

2026 South Dakota Legislature

House Bill 1308**AMENDMENT 1308B
FOR THE INTRODUCED BILL**

1 **An Act to reduce certain property taxes for owner-occupied property, ~~and to~~**
 2 **increase the rates for certain gross receipts taxes and use taxes, and to**
 3 **reduce the sales and use tax rates on food to zero percent.**

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

5 **Section 1.** It is the intention of the Legislature that the proceeds of the tax rate increases in
 6 sections ~~3 4~~ to ~~18 11~~, inclusive, sections 14 to 19, inclusive, and ~~section 24~~ sections 21 and
 7 22, of this Act, are used for the following purposes:

8 (1) State aid to replace property tax revenues forgone from ~~a mill levy of zero reducing~~
 9 ~~the mill levy from two-dollars and fifty-one and eight-tenths cents on school~~
 10 ~~districts' general education levies and from reducing the mill levy from one dollar~~
 11 ~~and forty-six and two-tenths cents on school districts' special education levies,~~
 12 applied to owner-occupied single-family dwellings ~~for school district general funds~~
 13 ~~and school district special education funds;~~ and

14 (2) Ongoing expenditures for the payroll and rate increases of state employees, school
 15 employees, and medicaid providers.

16 It is the intention of the Legislature that these levies for owner-occupied single-
 17 family dwellings do not affect the maximum mill levies for the other classifications of real
 18 property, and do not adversely affect the total amount of moneys available to school
 19 districts through the school district funding formulas for general funds and special
 20 education funds.

21 **Section 2. That § 10-12-42 be AMENDED:**

22 **10-12-42.** For taxes payable in ~~2026~~ 2027, and each year thereafter, the
 23 maximum levy for the general fund of a school district is as follows:

24 (1) The maximum ~~tax~~ mill levy is five dollars and twenty-one and one-tenth cents per
 25 thousand dollars of taxable valuation, subject to the limitations on agricultural

1 property as provided in subdivision (2) ~~of this section~~ and owner-occupied property
2 as provided in subdivision (3) ~~of this section~~;

3 (2) The maximum ~~tax~~ mill levy on agricultural property for the school district is one
4 dollar and twelve and five-tenths cents per thousand dollars of taxable valuation.
5 If the district's levies are less than the maximum mill levies as stated in this section,
6 the mill levies imposed in subdivision (1) and this subdivision must maintain the
7 same proportion to each other as represented in the mathematical relationship at
8 the maximum mill levies; and

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

15 All levies in this section must be imposed on valuations where the median level of
16 assessment represents eighty-five percent of market value as determined by the
17 Department of Revenue. These valuations must be used for all school funding purposes.

18 If the district has imposed an excess levy pursuant to § 10-12-43, the three mill
19 levies must maintain the same proportion to each other as ~~represented in the~~
20 ~~mathematical relationship at the maximum levies in~~ of this section for taxes payable in
21 2026. The school district may elect to tax at less than the maximum amounts set forth in
22 this section.

23 **Section 3. That § 10-45-1 be AMENDED:**

24 **10-45-1.** Terms used in this chapter mean:

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

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

32 (3) "Candy," any preparation of sugar, honey, or other natural or artificial sweeteners
33 in combination with chocolate, fruits, nuts or other ingredients or flavorings in the

