

# Governor's Council of Economic Advisors



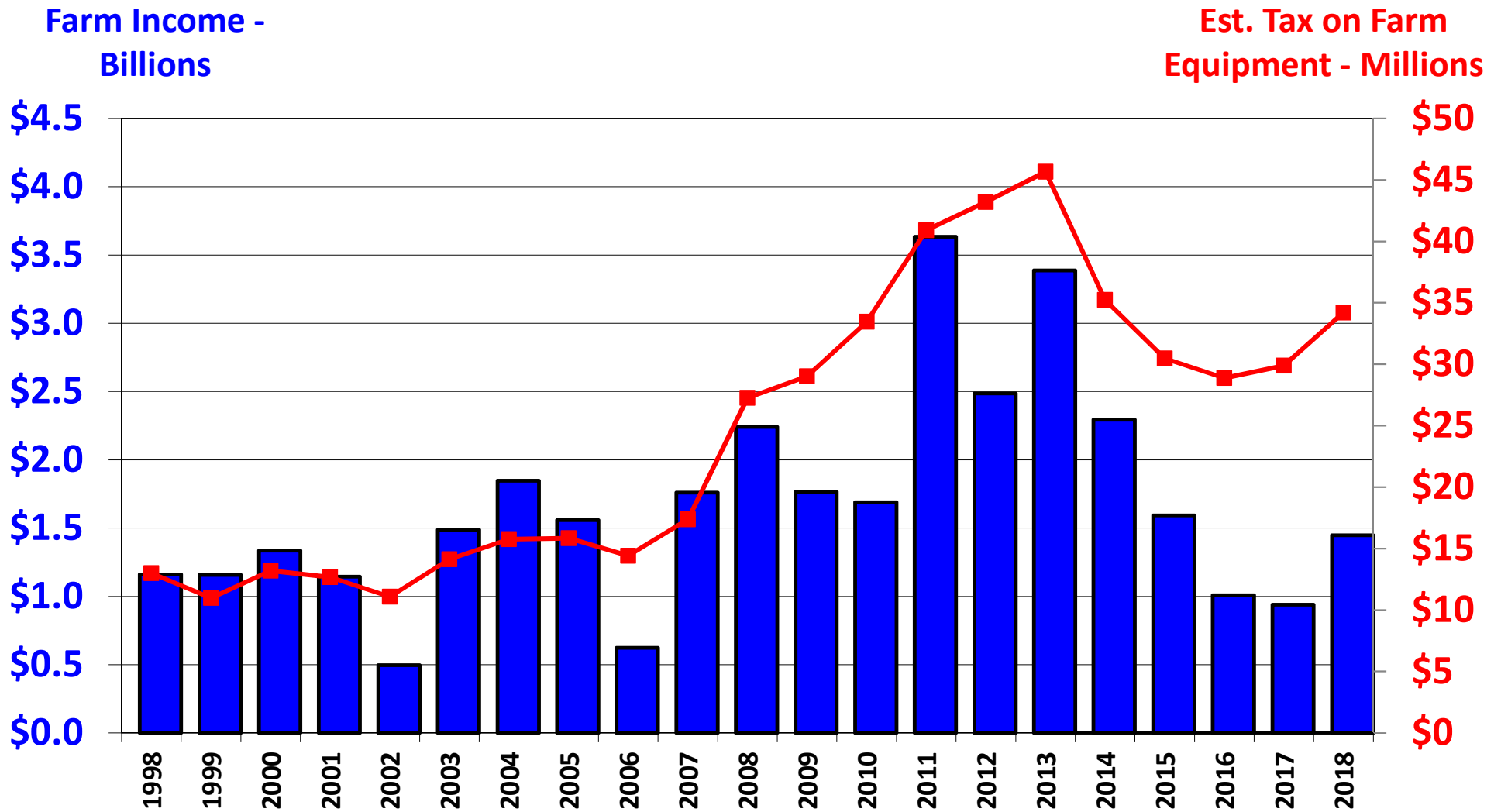
BUREAU OF  
**FINANCE &  
MANAGEMENT**  
*South Dakota*

