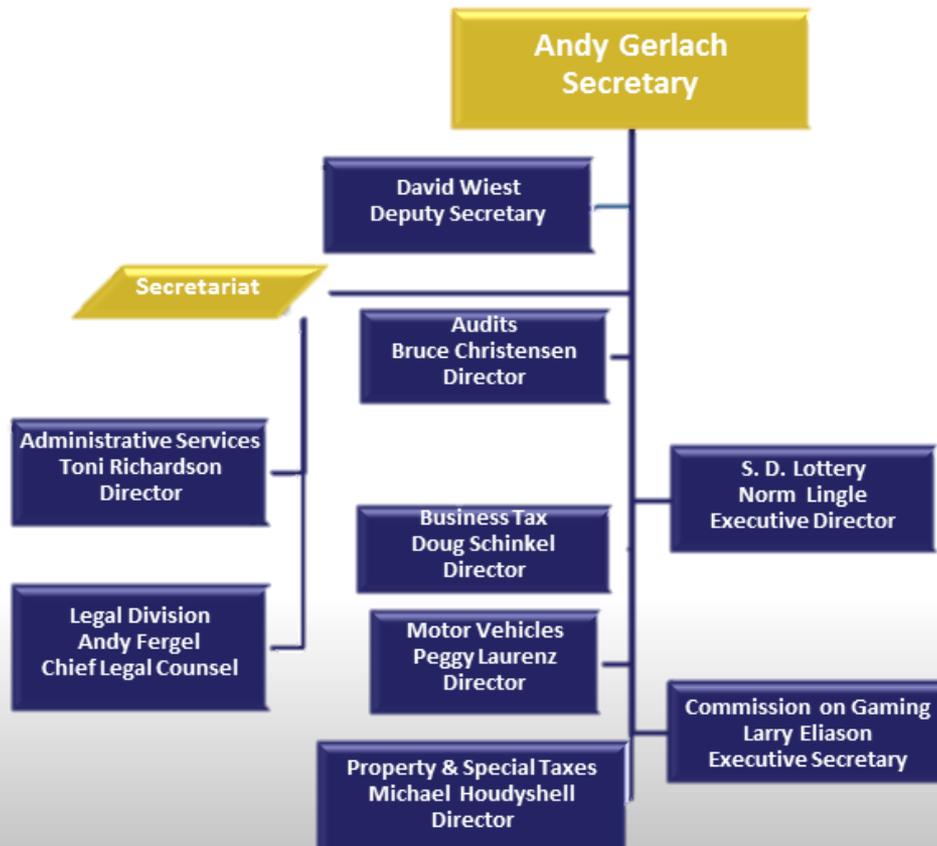




# *FY2016 Recommended Budget*

## *Department of Revenue*

# Department Organizational Chart



*South Dakota*



Aberdeen ★

Watertown ★

Deadwood ★

Pierre ★

Rapid City ★

Mitchell ★  
Sioux Falls ★

Yankton ★

## *Department Mission and Goals*

We partner with our stakeholders to provide customer-oriented, fair, reliable revenue administration.

Goal 1: Enhance Technology

Goal 2: Invest in Employees

Goal 3: Impact Legislative and Regulatory Environment

Goal 4: Organize and Maintain Partnerships

Goal 5: Ensure Organizational Learning

The Department of Revenue is responsible for the administration and collection of business taxes, motor fuel taxes, motor vehicle fees, special taxes, operation of the state lottery, and regulation of the gaming and racing industries in South Dakota.

<b>FY2016 Recommended Budget:</b>	
General Funds	\$ 1,228,995
Other Funds	<u>72,409,885</u>
	\$73,638,880
	FTE = 248.5

## *FY2016 Recommended Budget*

- The FY2016 Recommended Budget for the Department of Revenue includes an increase of \$1,367,719 over the FY 2015 budget and 1.0 FTE.
  - Funding reflects an increase of \$60,594 in general funds and an increase of \$1,307,125 in other funds.
  - The general fund increase of \$60,594 includes the additional FTE in Property and Special Taxes to address the growing number of special tax licensees and to address the increased workload with the likely passage of direct wine shipment legislation. Also included in this increase is the approved reclassification of a position from a Statistical Assistant to an Accountant II.

## *FY2016 Recommended Budget (cont.)*

- The increase of \$1,307,125 in other fund authority includes:
  1. An increase of \$1,285,000 in the Division of Motor Vehicles for the annual maintenance costs of new plate production equipment, materials and other costs needed in FY2016 for the 2016 license plate production.
  2. \$22,125 for additional travel budget authority for the Division of Audits.

## *Comparison of FY2015 & FY2016 Budgets*

	<b>Budgeted <u>FY2015</u></b>	<b>Recommended <u>FY2016</u></b>	<b><u>Increase</u></b>
Personal Services	\$15,464,267	\$15,524,861	\$60,594
Travel	812,499	834,624	22,125
Contractual Services	41,702,727	41,787,727	85,000
Supplies/Materials	4,481,933	5,681,933	1,200,000
Grants	9,175,000	9,175,000	-0-
Capital Assets	341,735	341,735	-0-
Other	293,000	293,000	-0-
TOTAL	\$72,271,161	\$73,638,880	\$1,367,719
FTE	247.5	248.5	1.0