- 1 form of bars, drops, or pieces. The term, candy, does not include any preparation
2 containing flour and does not require refrigeration;
- 3 (4) "Delivery charges," charges by the retailer for preparation and delivery to a location
4 designated by the purchaser of tangible personal property, any product transferred
5 electronically, or services including transportation, shipping, postage, handling,
6 crating, and packing. The term does not include postage for direct mail;
- 7 (5) "Food" and "food ingredient," any substance, whether in liquid, concentrated, solid,
8 frozen, dried, or dehydrated form, that is sold for ingestion or chewing by humans
9 and is consumed for its taste or nutritional value. The term, food, does not include
10 ~~alcoholic beverages, tobacco, or prepared food:~~
- 11 (a) Alcoholic beverages, as defined in § 35-1-1;
12 (b) Cannabis or cannabis products, as defined in § 34-20G-1;
13 (c) Cigarettes, as defined in § 10-50B-4;
14 (d) Prepared food; or
15 (e) Tobacco products, as defined in § 10-50-1;
- 16 (6) Repealed by SL 2007, ch 56, § 1.
- 17 (7) "Person," any individual, firm, copartnership, joint adventure, association, limited
18 liability company, corporation, municipal corporation, estate, trust, business trust,
19 receiver, the State of South Dakota and its political subdivisions, or any group or
20 combination acting as a unit;
- 21 (8) "Prepared food," any food sold in a heated state or heated by the seller; two or
22 more food ingredients mixed or combined by the seller for sale as a single item; or
23 food sold with eating utensils provided by the seller, including plates, knives, forks,
24 spoons, glasses, cups, napkins, or straws. A plate does not include a container or
25 packaging used to transport the food.
26 Prepared food does not include food that is only cut, repackaged, or pasteurized
27 by the seller, and eggs, fish, meat, poultry, and foods containing these raw animal
28 foods requiring cooking by the consumer as recommended by the Food and Drug
29 Administration in chapter 3, part 401.11 of its Food Code as of January 1, 2003,
30 so as to prevent food borne illnesses;
- 31 (8A) "Product transferred electronically," any product obtained by the purchaser by
32 means other than tangible storage media. A product transferred electronically does
33 not include any intangible such as a patent, stock, bond, goodwill, trademark,
34 franchise, or copyright.

- 1 (9) "Relief agency," the state, and county, municipality or district thereof, or any
2 agency engaged in actual relief work;
- 3 (10) "Retail sale" or "sale at retail," any sale, lease, or rental for any purpose other than
4 for resale, sublease, or subrent;
- 5 (11) "Retailer," any person engaged in the business of selling tangible goods, wares, or
6 merchandise at retail, or the furnishing of gas, electricity, water, and
7 communication service, and tickets or admissions to places of amusement and
8 athletic events as provided in this chapter, and the sale at retail of products
9 transferred electronically. The term also includes any person subject to the tax
10 imposed by §§ 10-45-4 and 10-45-5. The isolated or occasional sale of tangible
11 personal property or any product transferred electronically at retail by a person
12 who does not hold himself or herself out as engaging in the business of selling such
13 tangible personal property or products transferred electronically at retail does not
14 constitute such person a retailer;
- 15 (12) "Sale," any transfer, exchange, or barter, conditional or otherwise, in any manner
16 or by any means whatsoever, for a consideration;
- 17 (13) "Soft drinks," any nonalcoholic beverages that contain natural or artificial
18 sweeteners. The term, soft drinks, does not include any beverage that contains
19 milk or milk products, soy, rice or similar milk substitutes, or greater than fifty
20 percent of vegetable or fruit juice by volume;
- 21 (14) "Tangible personal property," personal property that can be seen, weighed,
22 measured, felt, or touched, or that is in any other manner perceptible to the
23 senses. The term includes electricity, water, gas, steam, and prewritten computer
24 software.

25 **Section 4. That § 10-45-2 be AMENDED:**

26 **10-45-2.** There is hereby imposed a tax upon the privilege of engaging in business
27 as a retailer, ~~a tax of four and two tenths percent~~ a tax of five percent upon the gross
28 receipts of all sales of tangible personal property consisting of goods, wares, or
29 merchandise, except as otherwise provided in this chapter, sold at retail in the state to
30 consumers or users, ~~at the following tax rate:~~

- 31 ~~(1) Beginning July 1, 2026, until June 30, 2027, four and seven tenths percent;~~
32 and
33 ~~(2) Beginning July 1, 2027, five percent.~~

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

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

5 (1) Abstracters;

6 (2) ~~accountants~~ Accountants;

7 (3) ~~ancillary~~ Ancillary services;

8 (4) ~~architects~~ Architects;

9 (5) ~~barbers~~ Barbers;

10 (6) ~~beauty~~ Beauty shops;

11 (7) ~~bill~~ Bill collection services;

12 (8) ~~blacksmith~~ Blacksmith shops;

13 (9) ~~car~~ Car washing;

14 (10) ~~dry~~ Dry cleaning;

15 (11) ~~dyeing~~ Dyeing;

16 (12) ~~exterminators~~ Exterminators;

17 (13) ~~garage~~ Garage and service stations;

18 (14) ~~garment~~ Garment alteration;

19 (15) ~~cleaning~~ Cleaning and pressing;

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

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

22 (18) ~~laundry~~ Laundry;

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

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

27 (21) ~~photography~~ Photography;

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

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

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

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

34 (26) ~~rentals~~ Rentals of tangible personal property, except leases of tangible
 35 personal property between one telephone company and another telephone company,

1 motor vehicles as defined pursuant to § 32-5-1 leased under a single contract for more
2 than twenty-eight days, and mobile homes. ~~However, the~~
3 The specific enumeration of businesses and professions made in this section does
4 not, in any way, limit the scope and effect of the provisions of § 10-45-4.