**October 23, 2019**

# IHS Markit Economics forecast for South Dakota Key Indicators (July '19)

	2016	2017	2018	2019 f	2020 f	2021 f	'09-'19 avg.
SD Real GDP Growth	0.3%	-0.4%	1.3%	2.9%	1.7%	1.7%	1.5%
SD NF Employment	0.9%	0.5%	1.2%	2.0%	0.9%	0.6%	0.7%
SD NF Income	2.5%	3.4%	5.4%	4.3%	4.8%	4.6%	4.5%
SD Housing Starts	5,590	5,060	4,640	3,470	4,340	4,400	4,220
SD Unempl. Rate	3.0%	3.2%	3.0%	2.8%	2.8%	2.8%	3.8%

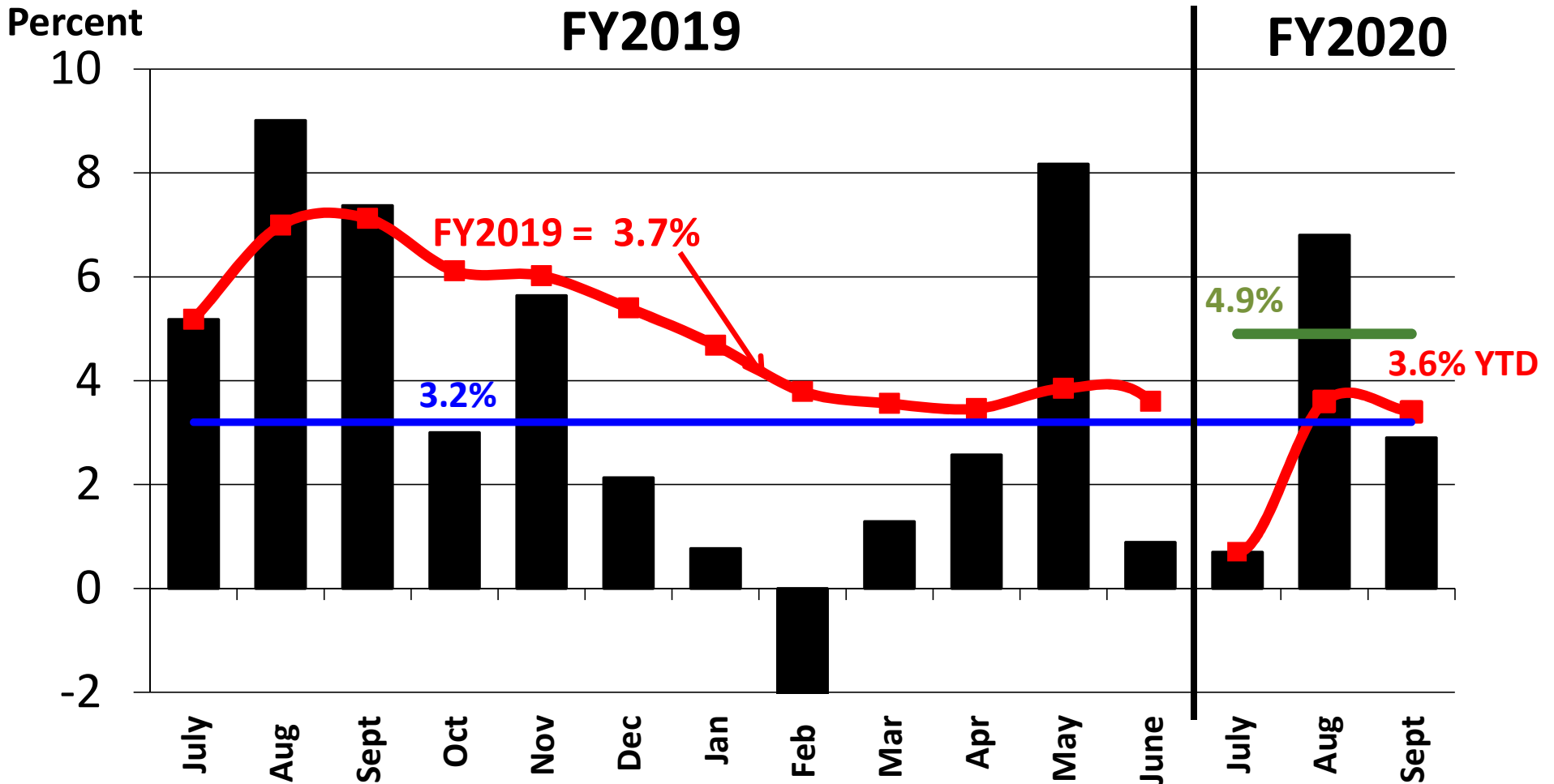
# South Dakota Farm Income & Spending on Equipment



Source: BEA and SD Dept. of Revenue

# Recent Sales & Use Tax Growth Rates

Blue = FY11-FY19 Average    Red = Running YTD FY18/FY19 Growth  
 Black = Monthly Growth Rates    Green = Growth of Rev. Adopt FY20 Est.



