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HB 1327

An Act to reduce certain gross receipts tax rates and a use tax rate, and to repeal a conditional reduction of certain gross receipts tax rates.

The Promise

- Partridge Amendment- If the state is able to enforce the obligation to collect and remit sales tax on remote sellers who deliver tangible personal property, products transferred electronically, or services directly to the citizens of South Dakota, the additional net revenue from such obligation shall be used to reduce the rate of certain taxes.
- This bill would lower the sales and use tax at a time when we are seeing great economic growth in our state.

Economics of South Dakota

- South Dakota's GDP growth rate has grown 13.3% which is the second in the nation for growth rate.
- South Dakota saw the third largest growth (88%) in housing permits issued of any state. National growth at 26%.
- The average hourly earnings of South Dakota private sector workers increased 11%, putting South Dakota 9th in the nation.
- South Dakota's unemployment rate declined to 2.6% which is lower than any point in the last ten years.
- At the end of 2021, annual revenues in the state rose more than 15% higher than the previous year's total.
- South Dakota has no income tax and no business tax.
- In 2021 GOED completed 38 projects that will bring more than $1.7 Billion in capital investment to South Dakota and create over 3,700 new jobs, a 72% increase over 2020's job numbers.

Revenues

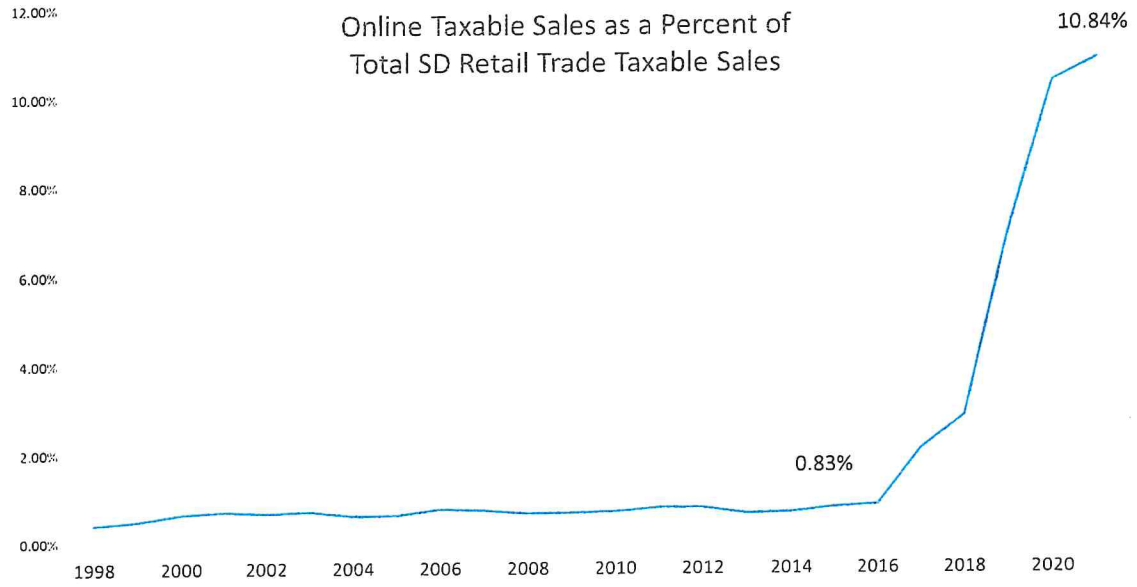
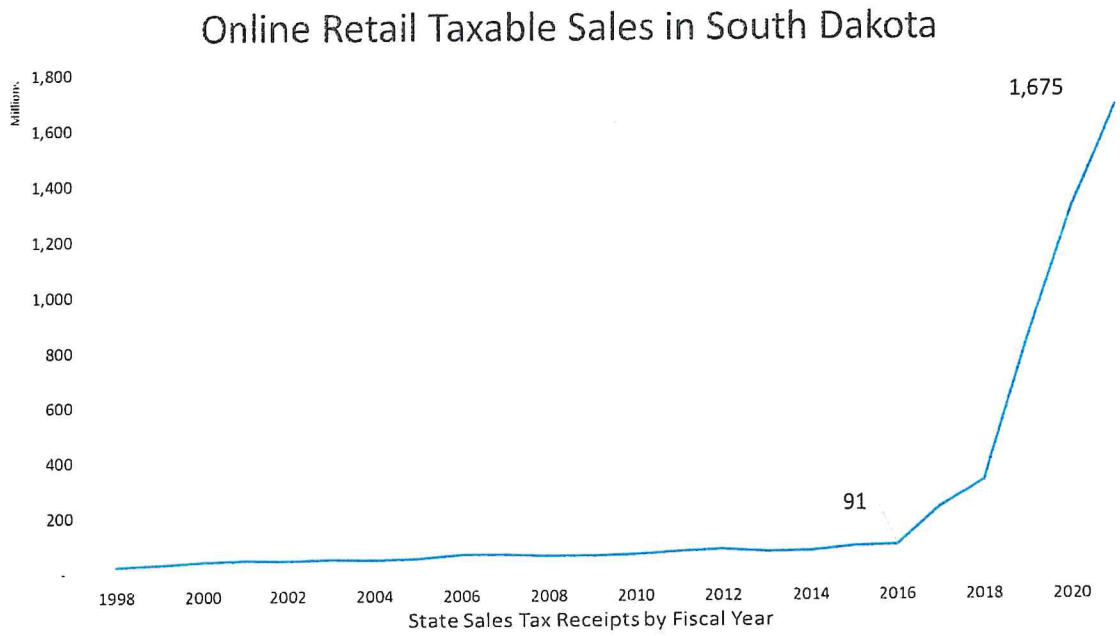
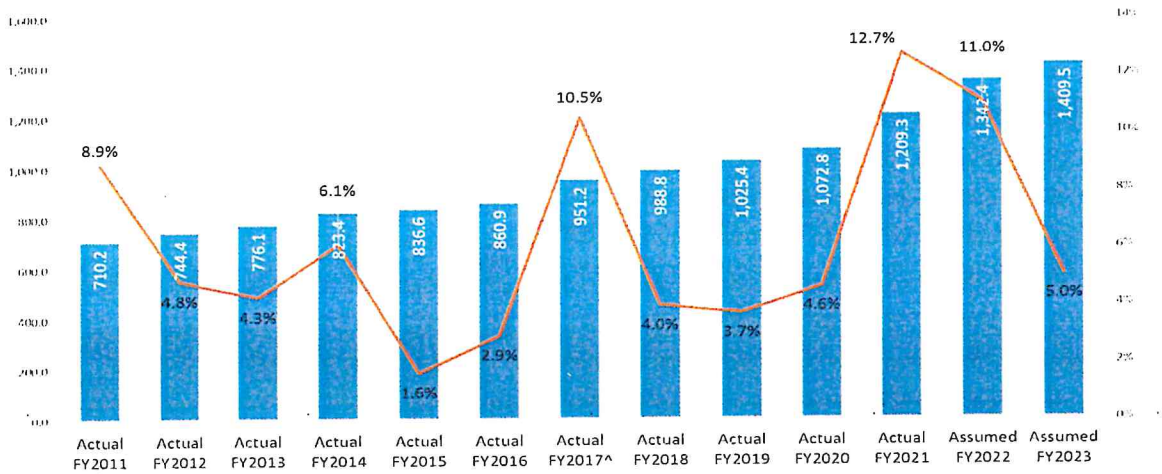
2023