5 **Section 6. That § 10-45-5.3 be AMENDED:**

6 **10-45-5.3.** There is imposed, at the rate of ~~four and two-tenths percent~~ set forth
7 in § 10-45-2, an excise tax on the gross receipts of any person engaging in oil and gas
8 field services ~~(, group no. 138),~~ as enumerated in the Standard Industrial Classification
9 Manual, 1987, as prepared by the Statistical Policy Division of the Office of Management
10 and Budget, Office of the President.

11 **Section 7. That § 10-45-6 be AMENDED:**

12 **10-45-6.** There is ~~hereby~~ imposed a tax of ~~four and two-tenths percent,~~ at the
13 rate set forth in § 10-45-2, upon the gross receipts from sales, furnishing, or service of
14 gas, electricity, and water, including the gross receipts from ~~such the~~ sales by any
15 municipal corporation furnishing gas, and electricity, to the public in its proprietary
16 capacity, except as otherwise provided in this chapter, when sold at retail in ~~the State of~~
17 South Dakota this state to consumers or users.

18 **Section 8. That § 10-45-6.1 be AMENDED:**

19 **10-45-6.1.** Except as provided in § 10-45-6.2, there is ~~hereby~~ imposed a tax of
20 ~~four and two-tenths percent,~~ at the rate set forth in § 10-45-2, upon the gross receipts
21 from providing any intrastate, interstate, or international telecommunications service that
22 originates or terminates in this state and that is billed or charged to a service address in
23 this state, or that both originates and terminates in this state. However, the tax imposed
24 by this section does not apply to:

- 25 (1) Any eight hundred or eight hundred-type service, unless the service both originates
26 and terminates in this state;
- 27 (2) Any sale of a telecommunication service to a provider of telecommunication
28 services, including access service, for use in providing any telecommunication
29 service; or
- 30 (3) Any sale of interstate telecommunication service provided to a call center that has
31 been certified by the secretary of revenue to meet the criterion established in § 10-

1 45-6.3 and the call center has provided to the telecommunications service provider
2 an exemption certificate issued by the secretary indicating that it meets the
3 criterion.

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

7 **Section 9. That § 10-45-6.2 be AMENDED:**

8 **10-45-6.2.** There is hereby imposed a tax ~~of four and two tenths percent, at the~~
9 rate set forth in § 10-45-2, upon the gross receipts of mobile telecommunications services,
10 as defined in 4 U.S.C. § 124(7) ~~as of (January 1, 2002),~~ that originate and terminate in
11 the same state and are billed to a customer with a place of primary use in this state or
12 are deemed to have originated or been received in this state and to be billed or charged
13 to a service address in this state if the customer's place of primary use is located in this
14 state regardless of where the service actually originates or terminates. Notwithstanding
15 any other provision of this chapter and for purposes of the tax imposed by this section,
16 the tax imposed upon mobile telecommunication services must be administered in
17 accordance with 4 U.S.C. §§ 116- ~~to 126,~~ as in effect on, inclusive, (July 28, 2000).

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

19 **10-45-8.** Except as otherwise provided in this chapter, there is imposed a tax ~~of~~
20 four and two tenths percent, at the rate set forth in § 10-45-2, upon the gross receipts
21 from all sales of tickets or admissions to:

- 22 (1) Places of amusement;
23 (2) Athletic contests; or
24 (3) Events.

25 **Section 11. That § 10-45-71 be AMENDED:**

26 **10-45-71.** There is imposed a tax ~~of four and two tenths percent on,~~ at the rate
27 set forth in § 10-45-2, on the gross receipts from the transportation of passengers. The
28 tax imposed by this section applies to any transportation of passengers if the passenger
29 boards and exits the mode of transportation within this state.