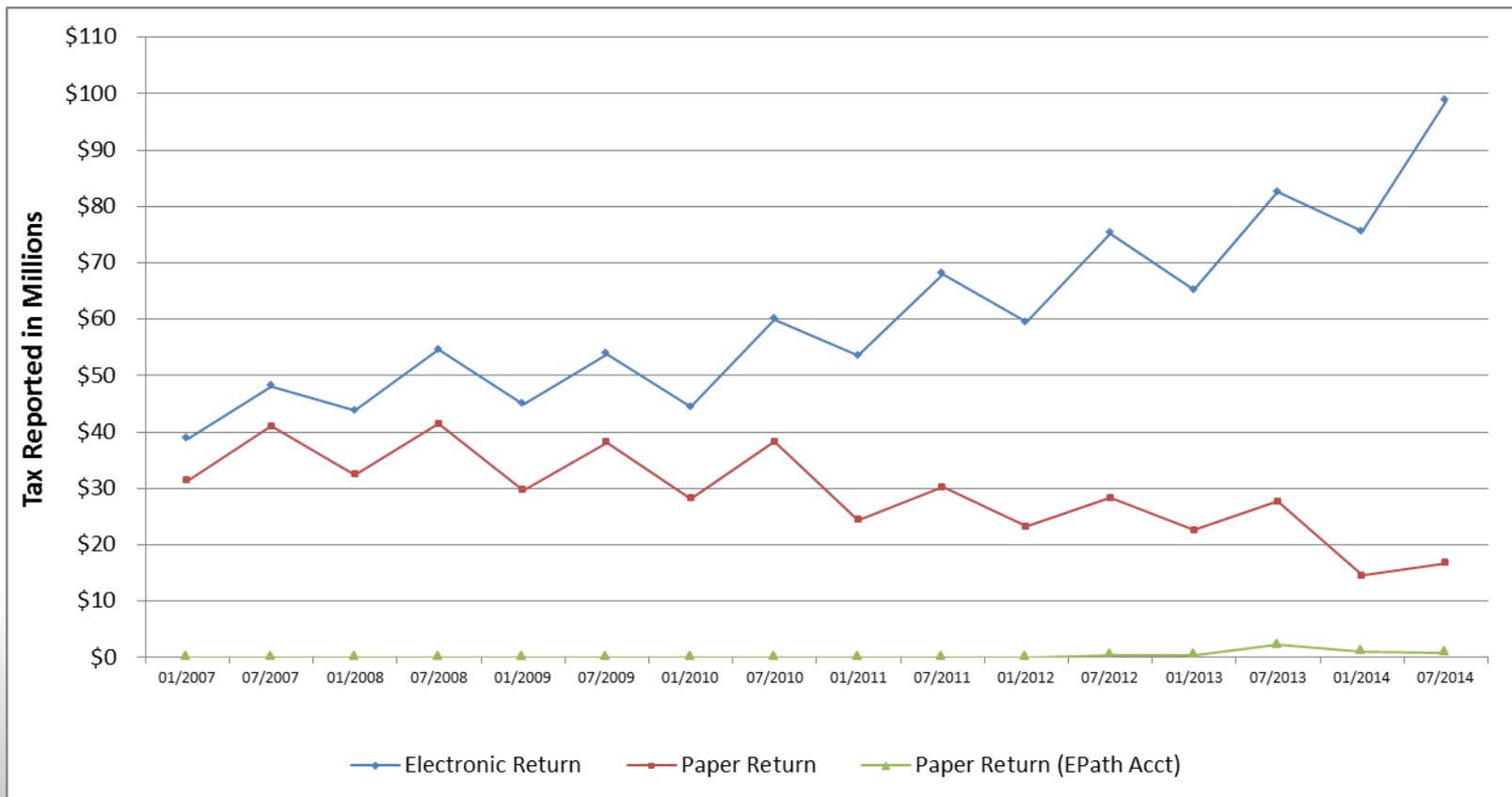
## ***SECRETARIAT DIVISION FUNCTIONS***

- Establish Department goals, objectives and policies
- Comprehensive customer education and public information programs
- Coordination, direction and application of technology in support of eGovernment initiative
- Legal research, analysis, and representation
- Investigate and prosecute violations of the criminal statutes of the revenue code - Investigative Services Bureau

## *Customer Education and Staff Training – FY14*

- Over 1,600 customers received training in FY14
  - One-on-one Training
  - Seminars
  - Webinars
  - In-person training for Associations and Conferences
- Internal Training
  - 32 Continuing Education Units (CEUs) issued to 24 people
  - 55 Continuing Professional Education (CPE) certificates issued to 42 people
  - Types of training – New Employee Orientation, Supervisory training, Policy and Procedures Updates, Professional training (Customer Service, Effective Writing, Computer training)

### Filed Returns for Reporting Periods 01/2007 to 12/2014 (Semi-Annual)



***FY2016 Recommended Budget***

Personal Services	\$2,012,749
Operating Expenses	\$1,545,399
Total FY2016 Budget	\$3,558,148
FTE	28.0

No Recommended Increases

Fund Source: Other Funds – Sales and Use Tax  
Collection Fund & State Motor Vehicle Fund

# Business Tax

## *PRIMARY FUNCTIONS*

- Ensure compliance with all applicable tax laws in South Dakota, and to promote sales tax equity on a national basis through simplification of sales tax laws and administration
- Administer municipal and special jurisdiction sales, use taxes, excise tax, prepaid wireless, and 911 emergency surcharge
- Taxes collected and payments totaling \$338,607,923 went to 263 municipal and special jurisdiction entities for FY2014
- Process sales, use, and contractors' excise tax payments

