

## 2026 South Dakota Legislature

**Senate Bill 99****AMENDMENT 99A  
FOR THE INTRODUCED BILL**

1   **An Act to create the property tax local effort replacement fund, to reduce certain  
2   property taxes, to reduce the sales and use tax rates on food, and to increase  
3   the rates for certain gross receipts taxes and use taxes.**

4   BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

5   **Section 1. That § 10-12-42 be AMENDED:**

6       **10-12-42.** For taxes payable in ~~2026~~ 2027, and each year thereafter, the  
7       maximum levy for the general fund of a school district is ~~as follows:~~

8           (1) ~~The maximum tax levy is five dollars and twenty one and one tenth cents per  
9           thousand dollars of taxable valuation, subject to the limitations on agricultural property  
10          as provided in subdivision (2) of this section and owner occupied property as provided in  
11          subdivision (3) of this section;~~

12           (2) ~~The maximum tax levy on agricultural property for the school district is one  
13          dollar and twelve and five tenths cents per thousand dollars of taxable valuation. If the  
14          district's levies are less than the maximum levies as stated in this section, the levies must  
15          maintain the same proportion to each other as represented in the mathematical  
16          relationship at the maximum levies; and~~

17           (3) ~~The maximum tax levy for an owner occupied single family dwelling pursuant  
18          to § 10-13-40 for the school district is two dollars and fifty one and eight tenths cents per  
19          thousand dollars of taxable valuation. If the district's levies are less than the maximum  
20          levies as stated in this section, the levies must maintain the same proportion to each other  
21          as represented in the mathematical relationship at the maximum levies zero dollars and  
22          zero cents per thousand dollars of taxable valuation.~~

23       All levies in this section must be imposed on valuations where the median level of  
24       assessment represents eighty-five percent of market value as determined by the  
25       Department of Revenue. These valuations must be used for all school funding purposes.  
26       If the district has imposed an excess levy pursuant to § 10-12-43, the levies must

1 maintain the same proportion to each other as represented in the mathematical  
2 relationship at the maximum levies ~~in this section. The school district may elect to tax at~~  
3 ~~less than the maximum amounts set forth in this section imposed pursuant to this section~~  
4 for taxes payable in 2026.

5 **Section 2. That § 10-45-1 be AMENDED:**

6 **10-45-1.** Terms used in this chapter mean:

7 (1) "Agricultural purposes," the producing, raising, growing, or harvesting of food or  
8 fiber upon agricultural land, including dairy products, livestock, and crops. The  
9 services of custom harvesters, chemical applicators, fertilizer spreaders, hay  
10 grinders, and cultivators are considered agricultural purposes. The harvesting of  
11 timber on land within the state is considered an agricultural purpose;

12 (2) "Business," any activity engaged in by any person or caused to be engaged in by  
13 such person with the object of gain, benefit, or advantage, either direct or indirect;

14 (3) "Candy," any preparation of sugar, honey, or other natural or artificial sweeteners  
15 in combination with chocolate, fruits, nuts or other ingredients or flavorings in the  
16 form of bars, drops, or pieces. The term, candy, does not include any preparation  
17 containing flour and does not require refrigeration;

18 (4) "Delivery charges," charges by the retailer for preparation and delivery to a location  
19 designated by the purchaser of tangible personal property, any product transferred  
20 electronically, or services including transportation, shipping, postage, handling,  
21 crating, and packing. The term does not include postage for direct mail;

22 (5) "Food" and "food ingredient," any substance, whether in liquid, concentrated, solid,  
23 frozen, dried, or dehydrated form, that is sold for ingestion or chewing by humans  
24 and is consumed for its taste or nutritional value. ~~The term, food, does These terms~~  
25 ~~do not include alcoholic beverages, tobacco, or prepared food:~~  
26 (a) Alcoholic beverages, as defined in § 35-1-1;  
27 (b) Cannabis or cannabis products, as defined in § 34-20G-1;  
28 (c) Cigarettes, as defined in § 10-50B-4;  
29 (d) Prepared food; or  
30 (e) Tobacco products, as defined in § 10-50-1;  
31 (6) Repealed by SL 2007, ch 56, § 1.  
32 (7) "Person," any individual, firm, copartnership, joint adventure, association, limited  
33 liability company, corporation, municipal corporation, estate, trust, business trust,

1 receiver, the State of South Dakota and its political subdivisions, or any group or  
2 combination acting as a unit;

3 (8) "Prepared food," any food:

4 (a) Food sold in a heated state or heated by the seller; two

5 (b) Two or more food ingredients mixed or combined by the seller for sale as a  
6 single item; or food

7 (c) Food sold with eating utensils provided by the seller, including plates,  
8 knives, forks, spoons, glasses, cups, napkins, or straws; A, but a plate does  
9 not include a container or packaging used to transport the food.

10 Prepared food does not include food that is only cut, repackaged, or pasteurized  
11 by the seller, and eggs, fish, meat, poultry, and foods containing these raw animal  
12 foods requiring cooking by the consumer as recommended by the Food and Drug  
13 Administration in chapter 3, part 401.11 of its Food Code as of January 1, 2003,  
14 so as to prevent food borne illnesses;

15 (8A) "Product transferred electronically," any product obtained by the purchaser by  
16 means other than tangible storage media. A product transferred electronically does  
17 not include any intangible such as a patent, stock, bond, goodwill, trademark,  
18 franchise, or copyright.

