



## South Dakota Legislative Bulletin

### In This Issue

Department of Revenue wants to make retailers wait..

Bill Tracking-General

### Bill Tracking

**HB 1029**-Delinquent Taxpayers

**HB 1030**-Collection Allowance

### Quick Links

**South Dakota  
Legislature**

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### Department of Revenue wants to make retailers wait even longer for long-overdue tax credit.

First you had it, then you didn't. Then it was brought back with a provision that you'd have to wait a few years to see it. Now if the Department of Revenue has their way, you're going to have to wait even longer.

We are talking about a tax credit for retailers, usually referred to as a collection allowance. The way a collection allowance works is that when you as a retailer collect and remit sales tax every month, you can keep a percentage of it as a small payment for serving as the tax collector for the State of South Dakota.

**1990:** As we explained in the January Retail Prophet, back in 1990, retailers were required to send their sales tax reports in to the state every other month. The state needed money, so Governor George Mickelson decided to change to a monthly reporting system. Our members weren't wild about it, so we did some negotiating, and we worked out an agreement with the Governor and the Legislature that set up a collection allowance. It gave retailers the right to keep 1.5% of the tax they owed, capped at \$70 per month.

**1995:** A few years later, the state's residents were becoming very vocal about wanting some property tax relief. So in the mid 90s, Governor Bill Janklow passed a property tax relief package that provided approximately a 30% reduction in property taxes for residential and ag property. The collection allowance - which amounted to a total of about \$2.6 million - was repealed in 1995 as part of the funding mechanism for property tax relief. (Note: Commercial property owners did not receive a break on property taxes through this package).

**2006:** Fast forward to 2006. SDRA went back to the Legislature about this issue, and we were successful in passing legislation that reinstated a collection allowance for retailers. The only way we could get it passed was to agree to a delayed implementation. The law we passed in 2006 tied the reinstatement of the collection allowance to a special tax relief fund that was established by the Legislature. The money credited to the tax relief fund comes from out-of-state companies who voluntarily remit sales tax to South Dakota. As part of an agreement with the Legislature, the collection credit was set to kick in when the cumulative total in the special tax relief fund reaches \$10 million.

**Today:** The total cumulative amount in that special tax relief fund is now over \$7 million. (At the end of 2010, the cumulative amount in the fund was just over \$5.5 million, to give you an idea of the rate of growth).

That means we're getting close to the collection allowance kicking in.

So along comes the South Dakota Department of Revenue with a plan - **House Bill 1030** - to make you wait until that special fund hits \$20 million before you would be entitled to the collection allowance. That would add many years to the waiting period.

To be flat honest, we're getting tired of having to battle the state about the collection allowance issue. But we're not afraid of a fight, so we're prepared to get in there and duke it out. The House Appropriations Committee voted on January 26 to defer the bill to another day.

*(As reported in South Dakota Retailers Association Legislative Bulletin, January 26, 2012)*

## Bill Tracking -General

### **HB 1030**- Collection allowance

At the request of the Department of Revenue this bill would revise certain provisions regarding the effective date of certain tax collection allowances.

### **HB 1029** - Delinquent taxpayers

"Top 100"list would be posted online

At the request of the Department of Revenue, authorize the publication of the names of certain delinquent taxpayers