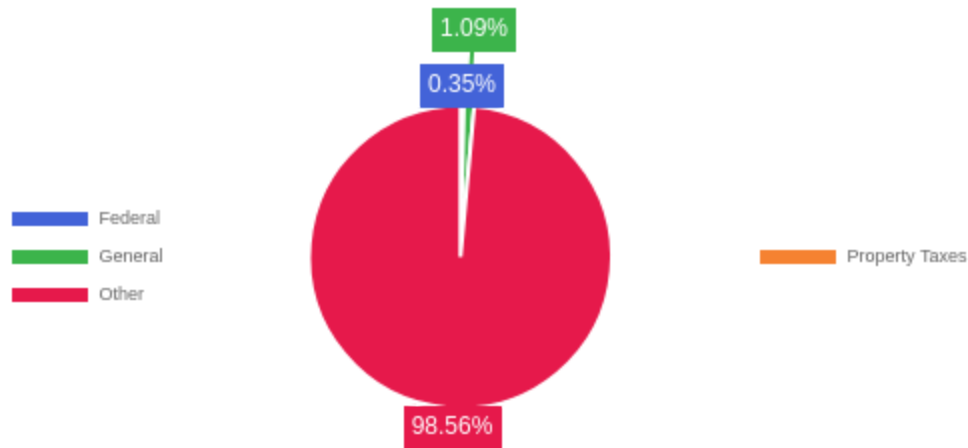


Department of Revenue

Fiscal Year 2027 Budget Brief Summary

Information contained in this document is based on the Governor's FY2027 Budget and may not correspond with the final budget adopted by the Legislature.

Source of Funds



Distribution of General Funds



Key Personnel

- Michael Houdyshell, Secretary
- Toni Richardson, Administration
- Rosa Yaeger, Motor Vehicles
- Kirsten Jasper, Chief Legal Counsel
- Doug Schinkel, Business Tax
- Jason Evans, Deputy Secretary
- Wendy Semmler, Property Taxes
- Daniel Webster, Audits
- Norm Lingle, Lottery
- Mark Heltzel, Commission on Gaming

Mission of the Department of Revenue

To provide the revenue necessary for the support of state and local government programs through the fair and consistent application of the tax laws and through a comprehensive program of education that explains the responsibilities and rights of taxpayers; to operate the state lottery established in SDCL 42-7A in a secure, efficient, and profitable manner; and to provide for the safety and well-being of consumers and the general public by regulating the gaming and racing industries.

Department of Revenue Budget Units

- Secretariat (0210)
- Business Tax (0220)
- Motor Vehicles (0230)
- Property Taxes (0240)
- Audits (0250)
- Instant and On-line Operations - Info (0281)
- Video Lottery (0282)
- Commission on Gaming - Info (0293)

Major Items Summary - Department of Revenue

	Agency Request					Governor's Recommendation				
	General	Federal	Other	Total	FTE	General	Federal	Other	Total	FTE
FY 2026 Base Budget	\$1,154,380	\$397,295	\$110,285,200	\$111,836,875	258.5	\$1,154,380	\$397,295	\$110,285,200	\$111,836,875	258.5
1. Additional Self-Service Kiosks	\$0	\$0	\$36,000	\$36,000	0.0	\$0	\$0	\$36,000	\$36,000	0.0
2. Alcohol Licensing Software	\$0	\$0	\$500,000	\$500,000	0.0	\$0	\$0	\$0	\$0	0.0
3. Property Tax Software	\$175,000	\$0	\$0	\$175,000	0.0	\$66,500	\$0	\$17,500	\$84,000	0.0
4. Sales and Use Tax Auditors	\$0	\$0	\$235,000	\$235,000	3.0	\$0	\$0	\$85,050	\$85,050	1.0
5. Telephone Service Representatives	\$0	\$0	\$175,000	\$175,000	4.0	\$0	\$0	\$0	\$0	0.0
6. Video Lottery Inspectors	\$0	\$0	\$0	\$0	3.0	\$0	\$0	\$0	\$0	0.0
FY 2027 Total Budget	\$1,329,380	\$397,295	\$111,231,200	\$112,957,875	268.5	\$1,220,880	\$397,295	\$110,423,750	\$112,041,925	259.5
Change from Base Budget	\$175,000	\$0	\$946,000	\$1,121,000	10.0	\$66,500	\$0	\$138,550	\$205,050	1.0
% Change from Base Budget	15.2%	0.0%	0.9%	1.0%	3.9%	5.8%	0.0%	0.1%	0.2%	0.4%