# FY2019 vs. FY2020 Taxable 1<sup>st</sup> Quarter Sales Growth

Taxable Sales by Major Group Comparison				Average
(in millions)				Growth from
<u>Top 15 Major Groups (82% of total)</u>	<u>FY19</u>	<u>FY20</u>	<u>% Chg</u>	<u>FY10-FY19</u>
Misc. Retail *	\$660.4	\$828.2	<b>25.4%</b>	<b>4.6%</b>
General Merchandise Stores	\$610.0	\$620.1	<b>1.6%</b>	<b>3.1%</b>
Food Stores	\$414.6	\$425.3	<b>2.6%</b>	<b>1.6%</b>
Building Materials & Garden Supplies	\$449.5	\$423.6	<b>-5.8%</b>	<b>3.5%</b>
Eating & Drinking Places	\$433.2	\$447.7	<b>3.3%</b>	<b>3.9%</b>
Electric, Gas, & Sanitary Services	\$400.7	\$367.4	<b>-8.3%</b>	<b>1.3%</b>
Wholesale Trade - Durable Goods	\$344.3	\$374.0	<b>8.6%</b>	<b>4.6%</b>
Auto Dealers/Service Stations	\$290.9	\$301.9	<b>3.8%</b>	<b>3.8%</b>
Communications	\$302.5	\$304.4	<b>0.6%</b>	<b>3.0%</b>
Business Services	\$284.3	\$300.5	<b>5.7%</b>	<b>4.9%</b>
Furniture & Homefurnishing Stores	\$157.4	\$162.3	<b>3.1%</b>	<b>2.1%</b>
Auto Repair, Services, & Parking	\$151.0	\$163.5	<b>8.3%</b>	<b>5.2%</b>
Engineering & Management Services	\$143.1	\$137.4	<b>-4.0%</b>	<b>6.1%</b>
Apparel & Accessory Stores	\$116.4	\$119.3	<b>2.5%</b>	<b>4.4%</b>
Hotels & Other Lodging Places	\$266.0	\$270.3	<b>1.6%</b>	<b>5.2%</b>
<b>Total of Top 15 Major Groups</b>	<b>\$5,024.3</b>	<b>\$5,245.9</b>	<b>4.4%</b>	<b>3.5%</b>
Remaining Groups	\$1,187.6	\$1,191.9	<b>0.4%</b>	<b>1.9%</b>
<b>Total Taxable Sales</b>	<b>\$6,211.9</b>	<b>\$6,437.8</b>	<b>3.6%</b>	<b>3.3%</b>

Source: SD Dept. of Revenue

# Internet Tax Freedom Act

- Originally passed in 1998 bans collection of any taxes on internet access
- A grandfather clause allowed South Dakota and 12 other states to continue taxing internet access
- Permanent Internet Tax Freedom Act signed in 2016 eliminates the grandfather clause effective June 30<sup>th</sup>, 2020
- Estimate \$20-\$25M loss of ongoing general fund revenue

