



Second Meeting
2011 Interim
August 23 and 24, 2011

Room 414
State Capitol Building
Pierre, South Dakota

Tuesday, August 23, 2011

The second meeting of the 2011 Legislative Interim Committee on Sales Tax Review was called to order by the Chair, Representative Charles Turbiville, at 10:02 a.m. (CDT) in Legislative Room 414 of the State Capitol, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Tom Hansen, Jim Hundstad, Tom Nelson, Al Novstrup, J.E. "Jim" Putnam, Bruce Rampelberg, and Larry Tidemann (Vice Chair); and Representatives Bernie Hunhoff, Tom Jones, Charles Turbiville (Chair), Kim Vanneman, Mark Willadsen, and Dean Wink. Representative Kristin Conzet was excused.

Staff members present included Fred Baatz, Principal Research Analyst; Jim Fry, Director; and Lisa Shafer, Legislative Secretary.

(NOTE: For purpose of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents distributed at the meeting are attached to the original minutes on file in the Legislative Research Council (LRC). This meeting was web cast live. The archived web cast is available at the LRC web site at <http://legis.state.sd.us> under "Interim Information – Current Interim – Minutes and Agendas.")

Approval of Minutes

REPRESENTATIVE VANNEMAN MOVED, SECONDED BY SENATOR PUTNAM, TO APPROVE THE MINUTES FROM THE MEETING ON JULY 12, 2011. The motion prevailed on a voice vote.

Remarks from the Chair

Representative Charles Turbiville said that the committee previously examined the tax exemptions and selected the ones that will be further reviewed. After public testimony for the selected tax exemptions, the committee will vote to determine which tax exemptions will be taken to the full legislature.

Remarks from the Vice Chair

Representative Larry Tidemann noted that the committee members may have different goals, but the members need to learn about the various taxes to educate the full legislature during the Legislative Session. The committee must also determine if the reason for the tax exemption still exists.

Agency Responses

Ms. Jan Tally, Director of the Business Tax Division, stated in response to Representative Hunhoff's prior question from the previous meeting, that 63 of the tax payers pay 31.94% of the sales and use taxes.

In response to Senator Putnam's prior question, Ms. Tally distributed a handout listing the interest paid in penalties during audits. (**Document #1**)

Review and Public Testimony of Certain Sales Tax Exemptions

A listing of the "Sales and Use Tax Exemptions" (**Document #2**) and a handout entitled "Sales Tax on Farm Equipment and Parts in Surrounding States" were distributed. (**Document #3**)

Agricultural Repair Parts and Maintenance Items – The exemption is for parts or repairs on machinery or equipment which are clearly identifiable as used primarily for agricultural purposes.

Agricultural Fertilizer and Pesticides – The exemption is for commercial fertilizer when sold in quantities of 500 pounds or more in a single sale to be use for agricultural purposes.

Mr. Mike Forrester, Britton, SD; said that an increase of 4% to 6% on the agricultural machinery repair parts and maintenance items will result in the state machinery dealer to lose revenue from customers purchasing more products out-of-state. He does not believe that parts and maintenance should be taxed because it is an input cost to agricultural production.

Senator Ryan Maher introduced Margaret and Dennis Lindschow who have been dealing with a sales tax audit for four years.

Mr. Dennis Lindschow, Isabel, SD; explained his tax audit problem with the committee. He said that the same product with different packaging and branding is taxed differently depending on whether it is labeled for agricultural machinery or a generic product. He noted inconsistencies in the audits on what is taxed and how it is taxed.

Ms Margaret Lindschow commented about a tax audit issue pertaining to sales tax on postage. She requested that there be more precise definitions for the exemptions.

Mr. Chris Palin, Sioux Falls, SD; stated that the majority of the farm machinery dealers are located within 45 miles of the state borders. A repeal of the state sales tax exemption on agricultural repair parts and maintenance items will encourage customers to travel out-of-state for the additional savings.

Mr. John Hooper, Watertown, SD; is opposed to adding sales tax to parts and service because of competition with surrounding border states.