19 (9) "Relief agency," the state, and county, municipality or district thereof, or any  
20 agency engaged in actual relief work;

21 (10) "Retail sale" or "sale at retail," any sale, lease, or rental for any purpose other than  
22 for resale, sublease, or subrent;

23 (11) "Retailer," any person engaged in the business of selling tangible goods, wares, or  
24 merchandise at retail, or the furnishing of gas, electricity, water, and  
25 communication service, and tickets or admissions to places of amusement and  
26 athletic events as provided in this chapter, and the sale at retail of products  
27 transferred electronically. The term also includes any person subject to the tax  
28 imposed by §§ 10-45-4 and 10-45-5. The isolated or occasional sale of tangible  
29 personal property or any product transferred electronically at retail by a person  
30 who does not hold himself or herself out as engaging in the business of selling such  
31 tangible personal property or products transferred electronically at retail does not  
32 constitute such person a retailer;

33 (12) "Sale," any transfer, exchange, or barter, conditional or otherwise, in any manner  
34 or by any means whatsoever, for a consideration;

- 1       (13) "Soft drinks," any nonalcoholic beverages that contain natural or artificial  
2       sweeteners. The term, soft drinks, does not include any beverage that contains  
3       milk or milk products, soy, rice or similar milk substitutes, or greater than fifty  
4       percent of vegetable or fruit juice by volume;
- 5       (14) "Tangible personal property," personal property that can be seen, weighed,  
6       measured, felt, or touched, or that is in any other manner perceptible to the  
7       senses. The term includes electricity, water, gas, steam, and prewritten computer  
8       software.

9       **Section 3. That § 10-45-2 be AMENDED:**

10       **10-45-2.** There is hereby imposed a tax upon the privilege of engaging in business  
11       as a retailer, ~~a tax of four and two tenths at the rate of six and two tenths one-half~~ percent  
12       upon the gross receipts of all sales of tangible personal property consisting of goods,  
13       wares, or merchandise, except as otherwise provided in this chapter, sold at retail in the  
14       state to consumers or users.

15       **Section 4. That § 10-45-5 be AMENDED:**

16       **10-45-5.** There is imposed a tax, ~~at the rate of four and two tenths percent set~~  
17       forth in § 10-45-2, upon the gross receipts of any person from engaging or continuing in  
18       any of the following businesses or services in this state: ~~abstracters~~

- 19       (1) Abstracters;
- 20       (2) ~~accountants~~Accountants;
- 21       (3) ~~ancillary~~Ancillary services;
- 22       (4) ~~architects~~Architects;
- 23       (5) ~~barbers~~Barbers;
- 24       (6) ~~beauty~~Beauty shops;
- 25       (7) ~~bill~~Bill collection services;
- 26       (8) ~~blacksmith~~Blacksmith shops;
- 27       (9) ~~car~~Car washing;
- 28       (10) ~~dry~~Dry cleaning;
- 29       (11) ~~dyeing~~Dyeing;
- 30       (12) ~~exterminators~~Exterminators;
- 31       (13) ~~garage~~Garage and service stations;
- 32       (14) ~~garment~~Garment alteration;
- 33       (15) ~~cleaning~~Cleaning and pressing;

1                   (16) ~~janitorial~~Janitorial services and supplies;

2                   (17) ~~specialty~~Specialty cleaners;

3                   (18) ~~laundry~~Laundry;

4                   (19) ~~linen~~Linen and towel supply;

5                   (20) ~~membership~~Membership or entrance fees for the use of a facility or for the  
6                   right to purchase tangible personal property, any product transferred electronically, or  
7                   services;

8                   (21) ~~photography~~Photography;

9                   (22) ~~photo~~Photo developing and enlarging;

10                   (23) ~~tire~~Tire recapping;

11                   (24) ~~welding~~Welding and all repair services, except repair services for farm  
12                   machinery, attachment units, and irrigation equipment used exclusively for agricultural  
13                   purposes;

14                   (25) ~~cable~~Cable television; and

15                   (26) ~~rentals~~Rentals of tangible personal property, except leases of tangible  
16                   personal property between one telephone company and another telephone company,  
17                   motor vehicles as defined pursuant to § 32-5-1 leased under a single contract for more  
18                   than twenty-eight days, and mobile homes. ~~However, the~~

19                   The specific enumeration of businesses and professions made in this section does  
20                   not, in any way, limit the scope and effect of the provisions of § 10-45-4.

## 21                   **Section 5. That § 10-45-5.3 be AMENDED:**

22                   **10-45-5.3.** There is imposed, at the rate ~~of four and two tenths percent~~set forth  
23                   in § 10-45-2, an excise tax on the gross receipts of any person engaging in oil and gas  
24                   field services ~~(group no. 138)~~, as enumerated in the Standard Industrial Classification  
25                   Manual, 1987, as prepared by the Statistical Policy Division of the Office of Management  
26                   and Budget, Office of the President.

## 27                   **Section 6. That § 10-45-6 be AMENDED:**

28                   **10-45-6.** There is hereby imposed a tax ~~of four and two tenths percent, at the~~  
29                   rate set forth in § 10-45-2, upon the gross receipts from sales, furnishing, or service of  
30                   gas, electricity, and water, including the gross receipts from ~~such~~the sales by any  
31                   municipal corporation furnishing gas, and electricity, to the public in its proprietary  
32                   capacity, except as otherwise provided in this chapter, when sold at retail in ~~the State of~~  
33                   South Dakota this state to consumers or users.

