712) 255-6451

Great Wall Oriental
 Food Store Grocery
 Store
Sioux City, IA
 (712) 252-2437

Hong Kong Food Store
Sioux City, IA
 (712) 277-8712

Seoul foods
South Sioux City NE
 402-494-6288

Suxfresco,Mexican
 grocery store
South Sioux City, NE
 (402) 494-1900

Laos Asian Market
South Sioux City, NE
 Tue · (402) 404-2784

Habesha/Tropical
 Grocery Store
Sioux City, IA
 (641) 758-4943

Crown Bakeries -
 wholesale
 (Formerly Steck
 Wholesale Foods)
 North Sioux City, SD
 (605) 242-5006

Oromia General
 Grocery Store
Sioux City, IA
 (712) 454-0945

Hy-Vee Grocery Store
 3301 Gordon Drive
Sioux City, IA
 (712) 234-1960

Maya Market
 Grocery store
Sioux City, IA
 · (712) 560-3997

El Mexicano
South Sioux City, NE
 (402) 404-2520

Isak Grocery Store
Sioux City, IA
 (641) 980-0693

La Victoria
 Mexican grocery store
Sioux City, IA
 (712) 535-1177

ALDI Supermarket
Sioux City, IA
 (855) 955-2534

Hy-Vee Grocery Store
 Southern Hills Mall
Sioux City, IA
 (712) 274-1036

Tyson Fresh Meats
 Exporter
 Dakota Dunes, SD
 (605) 235-2061

Google
 “Grocery stores
**North Sioux City
 SD”:**

Fareway Grocery
Sioux City, IA
 (712) 252-0388

Hy-Vee Supermarket
 Marketplace Shopping
 Center
Sioux City, IA
 (712) 277-8120

Save-A-Lot Grocery
 Store
Sioux City, IA
 (712) 224-2080

Walmart Supercenter
South Sioux City, NE
 (402) 494-8858

Fareway Grocery
Sioux City, IA
 (712) 239-0528

Great Wall Oriental
 Foods **Sioux City, IA**
 (712) 252-2437

Walmart Supercenter
Sioux City, IA
 (712) 239-8901

Hy-Vee
 Gordon Plaza
Sioux City, IA
 (712) 234-1960

Crown Bakeries -
 wholesale
 (Formerly Steck
 Wholesale Foods)
 North Sioux City, SD
 (605) 242-5006

Weston Foods Bakery
 1 Devils Food Dr
 North Sioux City, SD
 (605) 232-4900

Freeway Express
 Liquor store
 North Sioux City, SD
 (605) 232-0104

Miller Liquor Store
 Beer store
 North Sioux City, SD ·
 (605) 232-4616

Laurence's Super
 Market
Sioux City, IA
 (712) 258-5992

High Ground Cafe and
 Espresso Bar, Coffee
 shop
 North Sioux City SD
 (605) 422-6699

Hong Kong Food Store
Sioux City, IA
 (712) 277-8712

International Market
Sioux City, IA
 (712) 224-9055

Maria's Supermarket
South Sioux City, NE
 (402) 494-9169

Seoul foods
South Sioux City NE
 402-494-6288

Isak Grocery Store
Sioux City, IA
 (641) 980-0693

ALDI Supermarket
Sioux City, IA
 (855) 955-2534

Suxfresco,
 Mexican grocery store
South Sioux City, NE
 (402) 494-1900

McDonald's
 North Sioux City, SD
 (605) 232-9604

Goode To Go
 Truck stop
 North Sioux City, SD
 (605) 232-4329

Maya Market
 Grocery store
Sioux City, IA
 · (712) 560-3997

Oromia General
 Grocery Store
Sioux City, IA
 (712) 454-0945

Plaza Latina Grocery
 Store
Sioux City, IA
 (712) 255-6451

AFRICAN GENERAL
 Grocery store
 (712) 454-0945

Habesha/Tropical
 Grocery Store
Sioux City, IA
 (641) 758-4943

Abarrotes El Arco Iris
 Grocery store
Sioux City, IA
 (712) 255-2517

Cubby's Convenience
 Store
 Dakota Dunes, SD
 (605) 232-9263

La Pinata Grocery
 store
Sioux City, IA
 (712) 274-0030

empirical foods
 Food processing,
 No retail
 North Sioux City, SD
 (605) 217-8000

Brownbox.com
 Wholesaler
 North Sioux City, SD
 (605) 422-1328

Abarrotes Aguilar
 Supermarket
Sioux City, IA

Red's All Natural, LLC
 Frozen food
 manufacturer
 North Sioux City, SD
 (605) 956-7337