Mr. Matt McCauley, Sioux Falls, SD; distributed a news article (**Document #4**) and a handout entitled "Sales Tax on Fertilizer and Pesticides in Surrounding Areas" (**Document #5**). Mr. McCauley stated that fertilizers are inputs designed to enhance the value of the crops and

obtain a higher yield of return. The elimination of tax exemptions for agriculture would result in the state taking more money away from its consumers.

Mr. Chet Edinger, Mitchell, SD; explained to the committee the amount of taxes he spent in 2011 and projects to spend in 2012. He said if fertilizer and repair parts were taxed, the increase could be equivalent to the salary of one employee. He also noted that some may purchase repair parts via the internet which would hurt local businesses.

Mr. Bill Stovek, Philip, SD; reminded the committee that every dollar spent in South Dakota on average turns over. He also stated that input costs are increasing and that the current high price for commodities may not be sustained.

Mr. Lester Moeller, St. Lawrence, SD; spoke against removing the agricultural sales tax exemptions.

Mr. Lorin Pankratz, South Dakota Agricultural Pork Producers, stated that farm expenses in 1990 for farm production were less than \$2.8 billion. In 2009, farm expenses were over \$6 billion. Although there has been an increase in income, there has also been an increase in production expenses.

In response to Senator Larry Tidemann's question, Mr. Pankratz stated that if fertilizer is not placed on corn or wheat, farmers can expect about 50% less production.

Mr. Jeremiah M. Murphy, South Dakota Stock Growers Association, said that the state has prospered in good times because of the broad tax base. He urged the committee to resist repealing the tax exemption.

Mr. Doug Sombke, President of South Dakota Farmers Union, told the committee that he mailed his remarks to the members prior to the meeting. He noted that the surrounding states that do not tax farm equipment or agricultural parts and repairs.

The committee recessed at 11:48 a.m. and reconvened at 1:17 p.m.

Advertising Services/Radio and Television Broadcasting – The exemption is for advertising services charged by media for preparing and placement of an ad in the media.

In response to **Representative Dean Wink's** question, Ms. Talley stated that Hawaii and New Mexico are the only states that tax some form of advertisement. However; the tax is more of a gross receipts tax than a sales tax.

Senator J.E. "Jim" Putnam asked about free catalogues that are distributed throughout the state. Ms. Talley responded that people that bring items to the Sturgis Rally are asked if they paid the sales tax in their state. If documentation can't be provided, then the South Dakota use tax needs to be paid.

Mr. David Bordewyk, General Manager for the SD Newspaper Association in Brookings, said that in the past 25 years, there have been about 10 bills addressing this exemption. A tax on advertising will increase the cost of advertising. Companies will increase the cost to customers

potentially resulting in fewer advertising sales and less sales tax revenue. He stated that advertising is not a service but a sales tool.

Mr. Bordewyk noted that there is no state that has a direct tax on advertising. Iowa, Arizona, and Florida all passed laws to tax advertising and then later repealed the laws.

Senator Tidemann asked about the possibility of taxing political advertisements. Mr. Bordewyk stated that a 1991 US Supreme Court case created a four point test to tax advertising, whether it was targeting small groups or content based.

In response to Senator Tom Hansen's question pertaining to nationally placed ads, Mr. Bordewyk stated that when a national entity purchases an ad with a local newspaper, the local entity would collect the tax from the group. He added that an advertising tax would make the national entity consider looking at other advertising methods and look outside of South Dakota.

Mr. Steve Willard, President of South Dakota Broadcaster Association, informed the committee that taxing advertising would be challenging because there are different principles involved. The principles include:

1. Advertising can't be clearly defined. Some advertising is for promotion, marketing, gain attention, increasing sales, etc.;
2. Taxes are already being collected on the products advertised on television and radio; and
3. Most of the taxes will be passed along to the customers.

Mr. Shawn Lyons, South Dakota Retailers Association, stated that his association has a long standing position against removing the tax exemption for advertising.

Mr. David Owen, South Dakota Chamber of Commerce and Industry, stated his objection to removing the sales tax exemption for advertising.

Displays or Signage – Ms. Talley stated the exemption is for gross receipts received by a local retailer from a manufacturer, wholesaler, or distributor to place a product or sign in a specific manner or location.

