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## **COMMUNITIES FACE \$51M BUDGET SHORTFALL WITH IM-28**

### **PROPOSED INITIATED MEASURE A “DISASTER” FOR CITIES AND TOWNS**

PIERRE, S.D. – A new analysis from the South Dakota Municipal League estimates that if IM-28 passes, cities and towns would lose at least \$51.5 million in sales tax revenue each year. The fiscal analysis includes IM-28’s impact on each municipality in the state.

IM-28 would reduce municipal sales tax collections in larger communities like Sioux Falls and Rapid City by more than 8 percent, according to the analysis. Smaller towns like Roslyn, Tulare, White River, and Wolsley would see losses above 40 percent. The highest estimated loss would occur in Bonesteel with a 59 percent reduction. The full analysis with city information is available at [nosdincometax.com/impact](https://nosdincometax.com/impact).

“Local governments directly impact the daily lives of South Dakotans,” said Sara Rankin, Executive Director of the Municipal League. “IM-28 would create massive holes in local budgets used for police, roads, parks, and everything residents expect their community to provide. Simply put, IM-28 would be devastating for our daily lives.”

The language in IM-28 conflicts with South Dakota Codified Law 10-52-2, which allows cities and towns to impose a sales tax of up to 2 percent on the same items taxed by the state. This means that if the state cannot tax “anything sold for human consumption,” neither can a city or town.

The poor drafting of IM-28 is referenced in the Attorney General’s explanation of IM-28, which notes that “Judicial or legislative clarification of the measure will be necessary.”

An annual loss of \$51.5 million would reduce funding to fix potholes, update infrastructure, staff libraries, operate pools, and maintain parks.

The estimated loss for each municipality was calculated by first aggregating all of the monthly sales tax reports for communities by SIC code from the Department of Revenue for 2023. Then a percentage was assigned to each SIC code to represent how much of the sales tax revenue generated by businesses under that code comes from consumables. Lastly, those percentages were applied to the 2023 tax data for each community in the state to develop the estimate.

“IM-28 would be a disaster for cities and towns,” said Harry Weller, Mayor of Kadoka and Municipal League President. “In my town of Kadoka, we’ll lose at least 24 percent of our sales tax revenue. Local governments run on lean budgets as it is. If IM-28 passes and we’re barred from collecting sales tax, we’ll have no choice but to increase property taxes.”

IM-28 is on the ballot as an initiated measure in the General Election on Tuesday, November 5, 2024.

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**ABOUT SDML:** The South Dakota Municipal League was organized in 1934 as a nonpartisan, nonprofit association of incorporated municipalities in South Dakota. The League's mission is the cooperative improvement of municipal government in South Dakota. A vote of the members at the annual conference determines the League's major policies.

**Resources:**

- 1) [IM-28 Municipal Sales Tax Impact](#)
  - 2) [Legislative Research Council Report, July 30, 2024](#)
  - 3) [Photo: Sara Rankin](#)
  - 4) [Photo: Harry Weller](#)
  - 5) [Sara Rankin Audio](#)
  - 6) [Harry Weller Audio](#)
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