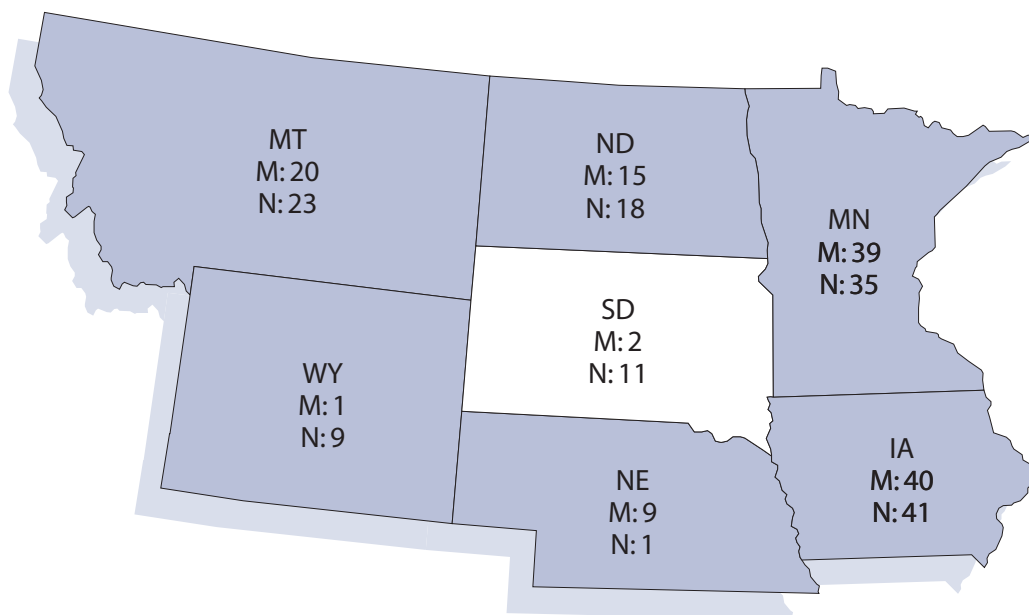


M = Rank for mature firms
N = Rank for new firms



South Dakota ranks second overall for mature operations and 11th overall for newly established operations. Specifically:

- Every firm type in South Dakota has a lighter tax burden than the national average. The average firm in the state has a tax burden 33 percent lower than the national average.
- South Dakota ranks first with the lowest tax costs in the nation for mature call center operations with a total effective tax rate (TETR) of 12.2 percent. The state's lack of an income tax is one of the key factors in this top ranking along with the state's low unemployment insurance (UI) tax burden.
- For similar reasons, South Dakota ranks first for new retail stores with a TETR of 17.4 percent, 47 percent below the national average. In addition to having no income tax and a low UI tax burden, the state also offers retail stores a low sales tax rate and a low property tax rate.
- South Dakota also ranks second in three categories of mature operations – corporate headquarters, retail store, and capital-intensive manufacturing operations. In particular, the capital-intensive manufacturing firm benefits from low property tax rates and the lack of a property tax on either equipment or inventory. The lack of an inventory tax also benefits the retailer.
- South Dakota ranks 31st for newly established capital-intensive manufacturing firms, though the firm's TETR is 10.5 percent, just 8 percent below the national average.
- The reason that South Dakota ranks less favorably for newly established firms as compared to mature operations is that it offers only one incentive for newly established operations: a property tax abatement available solely to manufacturing firms.

South Dakota

Corporate income tax

Main tax rate	n/a
Applies to income over	–
Specific adjustments:	
- No income tax exists in South Dakota	

Apportionment	Property	Payroll	Sales
Standard factors	n/a	n/a	n/a
Optional alternative	n/a	n/a	n/a
Throwback applies to tangible property sales			n/a
Interstate services income apportionment			n/a

Sales and property tax

Metro areas examined		Sales tax	Property tax			
		Main rate ^a	Land	Buildings	Equipment	Inventory
Tier 1	Sioux Falls	5.000%	1.753%	1.753%	–	–
Tier 2	Rapid City	6.000%	1.803%	1.803%	–	–

a. Manufacturing machinery is subject to sales tax

Other taxes

Unemployment insurance		State capital tax		Gross receipts tax			Local income tax
Rate	Max. pay			Mfg.	Services	Retail	
1.75%	\$11,000	n/a	Tier 1	n/a	n/a	n/a	n/a
			Tier 2	n/a	n/a	n/a	n/a

Incentives for newly established operations

Type	Incentive value	MC	ML	CC	DC	CO	RD	RT
Investment	n/a							
Job creation	n/a							
Withholdings	n/a							
R&D	n/a							
Property tax	80% abatement x 1 year + 4-year phase-in, except land	✓	✓					

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store

Results

	Newly established operations								Mature operations									
	Tier 2 operations				Tier 1 operations				AVG	Tier 2 operations				Tier 1 operations				AVG
	MC	ML	CC	DC	CO	RD	RT	MC		ML	CC	DC	CO	RD	RT			
TETR	10.5%	11.0%	18.2%	32.3%	11.1%	10.9%	17.4%		4.9%	7.3%	12.2%	22.4%	8.6%	7.3%	8.1%			
Index	92.2	94.0	72.9	89.2	68.5	73.7	53.2	77.7	38.5	63.0	58.2	73.1	54.6	56.6	48.0	56.0		
Rank	31	21	11	24	8	14	1	11	2	4	1	9	2	4	2	2		

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store