Mr. Ron Olinger, South Dakota Retailers Associations, distributed the Legislative Bulletin from March 12, 2003 (**Document #6**). He explained the history of the gross receipts tax for sales of a retail business. He believes that the tax should not be charged twice and only the final sale of a product to a consumer should be taxed.

Attorney/Accountant Reimbursable Expenses – Ms. Talley explained that attorneys and accountants are able to deduct for tangible personal property purchases on behalf of a client.

Mr. Thomas Barnett, Executive Director of the State Bar, distributed an example of an attorney billing with the exemption and without the exemption. (**Document #7**) He said that if the exemption is removed, many attorneys may file an exemption as a purchase for resale.

A letter from the South Dakota CPA Society was distributed. (**Document #8**)

Auctions Reimbursable Expenses – Ms. Talley explained that certain purchases for auction clients may be deducted. Some reimbursable expenses include sale bill printing charge, casual labor, advertisement fees, and other auctioneer services.

Funeral Service Reimbursable Expenses – Ms. Talley told the committee that funeral homes accommodate families by purchasing items on behalf of the family, such as flowers, transportation of the body, etc. One bill is then presented to the family. If the exemption is removed, the entire bill for the funeral would be eligible to be taxed.

Mr. Bob Miller, South Dakota Funeral Association, the tax exemption was created in 1980 and then reaffirmed by the legislature. There are only four states that tax funeral services. In March 2011, the Department of Revenue issued a new publication concerning the taxation of funeral homes services. The accommodation section was created because it is simpler for families to have the funeral home take care of the planning details and bill the family at the end.

The committee recessed at 2:54 p.m. and reconvened at 3:15 p.m.

Lodging Membership Fees – Ms. Talley commented that the exemption covers the fee paid by a hotel organization to belong to a group of hotels. This is similar to a franchise fee. The exemption has been in existence for 10 years.

Ms. Michele Brich, South Dakota Inn Keepers Association, stated that the exemption was created to keep an even playing field for hotels and others who are affiliated with national chain hotels. Currently, only one hotel group in South Dakota would be affected. She encouraged the committee to keep the tax exemption.

Lodging and Parking Sites – Ms. Talley explained that the exemption covers hotel lodging for more than 28 consecutive days, campground stays for more than 28 consecutive days, and for casual or occasional rentals for less than ten days per year. She noted that if the statute was changed, a transient guest would need to be clearly defined otherwise apartment rentals could be included in the tax.

In response to Senator Jim Hundstad's question, Ms. Talley stated that the state does not tax the rental of apartments, houses, or townhouses because it is considered the rental of real property for long-term.

Ms. Talley stated that the \$48 million in anticipated additional revenue for this exemption included the rental of townhouses, apartments, and houses. The term transient guest would need to be redefined to not include those rentals.

In response to committee questions, Ms. Talley noted that the \$48 million would be additional taxes collected. A large portion of the estimated revenue is from apartment rentals. **Representative Kim Vanneman** requested a breakdown of the \$48 million for campsites, hotel, and apartment rentals. Determining the amount of revenue generated without apartment rentals would require a revised definition of transient guest to be provided.

Ms. Brich did not speak for or against the repeal of this tax exemption, but reminded the committee that the \$48 million in additional revenue is not from hotel rentals but primarily from the rental of homes, commercial property, and apartments. She encouraged the committee to create two separate sections if the exemption is further reviewed.

Lawn Care Chemicals – Ms. Talley explained that the exemption allows a person that provides lawn care services to purchase chemicals untaxed and then bill the customer. The tax is included in the service charge of the final bill.

Mr. Olinger, South Dakota Realtors Association, stated that the exemption was enacted in 1989. He encouraged the committee to keep the tax exemption.

Coins and Bullion – Ms. Talley said that the exemption covers taxes on coins, currency, and bullion. The exemption was created because it was thought that coin shows would not come to the state if they had to collect sales tax on the sale of coins.

Civic and Nonprofit Association Events – Admission – Ms. Talley said that admission to grandstand events/concerts at state, local, and county fairs. Admission to rodeos is currently subject to tax at these events.