# Business Tax

## *FY2016 Recommended Budget*

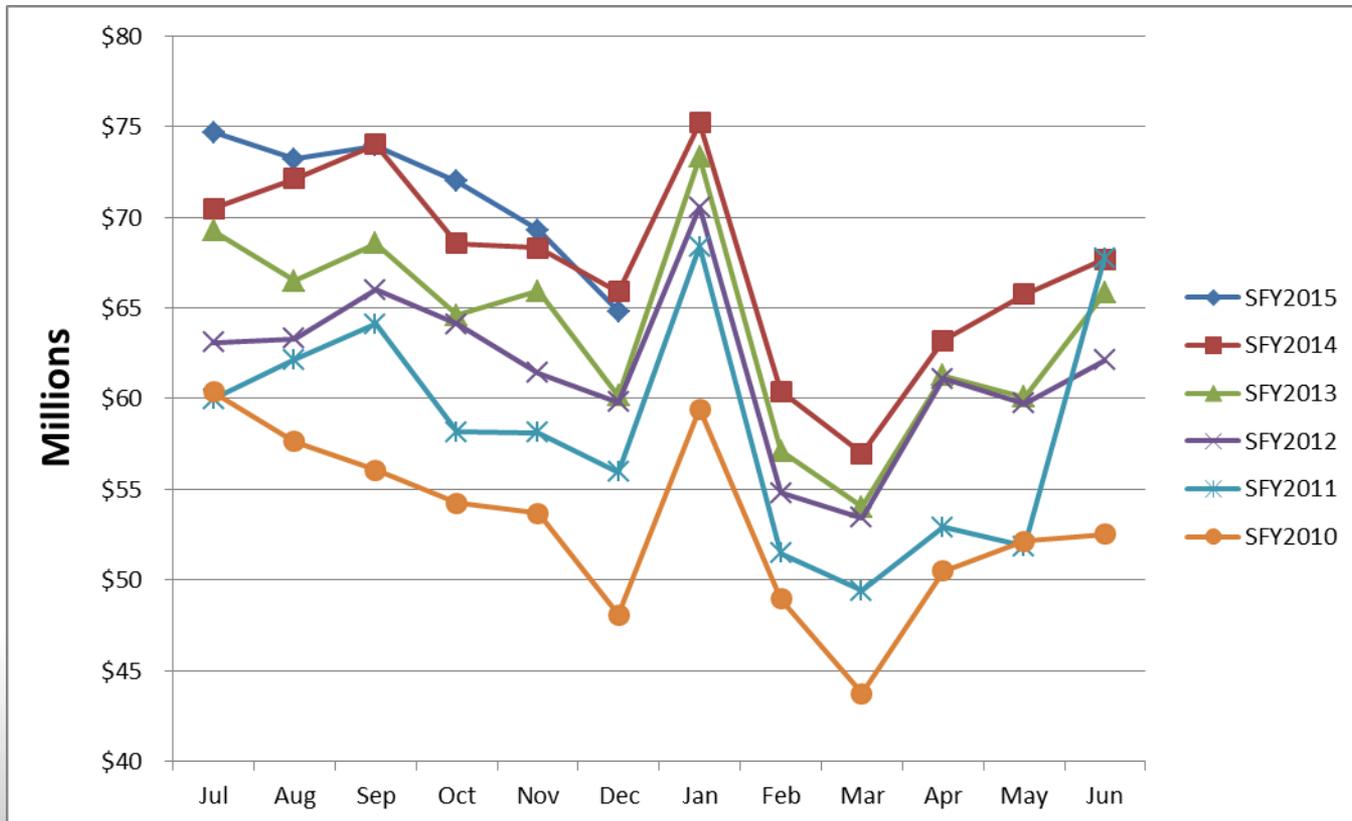
Personal Services	\$3,445,825
Operating Expenses	\$ 873,949
Total FY2016 Budget	\$4,319,774
FTE	57.5