1    **Section 7. That § 10-45-6.1 be AMENDED:**

2            **10-45-6.1.** Except as provided in § 10-45-6.2, there is hereby imposed a tax of  
3    ~~four and two-tenths percent, at the rate set forth in § 10-45-2,~~ upon the gross receipts  
4    from providing any intrastate, interstate, or international telecommunications service that  
5    originates or terminates in this state and that is billed or charged to a service address in  
6    this state, or that both originates and terminates in this state. However, the tax imposed  
7    by this section does not apply to:

8            (1) Any eight hundred or eight hundred-type service, unless the service both originates  
9            and terminates in this state;  
10           (2) Any sale of a telecommunication service to a provider of telecommunication  
11           services, including access service, for use in providing any telecommunication  
12           service; or  
13           (3) Any sale of interstate telecommunication service provided to a call center that has  
14           been certified by the secretary of revenue to meet the criterion established in § 10-  
15           45-6.3 and the call center has provided to the telecommunications service provider  
16           an exemption certificate issued by the secretary indicating that it meets the  
17           criterion.

18           If a call center uses an exemption certificate to purchase services not meeting the  
19           criterion established in § 10-45-6.3, the call center is liable for the applicable tax, penalty,  
20           and interest.

21    **Section 8. That § 10-45-6.2 be AMENDED:**

22           **10-45-6.2.** There is hereby imposed a tax of ~~four and two-tenths percent, at the~~  
23    ~~rate set forth in § 10-45-2,~~ upon the gross receipts of mobile telecommunications services,  
24    as defined in 4 U.S.C. § 124(7)~~as of~~ (January 1, 2002), that originate and terminate in  
25    the same state and are billed to a customer with a place of primary use in this state or  
26    are deemed to have originated or been received in this state and to be billed or charged  
27    to a service address in this state if the customer's place of primary use is located in this  
28    state regardless of where the service actually originates or terminates. Notwithstanding  
29    any other provision of this chapter and for purposes of the tax imposed by this section,  
30    the tax imposed upon mobile telecommunication services must be administered in  
31    accordance with 4 U.S.C. §§ 116-~~to~~ 126, ~~as in effect on, inclusive,~~ (July 28, 2000).

32    **Section 9. That § 10-45-8 be AMENDED:**

1                   **10-45-8.** Except as otherwise provided in this chapter, there is imposed a tax of  
2                   four and two tenths percent, at the rate set forth in § 10-45-2, upon the gross receipts  
3                   from all sales of tickets or admissions to:

4                   (1) Places of amusement;  
5                   (2) Athletic contests; or  
6                   (3) Events.

7                   **Section 10. That § 10-45-71 be AMENDED:**

8                   **10-45-71.** There is imposed a tax of ~~four and two tenths percent on, at the rate~~  
9                   set forth in § 10-45-2, upon the gross receipts from the transportation of passengers. The  
10                  tax imposed by this section applies to any transportation of passengers if the passenger  
11                  boards and exits the mode of transportation within this state.

12                  **Section 11. That a NEW SECTION be added to chapter 10-45:**

13                  The rate imposed by this chapter upon the gross receipts of all sales of food and  
14                  food ingredients, as defined by § 10-45-1, is zero percent.

15                  **Section 12. That § 10-46-1 be AMENDED:**

16                  **10-46-1.** Terms, as used in this chapter mean:

17                  (1) "Business," any activity engaged in by any person or caused to be engaged in by  
18                  such person with the object of gain, benefit or advantage either direct or indirect;  
19                  (2) "Candy," any preparation of sugar, honey, or other natural or artificial sweeteners  
20                  in combination with chocolate, fruits, nuts or other ingredients or flavorings in the  
21                  form of bars, drops, or pieces. The term, candy, does not include any preparation  
22                  containing flour and does not require refrigeration;  
23                  (3) "Delivery charges," charges by the retailer for preparation and delivery to a location  
24                  designated by the purchaser of tangible personal property, any product transferred  
25                  electronically, or services including transportation, shipping, postage, handling,  
26                  crating, and packing. The term does not include postage for direct mail;  
27                  (4) "Fair market value," the price at which a willing seller and willing buyer will trade.  
28                  Fair market value shall be determined at the time of purchase. If a public  
29                  corporation is supplying tangible personal property or any product transferred  
30                  electronically that will be used in the performance of a contract, fair market value

1 shall be determined pursuant to § 5-18B-7. This definition also applies to chapter  
2 10-45;

3 (5) "Food" and "food ingredient," any substance, whether in liquid, concentrated, solid,  
4 frozen, dried, or dehydrated form, that is sold for ingestion or chewing by humans  
5 and is consumed for its taste or nutritional value. ~~The term, food, does These terms  
6 do not include alcoholic beverages, tobacco, or prepared food;~~

7 (a) Alcoholic beverages, as defined in § 35-1-1;

8 (b) Cannabis or cannabis products, as defined in § 43-20G-1;

9 (c) Cigarettes, as defined in § 10-50B-4;

10 (d) Prepared food; or

11 (e) Tobacco products, as defined in § 34-20G-1;

12 (6) "Included in the measure of tax," the tangible personal property, any product  
13 transferred electronically, or the service was purchased from a retailer licensed  
14 under chapter 10-45 and that retailer has included the tax in the amount received  
15 from the sale;

16 (7) "In this state" or "in the state," within the exterior limits of the State of South  
17 Dakota and includes all territory within such limits owned by or ceded to the United  
18 States of America;

19 (8) "Prepared food," any food sold in a heated state or heated by the seller; two or  
20 more food ingredients mixed or combined by the seller for sale as a single item; or  
21 food sold with eating utensils provided by the seller, including plates, knives, forks,  
22 spoons, glasses, cups, napkins, or straws. A plate does not include a container or  
23 packaging used to transport the food.

