



PRESS RELEASE

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LRC: IM-28 Could Create \$646 Million Budget Shortfall

Revised estimate equals 46.5% of state sales tax revenues

PIERRE – The nonpartisan staff of the South Dakota Legislative Research Council (LRC) released an updated estimate of the fiscal impact of Initiated Measure 28 this week. A memo to the Joint Committee on Appropriations dated July 30, 2024, estimates the negative impact to South Dakota’s state budget at up to \$646.2 million for the 2025 Fiscal Year - equaling 46.5 percent of the state’s sales tax revenue and 100 percent of tobacco tax revenues.

IM-28 would eliminate sales tax on “anything sold for human consumption,” including tobacco, vaping products, marijuana, and many other items. The resulting budget shortfall would force huge funding cuts or new taxes, including a potential income tax.

“It’s clear that IM-28 is a trap that would force significant cuts to education, healthcare, and state services,” said Rapid City businesswoman and coalition member **Erin Krueger**. “Don’t take the bait; vote no on IM-28.”

A broad coalition has assembled to oppose IM-28 because of its consequences if passed.

“We’ve known since day one that IM-28 was poorly drafted,” said **Nathan Sanderson**, South Dakota Retailers Association Executive Director and treasurer of the coalition. “IM-28 eliminates sales tax far beyond just groceries - that is indisputable. South Dakota voters should kill this irresponsible measure.”

IM-28 would also reduce funding for Tribal governments via sales tax compacts with the state and for municipalities. This will lead to huge funding cuts for cities and towns on things like roads, first responders, libraries, pools, and parks.

“Based on these updated impact numbers, every South Dakotan should be extremely concerned about what IM-28 would mean for our communities,” said Sioux Falls Mayor **Paul TenHaken**, chair of the coalition. “A possible 40 percent loss or more in sales tax funds makes it impossible to deliver the city services that residents expect—clean water, safe neighborhoods, good roads, and quality parks.”

South Dakota Voters will consider IM-28 in the November General Election. Learn more about IM-28 and to see a list of coalition members, visit www.nosdincometax.com.

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Paid for by South Dakotans Against A State Income Tax

Attachments:

1. [LRC Memo, "Initiated Measure 28 – To Prohibit Taxes on Anything Sold for Human Consumption – Fiscal Analysis", July 30, 2024](#)
2. Audio quote from Erin Krueger
3. Audio quote from Nathan Sanderson
4. Audio quote from Paul TenHaken