No Recommended Increases

Fund Source: Other Funds – Sales and Use Tax  
Collection Fund

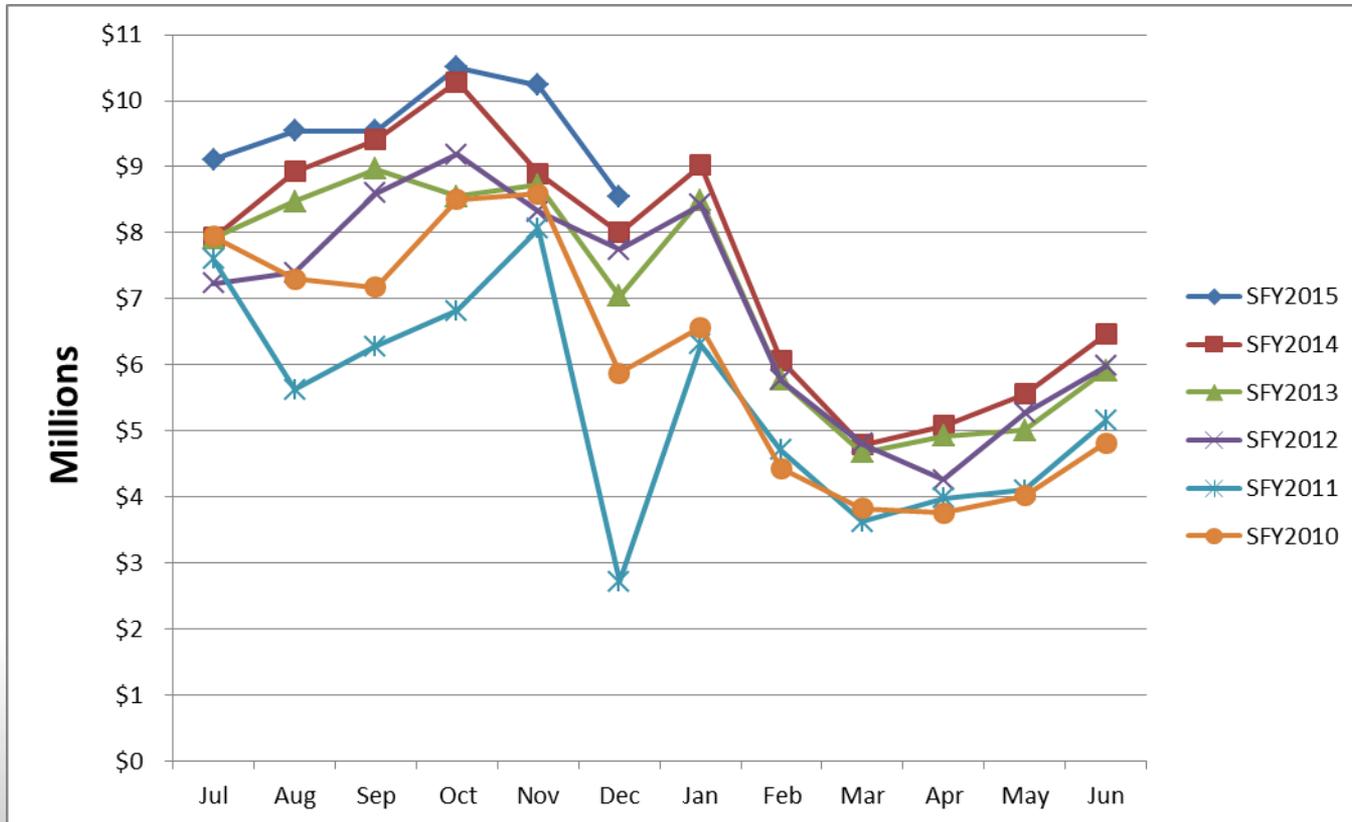
# Sales Tax Collections

*Sales & Use Tax Collections (FY2010 - FY2015 to-date)*



# Excise Tax Collections

*Contractors' Excise Tax Collections (FY2010 - FY2015 to-date)*



# Motor Vehicles

## *PRIMARY FUNCTIONS*

- Administer:
  - Motor vehicle licensing and registration
  - Motor vehicle titles
  - License plate issuance
  - motor fuel tax programs
  - Motor vehicle dealer program
- Collect:
  - Motor vehicle license and registration fees
  - 3% motor vehicle excise tax
  - \$0.22 gasoline tax and other fuel taxes



## *FY2016 Recommended Budget*

# Motor Vehicles

Personal Services	\$2,270,315
Operating Expenses	\$6,372,282
Total FY2016 Budget	\$8,642,597
FTE	46.0

### Recommended Increases:

2016 License Plate Re-issue	\$1,285,000
-----------------------------	-------------

Fund Source: Other Funds – State Motor Vehicle Fund  
and License Plate Revolving Fund

## *2016 License Plate Re-Issue - Timeline*

- 2014 – Customer Portal system design; RFP issued
  - Legislature appropriated \$1.8M to start the project in FY15
- 2015 – Ready, set, go.....
  - Go live with new online customer portal
  - Pilot test of Firefighter plates on demand
  - Final system preparation to issue standard plates on demand
  - Begin bulk plate production Sept 1<sup>st</sup>. Counties stocked with 3 month supply by end of December.
- 2016 – Plate reissue begins: standard and specialty
- 2017 & 2018 – Reissue non-standard plates (city, county, etc.)