1. Additional Self-Service Kiosks

	General	Federal	Other	Total	FTE
Agency Request	\$0	\$0	\$36,000	\$36,000	0.00
Governor's Recommendation	\$0	\$0	\$36,000	\$36,000	0.00

The agency requests an increase of **\$36,000** in **other fund** expenditure authority for the annual maintenance costs of two new self-service motor vehicle kiosks. \$180,000 in one-time other fund expenditure authority is included in the governor's recommended budget to purchase the two kiosks.

[DMV Now](#) kiosks allow customers to renew their vehicle registration, print the updated registration and vehicle decals, renew their driver's license, update their address, report the sale of a vehicle, and print a seller's permit.

The Department currently maintains 20 kiosks at the following locations:

1. Allstop Grocery, Gas, & Deli in Rosebud
2. Coburn's in Huron
3. County Fair Food Store in Mitchell
4. Department of Revenue in Rapid City (Rapid City One Stop)
5. Driver Exam Station in Rapid City
6. Driver Exam Station in Sioux Falls (Sioux Falls One Stop)
7. Get-N-Go (Arrowhead Pkwy) in Sioux Falls
8. Hy-Vee (Louise Ave) In Sioux Falls
9. Hy-Vee (Minnesota Ave) in Sioux Falls
10. Hy-Vee in Watertown
11. Kessler's in Aberdeen
12. Lewis Drug in Brookings
13. Lynn's Dakotamart in Pierre
14. Madison Sunshine Foods in Madison
15. Minnehaha County Administration Building in Sioux Falls
16. Payless Foods in Mobridge
17. Pennington County Administration Building (Kansas City St) in Rapid City
18. Pine Ridge Oglala Sioux Tribal Office in Pine Ridge
19. Pump-N-Pak in Vermillion
20. Spearfish Recreation Center in Spearfish

10 of the kiosks were purchased in FY2021 using COVID funds.

In FY2020, 78,061 transactions were performed on the kiosks and \$11,520,622.28 was collected. In FY2025, there were 109,763 transactions performed and \$16,145,962.73 collected.

It has not been determined where the two new kiosks will be located. The Department has received several requests and is evaluating which locations would lead to the highest utilization of the new kiosks.

The relevant Other Fund for this request is the State Motor Vehicle Fund (Company 3177).

The governor recommends this request.

2. Alcohol Licensing Software

	General	Federal	Other	Total	FTE
Agency Request	\$0	\$0	\$500,000	\$500,000	0.00
Governor's Recommendation	\$0	\$0	\$0	\$0	0.00

The agency requests an increase of **\$500,000** in **other fund** expenditure authority for new alcohol licensing software.

The requested software would assist the Department in processing applications for [liquor licenses](#). The Department would issue a request for proposal (RFP) if funding for this request is approved. If funding is not approved, the Department will continue with existing manual processes for annual license renewals.

The relevant Other Fund for this request is the Sales and Use Tax Collection Fund (Company 3076). SDCL [10-1-44](#) established the Sales and Use Tax Collection Fund for the purpose of administering the sales, use, municipal non-ad valorem, and contractor’s excise taxes. The fund receives revenue from state and municipal sales and use tax collections. At the end of each fiscal year, any cash balance remaining in Company 3076 is transferred to the state general fund.

The governor does not recommend this request.

3. Property Tax Software

	General	Federal	Other	Total	FTE
Agency Request	\$175,000	\$0	\$0	\$175,000	0.00
Governor's Recommendation	\$66,500	\$0	\$17,500	\$84,000	0.00

The agency requests an increase of **\$175,000** in **general funds** for existing property tax software.

The Department contracts with Catalis, previously known as Axiomatic, for software to support the Department's role in overseeing and administering the state's property tax system. This software provides county auditors and directors of equalization with a portal to upload data and allows the Department's property tax staff to audit 100% of the sales data provided by counties. The system also includes the [Property Tax Transparency Portal](#), which provides data and background information on property taxes to the public.

The Department began implementing the system in FY2021. One-time funds were used for the purchase and implementation of the system, and ongoing funds are requested for subscription costs and maintenance now that the system is fully implemented.