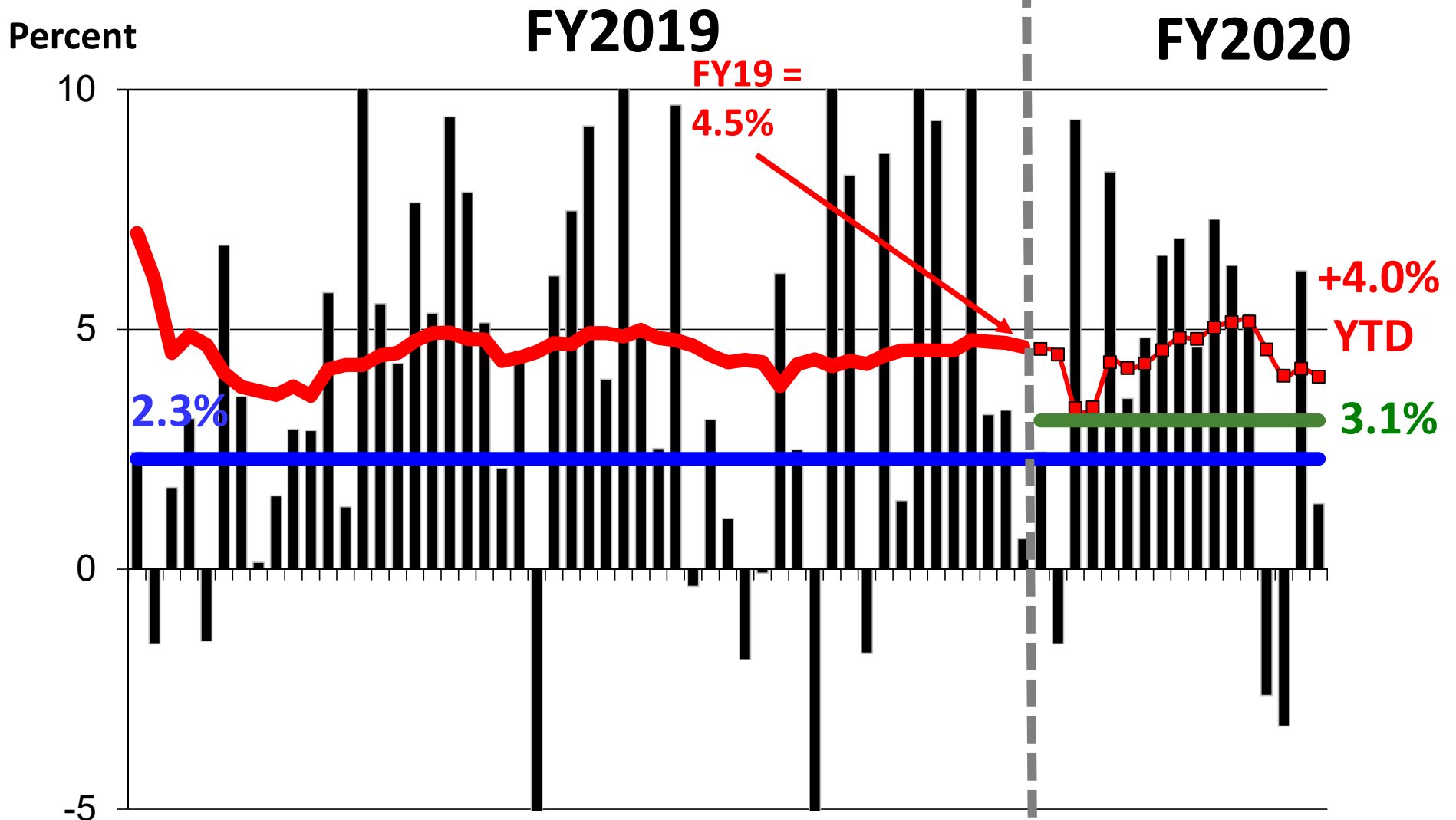
# Sales Tax Reported by Remote Sellers

Current Year		Previous Year		\$ Change
<u>Month</u>	<u>Amount</u>	<u>Month</u>	<u>Amount</u>	<u>Year/Year</u>
Jan. 2019	\$8,353,613	Jan. 2018	\$7,275,261	\$1,078,352
Feb. 2019	\$5,833,018	Feb. 2018	\$4,386,830	\$1,446,188
Mar. 2019	\$5,169,870	Mar. 2018	\$4,266,849	\$903,021
Apr. 2019	\$7,642,065	Apr. 2018	\$5,123,192	\$2,518,873
May 2019	\$7,418,818	May 2018	\$4,283,475	\$3,135,343
Jun. 2019	\$7,068,777	Jun. 2018	\$4,482,290	\$2,586,487
Jul. 2019	\$8,515,404	Jul. 2018	\$6,255,463	\$2,259,941
Aug. 2019	\$5,864,579	Aug. 2018	\$5,035,280	\$829,299
Sep. 2019	\$5,887,312	Sep. 2018	\$5,069,254	\$818,058
<b>CY2019 YTD</b>	<b><u>\$61,753,456</u></b>	<b>CY2018 YTD</b>	<b><u>\$46,177,894</u></b>	<b><u>\$15,575,562</u></b>

# Growth Rate for Video Lottery

7% of Total

Blue = FY11-FY19 Avg. Red = FY19 YTD Growth/FY20 YTD Growth  
Black = Weekly Growth Rates Green = Growth of Rev Adopt FY19 Est.