Boats – Ms. Talley explained that any large boat that is over twelve feet in length or a motorboat is taxed at a rate of 3%. She noted that the additional revenue generated by increasing the tax from 3% to 4% would be deposited in the general fund and not the Highway Fund.

In response to Senator Hundstad's question, Ms. Talley stated that snowmobiles are taxed at 3% and the revenues generated are dedicated to the Snowmobile Trails Fund.

Mr. Shawn Lyons, South Dakota Retailers Association, stated his opposition for increasing the tax from 3% to 4%.

Senator Tidemann asked about the tax on resale of boats. Ms. Talley said that if the vehicle is sold again, it would be taxed again but with a trade difference. The Division of Motor Vehicles could provide specific details.

Motor Vehicles (Leased) – Ms. Talley distributed a chart entitled "How Tax Applies to Rental and Lease Vehicles" (**Document #9**). She stated that the exemption is for vehicles that are leased for more than 28 days. Currently, vehicles leased for more than 28 days are subject to a 3% motor vehicle excise tax on lease payments and a 3% motor vehicle tax on the residual value if the customer buys out at the end of the lease. If the committee taxed long-term rentals, revenue would be removed from the Highway Fund and redirected to the general fund.

Mini Storage Facilities – Ms. Talley stated that there is not a specific exemption for mini storage units in the law. Sales tax was collected on units from the tax broadening from 1995 to 2009. The Supreme Court decided that the department could not tax the use of mini storage units because it is not tangible personal property or service. To tax mini storage units, the committee would need to create a specific statute.

The committee recessed at 4:42 p.m. and reconvened at 8:37 a.m. on Wednesday, August 24, 2011.

A quorum was determined with the following members answering the roll call: Senators Tom Hansen, Jim Hundstad, Tom Nelson, Al Novstrup, J.E. "Jim" Putnam, Bruce Rampelberg, and Larry Tidemann (Vice Chair); and Representatives Kristin Conzet, Bernie Hunhoff, Tom Jones, Charles Turbiville (Chair), Kim Vanneman, Mark Willadsen, and Dean Wink.

Distributed was a packet of draft legislation. (**Document #11**)

Agricultural Repair Parts and Maintenance Items and Agricultural Fertilizer and Pesticides – **Mr. Andy Gerlach**, Secretary of Department of Revenue, stated that the department has previously administered tax agricultural parts and repairs and could administer the taxes if the Legislature decides to repeal either of these exemptions.

Ms. Talley stated that there were some issues with customers of farm implement dealers going across state lines to purchase parts. Farmers that purchase in other state still owe the use tax in South Dakota. The department may not find all the out-of-state purchases, but should be able to pick up most through audits.

In response to **Senator Al Novstrup's** question, Ms. Talley stated that there are no other industries or businesses that receive an exemption for repairs or parts.

Representative Vanneman asked about municipal sales tax. Ms. Talley stated that items where physical delivery was taken within the municipality would be required to pay the municipal sales tax. If the item was delivered to a farm, then only the state sales tax would apply.

REPRESENTATIVE TIDEMANN MOVED, SECONDED BY SENATOR NELSON, TO ADOPT THE LEGISLATION TO REPEAL THE SALES TAX EXEMPTION FOR AGRICULTURAL EQUIPMENT. The motion failed on a roll call vote with 4 AYES and 11 NAYS. Those members voting AYE include: Willadsen, Nelson, Novstrup, and Turbiville. Those members voting NAY include: Conzet, Hunhoff, Jones, Vanneman, Verchio, Wink, Hansen, Hundstad, Putnam, Rampelberg, and Tidemann.

REPRESENTATIVE TIDEMANN MOVED, SECONDED BY SENATOR NELSON, TO ADOPT THE LEGISLATION TO REPEAL THE SALES TAX EXEMPTION FOR COMMERCIAL FERTILIZER FOR AGRICULTURAL PURPOSES. The motion failed with 3 AYES and 12 NAYS. Those members voting AYE include: Conzet, Nelson, and Turbiville. Those members voting NAY include: Hunhoff, Jones, Vanneman, Verchio, Willadsen, Wink, Hansen, Hundstad, Novstrup, Putnam, Rampelberg, and Tidemann.

