

**Proposal V: Reduce Owner-Occupied (OO) Property Tax Levies on General Education,
Special Education, and County General**

**48% Reduction
in OO Property Taxes*** **Note**

Reduce Property Taxes by			(430,800,000)	
Sales Tax to	4.5%	105,284,799		1
Contractor's Excise Tax to	2.5%	54,795,406		2
Wholesale Alcohol Excise Tax at	4%	3,209,446		3
Alcohol Beverage Excise Tax Increase Rates by	25.0%	2,250,783		4
Other Tobacco Products Wholesale Excise Tax at	40%	1,736,361		5
Vaping Wholesale Excise Tax at	40%	8,342,857		6
Cigarette Tax Mill Rate at	101.5	9,072,224		7
Future Funds to General Fund	33.0%	8,031,193		8
Tourism Tax at	4.0%	29,216,875		9
Remove Sales Tax Exemption on: Advertising Services	YES	41,301,816		10
Remove Sales Tax Exemption on: Radio & Television Broadcasting	YES	7,202,835		11
Remove Sales Tax Exemption on: Services Performed for Rodeos	YES	1,466,269		12
Remove Sales Tax Exemption on: Mini-Storage	YES	1,534,928		13
Remove Sales Tax Exemption on: Water Supply	YES	7,668,478		14
Remove Sales Tax Exemption on: Membership Fees to Membership Organizations	YES	9,284,718		15
Remove Sales Tax Exemption on: Social Services and Credit Counseling Services	YES	12,010,825		16
Remove Tax Credit to Insurance Companies for Educational Scholarships	Yes	5,000,000		17
State Govt. General Fund Reduction	5.01%	123,395,554		18
Total Dollars Needed to Reduce Property Taxes			(5,366)	

*Note: The actual percent reduction in property taxes will depend on the location in the state. The range of property tax reduction is 22% to 90% based on Pay 2023 data.

Proposal V: Reduce Owner-Occupied (OO) Tax Levies on General Education, Special Education, and County General to Zero, Providing a 48% Reduction in OO Property Taxes

- Sales Tax
- Tobacco Taxes
- Sales Tax Exemptions
- Contractor's Excise Tax
- Future Funds
- 5.0% General Fund Cut
- Alcohol Taxes
- Tourism Tax

1. Sales Tax at 4.5%

This item increases state sales tax from 4.2% to 4.5%, increasing revenues by \$105.3 million.

2. Contractor's Excise Tax at 2.5%

This item increases contractor's excise tax from 2.0% to 2.5%, increasing revenues by \$54.8 million. Contractors are responsible for paying this tax. Any person entering into a contract for construction services or engaging in services that include the construction, building, installation, or repair of a fixture to real property must the tax. The excise tax imposed on the gross receipts for construction projects. Most contractors pass the cost of this tax to the customer.

3. Wholesale Alcohol Excise Tax at 4%

This item increases the wholesale alcohol excise tax from 2% to 4%, increasing revenues by \$3.2 million.

4. Increase Alcohol Beverage Excise Taxes by 25%

This item increases alcohol beverage excise taxes by 25%, increasing revenues by \$2.3 million.

5. Vaping Excise Tax at 40%

This item implements a new vaping tax on vaping in the state, increasing revenues by \$8.3 million. South Dakota does not have an excise tax on vaping, while cigarettes or other tobacco products have an excise tax. Minnesota, Wyoming, and Nebraska have a specific excise tax on vaping. There are generally two methods to taxing vaping - taxing at a wholesale or purchase rate or taxing by specific milliliter.

6. Other Tobacco Products Excise Tax at 40%

This item increases the other tobacco products excise tax from 35% to 40%, increasing revenues by \$1.7 million. Other tobacco products include cigars, snuff, and products with tobacco that are not cigarettes, but does not apply to vaping products. An initiated measure was approved by the voters in 2006 to raise the tax to 35%. In FY25, this revenue source generated \$12.1 million.