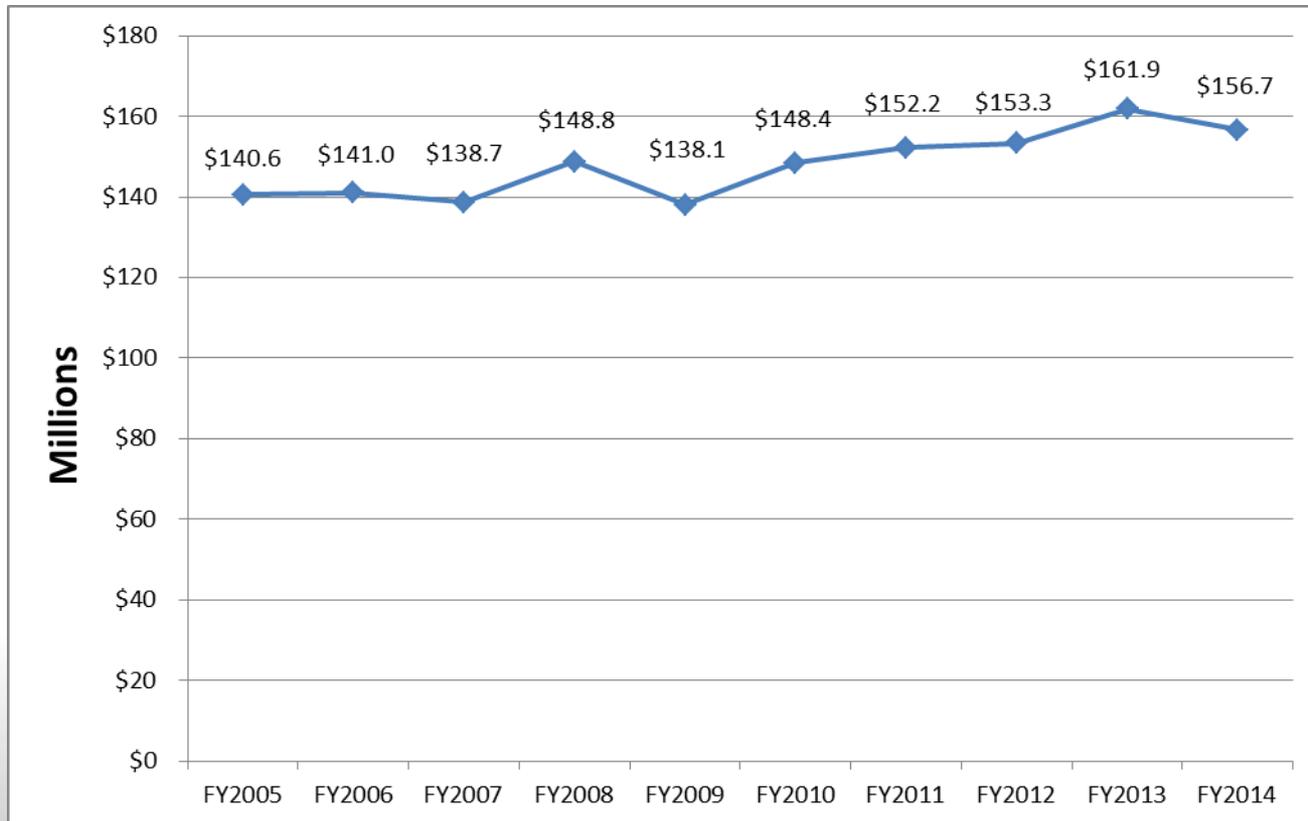
# Motor Vehicles

## *2016 License Plate Re-Issue*

- Projected 1.5 million plate sets to be issued at a cost of \$4 per set.  
Total Cost of Project = \$6 million
  - Funding Source – Registration Fee Revenues
  - 2.5% of fees collected go to the License Plate Revolving Fund
  
- 3 year Project for re-issue
  - FY 2015 Budget Year - 20% of project budget expended
  - FY 2016 Budget Year - 60% of project budget expended
  - FY 2017 Budget Year - 20% of project budget expended
  
- Ongoing: Will issue 400,000 standard plate sets per year for each of the remaining 4 years of the 5 year plate cycle.