Family Dollar
South Sioux City, NE
 (402) 508-3003

Family Dollar
Sioux City, IA
 (712) 454-6043

Dollar General
Sioux City, IA
 (515) 207-3876

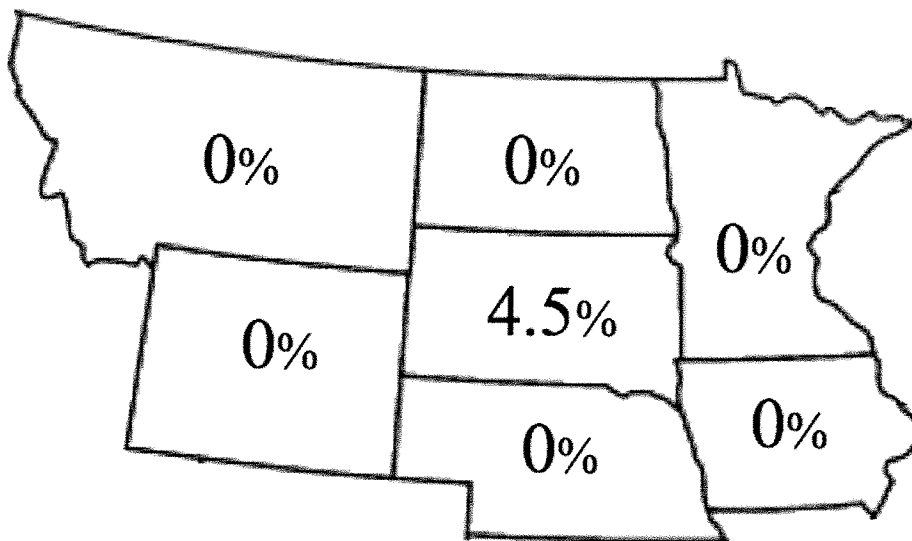
Frutas Raspados y
 mas.
 Grocery store
Sioux City, IA
 (712) 212-1898

Tortilleria El Lago
 Mexican grocery store
Sioux City, IA
 (712) 255-7377

United Vending &
 Food Services
 Food products supplier
 North Sioux City, SD
 (888) 494-4166

STATES TAXING FOOD Jan.'21

Which states tax groceries? The state rates:



Only these states tax groceries:

| Food Tax Lower than tax on non-food | Full Sales Tax Rate on food; Offset provided | Full Rate on food No offset |
|--|---|--------------------------------|
| AR .125% | HI | AL |
| IL 1% | ID | MS |
| MO 1.225% | KS* | SD |
| TN 4% | OK | |
| UT 3% | | |
| VA 1.5% | | |

An offset is generally an income tax credit.

*Kansas ended its refund, then brought it back, Alas! in a less available form.

These have no state food tax, but allow localities:

AK AZ CO GA LA NC SC



**TAX CUT SURVEY
2019-2020**

| Location/Surveyor | Date | 1/10% off general rate | 1% off groceries | No opinion | Other |
|-------------------------------|----------|---------------------------|---------------------|------------|----------------------|
| N. Olson | 2019 | 0 | 17 | | |
| Margaret's | 2019 | 2 | 9 | | |
| United Methodist Conf. | 6/8/19 | 3 | 18 | | |
| World Refugee Day Event | 6/20/19 | 1 | 16 | | |
| Post Office entrance | 9/6/19 | 1 | 14 | | |
| Sidewalk Arts Festival: | 9/7/19 | | | | |
| P.B. | | 32 | 43 | | |
| C.B. | | 59 | 119 | | |
| S.R. | | 22 | 54 | 10 | |
| SF Library entrance | 9/21/19 | 4 | 6 | 3 | |
| Falls Park | 9/21/19 | 11 | 26 | 3 | |
| Congregational Church, Pierre | | 0 | 21 | | |
| Skateboard competition | 9/28/19 | 2 | 21 | 1 | 1 want no tax at all |
| Soccer games at Spencer Park | 9/28/19 | 1 | 10 | 1 | |
| Comicon & Health Connect | 9/28/19 | | | | |
| at SF Arena | | 23 | 87 | 13 | |
| SF Library entrance | 9/28/19 | 3 | 14 | 1 | |
| State Girls' Tennis Final | 10/8/19 | 7 | 25 | 2 | |
| Airport departure gate | 12/21/19 | 3 | 26 | 2 | |
| Airport departure gate | 12/28/19 | 4 | 2 | 4 | |
| Airport departure gate | 1/25/20 | 7 | 15 | 7 | 1 keep same |
| Airport departure gate | 2/1/20 | 0 | 9 | 3 | 3 keep same |
| Totals | | 185 | 552 | 50 | |

The question alternated between these two:

IF there is going to be a reduction in sales tax, which would you prefer?:

☐ A whole percent off groceries?