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

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

3 **Section 13. That § 10-46-1 be AMENDED:**

4 **10-46-1.** Terms, as used in this chapter mean:

- 5 (1) "Business," any activity engaged in by any person or caused to be engaged in by
6 such person with the object of gain, benefit or advantage either direct or indirect;
- 7 (2) "Candy," any preparation of sugar, honey, or other natural or artificial sweeteners
8 in combination with chocolate, fruits, nuts or other ingredients or flavorings in the
9 form of bars, drops, or pieces. The term, candy, does not include any preparation
10 containing flour and does not require refrigeration;
- 11 (3) "Delivery charges," charges by the retailer for preparation and delivery to a location
12 designated by the purchaser of tangible personal property, any product transferred
13 electronically, or services including transportation, shipping, postage, handling,
14 crating, and packing. The term does not include postage for direct mail;
- 15 (4) "Fair market value," the price at which a willing seller and willing buyer will trade.
16 Fair market value shall be determined at the time of purchase. If a public
17 corporation is supplying tangible personal property or any product transferred
18 electronically that will be used in the performance of a contract, fair market value
19 shall be determined pursuant to § 5-18B-7. This definition also applies to chapter
20 10-45;
- 21 (5) "Food" and "food ingredient," any substance, whether in liquid, concentrated, solid,
22 frozen, dried, or dehydrated form, that is sold for ingestion or chewing by humans
23 and is consumed for its taste or nutritional value. The term, food, does not include
24 ~~alcoholic beverages, tobacco, or prepared food;~~
25 (a) Alcoholic beverages, as defined in § 35-1-1;
26 (b) Cannabis or cannabis products, as defined in § 34-20G-1;
27 (c) Cigarettes, as defined in § 10-50B-4;
28 (d) Prepared food; or
29 (e) Tobacco products, as defined in § 10-50-1;
- 30 (6) "Included in the measure of tax," the tangible personal property, any product
31 transferred electronically, or the service was purchased from a retailer licensed
32 under chapter 10-45 and that retailer has included the tax in the amount received
33 from the sale;

- 1 (7) "In this state" or "in the state," within the exterior limits of the State of South
2 Dakota and includes all territory within such limits owned by or ceded to the United
3 States of America;
- 4 (8) "Prepared food," any food sold in a heated state or heated by the seller; two or
5 more food ingredients mixed or combined by the seller for sale as a single item; or
6 food sold with eating utensils provided by the seller, including plates, knives, forks,
7 spoons, glasses, cups, napkins, or straws. A plate does not include a container or
8 packaging used to transport the food.
9 Prepared food does not include food that is only cut, repackaged, or pasteurized
10 by the seller, and eggs, fish, meat, poultry, and foods containing these raw animal
11 foods requiring cooking by the consumer as recommended by the Food and Drug
12 Administration in chapter 3, part 401.11 of its Food Code as of January 1, 2003,
13 so as to prevent food borne illnesses;
- 14 (8A) "Product transferred electronically," any product obtained by the purchaser by
15 means other than tangible storage media. A product transferred electronically does
16 not include any intangible such as a patent, stock, bond, goodwill, trademark,
17 franchise, or copyright.
- 18 (9) "Purchase," any transfer, exchange, or barter, conditional or otherwise, in any
19 manner or by any means whatsoever, for a consideration. A transaction, whereby
20 the possession of property is transferred but the seller retains the title as security
21 for the payment of the price, is a purchase;
- 22 (10) "Purchase price," shall have the same meaning as gross receipts defined in chapter
23 10-45;
- 24 (11) "Retailer," any person performing services in this state or engaged in the business
25 of selling tangible personal property or products transferred electronically for use,
26 storage or other consumption within the meaning of this chapter. However, if in
27 the opinion of the secretary of revenue, it is necessary for the efficient
28 administration of this chapter to regard any salesmen, representatives, truckers,
29 peddlers, or canvassers as agents of the dealers, distributors, supervisors,
30 employers, or persons under whom they operate or from whom they obtain the
31 tangible personal property or any product transferred electronically sold by them
32 irrespective of whether they are making sales on their own behalf or on behalf of
33 such dealers, distributors, supervisors, employers, or persons, the secretary of
34 revenue may so regard them and may regard the dealers, distributors, supervisors,
35 employers, or persons as retailers for purposes of this chapter;