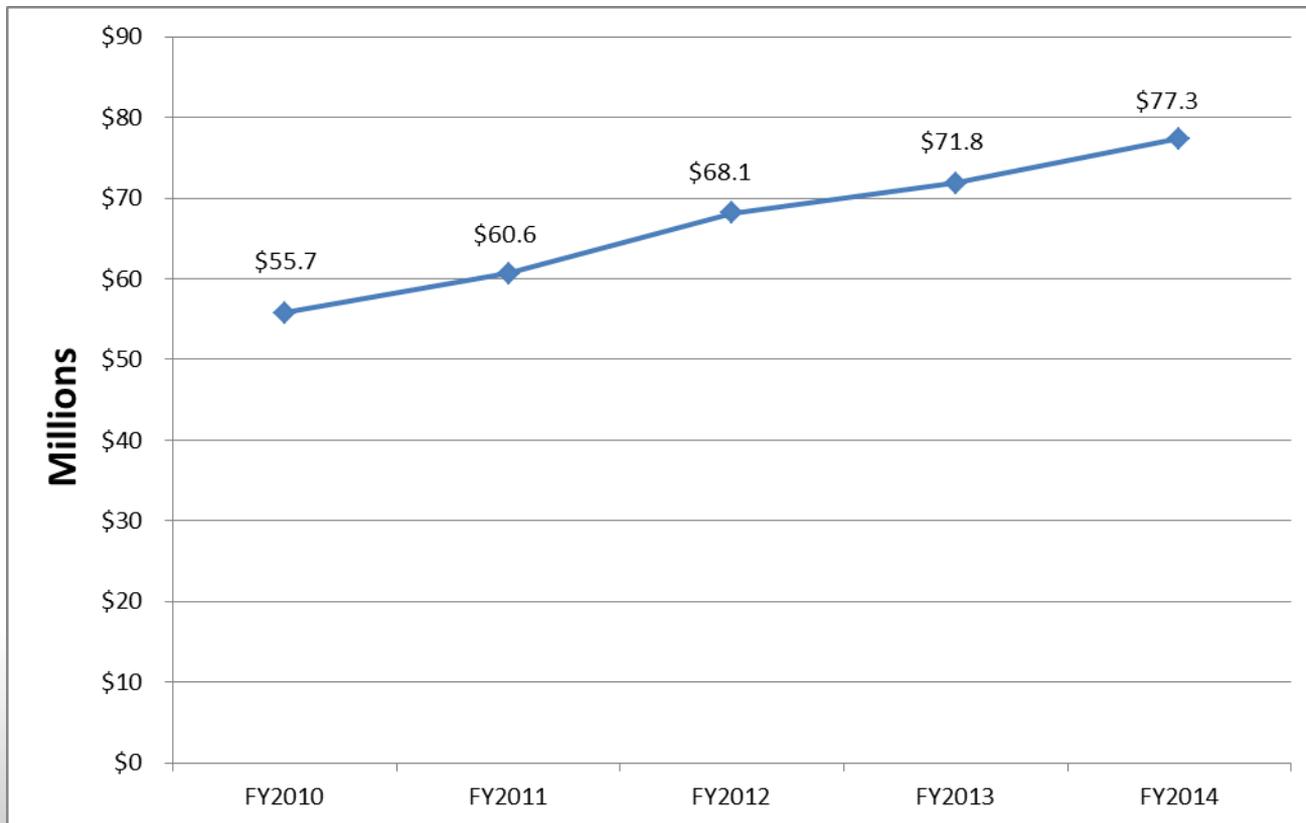
# Motor Vehicles

*Total Fuel Revenues (2005-2014)*



# Motor Vehicles

## Motor Vehicle Excise Revenues (2010-2014)



## ***PRIMARY FUNCTIONS***

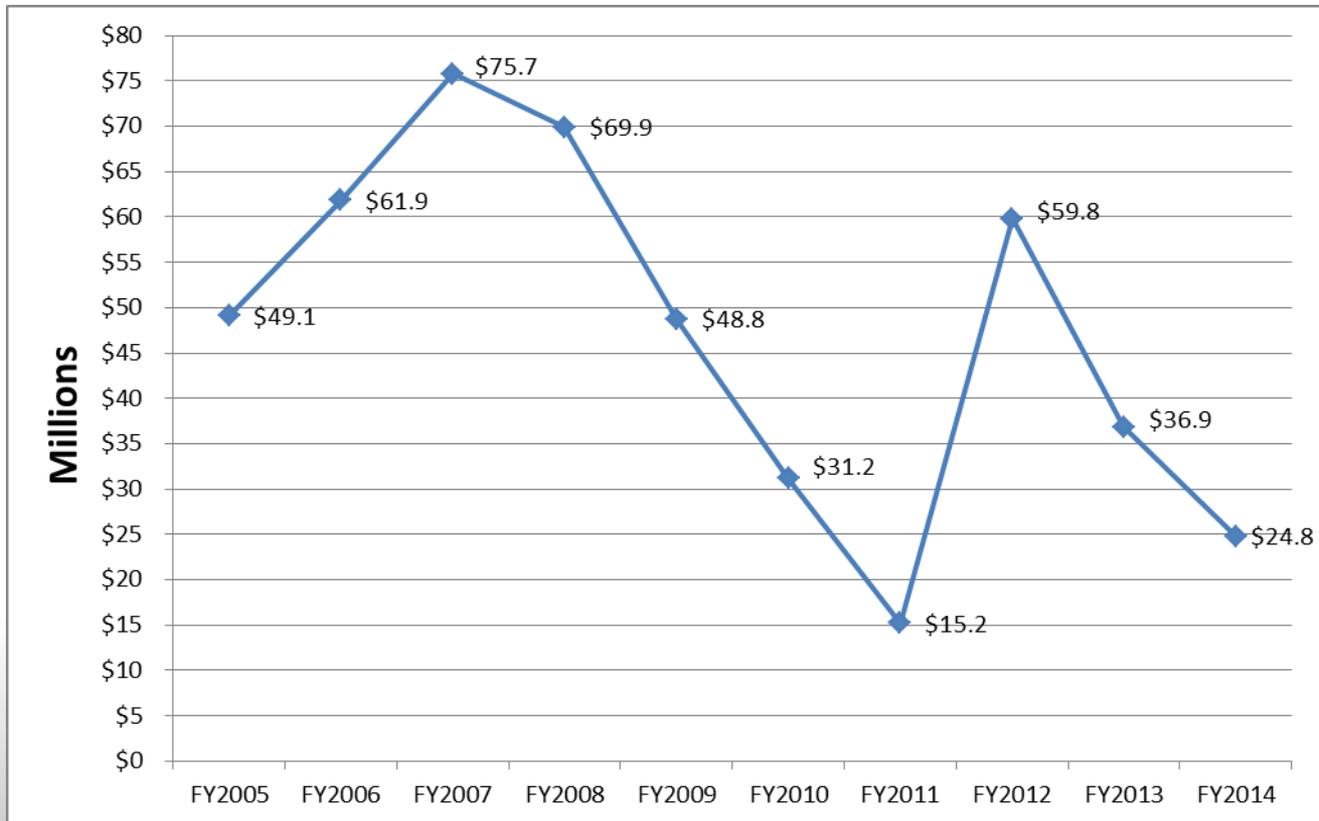
- Responsible for overseeing the property tax assessment and tax laws of South Dakota
- Assist local government units in making property tax assessments that are fair in compliance with the law
- Responsible for licensing and collecting a multitude of state taxes to include:
  - Bank Franchise
  - Cigarette
  - Beer, Wine, and Distilled Spirits
  - Mineral Taxes
- Responsible for the property tax refund program for the elderly and disabled.