Advertising Services and Radio and Television Broadcasting –

Secretary Gerlach commented that the key to removing this tax exemption is where the tax would be applied. Not many states have tried to tax advertising services, but he believes the Department of Revenue could help create a plan to apply the appropriate tax at the appropriate level.

Representative Vanneman asked about taxing internet ads. Ms. Talley stated that the company or person creating the ad would need to have a physical presence in South Dakota to be obligated to collect the state advertising tax.

Representative Tom Jones commented that it creates an unfair advantage to out-of-state companies.

REPRESENTATIVE TIDEMANN MOVED, SECONDED BY SENATOR NELSON, TO ADOPT THE LEGISLATION TO REPEAL THE SALES TAX EXEMPTION FOR ADVERTISING SERVICES.

REPRESENTATIVE VANNEMAN MOVED, SECONDED BY SENATOR NELSON, TO AMEND THE MOTION TO INCLUDE RADIO AND TELEVISION BROADCASTING. The motion to amend prevailed on a voice vote.

The committee discussed the motion.

The amended motion failed on a roll call vote with 3 AYES and 12 NAYS. Those members voting AYE include: Wink, Nelson, and Turbiville. Those members voting NAY include: Conzet, Hunhoff, Jones, Vanneman, Verchio, Willadsen, Hansen, Hundstad, Novstrup, Putnam, Rampelberg and Tidemann.

Displays or Signage -

Secretary Gerlach said that the department has administered this tax before and would be able to administer the tax again. The additional revenue is estimated to be \$200,000.

REPRESENTATIVE TIDEMANN MOVED, SECONDED BY SENATOR NELSON, TO ADOPT THE LEGISLATION TO REPEAL THE SALES TAX EXEMPTION FOR DISPLAYS OR SIGNAGE. The motion failed on a roll call vote with 4 AYES and 11 NAYS. Those members voting AYE include: Wink, Nelson, Tidemann, and Turbiville. Those members voting NAY include: Conzet, Hunhoff, Jones, Vanneman, Verchio, Willadsen, Hansen, Hundstad, Novstrup, Putnam, and Rampelberg.

Attorney / Accountant Reimbursable Expenses, Auctions Reimbursable Expenses, and Funeral Services Reimbursable Expenses –

Secretary Gerlach stated that the reimbursable expenses should be taxed from a philosophical standpoint. The department will be able to administer the tax.

REPRESENTATIVE TIDEMANN MOVED, SECONDED BY SENATOR NELSON, TO ADOPT THE LEGISLATION TO REPEAL THE SALES TAX EXEMPTION FOR ATTORNEY / ACCOUNTANT REIMBURSABLE EXPENSES, AUCTIONS REIMBURSABLE EXPENSES, AND FUNERAL SERVICES REIMBURSABLE EXPENSES. The motion failed on a roll call vote with 3 AYES and 12 NAYS. Those members voting AYE include: Wink, Nelson, and Rampelberg. Those members voting NAY include: Conzet, Hunhoff, Jones, Vanneman, Verchio, Willadsen, Hansen, Hundstad, Novstrup, Putnam, Tidemann, and Turbiville.

Lodging Membership Fees –

Secretary Gerlach stated that lodging membership fees were taxed until 2001. The department will be able to administer this tax.

REPRESENTATIVE TIDEMANN MOVED, SECONDED BY SENATOR NELSON, TO ADOPT THE LEGISLATION TO REPEAL THE SALES TAX EXEMPTION FOR LODGING MEMBERSHIP FEES. The motion failed on a roll call vote with 2 AYES and 13 NAYS. Those members voting AYE include: Nelson and Turbiville. Those members voting NAY include: Conzet, Hunhoff, Jones, Vanneman, Verchio, Willadsen, Wink, Hansen, Hundstad, Novstrup, Putnam, Rampelberg, and Tidemann.