- 1 (12) "Retailer maintaining a place of business in the state," any retailer having or
2 maintaining within this state, directly or by a subsidiary, an office, distribution
3 house, sales house, warehouse, or other place of business, or any agents operating
4 within the state under the authority of the retailer or its subsidiary, irrespective of
5 whether such place of business or agent is located here permanently or temporarily
6 or whether such retailer or subsidiary is admitted to do business within this state
7 pursuant to the laws of the State of South Dakota granting the rights of foreign
8 corporations to do business in this state;
- 9 (13) "Secretary," the secretary of the Department of Revenue or any duly authorized
10 and appointed assistant, deputies, or agents of the secretary charged with the
11 administration or enforcement of this chapter;
- 12 (14) "Soft drinks," any nonalcoholic beverages that contain natural or artificial
13 sweeteners. The term, soft drinks, does not include any beverage that contains
14 milk or milk products, soy, rice or similar milk substitutes, or greater than fifty
15 percent of vegetable or fruit juice by volume;
- 16 (15) "Storage," any keeping or retention in this state for use or other consumption in
17 the State of South Dakota for any purpose except sale in the regular course of
18 business;
- 19 (16) "Tangible personal property," personal property that can be seen, weighed,
20 measured, felt, or touched, or that is in any other manner perceptible to the senses
21 if furnished or delivered to consumers or users within this state. The term includes
22 electricity, water, gas, steam, and prewritten computer software;
- 23 (17) "Use," the exercise of right or power over tangible personal property or any product
24 transferred electronically incidental to the ownership of that property, except that
25 it does not include the sale of that property in the regular course of business. Use
26 also includes the use of the types of services, the gross receipts from the sale of
27 which are to be included in the measure of the tax imposed by chapter 10-45, and
28 the delivery or causing delivery into this state of tangible personal property or any
29 product transferred electronically intended to advertise any product or service or
30 promote or facilitate any sale to South Dakota residents.

31 **Section 14. That § 10-46-2.1 be AMENDED:**

32 **10-46-2.1.** For the privilege of using services in ~~South Dakota~~ this state, except
33 those types of services exempted by § 10-46-17.3, there is imposed on the person using

1 the service an excise tax ~~equal to four and two-tenths percent of~~ of five percent on the
2 value of the services at the time they are rendered, at the following tax rate:

3 ~~(1) Beginning July 1, 2026, until June 30, 2027, four and seven-tenths percent;~~

4 and

5 ~~(2) Beginning July 1, 2027, five percent.~~

6 ~~However, this~~ This tax may not be imposed on any service rendered by a related
7 corporation, ~~as defined in subdivision 10-43-1(11),~~ for use by a financial institution, as
8 defined in ~~subdivision 10-43-1(4)~~ § 10-43-1; or on any service rendered by a financial
9 institution, as defined in ~~subdivision 10-43-1(4)~~ § 10-43-1, for use by a related
10 corporation ~~as defined in subdivision 10-43-1(11).~~

11 For the purposes of this section, ~~the term, "related corporation,"~~ includes a means
12 a corporation associated with another as its parent or subsidiary, or in a brother-sister
13 relationship. The term includes a corporation, which together with the financial institution,
14 is part of a controlled group of corporations, as defined in 26 U.S.C. § 1563 ~~as in effect~~
15 ~~on~~ (January 1, 1989), except that the eighty percent ownership requirements set forth in
16 26 U.S.C. ~~§ 563(a)(2)(A)~~ § 1563(a) for a brother-sister controlled group are reduced to
17 fifty-one percent.

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

20 **Section 15. That § 10-46-2.2 be AMENDED:**

21 **10-46-2.2.** An excise tax is imposed upon the privilege of the use of rented
22 tangible personal property and any product transferred electronically in this state, at the
23 rate of four and two-tenths percent of set forth in § 10-46-2.1, on the rental payments
24 upon the property.

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

26 **10-46-58.** There is imposed a tax ~~of four and two-tenths percent on,~~ at the rate
27 set forth in § 10-46-2.1, upon the privilege of the use of any transportation of passengers.
28 The tax imposed by this section applies to any transportation of passengers if the
29 passenger boards and exits the mode of transportation within this state.

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

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

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

9 **10-46-69.1.** Except as provided in § 10-46-69, there is hereby imposed a tax of
10 ~~four and two tenths percent~~, at the rate set forth in § 10-46-2.1, upon the privilege of the
11 use of any intrastate, interstate, or international telecommunications service that
12 originates or terminates in this state and that is billed or charged to a service address in
13 this state, or that both originates and terminates in this state. ~~However, the~~ The tax
14 imposed by this section does not apply to:

- 15 (1) Any eight hundred or eight hundred type service unless the service both originates
16 and terminates in this state;
- 17 (2) Any sale of a telecommunication service to a provider of telecommunication
18 services, including access service, for use in providing any telecommunication
19 service; or
- 20 (3) Any sale of interstate telecommunication service provided to a call center that has
21 been certified by the secretary of revenue to meet the criterion established in § 10-
22 45-6.3 and the call center has provided to the telecommunications service provider
23 an exemption certificate issued by the secretary indicating that it meets the
24 criterion.