24 Prepared food does not include food that is only cut, repackaged, or pasteurized  
25 by the seller, and eggs, fish, meat, poultry, and foods containing these raw animal  
26 foods requiring cooking by the consumer as recommended by the Food and Drug  
27 Administration in chapter 3, part 401.11 of its Food Code as of January 1, 2003,  
28 so as to prevent food borne illnesses;

29 (8A) "Product transferred electronically," any product obtained by the purchaser by  
30 means other than tangible storage media. A product transferred electronically does  
31 not include any intangible such as a patent, stock, bond, goodwill, trademark,  
32 franchise, or copyright.

33 (9) "Purchase," any transfer, exchange, or barter, conditional or otherwise, in any  
34 manner or by any means whatsoever, for a consideration. A transaction, whereby

1 the possession of property is transferred but the seller retains the title as security  
2 for the payment of the price, is a purchase;

3 (10) "Purchase price," shall have the same meaning as gross receipts defined in chapter  
4 10-45;

5 (11) "Retailer," any person performing services in this state or engaged in the business  
6 of selling tangible personal property or products transferred electronically for use,  
7 storage or other consumption within the meaning of this chapter. However, if in  
8 the opinion of the secretary of revenue, it is necessary for the efficient  
9 administration of this chapter to regard any salesmen, representatives, truckers,  
10 peddlers, or canvassers as agents of the dealers, distributors, supervisors,  
11 employers, or persons under whom they operate or from whom they obtain the  
12 tangible personal property or any product transferred electronically sold by them  
13 irrespective of whether they are making sales on their own behalf or on behalf of  
14 such dealers, distributors, supervisors, employers, or persons, the secretary of  
15 revenue may so regard them and may regard the dealers, distributors, supervisors,  
16 employers, or persons as retailers for purposes of this chapter;

17 (12) "Retailer maintaining a place of business in the state," any retailer having or  
18 maintaining within this state, directly or by a subsidiary, an office, distribution  
19 house, sales house, warehouse, or other place of business, or any agents operating  
20 within the state under the authority of the retailer or its subsidiary, irrespective of  
21 whether such place of business or agent is located here permanently or temporarily  
22 or whether such retailer or subsidiary is admitted to do business within this state  
23 pursuant to the laws of the State of South Dakota granting the rights of foreign  
24 corporations to do business in this state;

25 (13) "Secretary," the secretary of the Department of Revenue or any duly authorized  
26 and appointed assistant, deputies, or agents of the secretary charged with the  
27 administration or enforcement of this chapter;

28 (14) "Soft drinks," any nonalcoholic beverages that contain natural or artificial  
29 sweeteners. The term, soft drinks, does not include any beverage that contains  
30 milk or milk products, soy, rice or similar milk substitutes, or greater than fifty  
31 percent of vegetable or fruit juice by volume;

32 (15) "Storage," any keeping or retention in this state for use or other consumption in  
33 the State of South Dakota for any purpose except sale in the regular course of  
34 business;

1       (16) "Tangible personal property," personal property that can be seen, weighed,  
2       measured, felt, or touched, or that is in any other manner perceptible to the senses  
3       if furnished or delivered to consumers or users within this state. The term includes  
4       electricity, water, gas, steam, and prewritten computer software;  
5       (17) "Use," the exercise of right or power over tangible personal property or any product  
6       transferred electronically incidental to the ownership of that property, except that  
7       it does not include the sale of that property in the regular course of business. Use  
8       also includes the use of the types of services, the gross receipts from the sale of  
9       which are to be included in the measure of the tax imposed by chapter 10-45, and  
10      the delivery or causing delivery into this state of tangible personal property or any  
11      product transferred electronically intended to advertise any product or service or  
12      promote or facilitate any sale to South Dakota residents.

13      **Section 13. That § 10-46-2.1 be AMENDED:**

14           **10-46-2.1.** For the privilege of using services in ~~South Dakota~~ this state, except  
15       those types of services exempted by § 10-46-17.3, there is imposed on the person using  
16       the service an excise tax ~~equal to four and two-tenths, at the rate of six and two-tenths~~  
17       one-half percent of the value of the services at the time they are rendered. ~~However, this~~  
18       This tax may not be imposed on ~~any service~~:

19       (1) ~~Service rendered by a related corporation, as defined in subdivision 10-43-1(11),~~  
20           ~~for use by a financial institution, as defined in subdivision 10-43-1(4); or on any~~  
21           ~~service § 10-43-1; or~~

22       (2) ~~Service rendered by a financial institution, as defined in subdivision 10-43-1(4)~~  
23           ~~§ 10-43-1, for use by a related corporation as defined in subdivision 10-43-1(11).~~

24           For the purposes of this section, the term, "related corporation," includes a means  
25           a corporation associated with another as its parent or subsidiary, or in a brother-sister  
26           relationship. The term includes a corporation, which together with the financial institution,  
27           is part of a controlled group of corporations, as defined in 26 U.S.C. § 1563 as in effect  
28           on January 1, 1989), except that the eighty percent ownership requirements set forth in  
29           26 U.S.C. § 563(a)(2)(A) § 1563(a) for a brother-sister controlled group are reduced to  
30           fifty-one percent.

