

State of South Dakota

SEVENTY-FOURTH SESSION
LEGISLATIVE ASSEMBLY, 1999

255C0853

SENATE BILL NO. 231

Introduced by: Senator Kloucek and Representative Weber

1 FOR AN ACT ENTITLED, An Act to impose a tax on the seller or transferor of certain bonds,
2 stocks, securities, and various derivatives.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

4 Section 1. Terms used in this Act mean:

5 (1) "Bond," a certificate or evidence of a debt on which the issuing company or
6 governmental entity promises to pay the holders of that bond a specified amount of
7 interest for a specified length of time and to repay the face amount of the bond on the
8 expiration date;

9 (2) "Derivative," a financial security whose value is linked to an underlying asset;

10 (3) "Future," a derivative involving an agreement to buy or sell a commodity or financial
11 instrument sometime in the future;

12 (4) "Option," a derivative involving an agreement that conveys the right, but not the
13 obligation, to buy or sell a particular commodity or financial instrument at a certain
14 price for a limited time;

15 (5) "Security," a written instrument that meets all of the following criteria:

16 (a) Is issued in a bearer or registered form;

17 (b) Is of a type commonly dealt in upon securities exchanges or markets or

1 commonly recognized in any area in which that security is issued or dealt in as
2 a medium of investment;

3 (c) Is either one of a class or series or by its terms is divisible into a class or series
4 of instruments; and

5 (d) Evidence of a share, participation, or other interest in property or in an
6 enterprise or evidences an obligation of the issuer;

7 (6) "Stock," a written certificate that evidences the right of the holder to participate in the
8 general management of the issuer and to share proportionally in the issuer's net profits
9 or earnings and in the distribution of assets on dissolution;

10 (7) "Swap," a derivative involving an exchange of payment obligations between two or
11 more parties.

12 Section 2. Except as provided in section 3 of this Act, there is hereby imposed on the sale
13 or transfer of any bond, stock, security, future, option, swap, or derivative a tax payable by the
14 seller or transferor. The rate of the tax payable by the seller or transferor is:

15 (1) Two-tenths of one percent of the face value of any stock, bond, or security;

16 (2) Two-tenths of one percent of the value of the underlying asset supporting any
17 derivative, future, option, or swap.

18 Section 3. The provisions of this Act do not apply to any bonds or securities issued by the
19 United States government or the State of South Dakota.

20 Section 4. The Department of Revenue shall promulgate rules pursuant to chapter 1-26
21 necessary to implement, administer, and enforce the levy and collection of the tax established
22 pursuant to this Act.

23 Section 5. The effective date of this Act is January 1, 2000.