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

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

29 **10-46-69.2.** There is hereby imposed a tax of ~~four and two tenths percent~~, at the
30 rate set forth in § 10-46-2.1, upon the privilege of the use of any ancillary services.

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

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

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

4 **10-46E-1.** There is hereby imposed an excise tax of four and two-tenths percent
 5 of five percent on the gross receipts from the sale, resale, or lease of farm machinery,
 6 attachment units, and irrigation equipment used exclusively for agricultural purposes, at
 7 the following tax rate:

8 (1) Beginning July 1, 2026, until June 30, 2027, four and seven-tenths percent;
 9 and

10 (2) Beginning July 1, 2027, five percent.

11 However, ~~if~~ If any trade-in or exchange of used farm machinery, attachment units,
 12 and irrigation equipment is involved in the transaction, the excise tax is only due and may
 13 only be collected on the cash difference.

14 **Section 22. That § 10-58-1 be AMENDED:**

15 **10-58-1.** There is imposed upon owners and operators a special amusement
 16 excise tax of four and two-tenths percent of of five percent on the gross receipts from the
 17 sale or the operation of any mechanical or electronic amusement device, at the following
 18 tax rate:

19 (1) Beginning July 1, 2026, until June 30, 2027, four and seven-tenths percent;
 20 and

21 (2) Beginning July 1, 2027, five percent.

22 The tax imposed by this section is in lieu of the tax imposed pursuant to chapter
 23 10-45.

24 **Section 23. That § 13-13-71 be AMENDED:**

25 **13-13-71.** If local effort increases on a statewide aggregate basis by a greater
 26 percentage than local need on a statewide aggregate basis from any one year to the next,
 27 for the following year each of the mill levies specified in ~~subdivision 13-13-10.1(13)~~ shall
 28 subdivisions § 10-12-42(1) and (2) must be reduced proportionally so that the percentage
 29 increase in local effort on a statewide aggregate basis equals the percentage increase in
 30 need on a statewide aggregate basis.

31 **Section 24. That § 13-13-72 be AMENDED:**

1 **13-13-72.** ~~It is the policy of the Legislature that~~ In 2028 and each year thereafter,
 2 the appropriation for state aid to education must increase on an annual basis by the
 3 percentage increase in local need on an aggregate statewide basis so that the relative
 4 proportion of local need paid by local effort and state aid ~~shall remain~~ remains constant. ~~For~~
 5 school fiscal years 2017 to 2022, inclusive, the proportion of local need paid by local effort
 6 and state aid shall be adjusted annually to maintain the proportion between state aid and
 7 local property taxes and to reflect adjustments in local effort due to the implementation
 8 of the other revenue base amount as defined in § 13-13-10.1.

9 **Section 25. That § 13-13-72.1 be AMENDED:**

10 **13-13-72.1.** ~~Any adjustments~~ In 2028 and each year thereafter, any adjustment
 11 in the levies specified in § 10-12-42 made pursuant to ~~§§ 13-13-71 and § 13-13-72 shall~~
 12 ~~be based on maintaining~~ must maintain the relationship between statewide local effort as
 13 a percentage of statewide local need in the fiscal year succeeding the fiscal year in which
 14 the adjustment is made. ~~For school fiscal years 2017 to 2022, inclusive, the proportion of~~
 15 local need paid by local effort and state aid shall be adjusted annually to reflect
 16 adjustments in local effort due to the implementation of the other revenue base amount
 17 ~~as defined in § 13-13-10.1. However, if~~ If the levies specified in § 10-12-42 are not
 18 adjusted to maintain this relationship, the target teacher salary as defined in § 13-13-
 19 10.1 ~~shall be, must be~~ reduced to maintain the relationship between for statewide local
 20 effort as a percentage of statewide local need.