31           For the purpose of this chapter, services rendered by an employee for the use of  
32       the employer are not taxable.

33      **Section 14. That § 10-46-2.2 be AMENDED:**

1                   **10-46-2.2.** An excise tax is imposed upon the privilege of the use of rented  
2                   tangible personal property and any product transferred electronically in this state, at the  
3                   rate of ~~four and two tenths percent of~~ set forth in § 10-46-2.1, on the rental payments  
4                   upon the property.

5                   **Section 15. That § 10-46-48 be AMENDED:**

6                   **10-46-48.** ~~All revenue arising under the operation of~~ Except as otherwise  
7                   provided, revenue collected pursuant to ~~this chapter~~ shall immediately ~~must~~ be turned  
8                   over to the state treasurer and ~~by him~~ credited to ~~deposited~~ in the general fund.

9                   The treasurer shall deposit in the local effort replacement fund, established in  
10                   section 25 29 of this Act, thirty two and three tenths thirty-five and four-tenths percent  
11                   of the taxes collected by the secretary of the Department of Revenue pursuant to this  
12                   chapter.

13                   **Section 16. That § 10-46-58 be AMENDED:**

14                   **10-46-58.** ~~There is imposed a tax of four and two tenths percent on, at the rate~~  
15                   set forth in § 10-46-2.1, upon the privilege of the use of any transportation of passengers.  
16                   The tax imposed by this section applies to any transportation of passengers if the  
17                   passenger boards and exits the mode of transportation within this state.

18                   **Section 17. That § 10-46-69 be AMENDED:**

19                   **10-46-69.** ~~There is hereby imposed a tax of four and two tenths percent, at the~~  
20                   rate set forth in § 10-46-2.1, upon the privilege of the use of mobile telecommunications  
21                   services, as defined in 4 U.S.C. § 124(7)~~—as of~~ (January 1, 2002), that originate and  
22                   terminate in the same state and are billed to a customer with a place of primary use in  
23                   this state. Notwithstanding any other provision of this chapter and for purposes of the tax  
24                   imposed by this section, the tax imposed upon mobile telecommunication services must  
25                   be administered in accordance with 4 U.S.C. §§ 116-126, ~~as in effect on~~ (July 28, 2000).

26                   **Section 18. That § 10-46-69.1 be AMENDED:**

27                   **10-46-69.1.** ~~Except as provided in § 10-46-69, there is hereby imposed a tax of~~  
28                   four and two tenths percent, at the rate set forth in § 10-46-2.1, upon the privilege of the  
29                   use of any intrastate, interstate, or international telecommunications service that  
30                   originates or terminates in this state and that is billed or charged to a service address in

1       this state, or that both originates and terminates in this state. ~~However, the~~ The tax  
2       imposed by this section does not apply to:

3       (1) Any eight hundred or eight hundred type service unless the service both originates  
4       and terminates in this state;

5       (2) Any sale of a telecommunication service to a provider of telecommunication  
6       services, including access service, for use in providing any telecommunication  
7       service; or

8       (3) Any sale of interstate telecommunication service provided to a call center that has  
9       been certified by the secretary of revenue to meet the criterion established in § 10-  
10      45-6.3 and the call center has provided to the telecommunications service provider  
11      an exemption certificate issued by the secretary indicating that it meets the  
12      criterion.

13       If a call center uses an exemption certificate to purchase services not meeting the  
14      criterion established in § 10-45-6.3, the call center is liable for the applicable tax, penalty,  
15      and interest.

16 **Section 19. That § 10-46-69.2 be AMENDED:**

17       **10-46-69.2.** There is ~~hereby~~ imposed a tax ~~of four and two tenths percent, at the~~  
18      rate set forth in § 10-46-2.1, upon the privilege of the use of any ancillary services.

19 **Section 20. That a NEW SECTION be added to chapter 10-46:**

20       The rate of tax imposed by this chapter upon the use, storage, or consumption in  
21      this state of food and food ingredients is zero percent.

22 **Section 21. That § 10-46E-1 be AMENDED:**

23       **10-46E-1.** There is ~~hereby~~ imposed an excise tax ~~of four and two tenths percent,~~  
24      at the rate of six and ~~two tenths~~ one-half percent, on the gross receipts from the sale,  
25      resale, or lease of farm machinery, attachment units, and irrigation equipment used  
26      exclusively for agricultural purposes. ~~However, if~~ If any trade-in or exchange of used farm  
27      machinery, attachment units, and irrigation equipment is involved in the transaction, the  
28      excise tax is only due and may only be collected on the cash difference.

29 **Section 22. That § 10-46E-9 be AMENDED:**

1           **10-46E-9.** ~~The Except as otherwise provided,~~ revenue from the tax imposed by  
2           this chapter ~~shall~~ must be deposited in the general fund.

3           The treasurer shall deposit in the local effort replacement fund, established in  
4           section 25 29 of this Act, ~~thirty two and three tenths~~ thirty-five and four-tenths percent  
5           of the taxes collected by the secretary of the Department of Revenue pursuant to this  
6           chapter.

7           **Section 23. That § 10-58-1 be AMENDED:**

8           **10-58-1.** There is imposed upon owners and operators a special amusement  
9           excise tax of ~~four and two tenths~~ six and two tenths ~~one-half~~ percent of the gross receipts  
10          from the sale or the operation of any mechanical or electronic amusement device. The tax  
11          imposed by this section is in lieu of the tax imposed pursuant to chapter 10-45.