*The governor recommends an increase of **\$66,500** in **general funds** and an increase of **\$17,500** in **other fund** expenditure authority.*

The relevant Other Fund for this recommendation is the Sales and Use Tax Collection Fund (Company 3076). One-time general funds are also recommended to support a two-year contract for the software.

4. Sales and Use Tax Auditors

	General	Federal	Other	Total	FTE
Agency Request	\$0	\$0	\$235,000	\$235,000	3.00
Governor's Recommendation	\$0	\$0	\$85,050	\$85,050	1.00

The agency requests an increase of **\$235,000** in **other fund** expenditure authority and an increase of **3.0** FTE for sales and use tax auditors.

There are 48 auditor positions within the Department: four audit bank franchise tax, five audit motor fuel tax, and 39 audit sales, use, excise, municipal, and other taxes. All new auditors hired start by auditing sales, use, excise, municipal, and other taxes. Three FTE were requested because the Department moved three sales tax auditors to the bank franchise audit team after those auditors were trained to audit bank income tax.

According to the Department's [FY2025 Annual Report](#) (p. 18), "The Audit Division is responsible for selecting and performing audits on behalf of the Department of Revenue. The primary purpose of an audit is to verify the gross receipts, deductions, and use tax reported on tax returns, to ensure required record keeping is in place, and to work with auditees to ensure understanding of the tax laws." The table below is taken from the same report. More information on the Audit Division can be found on pp. 18-19 of the report.

Audits, Assessments, and Revenues*

Tax Type	Fiscal Year 2024				Fiscal Year 2025			
	Audits	Assesments	Credits	Payments Received	Audits	Assesments	Credits	Payments Received
Sales, Use, and Contactor's Excise	1,310	\$26,773,877	\$ (1,044,281)	\$23,357,105	1,198	\$29,217,289	\$ (6,229,912)	\$22,998,250
Fuel, Prorate, IFTA	214	\$1,034,797	\$ (131)	\$484,508	197	\$183,494	\$ (4,568)	\$57,070
Bank Franchise	14	\$4,800,435	\$ -	\$4,250,751	17	\$6,676,533	\$ (4,122)	\$4,593,057
Tobacco	2	\$23,681	\$ -	\$19,587	13	\$6,271	\$ (192)	\$6,075
Total	1,540	\$32,732,065	\$ (1,044,413)	\$28,111,952	1,425	\$36,083,587	\$ (6,238,798)	\$30,654,451

*Assessments and credits are from the original certificates of assessment.

Based on the last 20 auditors hired, the average annual assessment per auditor in their first four years is:

- Year 1: \$43,787
- Year 2: \$154,076
- Year 3: \$343,516
- Year 4: \$423,988

Each auditor must meet a minimum number of quality distinct audits (QDAs) each year based on their career band level. A QDA is defined by criteria including appropriateness for the auditor's experience and timely completion.

- Auditor I: minimum of 8 QDAs annually (14 beginning in their third year)
- Auditor II: minimum of 14 QDAs annually

- Auditor III: minimum of 20 QDAs annually
- Auditor IV: minimum of 22 QDAs annually

The relevant Other Fund for this request is the Sales and Use Tax Collection Fund (Company 3076).

*The governor recommends an increase of **\$85,050** in **other fund** expenditure authority and an increase of **1.0** FTE.*

5. Telephone Service Representatives

	General	Federal	Other	Total	FTE
Agency Request	\$0	\$0	\$175,000	\$175,000	4.00
Governor's Recommendation	\$0	\$0	\$0	\$0	0.00

The agency requests an increase of **\$175,000** in **other fund** expenditure authority and an increase of **4.0** FTE for telephone service representatives.

The Department currently employs seven telephone service representatives in its Motor Vehicle Division (MVD). These representatives take calls and chat messages from county employees seeking assistance from the MVD. Following the implementation of [605Drive](#), the Department contracted with an outside call center, at a cost of \$235,000, to assist with the increased volume of calls the MVD was receiving from counties. The contract was terminated on October 3, 2025.

The relevant Other Fund for this request is the State Motor Vehicle Fund (Company 3177).

The governor does not recommend this request.

6. Video Lottery Inspectors

	General	Federal	Other	Total	FTE
Agency Request	\$0	\$0	\$0	\$0	3.00
Governor's Recommendation	\$0	\$0	\$0	\$0	0.00

The agency requests an increase of **3.0** FTE for video lottery inspectors.