21 **Section 26. That § 13-37-16 be AMENDED:**

22 **13-37-16.** For taxes payable in ~~2026~~ 2027, and each year thereafter, the school
 23 board ~~shall~~ may levy no more than one dollar and forty-six and two-tenths cents per
 24 thousand dollars of taxable valuation of property classified for purposes of taxation as
 25 agricultural property and nonagricultural property and may levy no more than sixty-five
 26 and six-tenths cents per thousand dollars of taxable valuation of property classified for
 27 purposes of taxation as owner-occupied single-family dwellings, as a special levy in
 28 addition to all other levies authorized by law for the amount so determined to be
 29 necessary, and the levy must be spread against all of the taxable property of the district
 30 ~~not classified as owner-occupied single-family dwellings, as defined in § 10-13-39.~~ The
 31 proceeds derived from the levy constitute a school district special education fund of the
 32 district for the payment of costs for the special education of all children in need of special

1 education or special education and related services, who reside within the district,
2 pursuant to the provisions of §§ 13-37-8.4 to 13-37-8.10, inclusive.

3 The levy in this section is based on valuations where the median level of
4 assessment represents eighty-five percent of market value as determined by the
5 Department of Revenue. The total amount of taxes that would be generated at the levy
6 pursuant to this section is considered local effort. Money in the special education fund may
7 be expended for the purchase or lease of any assistive technology that is directly related
8 to special education and specified in a student's individualized education plan. This section
9 does not apply to real property improvements.

10 **Section 27. That § 13-37-16.2 be AMENDED:**

11 **13-37-16.2.** ~~If~~ In 2028 and each year thereafter, if local effort increases on a
12 statewide aggregate basis by a greater percentage than local need on a statewide
13 aggregate basis from any one year to the next, for the following year, the levy specified
14 in subdivision 13-37-35.1(7) ~~shall~~ must be reduced proportionally so that the percentage
15 increase in local effort on a statewide aggregate basis equals the percentage increase in
16 need on a statewide aggregate basis.

17 **Section 28. That § 13-37-16.3 be AMENDED:**

18 **13-37-16.3.** ~~Any~~ In 2028 and each year thereafter, any adjustments in the levy
19 specified in subdivision 13-37-35.1(7) made pursuant to § 13-37-16.2 ~~shall~~ must be
20 based on maintaining the relationship between statewide local effort as a percentage of
21 statewide local need in the fiscal year succeeding the fiscal year in which the adjustment
22 is made. ~~However, for fiscal year 2014, and~~

23 In 2028 and each year thereafter, if the levy specified in subdivision 13-37-35.1(7)
24 is not adjusted to maintain this relationship, the funding allocation for each disability level
25 as defined in § 13-37-35.1 ~~shall~~ must be reduced proportionally to maintain the
26 relationship between statewide local effort as a percentage of statewide local need.

27 **Section 29. That § 13-37-35.1 be AMENDED:**

28 **13-37-35.1.** Terms used in chapter 13-37 mean:

- 29 (1) "Level one disability," a mild disability;
30 (2) "Level two disability," cognitive disability or emotional disorder;

- 1 (3) "Level three disability," hearing impairment, deafness, visual impairment, deaf-
2 blindness, orthopedic impairment, or traumatic brain injury;
- 3 (4) "Level four disability," autism;
- 4 (5) "Level five disability," multiple disabilities;
- 5 (5A) "Level six disability," prolonged assistance;
- 6 (6) "Index factor," is the annual percentage change in the consumer price index for
7 urban wage earners and clerical workers as computed by the Bureau of Labor
8 Statistics of the United States Department of Labor for the year before the year
9 immediately preceding the year of adjustment, or three percent, whichever is less;
- 10 (7) "Local effort," ~~must be an amount~~ calculated for taxes payable in ~~2026~~ 2027 and
11 thereafter using ~~a the maximum~~ special education levy of one dollar and twenty-
12 six and two tenths cents per one thousand dollars of valuation set forth in § 13-
13 37-16, imposed on the taxable valuation of property classified for purposes of
14 taxation as agricultural property and nonagricultural property;
- 15 (8) "Allocation for a student with a level one disability," for the school fiscal year
16 beginning July 1, 2025, is \$7,650.45. For each school year thereafter, the allocation
17 for a student with a level one disability must be the previous fiscal year's allocation
18 for the child increased by the index factor;
- 19 (9) "Allocation for a student with a level two disability," for the school fiscal year
20 beginning July 1, 2025, is \$16,759.91. For each school year thereafter, the
21 allocation for a student with a level two disability must be the previous fiscal year's
22 allocation for the child increased by the index factor;
- 23 (10) "Allocation for a student with a level three disability," for the school fiscal year
24 beginning July 1, 2025, is \$23,139.68. For each school year thereafter, the
25 allocation for a student with a level three disability must be the previous fiscal
26 year's allocation for the child increased by the index factor;
- 27 (11) "Allocation for a student with a level four disability," for the school fiscal year
28 beginning July 1, 2025, is \$18,053.89. For each school year thereafter, the
29 allocation for a student with a level four disability must be the previous fiscal year's
30 allocation for the child increased by the index factor;
- 31 (12) "Allocation for a student with a level five disability," for the school fiscal year
32 beginning July 1, 2025, is \$37,039.28. For each school year thereafter, the
33 allocation for a student with a level five disability must be the previous fiscal year's
34 allocation for the child increased by the index factor;

