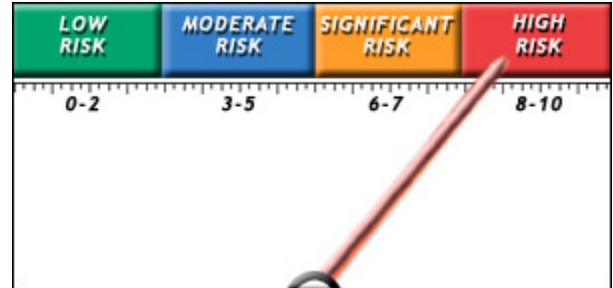


CENTER ON BUDGET AND POLICY PRIORITIES

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SOUTH DAKOTA

Most states have structural weaknesses in their tax systems that put them at risk of experiencing gaps between revenues and necessary expenditures in coming years. The Center evaluated each state's likelihood of facing a structural deficit by determining how many of ten "risk factors" applied to each state. South Dakota is rated as having a significant risk of a structural deficit based on its score of eight on the risk scale for structural deficits.



- In South Dakota, the percent of sales subject to sales tax declined by 15.6 percentage points from 1990-2003, exceeding the US median decline of 8.0 percentage points.
- South Dakota does not have a corporate income tax.
- South Dakota could lose an estimated \$57 to \$89 million in revenue a year due to the growth of e-commerce. This loss is greater than the national average as a share of total revenue.
- South Dakota does not have a personal income tax.
- South Dakota has a supermajority requirement for all tax increases.
- South Dakota remains linked to the federal phase-out of the estate tax, which eliminates a rapidly growing revenue source and costs the state an estimated \$5.2 million per year.
- Three other national studies (Hovey 1998, Boyd 2002, and Besendorf & Kottlikoff 2002) found that South Dakota has a structural gap.
- Lastly, although this paper did not categorize South Dakota as having unusually high spending needs, it does face some spending pressures from: Medicaid and the number of K-12 students.