The requested change in other fund authority is a decrease of \$260,000 in contractual services and an increase of \$260,000 in salary, benefits, travel, and capital outlay for the requested FTE (a net change of zero).

The requested FTE would take over machine integrity inspections currently performed by the Department of Public Safety (DPS), as well as pre-licensed inspections for newly constructed, transferred, or remodeled video lottery establishments, which are currently performed by Lottery sales representatives. If the requested FTE are not approved, the Department's current arrangement with DPS would continue. In FY2025 the Department paid DPS \$318,000 for the inspections. DPS charges an hourly rate, which has increased every year.

Fiscal Year	DPS hourly rate	Billed hours	Amount paid to DPS
2021	\$ 67.11	3,767	\$ 252,781
2022	\$ 69.67	4,348	\$ 302,911
2023	\$ 71.30	4,348	\$ 305,819
2024	\$ 75.53	4,259	\$ 321,659
2025	\$ 78.66	4,045	\$ 318,179
2026	\$ 83.78		
2027	\$ 88.10		

There are approximately 11,000 active video lottery terminals and 1,400 active video lottery establishments in the state. Each active terminal and establishment is to be inspected at least once per year. Video lottery inspections involve inspecting both the establishment and the machines within the establishment, and include the following:

Video Lottery Establishment Inspection

- Verifying the number of permitted machines located in the establishment
- Verifying the establishment has an active Video Lottery License and it is displayed
- Verifying type of active alcohol license
- Verifying if machines are being monitored (visual, mirror, camera)
- Verifying "Must be 21 to Enter" is posted
- Assessing how access to machines is restricted (unrestricted, entire business restricted at the door, video lottery area, bar area, other)

Video Lottery Machine Inspection (for each machine in the establishment).

- Verifying establishment permit number, operator name, operator number, machine serial number, machine manufacturer, machine model, firmware version, permit sticker of machine, and that the permit sticker number matches the number on the audit ticket
- Checking hard meters (cash in, credits played, credits won, cash out)
- Checking last inspection login access
- Checking seals
- Checking date seal broken and resealed
- Verifying hard meters working
- Verifying audit functions working
- Checking ticket header data
- Checking the machine is properly maintained
- Verifying logbooks are maintained

The relevant Other Fund for this request is the Video Lottery Operating Fund (Company 6516).

The governor does not recommend this request.

Department of Revenue Budget Request

By Fund Category	FY 2024 Actual	FY 2025 Actual	FY 2025 Budget Revised	FY 2026 Budget	FY 2027 Agency Request	FY 2027 Governors Recommended	Change From FY2026
General	\$1,099,945	\$1,129,455	\$1,210,575	\$1,154,380	\$1,329,380	\$1,220,880	\$66,500
Federal	\$334,949	\$486,979	\$504,795	\$397,295	\$397,295	\$397,295	\$0
Other	\$110,044,858	\$100,268,799	\$110,686,363	\$110,285,200	\$111,231,200	\$110,423,750	\$138,550
Total	\$111,479,752	\$101,885,232	\$112,401,733	\$111,836,875	\$112,957,875	\$112,041,925	\$205,050
By Program	FY 2024 Actual	FY 2025 Actual	FY 2025 Budget Revised	FY 2026 Budget	FY 2027 Agency Request	FY 2027 Governors Recommended	Change From FY2026
Secretariat	\$4,813,709	\$4,848,825	\$5,442,041	\$5,658,266	\$5,658,266	\$5,658,266	\$0
Business Tax	\$6,653,878	\$7,326,598	\$7,669,752	\$7,653,850	\$8,153,850	\$7,671,350	\$17,500
Motor Vehicles	\$11,698,526	\$8,447,369	\$14,018,086	\$13,389,217	\$13,600,217	\$13,425,217	\$36,000
Property Taxes	\$1,099,945	\$1,129,455	\$1,210,575	\$1,154,380	\$1,329,380	\$1,220,880	\$66,500
Audits	\$5,849,797	\$6,061,544	\$6,407,924	\$6,422,590	\$6,657,590	\$6,507,640	\$85,050
Instant and On-line Operations - Info	\$68,107,604	\$60,646,651	\$63,173,138	\$63,187,572	\$63,187,572	\$63,187,572	\$0
Video Lottery	\$2,527,476	\$2,584,751	\$3,011,015	\$3,019,850	\$3,019,850	\$3,019,850	\$0
Commission on Gaming - Info	\$10,728,818	\$10,840,041	\$11,469,202	\$11,351,150	\$11,351,150	\$11,351,150	\$0
Total	\$111,479,752	\$101,885,232	\$112,401,733	\$111,836,875	\$112,957,875	\$112,041,925	\$205,050