- 1 (12A) "Allocation for a student with a level six disability," for the school fiscal year
2 beginning July 1, 2025, is \$11,838.15. For each school year thereafter, the
3 allocation for a student with a level six disability must be the previous fiscal year's
4 allocation for the child increased by the index factor;
- 5 (13) "Child count," is the number of students in need of special education or special
6 education and related services according to criteria set forth in rules promulgated
7 pursuant to §§ 13-37-1.1 and 13-37-46 submitted to the Department of Education;
- 8 (14) "Fall enrollment," the number of kindergarten-through-twelfth-grade students
9 enrolled in all schools operated by the school district on the last Friday of
10 September of the previous school year minus the number of students for whom
11 the district receives tuition, except any nonresident student who is in the care and
12 custody of a state agency and is attending a public school and any student for
13 whom tuition is being paid pursuant to § 13-28-42.1, plus the number of students
14 for whom the district pays tuition;
- 15 (15) "Nonpublic school," a sectarian organization or entity accredited by the secretary of
16 education for the purpose of instructing children of compulsory school age. This
17 definition excludes any school that receives a majority of its revenues from public
18 funds;
- 19 (16) "Nonpublic fall enrollment," the number of children under age eighteen, who are
20 approved for alternative instruction pursuant to § 13-27-3 on the last Friday of
21 September of the previous school year plus:
- 22 (a) For nonpublic schools located within the boundaries of a public school
23 district with a fall enrollment of six hundred or more on the last Friday of
24 September of the previous school year, the number of kindergarten-
25 through-twelfth-grade students enrolled on the last Friday of September of
26 the previous regular school year in all nonpublic schools located within the
27 boundaries of the public school district;
- 28 (b) For nonpublic schools located within the boundaries of a public school
29 district with a fall enrollment of less than six hundred on the last Friday of
30 September of the previous school year, the number of resident
31 kindergarten-through-twelfth-grade students enrolled on the last Friday of
32 September of the previous school year in all nonpublic schools located
33 within this state;
- 34 (17) "Special education fall enrollment," fall enrollment plus nonpublic fall enrollment;
- 35 (18) "Local need," an amount to be determined as follows:

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

25 **Section 30. That § 32-5B-20 be AMENDED:**

26 **32-5B-20.** There is hereby imposed a tax of ~~four and two-tenths percent~~ upon of
27 five percent on the gross receipts of any person renting a rental vehicle as defined in § 32-
28 5B-19, ~~at the following tax rate:~~

29 ~~(1) Beginning July 1, 2026, until June 30, 2027, four and seven-tenths percent;~~
30 and

31 ~~(2) Beginning July 1, 2027, five percent.~~

32 ~~This The~~ tax applies to all vehicles registered in accordance with § 32-5-6, 32-5-
33 8.1, or 32-5-9. Any rental vehicle not licensed in accordance with § 32-5-6, 32-5-8.1, or
34 32-5-9 is subject to the motor vehicle excise tax in § 32-5B-1.

1 The tax imposed by this section is in addition to any tax levied pursuant to chapter
 2 10-45 or 10-46 upon the rental of a rental vehicle. The provisions of chapter 10-45 apply
 3 to the administration and enforcement of the tax imposed by this section.

4 The tax imposed by this section is in lieu of the tax levied by § 32-5B-1 on the
 5 sales of ~~such~~ motor vehicles. A violation of this section is a Class 1 misdemeanor.

6 **Section 31. That 2023 Session Laws, chapter 32, § 19 be REPEALED:**

7 ~~**Section 32.** The amendments to the Code sections in sections 1 to 17, inclusive,~~
 8 ~~of this Act are repealed on June 30, 2027, and those Code sections will revert in word and~~
 9 ~~substance to that which existed immediately prior to the effective date of this Act.~~

10