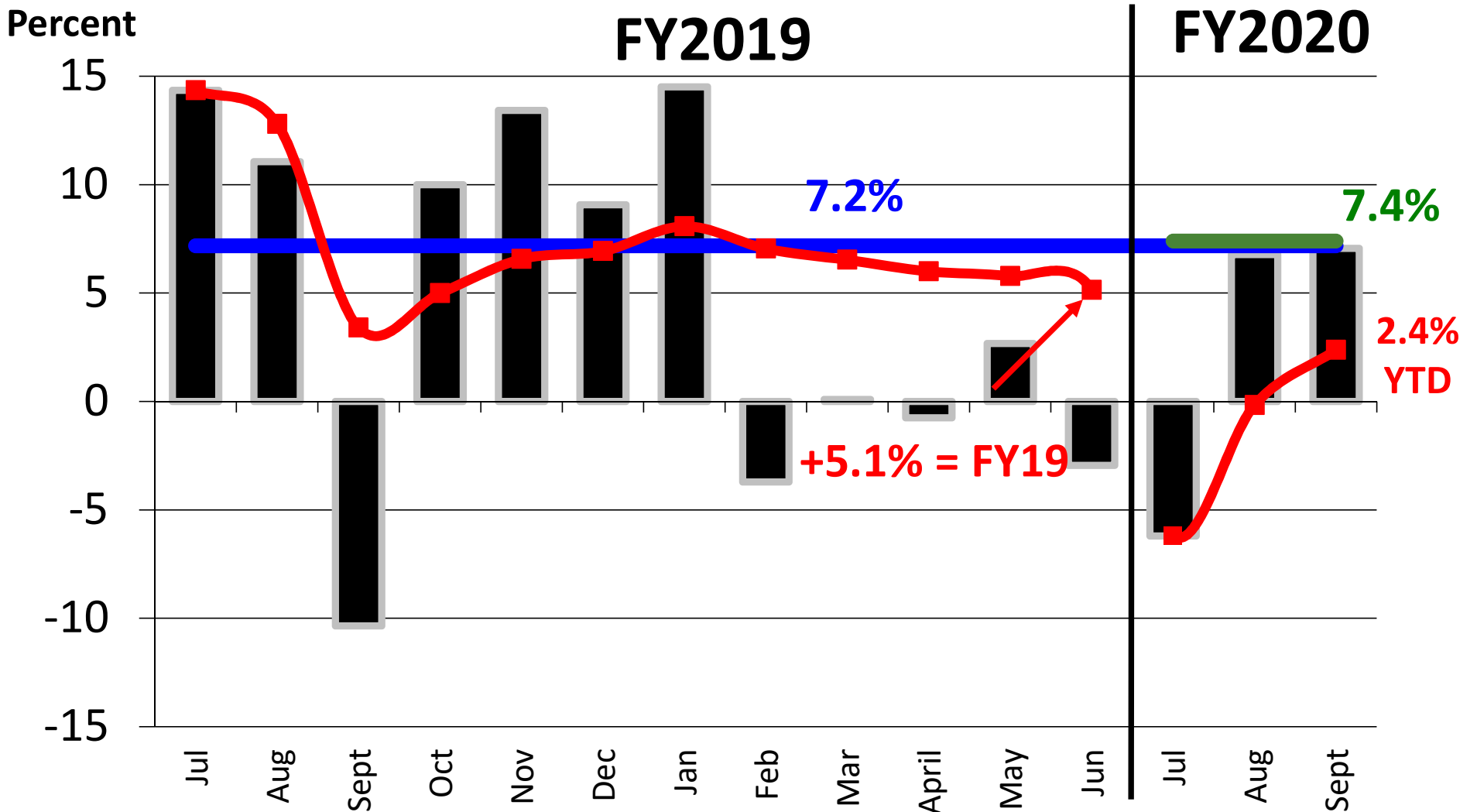




# Recent Growth Rates for Net CET

7% of Total

Blue = FY11-FY19 Average    Red = FY19/FY20 YTD Growth  
 Black = Monthly Growth Rates    Green = Growth of Rev. Adopt FY19 Est.

