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Sales and Property Tax Contributions of South Dakota Agriculture, 1990



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Agriculture is South Dakota's #1 industry and taxes on agricultural products and resources are a significant source of revenue for state and local governments. The sales and property taxes are discussed in this paper. Property taxes, a major source of revenue for schools, counties, and other local governments, are levied on agricultural lands. Sales tax, which is the only source of general tax revenue at the state level, is levied on inputs purchased by the agricultural sector and on agricultural products sold at the retail level. This report summarizes the contribution that agriculture and farm families make toward the total amount of sales and property taxes collected in South Dakota.

Sales Taxes

Sales tax revenue summarized in this report were estimated from a printout of taxable sales as reported by the South Dakota Sales & Use Tax Reporting System for January through December 1990. Actual sales tax receipts were unavailable for this study.

Sales taxes are collected at both the state and local level. The state tax rate for agricultural commodities in 1990 was 3%. Many local communities levies an additional 1% or 2%, while other communities exempt agricultural commodities from the local tax. For this study, a combined state and local tax rate of 4% was used for those goods which qualified for the farm tax rate.

Likewise, the state tax rate on regular sales is 4%. Local tax rates vary from 1% in many of South Dakota's smaller communities to 4% on the Cheyenne, Pine Ridge, and Rosebud Indian Reservations. Many of the larger cities (including Sioux Falls, Rapid City, Huron, and Watertown)

have a 2% general tax rate. For this study, 1.75% was selected to represent the local tax levy. Thus, the combined state and local government tax rate used was 5.75% .

The data on taxable sales were divided into farm sales, regular sales which were agricultural related, and regular sales in which farm families would be involved. A simple straight forward calculation of tax rate times sales was made on the first two categories. Regular taxable sales in which farm families would be involved were divided into farm/non farm according to the ratio of farm families to non-farm families in the state. There are approximately 31,000 farm families and 147,000 non-farm families in South Dakota.^a

In 1990, there were \$200 million worth of products sold which qualified for the 4% farm tax rate. The estimated amount of taxes collected from these sales amounted to 8 million dollars. Another \$200 million sales of agricultural products, ag services, fertilizer, and wholesale trade in farm equipment and non durable goods were taxed at the 5.75% rate and generated an additional \$11.5 million in revenue. Using the ratio of farm to non-farm families, it is estimated that \$56.5 million in sales tax revenue was paid by farm families for their regular purchases. From the three sources of sales tax revenue generated by the agricultural sector, an estimated \$76 million in sales taxes were raised. In 1990, total sales tax revenue for the state of South Dakota was \$346 million, thus agriculture contributed approximately 22% of the total sales taxes paid in the state.

Property Taxes

Property tax figures for 1990 (1989 taxes paid in 1990) were obtained from the South Dakota Department of Revenue^b.

Property taxes on agricultural land outside corporate limits, that is outside city limits, equaled \$115.8 million with another \$0.5 million collected on agricultural lands located within corporate



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limits. Total property taxes on agricultural land is \$116.3 million and represents 29% of the total property taxes of \$401 million collected within the state in 1990.

Economic Impact

The \$76 million in sales taxes and \$116.3 million in property taxes contributed by agriculture represent the direct impact to South Dakota's economy. These contributions have a further impact as the taxes are spent on government supplied goods and services and in our public schools and universities.

Using data from a 1990 study on the impact of agriculture in South Dakota, the economic impact of the sales and property taxes contributed by agriculture was estimated to be \$341 million, \$135 million from sales tax contributions and \$206 million from property tax contributions. The total economic contribution of all sales and property taxes in South Dakota of \$1,326 million, \$614 million in sales taxes and \$712 million in property taxes.

^a1980 Census of Population: General Social & Economic Characteristics. South Dakota. Table 74.

^bProperty Tax Statistical Report - Fiscal Year 1990. South Dakota Department of Revenue. November 1990. page 53.

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