Lodging and Parking Sites –

Secretary Gerlach and Ms. Talley distributed a handout entitled “2011 Sales Tax Exemption Legislative Summer Study” (**Document #10**). Ms. Talley explained that if the taxes for hotel lodging and campground sites rented for less than 28 days were changed to unlimited, the estimated revenue from the 4% tax would be approximately \$820,000. She stated that the bulk of the \$48 million estimated additional revenue was based on taxing apartment rentals.

REPRESENTATIVE TIDEMANN MOVED, SECONDED BY SENATOR NELSON, TO ADOPT THE LEGISLATION TO REPEAL THE SALES TAX EXEMPTION FOR LODGING PARK SITES.

Ms. Talley noted that the motion only addresses changing the number of days from 28 to unlimited for hotel lodging and campground sites. The motion would not address a new section for apartment rentals.

The motion failed on a roll call vote with 2 AYES and 13 NAYS. Those members voting AYE include: Nelson and Tidemann. Those members voting NAY include: Conzet, Hunhoff, Jones, Vanneman, Verchio, Willadsen, Wink, Hansen, Hundstad, Novstrup, Putnam, Rampelberg, and Turbiville.

Lawn Care Chemicals –

Secretary Gerlach said that the Department of Revenue has administered the tax to lawn care chemicals in the past and would be able to administer the tax if reimplemented.

REPRESENTATIVE TIDEMANN MOVED, SECONDED BY SENATOR NELSON, TO ADOPT THE LEGISLATION TO REPEAL THE SALES TAX EXEMPTION FOR LAWN CARE CHEMICALS. The motion failed on a roll call vote with 6 AYES and 9 NAYS. Those members voting AYE include: Conzet, Willadsen, Wink, Nelson, Tidemann, and Turbiville. Those members voting NAY include: Hunhoff, Jones, Vanneman, Verchio, Hansen, Hundstad, Novstrup, Putnam, and Rampelberg.

Coins and Bullion –

Secretary Gerlach noted that the issue of removing the exemption for coins and bullion has been previously reviewed.

The committee discussed the issue of purchasing bullion and other currency as an investment, similar to the purchase of stock and other equities.

REPRESENTATIVE TIDEMANN MOVED, SECONDED BY SENATOR NELSON, TO ADOPT THE LEGISLATION TO REPEAL THE SALES TAX EXEMPTION FOR COINS AND BULLION. The motion prevailed on a roll call vote with 8 AYES and 7 NAYS. Those members voting AYE include: Hunhoff, Jones, Vanneman, Willadsen, Wink, Hundstad, Tidemann, and Turbiville. Those members voting NAY include: Conzet, Verchio, Hansen, Nelson, Novstrup, Putnam, and Rampelberg.

Civic and Nonprofit Association Events – Admission –

Secretary Gerlach stated that the exemption was created in 1990. The department would be able to administer the tax on admission to fairs and grandstand events at the fairs.

REPRESENTATIVE TIDEMANN MOVED, SECONDED BY SENATOR NELSON, TO ADOPT THE LEGISLATION TO REPEAL THE SALES TAX EXEMPTION FOR CIVIC AND NONPROFIT ASSOCIATION EVENTS – ADMISSION.

The committee discussed the current sales tax imposed on rodeo admissions.

The motion failed on a roll call vote with 7 AYES and 8 NAYS. Those members voting AYE include: Conzet, Vanneman, Willadsen, wink, Nelson, Tidemann, and Turbiville. Those members voting NAY include: Hunhoff, Jones, Verchio, Hansen, Hundstad, Novstrup, Putnam, and Rampelberg.

Large Boats –

Secretary Gerlach reminded the committee that this is not a removal of an exemption, but an increase of the boat excise tax from 3% to 4%. It is estimated the state would generate an additional \$300,000 in additional revenue for the general fund. The Department of Revenue would be able to administer the tax.

REPRESENTATIVE TIDEMANN MOVED, SECONDED BY SENATOR NELSON, TO ADOPT THE LEGISLATION TO INCREASE THE EXCISE SALES TAX FOR LARGE BOATS FROM 3% TO 4%. The motion prevailed on a roll call vote with 11 AYES and 4 NAYS. Those members voting AYE include: Hunhoff, Jones, Vanneman, Wink, Hansen, Hundstad, Nelson, Novstrup, Rampelberg, Tidemann, and Turbiville. Those members voting NAY include: Conzet, Verchio, Willadsen, and Putnam.