2,067,941,882	JCA Adopted Revenue Target for FY2023
(73,918,496)	Reduction of Sales Tax by Reducing Sales Tax Rate to 4.25%
1,994,023,386	Revenue Target after sales tax reduction
1,833,313,439	FY2022 On-going Revenue Base
160,709,947	**Dollars Available to Spend for FY2023**
157,339,295	Governor's Recommended Budget Increases
3,370,652	**Dollars Available to Spend for FY2023**

2024

2,093,724,555	FY2024 General Fund Target (assuming 5% growth)
(77,614,421)	Reduction of Sales Tax by Reducing Sales Tax Rate to 4%
2,016,110,134	Revenue Target after sales tax reduction
1,994,023,386	FY2023 General Fund Base Budget
22,086,748	**Dollars Available to Spend for FY2024**

- The cost of everyday goods is going up based on trends we have seen throughout the state, which is not forecasted to go down for the foreseeable future.
- General Revenue replacement fund can be used if we experience short fall on projected revenue.
  - 137.5 million dollars (14.2%) General Revenue Replacement fund
  - 169.5 million Budget Reserve fund
  - 307 million (15.6%) in all reserves

Bacon Inflation Factor

Year	Average Price	Sales tax taken at 4.5%	Sales tax taken at 4.25%
2022	$7.22		$0.30
2020	$5.58	$0.25