12          **Section 24. That § 10-58-5 be AMENDED:**

13           **10-58-5.** ~~The Except as otherwise provided,~~ the tax generated by this chapter  
14          must be deposited in the general fund.

15           The treasurer shall deposit in the local effort replacement fund, established in  
16           section 25 29 of this Act, ~~thirty two and three tenths~~ thirty-five and four-tenths percent  
17           of the taxes collected by the secretary of the Department of Revenue pursuant to this  
18           chapter.

19          **Section 25. That § 13-13-72 be AMENDED:**

20           **13-13-72.** It is the policy of the Legislature that the appropriation for state aid to  
21          education ~~increase on an annual basis~~ increases annually by the percentage increase in  
22          local need on an aggregate statewide basis ~~so that the relative proportion of local need~~  
23          ~~paid by local effort and state aid shall remain constant.~~ For school fiscal years 2017 to  
24          2022, inclusive, the proportion of local need paid by local effort and state aid shall be  
25          adjusted annually to maintain the proportion between state aid and local property taxes  
26          and to reflect adjustments in local effort due to the implementation of the other revenue  
27          base amount as defined in § 13-13-10.1.

28          **Section 26. That § 13-13-72.1 be AMENDED:**

29           **13-13-72.1.** Any adjustments in the levies specified in § 10-12-42 made pursuant  
30          to ~~§ 13-13-71 and~~ § 13-13-72 ~~shall~~ must be based on maintaining the relationship

1       between statewide local effort as a percentage of statewide local need in the fiscal year  
2       succeeding the fiscal year in which the adjustment is made. ~~For school fiscal years 2017~~  
3       ~~to 2022, inclusive, the proportion of local need paid by local effort and state aid shall be~~  
4       ~~adjusted annually to reflect adjustments in local effort due to the implementation of the~~  
5       ~~other revenue base amount as defined in § 13-13-10.1. However, if~~ If the levies specified  
6       in § 10-12-42 are not adjusted to maintain this relationship, the target teacher salary as  
7       defined in § 13-13-10.1 ~~shall~~ must be reduced to maintain the relationship between  
8       statewide local effort as a percentage of statewide local need.

9       **Section 27. That § 13-13-78 be AMENDED:**

10       **13-13-78.** Terms used in § 13-13-79 mean:

11       (1) "Sparse school district," a school district that meets each of the following criteria:

12           (a) Has a fall enrollment per square mile of 0.50 or less;

13           (b) Has a fall enrollment of five hundred or less;

14           (c) Has an area of four hundred square miles or more;

15           (d) Has at least fifteen miles between its secondary attendance center or  
16           centers and that of an adjoining district; and

17           (e) Operates a secondary attendance center; and

18           (f) ~~Levies ad valorem taxes at the maximum rates allowed pursuant to § 10-~~  
19           ~~12-42 or more;~~

20       (2) "Sparsity fall enrollment," for sparse school districts with a fall enrollment as  
21       defined in § 13-13-10.1 of less than eighty-three or greater than two hundred  
22       thirty-two, and is calculated as follows:

23           (a) Divide the fall enrollment as defined in § 13-13-10.1 by the area of the  
24           school district in square miles;

25           (b) Multiply the quotient obtained in subsection (a) times negative 0.125;

26           (c) Add 0.0625 to the product obtained in subsection (b); and

27           (d) Multiply the sum obtained in subsection (c) times the fall enrollment;

28       (3) "Sparsity adjusted fall enrollment," for sparse school districts with a fall enrollment  
29       as defined in § 13-13-10.1 of at least eighty-three, but no more than two hundred  
30       thirty-two, subtract the fall enrollment from two hundred thirty-two.

31       **Section 28. That § 13-13-92 be AMENDED:**

32       **13-13-92.** The state general fund savings obtained through the state aid to  
33       education formula from the difference between the school general fund levy for agriculture

1 property for taxes payable in 2018 pursuant to §§~~13-13-71~~, 13-13-72, and 13-13-72.1,  
2 and the agriculture property levy adopted by legislative action for taxes payable in 2018,  
3 are in place until July 1, 2040.

4 **Section 29. That a NEW SECTION be added to chapter 13-13:**

5 There is created in the state treasury the local effort replacement fund. The  
6 treasurer shall deposit in the fund~~thirty-two and three-tenths thirty-five and four-tenths~~  
7 percent of the taxes collected pursuant to:

8 (1) Chapter 10-45;  
9 (2) Chapter 10-46;  
10 (3) Chapter 10-46E;  
11 (4) Chapter 10-58; and  
12 (5) § 32-5B-20.

13 The Department of Education shall administer the fund. The purpose of the fund is  
14 to supplement property tax local effort for school district general funds and special  
15 education funds with state revenue. Interest on moneys credited to the fund must remain  
16 in the fund. Expenditures from the fund must be budgeted through the general  
17 appropriation bill.