By Object Expenditure Personnel Costs	FY 2024 Actual	FY 2025 Actual	FY 2025 Budget Revised	FY 2026 Budget	FY 2027 Agency Request	FY 2027 Governors Recommended	Change From FY2026
	\$21,481,967	\$22,336,676	\$24,084,382	\$24,333,983	\$24,960,483	\$24,419,033	\$85,050
Salaries	\$16,558,151	\$17,091,410	\$18,512,121	\$18,587,561	\$19,154,161	\$18,651,338	\$63,777
Benefits	\$4,923,816	\$5,245,267	\$5,572,261	\$5,746,422	\$5,806,322	\$5,767,695	\$21,273
Operating Expenditures	FY 2024 Actual	FY 2025 Actual	FY 2025 Budget Revised	FY 2026 Budget	FY 2027 Agency Request	FY 2027 Governors Recommended	Change From FY2026
	\$89,997,785	\$79,548,556	\$87,284,081	\$87,502,892	\$87,997,392	\$87,622,892	\$120,000
Travel	\$539,070	\$515,044	\$862,673	\$741,461	\$775,961	\$741,461	\$0
Contractual Services	\$74,089,057	\$65,857,873	\$70,670,485	\$70,685,249	\$71,136,249	\$70,805,249	\$120,000
Supplies	\$5,083,189	\$2,979,569	\$5,790,713	\$5,570,141	\$5,570,141	\$5,570,141	\$0
Grants	\$8,990,677	\$9,251,798	\$9,310,825	\$9,175,000	\$9,175,000	\$9,175,000	\$0
Capital Outlay	\$894,928	\$628,179	\$356,385	\$1,038,041	\$1,047,041	\$1,038,041	\$0
Other Expenses and Budgeted Operating Transfers Out	\$400,864	\$316,094	\$293,000	\$293,000	\$293,000	\$293,000	\$0
Total	\$111,479,752	\$101,885,232	\$111,368,463	\$111,836,875	\$112,957,875	\$112,041,925	\$205,050
Full-Time Equivalent (FTE)	252.24	251.12	261.5	258.5	268.5	259.5	1.0

Funding Sources (Governor's Recommended)

	General	Federal	Other	General%	Federal%	Other%
STATE GENERAL FUND	\$1,220,880	\$0	\$0	100.0%	0.0%	0.0%
NO DESC (PRIOR)	\$0	\$397,295	\$0	0.0%	100.0%	0.0%
GAMING & RACING	\$0	\$0	\$11,422,912	0.0%	0.0%	10.3%
SALES & USE TAX COLLECTION FUN	\$0	\$0	\$17,167,280	0.0%	0.0%	15.5%
LICENSE PLATE REVOLVING	\$0	\$0	\$4,082,021	0.0%	0.0%	3.7%
STATE MOTOR VEHICLE FUND	\$0	\$0	\$11,544,115	0.0%	0.0%	10.5%
LOTTERY OPERATING FUNDS	\$0	\$0	\$66,207,422	0.0%	0.0%	60.0%

Governor's Recommend FY26 Supplemental Bill Changes - Department of Revenue

Motor Vehicle Registration Kiosks

- Increase of **\$180,000 in other fund expenditure authority** for the purchase of two new self-service motor vehicle registration kiosks. DMV Now kiosks allow customers to renew their vehicle registration, print the updated registration and vehicle decals, renew their driver's license, update their address, report the sale of a vehicle, and print a seller's permit. It has not been determined where the two new kiosks will be located. The Department has received several requests and is evaluating which locations would lead to the highest utilization of the new kiosks. The relevant Other Fund for this item is the State Motor Vehicle Fund (Company 3177).

Property Tax Software

- Increase of **\$148,320 in general funds** for paying part of the cost of a two-year contract for existing property tax oversight and administration software. The software provides county auditors and directors of equalization with a portal to upload data and allows the Department's property tax staff to audit 100% of the sales data provided by counties. The system also includes the Property Tax Transparency Portal, which provides information about property taxes to the public.