

Bank Franchise Tax in South Dakota (\$ Millions)

	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>Grand Total</u>
Grand TOTAL	\$ 47.1	\$ 49.1	\$ 61.8	\$ 75.7	\$ 69.9	\$ 48.8	\$ 31.2	\$ 15.2	\$ 47.0	\$ 41.2	\$ 30.0	\$ 517.0
Total State Share	\$ 35.2	\$ 36.4	\$ 40.4	\$ 50.5	\$ 45.4	\$ 33.4	\$ 21.7	\$ 4.7	\$ 29.7	\$ 17.5	\$ 10.8	\$ 325.7
Total Local Share	\$ 11.9	\$ 12.7	\$ 21.4	\$ 25.2	\$ 24.4	\$ 15.4	\$ 9.5	\$ 10.5	\$ 17.3	\$ 23.7	\$ 19.2	\$ 191.2

State General Fund receives 26 2/3% of taxes paid by traditional (non credit card) banks and 95% of taxes paid by credit card banks

Local Governments receive 73 1/3% of taxes paid by traditional banks and 5% of taxes paid by credit card banks.

History

Enacted in 1939 at rate of 3% of net income. All monies to state treasury

Rate increased in 1957 to 4.5%. 3% stayed with State of SD. New monies directed to local government

Rate increased to 5.5% in 1969 and then to 6% in 1979.

Citibank brought their credit card business to South Dakota in 1980. Prior to that time, the state share of bank franchise tax was less than \$1 million per year. The state share of franchise tax quickly grew to exceed \$10 million, the \$20 million by 1986 and \$30 million in 1991.

State Share of Bank Franchise Tax Collections - FY1980 through FY2014 = **\$ 905.1 million**

Other Facts

Banks are the only business in South Dakota paying a tax based on income.

Credit Unions pay no bank franchise tax. Federal law prohibits states or local government from collecting anything other than taxes on real property.

Farm Credit System pays franchise tax only on net income from loans not secured by real estate. Minimal combined state and federal tax rate (generally less than 5%)

Banking Industry Return on Assets

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
National Average	1.29%	1.28%	1.28%	0.86%	0.08%	0.09%	0.66%	0.88%	1.00%	1.12%
Kansas City Region	1.55%	1.62%	1.77%	1.46%	0.59%	0.78%	0.86%	0.95%	1.10%	1.24%
South Dakota	1.81%	1.85%	2.12%	1.69%	0.58%	1.06%	0.92%	0.97%	1.03%	1.02%



State of South Dakota Share of Bank Franchise Tax

\$	<u>FY76</u>	\$	<u>FY77</u>	\$	<u>FY78</u>	\$	<u>FY79</u>	\$	<u>FY80</u>	\$	<u>FY81</u>	\$	<u>FY82</u>	\$	<u>FY83</u>	\$	<u>FY84</u>	\$	<u>FY80 - 84</u>
	537,235		719,156		834,725		436,833		10,418,054		10,554,323		11,046,067		2,335,206		14,234,407		48,588,057
															\$1.4 mil from cards		\$6.1 mil one time quarterly collections		
\$	<u>FY85</u>	\$	<u>FY86</u>	\$	<u>FY87</u>	\$	<u>FY88</u>	\$	<u>FY89</u>	\$	<u>FY90</u>	\$	<u>FY91</u>	\$	<u>FY92</u>	\$	<u>FY93</u>	\$	<u>FY85 - 93</u>
	12,506,748		20,033,412		20,799,340		22,015,968		21,472,185		25,421,166		33,476,260		29,606,532		21,005,048		206,336,659
\$	<u>FY94</u>	\$	<u>FY95</u>	\$	<u>FY96</u>	\$	<u>FY97</u>	\$	<u>FY98</u>	\$	<u>FY99</u>	\$	<u>FY2000</u>	\$	<u>FY2001</u>	\$	<u>FY2002</u>	\$	<u>FY94 - 02</u>
	27,959,670		29,709,674		29,798,182		27,052,897		27,237,889		40,307,798		34,648,964		33,080,348		31,274,044		281,069,466
\$	<u>FY2003</u>	\$	<u>FY2004</u>	\$	<u>FY2005</u>	\$	<u>FY2006</u>	\$	<u>FY2007</u>	\$	<u>FY2008</u>	\$	<u>FY2009</u>	\$	<u>FY2010</u>	\$	<u>FY2011</u>	\$	<u>FY03 - 11</u>
	31,196,009		35,255,228		36,362,714		40,447,084		50,473,896		45,433,113		33,409,213		21,669,223		4,734,918		298,981,398
\$	<u>FY2012</u>	\$	<u>FY2013</u>	\$	<u>FY2014</u>														
	29,688,991		29,688,991		10,782,035														

State Share of Total Taxes Paid - FY1980 through FY2014

\$ 905,135,597