18 **Section 30. That § 13-37-16 be AMENDED:**

19 **13-37-16.** For taxes payable in~~2026~~2027, and each year thereafter, the school  
20 board~~shall~~may levy no more than~~one dollar and forty six and two tenths zero dollars~~  
21 and zero cents per thousand dollars of taxable valuation, as a special levy in addition to  
22 all other levies authorized by law for the amount so determined to be necessary, and the  
23 levy must be spread against all of the taxable property of the district. The proceeds derived  
24 from the levy constitute a school district special education fund of the district for the  
25 payment of costs for the special education of all children in need of special education or  
26 special education and related services who reside within the district pursuant to the  
27 provisions of §§ 13-37-8.4 to 13-37-8.10, inclusive. The levy in this section is based on  
28 valuations where the median level of assessment represents eighty-five percent of market  
29 value as determined by the Department of Revenue. The total amount of taxes that would  
30 be generated at the levy pursuant to this section is considered local effort. Money in the  
31 special education fund may be expended for the purchase or lease of any assistive  
32 technology that is directly related to special education and specified in a student's  
33 individualized education plan. ~~This section does not apply to real property improvements.~~

1    **Section 31. That § 13-37-35.1 be AMENDED:**

2                    **13-37-35.1.** Terms used in chapter 13-37 mean:

3                    (1) "Level one disability," a mild disability;

4                    (2) "Level two disability," cognitive disability or emotional disorder;

5                    (3) "Level three disability," hearing impairment, deafness, visual impairment, deaf-

6                    blindness, orthopedic impairment, or traumatic brain injury;

7                    (4) "Level four disability," autism;

8                    (5) "Level five disability," multiple disabilities;

9                    (5A) "Level six disability," prolonged assistance;

10                   (6) "Index factor," is the annual percentage change in the consumer price index for

11                   urban wage earners and clerical workers as computed by the Bureau of Labor

12                   Statistics of the United States Department of Labor for the year before the year

13                   immediately preceding the year of adjustment, or three percent, whichever is less;

14                   (7) "Local effort," ~~must be an amount~~ calculated for taxes payable in ~~2026~~ ~~2027~~ and

15                   thereafter using ~~a~~ ~~the maximum~~ special education levy ~~of one dollar and twenty-~~

16                   ~~six and two tenths cents per one thousand dollars of valuation set forth in § 13-~~

17                   ~~37-16;~~

18                   (8) "Allocation for a student with a level one disability," for the school fiscal year

19                   beginning July 1, 2025, is \$7,650.45. For each school year thereafter, the allocation

20                   for a student with a level one disability must be the previous fiscal year's allocation

21                   for the child increased by the index factor;

22                   (9) "Allocation for a student with a level two disability," for the school fiscal year

23                   beginning July 1, 2025, is \$16,759.91. For each school year thereafter, the allocation

24                   for a student with a level two disability must be the previous fiscal year's

25                   allocation for the child increased by the index factor;

26                   (10) "Allocation for a student with a level three disability," for the school fiscal year

27                   beginning July 1, 2025, is \$23,139.68. For each school year thereafter, the allocation

28                   for a student with a level three disability must be the previous fiscal year's

29                   allocation for the child increased by the index factor;

30                   (11) "Allocation for a student with a level four disability," for the school fiscal year

31                   beginning July 1, 2025, is \$18,053.89. For each school year thereafter, the allocation

32                   for a student with a level four disability must be the previous fiscal year's

33                   allocation for the child increased by the index factor;

34                   (12) "Allocation for a student with a level five disability," for the school fiscal year

35                   beginning July 1, 2025, is \$37,039.28. For each school year thereafter, the

1 allocation for a student with a level five disability must be the previous fiscal year's  
2 allocation for the child increased by the index factor;

3 (12A)"Allocation for a student with a level six disability," for the school fiscal year  
4 beginning July 1, 2025, is \$11,838.15. For each school year thereafter, the  
5 allocation for a student with a level six disability must be the previous fiscal year's  
6 allocation for the child increased by the index factor;

7 (13) "Child count," is the number of students in need of special education or special  
8 education and related services according to criteria set forth in rules promulgated  
9 pursuant to §§ 13-37-1.1 and 13-37-46 submitted to the Department of Education;

10 (14) "Fall enrollment," the number of kindergarten-through-twelfth-grade students  
11 enrolled in all schools operated by the school district on the last Friday of  
12 September of the previous school year minus the number of students for whom  
13 the district receives tuition, except any nonresident student who is in the care and  
14 custody of a state agency and is attending a public school and any student for  
15 whom tuition is being paid pursuant to § 13-28-42.1, plus the number of students  
16 for whom the district pays tuition;

17 (15) "Nonpublic school," a sectarian organization or entity accredited by the secretary of  
18 education for the purpose of instructing children of compulsory school age. This  
19 definition excludes any school that receives a majority of its revenues from public  
20 funds;

21 (16) "Nonpublic fall enrollment," the number of children under age eighteen, who are  
22 approved for alternative instruction pursuant to § 13-27-3 on the last Friday of  
23 September of the previous school year plus:

24 (a) For nonpublic schools located within the boundaries of a public school  
25 district with a fall enrollment of six hundred or more on the last Friday of  
26 September of the previous school year, the number of kindergarten-  
27 through-twelfth-grade students enrolled on the last Friday of September of  
28 the previous regular school year in all nonpublic schools located within the  
29 boundaries of the public school district;

30 (b) For nonpublic schools located within the boundaries of a public school  
31 district with a fall enrollment of less than six hundred on the last Friday of  
32 September of the previous school year, the number of resident  
33 kindergarten-through-twelfth-grade students enrolled on the last Friday of  
34 September of the previous school year in all nonpublic schools located  
35 within this state;

