



2026 South Dakota Legislature  
**Senate Bill 18**  
**ENROLLED**

AN ACT

**ENTITLED An Act to repeal income modifications for the bank franchise tax pertaining to bad debts.**

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

**Section 1. That § 10-1-47 be AMENDED:**

**10-1-47.** The terms "United States Internal Revenue Code" and "Internal Revenue Code" mean the United States Internal Revenue Code as amended and in effect on January 1, 2025. This section applies to §§ 10-4-9.1, 10-4-9.2, 10-4-9.3, 10-4-9.4, 10-4-39, 10-6-157, and 10-43-10.1, and subdivisions 10-6A-1(7), 10-6B-1(5), 10-18A-1(6), 10-43-10.3(5), and 10-45A-1(5).

**Section 2. That § 10-43-10.2 be AMENDED:**

**10-43-10.2.** Added to taxable income are:

- (1) Interest or dividend income derived from obligations or securities of states or political subdivisions, or authorities thereof, not included in taxable income as determined under the Internal Revenue Code;
- (2) All income taxes paid or accrued, as applicable, during the tax year under the provisions of this chapter or under the provisions of any income tax, or franchise or privilege taxes measured by income levied by any other state or political subdivision to the extent that the taxes were deducted to determine federal taxable income;
- (3) Any amount received as a refund of federal income taxes during the tax year if that amount was previously deducted in determining net income;
- (4) Dividends received from other corporations to the extent that the dividends have been deducted from net income as determined under the Internal Revenue Code; and
- (5) Any capital loss from:

- (a) Liquidating sales within the twelve-month period beginning on the date on which a financial institution adopts a plan of complete liquidation, if all the assets of the financial institution are distributed in complete liquidation, less assets retained to meet claims within the twelve-month period; or
- (b) The distribution of property in complete liquidation of the financial institution that is subject to federal corporate income taxes pursuant to § 336 of the Internal Revenue Code.

**Section 3. That § 10-43-10.3 be AMENDED:**

**10-43-10.3.** Subtracted from taxable income are:

- (1) Dividends received from financial institutions subject to taxation under this chapter, to the extent the dividends were included in taxable income as determined under the Internal Revenue Code;
- (2) Taxes imposed upon the financial institution within the tax year, under the Internal Revenue Code, excluding any taxes imposed under 26 USC § 1374 and 26 USC § 1375;
- (3) Any interest expense described in §§ 291(e)(1)(B) and 265(b) of the Internal Revenue Code, which interest expense is deductible;
- (4) Any capital gain from:
  - (a) Liquidating sales within the twelve-month period beginning on the date on which a financial institution adopts a plan of complete liquidation, if all of the assets of the financial institution are distributed in complete liquidation, less assets retained to meet claims within the twelve-month period; or
  - (b) The distribution of property in complete liquidation of the financial institution that is subject to federal corporate income taxes pursuant to § 336 of the Internal Revenue Code;
- (5) For those financial institutions making an election pursuant to 26 USC § 1362(a) of the United States Internal Revenue Code, as defined by § 10-1-47, imputed federal income taxes in an amount equal to the taxes that would have been paid on net income as defined in § 10-43-10.1 had the financial institution continued to file its federal tax return without making an election to file pursuant to 26 USC § 1362(a); and
- (6) For those financial institutions organized as limited liability companies, imputed federal income taxes in an amount equal to the taxes that would have been paid

on net income as defined in § 10-43-10.1 had the financial institution elected to file as a subchapter C corporation under the Internal Revenue Code.

An Act to repeal income modifications for the bank franchise tax pertaining to bad debts.

\_\_\_\_\_  
I certify that the attached Act originated in  
the:  
Senate as Bill No. 18

\_\_\_\_\_  
Received at this Executive Office  
this \_\_\_\_ day of \_\_\_\_\_,  
2026 at \_\_\_\_\_ M.

\_\_\_\_\_  
Secretary of the Senate

By \_\_\_\_\_  
for the Governor

\_\_\_\_\_  
President of the Senate

The attached Act is hereby  
approved this \_\_\_\_\_ day of  
\_\_\_\_\_, A.D., 2026

Attest:

\_\_\_\_\_  
Secretary of the Senate

\_\_\_\_\_  
Governor

**STATE OF SOUTH DAKOTA,**

ss.

Office of the Secretary of State

\_\_\_\_\_  
Speaker of the House

Attest:

Filed \_\_\_\_\_, 2026  
at \_\_\_\_\_ o'clock \_\_ M.

\_\_\_\_\_  
Chief Clerk of the House

\_\_\_\_\_  
Secretary of State

Senate Bill No. 18  
File No. \_\_\_\_\_  
Chapter No. \_\_\_\_\_

By \_\_\_\_\_  
Asst. Secretary of State