OR

☐ A tenth of a percent off all sales tax?

IF there is going to be a reduction in sales tax, which would you prefer?:

☐ A tenth of a percent off all sales tax?

OR

☐ A whole percent off groceries?

History of the Food Tax in South Dakota

- 1935 South Dakota began a general state sales tax. It had no exemption for groceries. Thus, the first South Dakota food tax was 2%, generating revenue for the state general fund.
- 1937 State sales tax rate raised to 3%.
- 1941 State sales tax rate reduced to 2%.
- 1955 April thru Dec: The rate was 3% with the additional 1% designated for Korean War bonus.
- 1956 The rate returned to 2% on January 1, 1956.
- 1965 The rate increased to 3%
- 1969 The rate increased to 4%. South Dakota **cities** began to levy sales tax, with no limit on the rate.
- 1977 City rates were capped at 1%.
- 1983 City rates were allowed to go up to 2%, but limited to 1% on food with the option for no city tax on food. For example, Rapid City chose not to tax food with its city tax. Thus, for years, many cities had general sales tax of 2% with either 1% or 0% on food.
- 1985 Hospitals (but not nursing homes) were granted a tax exemption for their food for patients with public forms of health coverage, including Medicare, Medicaid, Indian Health Service, or "county poor relief" patients.
- 1987 Purchases made with food stamps were exempted from sales tax.
- 1987 A 1% sales tax was added, even on food, and was in effect for 10 months to create a \$40 million pool of funds for new and expanding businesses, known as the REDI Fund.
- 1969, 1978, 1979, 1995, and 1996. The tax base (thus increasing state and city revenue) was expanded, without any reductions in the tax on food. Many more items, mostly services, became subject to SD's sales tax. For examples: newspaper subscriptions, haircuts, taxi fares, snow removal, tree trimming, cell phone bills, funeral services, music lessons and sports coaching.
- 1996 South Dakota is ranked among the top 5 in the "Terrible Ten" states with the most regressive taxes by the Institute on Taxation and Economic Policy (ITEP). South Dakota has remained in the top 5 every year since. The tax on food is one factor contributing to this dishonor.
- 2003 The **Streamline Sales Tax Agreement** passed the SD Legislature. States were organizing to allow taxing of sales made over the internet. They were losing significant revenue, and the situation was unfair to local businesses. The Supreme Court had ruled that some standardization was needed in state sales taxes. Enough states subscribing to this agreement would pave the way for states to collect sales tax on these sales. (Update: SB106 passed the 2016 SD Legislature to attempt to collect sales tax from the larger online retailers while waiting for Congress to act.) Certain rules in this agreement affect South Dakota's food tax:
- Items subject to sales tax must be the same for both the state and its cities.
 - The state is allowed to have rates on food, medicines and utilities that are different from the general tax rate. This allows states to phase down or phase out their tax on food, as some have done.
 - Each city may have only one tax rate. This rule caused a **tax hike on food**, because no cities dropped their tax rate from 2% to 1% on all sales. Rather, most cities took the advice from the state to adopt a revenue-neutral rate between 1% and 2%. Examples: Initially, Sioux Falls went to 1.92%, Mission to 1.75%, Hot Springs to 1.83%.
- 2004 A program began to refund the food tax to low-income households. (Over the 8 years of the program, for many reasons, it never reached more than 5% of the state's low-income non-food-stamp population.)
- 2004 A ballot measure to end the food tax failed in the general election, sponsored by the minority Democratic party. The public pinned its hopes on the new refund program. The initiative included no replacement revenue and had strong opposition from the governor. It is notable that despite numerous strikes against it, over one third of the voters supported ending the food tax.
- Since 2004 Most SD cities have raised their rate to 2%. Thus, **the tax on food was increased again**, to 6% at most grocery stores in the state. In 2016 only Canova (1.95%) and Interior (1.90%) still have rates between 1% and 2%.
- 2012 House Bill 1206 ended the food tax refund program, because it was missing over 99% of the state's low-income people and returning to South Dakotans less than 1/10 of 1% of what they were paying in food tax. HB1206 made the fund's remaining \$800,000 available for grants to agencies that actually get food to people in need.
- Fiscal Year 2015. South Dakota's Dept. of Revenue estimates the food tax costs grocery shoppers \$67,039,533 for the state and \$31,173,383 for cities annually.
- 2016 On June 1, 2016, **the tax on food rises** to 6.5% (4.5% state + 2% city) due to the 2016 tax increase for teacher pay, which included no reduction in the tax on food nor an exemption for food in the increase.