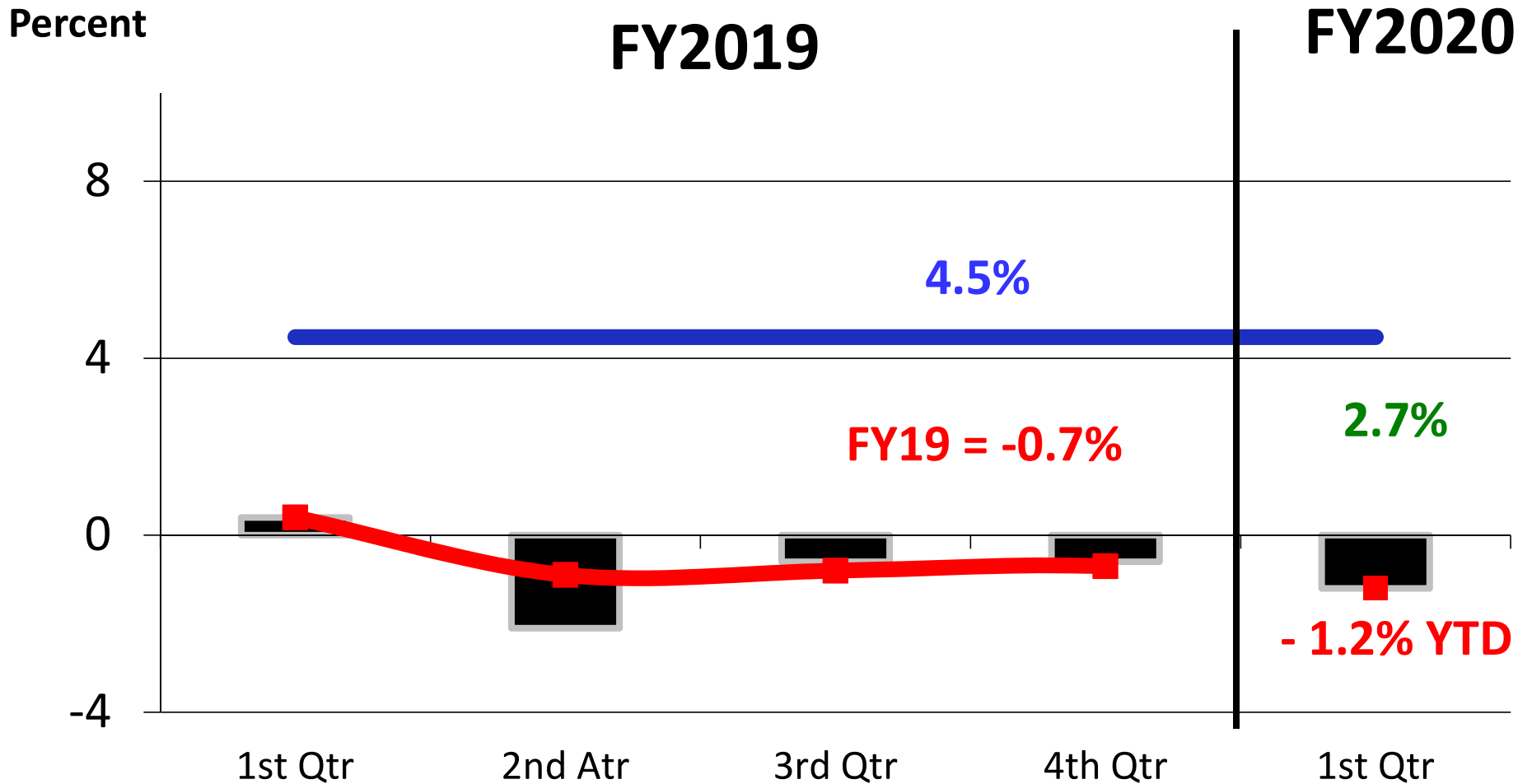


# Growth Rates for Insurance Company Tax

5% of Total

Blue = FY11-FY19 Average    Red = FY19/FY20 YTD Growth

Black = Quarterly Growth Rates    Green = Growth of Adopted FY20 Est.



Source: SD Bureau of Finance and Management

# Other Discussion

- Next Meeting Dates
  - January 16<sup>th</sup>
  - January 22<sup>nd</sup>
  - January 29<sup>th</sup>
- Other Comments
- Public Comment