

Fact Sheet

STATE REVENUE

South Dakotans Talking

How does South Dakota raise money to pay for public services?

South Dakota's state and local tax revenue is made up of two primary types of taxes:

- Sales, use and contractor's excise taxes (consumption taxes)
- Property taxes

SOUTH DAKOTA STATE AND LOCAL REVENUE SOURCES

(in millions)

Data Source: 2009 Annual Report of SD Department of Revenue & Regulation, Chart by South Dakota Budget and Policy Project



How do South Dakota taxes compare to other states?

- Of their average per capita income, South Dakotans pay 8¢ per dollar in state and local taxes; the US average is 11 cents per dollar¹.
- Per capita income in South Dakota is 99% of the national average, ranking the state 22nd of 50.
- Per capita taxes ranked 48th to 50th for the past 10 years.
- State taxes as a percent of personal income ranked 50th of 50.

Who pays South Dakota taxes?

South Dakota business taxes are consistently among the lowest in the nation.² And while state taxes are low for South Dakotans on average, they aren't so low for residents with low incomes.

A November 2009 analysis by the Institute on Taxation & Economic Policy identified South Dakota as having the third most regressive³ state tax system in the nation.

TAXES AS SHARES OF INCOME, ON AVERAGE, FOR SOUTH DAKOTA NON-ELDERLY RESIDENTS

Data Source: Institute on Taxation & Economic Policy, *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*, Third Edition, Nov 2009



How does revenue adequacy and fairness impact the common good?

While most citizens and businesses appreciate low taxes, public revenue is necessary to pay for basic public services. Reaching consensus on which services we value in our state and how we want to pay for them is the hard work of democracy. Citizen understanding, discussion and input on these options increases public support for state and local fiscal policy.

Are there other aspects of the revenue system that you value or would change?

¹ SD Budget Primer p 12. Data Source: US Bureau of Economic Analysis

² Tax Foundation, *State Business Tax Climate Index*.

³ A tax system that requires low and middle income families to pay a higher share of their income in taxes than upper income families is considered regressive.