(Property tax assessments and collections are the primary source of funding school systems, counties, municipalities and other local government units)

## *FY2016 Recommended Budget*

<b>Property &amp; Special Taxes</b>	Personal Services	\$ 967,449	
	Operating Expenses	\$ 261,546	
	Total FY2016 Budget	\$1,228,995	
	FTE	15.0	
	Recommended Increase:		
	Additional FTE & Employee		1.0
	Reclassification	\$ 60,594	
	Total Increase	\$ 60,594	
	Fund Source:	General Funds	

*Total Bank Franchise & Bank Tax Collections (FY2005-FY2014)*



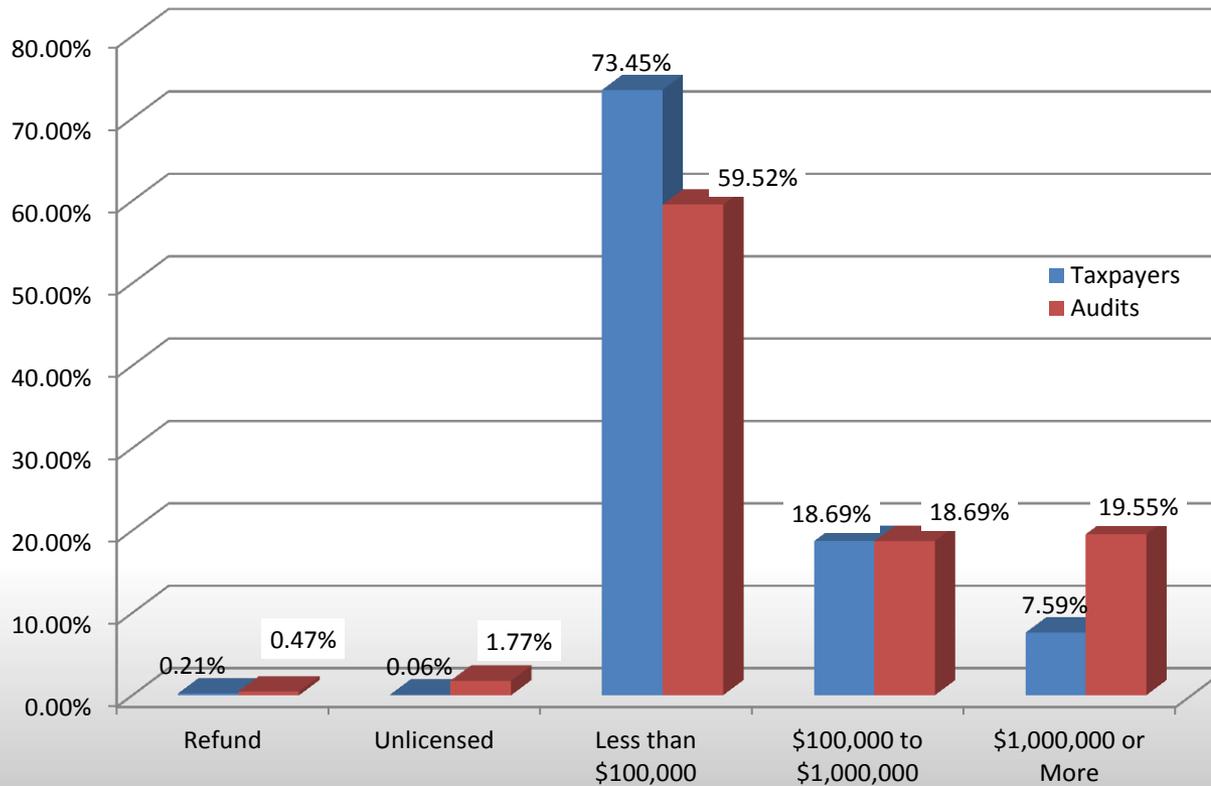
# Audits

## *PRIMARY FUNCTIONS*

- Conduct audits of sales, use, contractors' excise, motor fuel, and severance taxes to ensure compliance
- Provide on-site taxpayer education as part of the audit function
- The Audit Division completed 2,210 audits in FY2014, with audit assessments of \$20.9 million.
- 55% of FY14 sales, use and excise tax audits were conducted out of state.

## *FY14 Total Taxpayers vs. Audits Conducted*

**Audits**



## *FY2016 Recommended Budget*

Personal Services	\$3,835,365
Operating Expenses	\$ 588,888
Total FY2016 Budget	\$4,424,253
FTE	55.0

Recommended Increase: \$22,125

Operating Expenses for travel increases

Fund Source: Other Funds – Sales and Use Tax

Collection Fund & State Motor Vehicle Fund

## ***INSTANT & ON-LINE OPERATIONS***

### ***PRIMARY FUNCTION***

- Operation of the state lottery established in SDCL 42-7A in a secure and efficient manner in order to maximize revenue to the state through the sale of instant and on-line lottery games.
- Market instant tickets, lotto games, and regulate video lottery to raise revenues for state programs and initiatives.
  - 610 Lottery Retailers
  - 1,395 Video Lottery establishments
- Oversee the SD Lottery Commission (7 members) to help establish policy for lottery operations statewide.
- Instant & On-line is an informational budget.

# S.D. Lottery

## *WHERE THE MONEY GOES*

- **Scratch Tickets:** All net proceeds go to the General Fund.
- **Lotto Tickets:** The first \$1.4 million goes to the General Fund. The remaining net proceeds are transferred to the Capital Construction Fund.
- **Video Lottery:** Net machine income (cash in minus prizes out) is split 50/50 between the state and private machine owners. Of the state's share, 49.5% goes to the Property Tax Reduction Fund and .5% is used by the Lottery for operation costs.