7. Cigarette Tax Mill Rate at 101.5

This item increases the tax mill rate on cigarettes from 76.5 to 101.5. Today the tax is \$1.53 per pack of 20. The tax applies to each cigarette, a tax of \$0.0765 per cigarette. The increase of 50 mills will increase a pack of cigarettes by \$1.00. The cigarette tax was last changed in 2006 when the voters increased the mill rate by 50 mills or \$1.00 per pack.

8. 33% of Future Funds for Property Tax Reduction

This item utilizes 33% of the future fund revenues for property tax reduction. This amounts to \$8.0 million in revenue. The future fund receives revenue from an investment fee paid by employers based on the employer wages. The investment fee is based on the employer's unemployment insurance reserve ratio (the dollar amount employers have in their unemployment insurance reserve accounts divided by their average payroll for the last 3 fiscal years). The higher the employer reserve ratio, the higher the account balance, meaning less employees utilizing unemployment benefits. In 2024, approximately 29,500 businesses paid into the Future Fund. The use of the fund is for research and economic development. The Governor has the sole discretion to determine the awards.

9. Tourism Tax at 4%

This item increases the tourism tax from 1.5% to 4%, increasing revenues by \$29.2 million. The tourism tax is applied during June, July, August, and September on visitor related businesses (§ 10-45D-2). Visitor-related businesses include any lodging establishment, campground, motor vehicle rental, visitor attraction, recreational equipment rental, recreational service, spectator event, and visitor-intensive business. This additional sales tax generates about \$17.5 million on a yearly basis.

10. Remove Sales Tax Exemption for Advertising Services, § 10-45-5.2

This item removes the sales tax exemption for advertising services. This amounts to \$41.3 million in revenue. This sales tax exemption applies to the preparation and placement of digital and print ads. Media companies who prepare or place an ad are not required to collect sales tax.

11. Remove Sales Tax Exemption for Radio & Television Broadcasting, § 10-45-12.1

This item removes the sales tax exemption for radio and television broadcasting. This amounts to \$7.2 million in revenue. Any services provided by a radio or television broadcasting business are exempted from sales tax.

12. Remove Sales Tax Exemption for Services Performed for Rodeos, § 10-45-90; 10-46-63

This item removes the sales tax exemption for services performed for rodeos. This amounts to \$1.5 million in revenue. Services performed by promoters, stock contractors, stock handles, announcers, judges, and clowns at rodeos are not taxed.

13. Apply Sales Tax to Mini-Storage

This applies sales tax to mini storage. This amounts to \$1.5 million in revenue. Mini storage is not specifically subject to tax by codified law.

14. Remove Sales Tax Exemption for Water Supply, § 10-45-12.1

This item removes the sales tax exemption for the supply of bulk water. This amounts to \$7.7 million in revenue. This sales tax exemption applies to the retail sale of bulk water purchased in South Dakota. The most common occurrence of this exemption is water distribution to a home, commercial or industrial property.

15. Remove Sales Tax Exemption for Membership Fees to Membership Organizations, § 10-45-13.1

This item removes the sales tax exemption for membership fees to membership organizations. This amounts to \$9.3 million in revenue. Membership organizations that fall under SIC major group 86 which typically include trade associations, professional memberships, labor unions, and political or religious organizations. are exempted from sales tax on membership fees they collect or charging sales tax on the services they provide. Organizations like chambers of commerce or alumni associations are exempt.

16. Remove Sales Tax Exemption for Social Services and Credit Counseling Services, § 10-45-12.1

This item removes the sales tax exemption for social services and credit counseling services. This amounts to \$12.0 million in revenue. This exemption applies to services performed by counselors, psychologists, and others social services or credit counseling services.

17. Remove Tax Credit to Insurance Companies, § 13-65-2

This item removes the tax credit to insurance companies for giving money to educational scholarships. This amounts to \$5.0 million in revenue. This is the education tax credit program which allows a tax credit for insurance companies to offset up to a total of \$5 million in insurance company tax.

18. General Fund Reduction of 5.01%

This item will reduce general fund expenditures across the board by 5.01%.