

CORRECTED COPY – UPDATED FOR JANUARY 2019 CREG

FISCAL NOTE

	FY 2020	FY 2021	FY 2022
NON-ADMINISTRATIVE IMPACT			
Anticipated Revenue increase/(decrease)			
GENERAL FUND	(\$3,000,000)	(\$3,100,000)	(\$3,100,000)
LOCAL SOURCES FUND	\$33,100,000	\$33,700,000	\$34,200,000

Sources of revenue increase:

Application of sales tax to specified services;

Repeal of the sales & use tax exemptions on the following items:

- 1) food for domestic home consumption,
- 2) manufacturing machinery, and
- 3) purchase or rental of items utilized by a data processing service center

Source of revenue (decrease):

Reduction of the state sales and use tax rate from 4% to 3.5%

Assumptions:

The above estimates are based the taxation of services and taxation of food in South Dakota, adjusted based on the difference in state populations. The above estimates are also based on Department of Revenue estimates of the current sales & use tax exemptions on manufacturing machinery and data centers, and an average local sales & use tax rate of 1.4%. Finally, the above estimates are based on the sales and use tax forecasted in the January 2019 CREG Report. The above estimates include the impact of the 1% administrative fee on sales & use taxes distributed to local governments.

As reflected in the table above, the combined impacts of the taxation of services, the repeal of the three sales & use tax exemptions referenced above, and the decrease in the state sales & use tax rate from 4% to 3.5% would result in a net revenue decrease to the General Fund, and a net revenue increase to local governments.

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