Motor Vehicles (Leased) –

Secretary Gerlach stated that the revenue generated from the lease payments on vehicles goes to the highway fund. If the exemption is removed, the revenue would be deposited in the general fund. The end result would be cost neutral, but he encouraged the committee to not remove the exemption.

REPRESENTATIVE TIDEMANN MOVED, SECONDED BY SENATOR NELSON, TO ADOPT THE LEGISLATION TO REPEAL THE SALES TAX EXEMPTION FOR MOTOR VEHICLES LEASED MORE THEN 28 DAYS. The motion failed on a roll vote with 2 AYES and 13 NAYS. Those members voting AYE include: Conzet and Nelson. Those members voting AYE include: Hunhoff, Jones, Vanneman, Verchio, Willadsen, Wink, Hansen, Hundstad, Novstrup, Putnam, Rampelberg, Tidemann, and Turbiville.

Mini Storage Facilities –

Secretary Gerlach said that prior to the Supreme Court decision in 2008, the Department of Revenue taxed mini storage facilities.

In response to Senator Tidemann's question, Ms. Talley stated that mini storage units were taxed as part of the tax broadening in 1995. At that time, all services were taxed unless specifically exempt.

Senator Novstrup asked about renting a detached garage. Ms. Talley responded that garages provides as part of a home rental are considered rental of real property and not self-storage. Therefore would not be included in the repeal of this tax exemption.

The committee discussed the tax on mini storage facilities.

REPRESENTATIVE TIDEMANN MOVED, SECONDED BY SENATOR NELSON, TO IMPOSE A SALES TAX ON MINI STORAGE FACILITIES. The motion failed on a roll call vote with 7 AYES and 8 NAYS. Those members voting AYE include: Willadsen, Wink, Hansen, Nelson, Rampelberg, Tidemann, and Turbiville. Those members voting NAY include: Conzet, Hunhoff, Jones, Vanneman, Verchio, Hundstad, Novstrup, and Putnam.

Additional Information

Representative Turbiville stated that the legislation for Coins and Bullion will be a House Bill for the 2012 Legislative Session and Representative Willadsen will be the prime sponsor.

Representative Turbiville said that the legislation for large boats will be a Senate Bill for the 2012 Legislative Session and Senator Hansen will be the prime sponsor.

Draft Clean-up Legislation

Mr. Baatz informed the committee that draft #7 of Document #11 is clean-up legislation. He explained the changes in draft legislation.

SENATOR HUNDSTAD MOVED, SECONDED BY SENATOR HANSEN, TO ADOPT THE CLEAN-UP LEGISLATION. The motion prevailed on a roll call vote with 15 AYES. Those members voting AYE include: Conzet, Hunhoff, Jones, Vanneman, Verchio, Willadsen, Wink, Hansen, Hundstad, Nelson, Novstrup, Putnam, Rampelberg, Tidemann, and Turbiville.

Next Meeting

The committee discussed the mission of the Sales Tax Review Committee and the concept of examining other alternatives for tax revenue at another meeting.

REPRESENTATIVE HUNHOFF MOVED, SECONDED BY SENATOR HUNDSTAD, THAT THE SALES TAX REVIEW COMMITTEE HOLD A THIRD MEETING TO DISCUSS ITEMS TO GENERATE REVENUE FOR THE STATE. The motion failed on a roll call vote with 5

AYES and 10 NAYS. Those voting AYE include: Hunhoff, Jones, Hundstad, Nelson, and Rampelberg. Those members voting NAY include: Conzet, Vanneman, Verchio, Willadsen, Wink, Hansen, Novstrup, Putnam, Tidemann, and Turbiville.

Adjourn

SENATOR PUTNAM MOVED, SECONDED BY SENATOR HANSEN TO ADJOURN. The motion prevailed unanimously on a voice vote.

The committee adjourned at 11:31 a.m.



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