- 1        (17) "Special education fall enrollment," fall enrollment plus nonpublic fall enrollment;
- 2        (18) "Local need," an amount to be determined as follows:
  - 3            (a) Multiply the special education fall enrollment by 0.1062 and multiply the  
4            result by the allocation for a student with a level one disability;
  - 5            (b) Multiply the number of students having a level two disability as reported on  
6            the child count for the previous school fiscal year by the allocation for a  
7            student with a level two disability;
  - 8            (c) Multiply the number of students having a level three disability as reported  
9            on the child count for the previous school fiscal year by the allocation for a  
10           student with a level three disability;
  - 11           (d) Multiply the number of students having a level four disability as reported on  
12           the child count for the previous school fiscal year by the allocation for a  
13           student with a level four disability;
  - 14           (e) Multiply the number of students having a level five disability as reported on  
15           the child count for the previous school fiscal year by the allocation for a  
16           student with a level five disability;
  - 17           (f) Multiply the number of students having a level six disability as reported on  
18           the child count for the previous school fiscal year by the allocation for a  
19           student with a level six disability;
  - 20           (g) When calculating local need at the statewide level, include the amount set  
21           aside for extraordinary expenses defined in § 13-37-40;
  - 22           (h) When calculating local need at the statewide level, include the amount set  
23           aside for the South Dakota School for the Blind and Visually Impaired; and
  - 24           (i) Sum the results of subdivisions (18)(a) to (h), inclusive; and
- 25        (19) "Effort factor," the school district's special education tax levy in dollars per thousand  
26        divided by \$1.262. The maximum effort factor is 1.0 zero and zero-tenths.

27        **Section 32. That § 32-5B-20 be AMENDED:**

28        **32-5B-20.** There is hereby imposed a tax of ~~four and two tenths, at the rate of~~  
29        ~~six and two tenths one-half~~ percent, upon the gross receipts of any person renting a rental  
30        vehicle as defined in § 32-5B-19. This tax applies to all vehicles registered in accordance  
31        with § 32-5-6, 32-5-8.1, or 32-5-9. Any rental vehicle not licensed in accordance with  
32        § 32-5-6, 32-5-8.1, or 32-5-9 is subject to the motor vehicle excise tax in § 32-5B-1.

33        The tax imposed by this section is in addition to any tax levied pursuant to chapter  
34        10-45 or 10-46 upon the rental of a rental vehicle. The provisions of chapter 10-45 apply

1 to the administration and enforcement of the tax imposed by this section. The tax imposed  
2 by this section is in lieu of the tax levied by § 32-5B-1 on the sales of such motor vehicles.  
3 A violation of this section is a Class 1 misdemeanor.

4 **Section 33. That § 32-5B-25 be AMENDED:**

5 **32-5B-25.** ~~All~~Except as otherwise provided, all excise taxes collected on the  
6 purchase of an off-road vehicle as provided by § 32-5B-1~~shall~~must be deposited in the  
7 state general fund.

8 The treasurer shall deposit in the local effort replacement fund, established in  
9 ~~section 25 29 of this Act, thirty two and three tenths thirty-five and four-tenths percent~~  
10 ~~of the taxes collected by the secretary of the Department of Revenue pursuant to § 32-~~  
11 ~~5B-20.~~

12 **Section 34. That § 13-13-71 be REPEALED.**

13 ~~If local effort increases on a statewide aggregate basis by a greater percentage~~  
14 ~~than local need on a statewide aggregate basis from any one year to the next, for the~~  
15 ~~following year each of the levies specified in subdivision 13-13-10.1(13) shall be reduced~~  
16 ~~proportionally so that the percentage increase in local effort on a statewide aggregate~~  
17 ~~basis equals the percentage increase in need on a statewide aggregate basis.~~

18 **Section 35. That § 13-37-16.2 be REPEALED.**

19 ~~If local effort increases on a statewide aggregate basis by a greater percentage~~  
20 ~~than local need on a statewide aggregate basis from any one year to the next, for the~~  
21 ~~following year, the levy specified in subdivision 13-37-35.1(7) shall be reduced~~  
22 ~~proportionally so that the percentage increase in local effort on a statewide aggregate~~  
23 ~~basis equals the percentage increase in need on a statewide aggregate basis.~~

24 **Section 36. That § 13-37-16.3 be REPEALED.**

25 ~~Any adjustments in the levy specified in subdivision 13-37-35.1(7) made pursuant~~  
26 ~~to § 13-37-16.2 shall be based on maintaining the relationship between statewide local~~  
27 ~~effort as a percentage of statewide local need in the fiscal year succeeding the fiscal year~~  
28 ~~in which the adjustment is made. However, for fiscal year 2014, and each year thereafter,~~  
29 ~~if the levy specified in subdivision 13-37-35.1(7) is not adjusted to maintain this~~  
30 ~~relationship, the funding allocation for each disability level as defined in § 13-37-35.1 shall~~

1       be reduced proportionally to maintain the relationship between statewide local effort as a  
2       percentage of statewide local need.

3 **Section 37. That 2023 Session Laws, chapter 32, § 19 be REPEALED:**

4       **Section 38.** The amendments to the Code sections in sections 1 to 17, inclusive,  
5       of this Act are repealed on June 30, 2027, and those Code sections will revert in word and  
6       substance to that which existed immediately prior to the effective date of this Act.

7       **Section 39.** Sections 2 to 20, inclusive, and sections 25, 28, and 29 of this Act are effective  
8       beginning July 1, 2027.