## *FY2016 Recommended Budget*

### *INSTANT & ON-LINE OPERATIONS*

Personnel Services	\$ 1,362,082
Operating Expenses	\$36,909,173
Total FY2016 Budget	\$38,271,255
FTE	21.0

No Recommended Increases

Fund Source: Other Funds – Instant and On-line

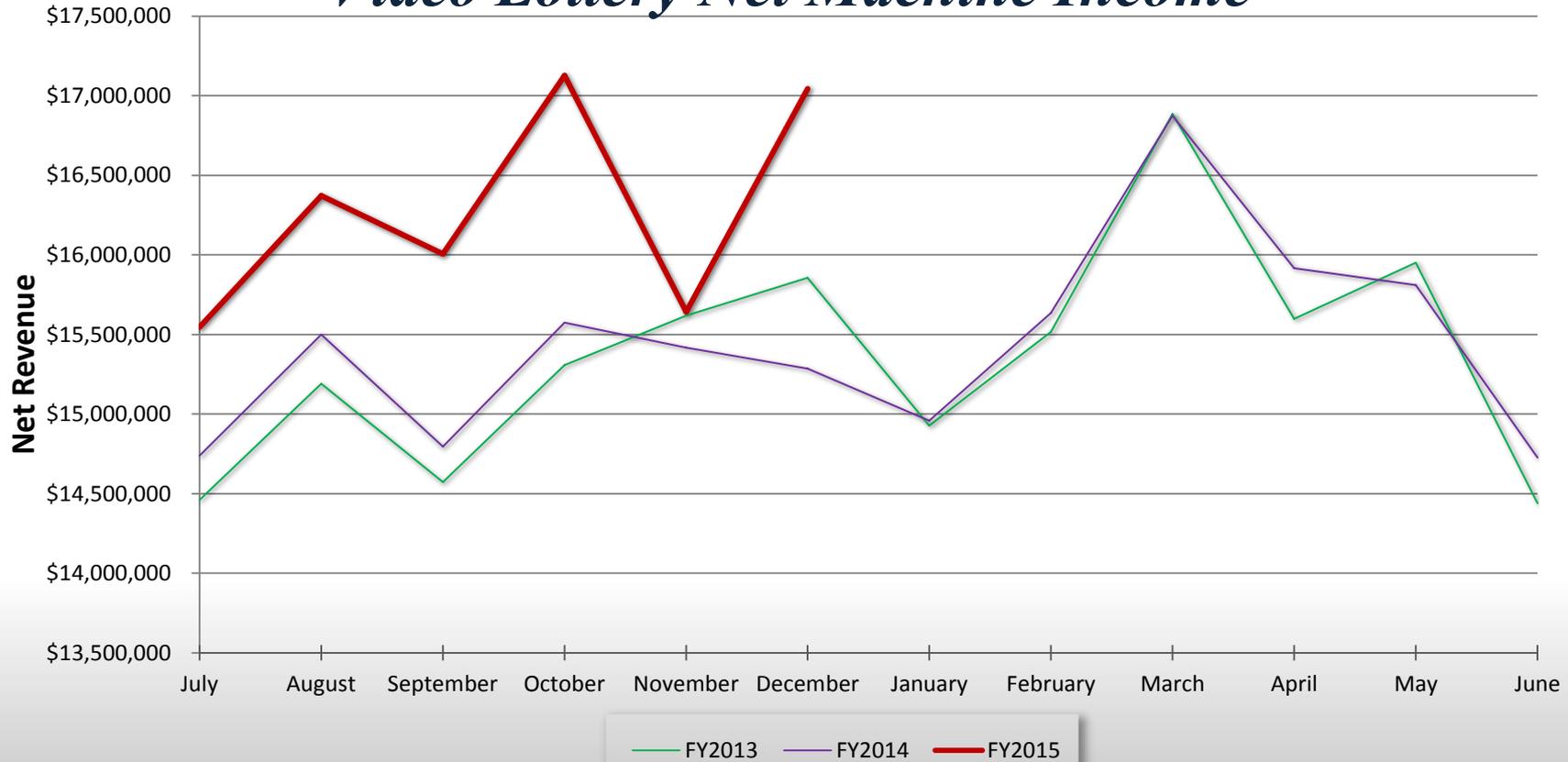
## ***VIDEO LOTTERY***

### ***PRIMARY FUNCTION***

- The Division of Video Lottery establishes policy for and provides direction on operations of the South Dakota Lottery.

# S.D. Lottery

## Video Lottery Net Machine Income



## *FY2016 Recommended Budget*

# S.D. Lottery

### *VIDEO LOTTERY*

Personal Services	\$ 628,301
Operating Expenses	\$1,956,133
Total FY2016 Budget	\$2,584,434
FTE	10.0

No Recommended Increases

Fund Source: Other Funds – Video Lottery

***PRIMARY FUNCTIONS***

- Responsible for the promulgation of rules and regulations governing limited gaming in South Dakota.
- Regulates the state's gaming and racing industries and collects and distributes funds derived from these industries.

***FY2016 Recommended Budget***

Personal Services	\$ 1,002,775
Operating Expenses	\$ 9,606,649
Total FY2016 Budget	\$10,609,424
FTE	16.0

No Recommended Increases

Fund Source: Other Funds – Deadwood Gaming  
Administration

## *FY2014 Distribution of Gaming Funds*

City of Deadwood	\$7,124,547.24	47.61%
SD Tourism	\$3,175,377.19	21.22%
SD General Fund	\$3,136,981.05	20.96%
Lawrence County	\$793,844.31	5.30%
School Districts	\$306,382.24	2.05%
Other Municipalities in Lawrence County	\$306,382.24	2.05%
State Historical Preservation	\$100,000.00	0.67%
SD Department of Social Services	\$21,370.84	0.14%
	<u>\$14,964,885.11</u>	<u>100.00%</u>

# *Questions?*

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