

Tourism keeps South Dakota ON THE MOVE!

Vote NO on HB1206

HB1206 seeks to amend SDCL 10-45D-2 in order to decrease the rate of the gross receipts tax (Tourism Promotion Tax) imposed on certain visitor-intensive businesses. The bill decreases the tax from 1.5% to 1%, a decrease of .5%, or a half-penny.

1. **The industry wants this tax.** When tourism funding was in jeopardy in 1995, visitor industry businesses in South Dakota stepped up and agreed to this tax so marketing of the state could continue. The industry stepped up once again and received legislative approval to add an additional, temporary half-penny in 2009 and 2011. The temporary half-penny proved to be incredibly successful in marketing the state. The half-penny was made permanent in 2013.
2. **We already had this debate and vote.** The South Dakota Legislature had a robust debate on the half-penny in 2011 and 2013. The Legislature voted in an overwhelming manner in 2013 to make this half-penny permanent. The vote on HB 1066 was 64-4 in the House and 33-2 in the Senate.
3. **What does the half-penny fund?** Of the \$4.2 million dollars the half-penny is expected to generate in FY18, 63% (\$2.65 million) goes to Tourism. The South Dakota Arts Council receives 22% (\$924,000), the State Historical Society's Archaeological Research Center receives 9% (\$378,000), and the State Historical Society's Cultural Heritage Center Museum receives 6% (\$252,000).
4. **How does Tourism use these funds?** 100% of the \$2.65 million allocated to Tourism is used to fund cooperative marketing programs with entities across the state. These cooperative marketing programs have funded business and community efforts from small to big, in every corner of South Dakota.
5. **Who pays it?** This tax is not a burden on South Dakota citizens. The majority, roughly 70%, is paid by out-of-state visitors. The tax is levied by tourism-related businesses such as hotels, visitor attractions, entertainment and events.
6. **What are Tourism's results?**
 - **14 million** – The number of people who made South Dakota their vacation destination in 2017, a slight increase of 0.1% over 2016.
 - **\$3.88 billion** – The amount that visitors spent in South Dakota in 2017, an increase of 1.2% over 2016.
 - **\$2.6 billion** – Tourism's contribution to South Dakota's GDP in 2017, an increase of 3.2% over 2016.
 - **1:4** – The ratio between dollars spent on tourism marketing and tax revenue received. For every dollar Tourism spends marketing the state as a vacation destination, South Dakota receives \$4 back in state and local tax revenue.
 - **14.5%** - Percentage of state and local tax revenue generated by tourism-related activity in 2017. This equals **\$291 million**.
 - **53,900+** - Number of jobs that were directly generated by the tourism industry in 2017. That's **8.9%** of all South Dakota jobs.
 - **\$871** – The amount of additional taxes each South Dakota household would pay if the tourism industry did not exist.
 - The half-penny promotion tax has helped make the visitor industry in South Dakota a revenue generating industry that creates jobs and drives additional indirect revenue.

7. **What would happen without the half-penny?**

- If the Tourism Promotion Tax is decreased from 1.5% down to 1%, it would mean a **17% cut** to the Department of Tourism's marketing budget, when competing state tourism departments have been given budget increases in recent years.
- It would completely halt the tremendous progress the Department has been making, and give our competitors a huge leg up. We would lose market share and visitation to neighboring states.
- We would forfeit more than **\$10.5 million in tax revenue** brought in from visitors as a result of marketing efforts made possible by the half-penny revenues.
- Without the half penny, **the South Dakota Arts Council would cease to exist**. The federal grant from the National Endowment for the Arts/federal government stipulates that the state provide a dollar-for-dollar match. Repealing the half penny repeals that state match.
- It would mean a complete shutdown of operations at the South Dakota Archaeology Research Center, and while the Cultural Heritage Museum would remain open, a loss of this funding would halt all collecting, programming and ability to curate temporary exhibits.

8. **Bottom Line**

- Before casting your vote, I urge you to consider how this bill will affect your local community. Every South Dakotan, no matter where they live, benefits from the tourism industry. The proceeds tourism receives from the half-penny (roughly \$2.65 million) are used for marketing, which in turn generates more than \$10.5 million in state and local tax revenue. This tax revenue goes into city and state general funds, and is used to support public safety, education, healthcare, and many other services funded by city and state governments. A loss of funding to tourism directly translates into a loss of tax revenue, and therefore a loss of funding for city and state government services.

For more information, please contact the Department of Tourism at 605-773-3301.

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