

## The Revenue Impact of Corporate Tax Incentives

The Governmental Accounting Standards Board (GASB) is the professional organization that establishes standards of accounting and financial reporting for state and local governments. In 2015, GASB added "[Statement No. 77 on Tax Abatement Disclosures](#)" to its Generally Accepted Accounting Principles (GAAP). GASB 77 requires most state and local governments (including school districts) to report tax abatement programs (if they have such a program/s) in their annual comprehensive financial reports (ACFRs), specifying the **amount of revenue reduced or foregone** as a result of these tax abatements programs. This new rule, GASB 77, allows the public to see how much money for public services is lost to tax breaks given to corporations. This fact sheet summarizes that foregone revenue for South Dakota's five most populous cities, counties, and school districts and the state itself, where available.

Between fiscal years 2017 and 2021, the state of South Dakota's five largest cities, counties, and school districts **lost more than \$125 million** due to economic development tax breaks. For context, that's four times the amount the state spent on transportation and agriculture combined in 2021. The tables below list **only** the five most populous cities, counties, school districts, and the state itself. The true statewide total is presumably much higher.

Foregone Tax Revenue, Five Most Populous School Districts in South Dakota					
	2017	2018	2019	2020	2021
<b>Sioux Falls School District</b>	\$112,000	\$69,000	\$122,000	\$128,000	\$277,000
<b>Rapid City Area School District</b>	No Disclosure	No Disclosure	No Disclosure	No Disclosure	No Disclosure
<b>Brandon Valley School District</b>	No Disclosure	No Disclosure	No Disclosure	No Disclosure	No Disclosure
<b>Aberdeen School District</b>	No Disclosure	No Disclosure	No Disclosure	No Disclosure	No Disclosure
<b>Harrisburg School District</b>	No Disclosure	No Disclosure	No Disclosure	No Disclosure	No Disclosure
Annual Total	\$112,000	\$69,000	\$122,000	\$128,000	\$277,000
<b>Selected School Districts Five-Year Total: \$708,000</b>					

Source: Annual Comprehensive Financial Reports for the reported jurisdictions

Foregone Tax Revenue, Five Most Populous Cities, Counties, and State of South Dakota					
	2017	2018	2019	2020	2021
City of Sioux Falls	\$2,189,771	\$2,285,471	\$2,699,688	\$2,608,412	\$3,111,217
City of Rapid City	\$1,315,898	\$1,316,101	\$1,420,633	\$1,527,191	\$1,683,441
City of Aberdeen	\$917,854	\$1,384,303	\$2,043,006	\$504,060	\$613,412
City of Brookings	\$139,809	\$71,569	No Disclosure	No Disclosure	No Disclosure
City of Watertown	No Disclosure	No Disclosure	No Disclosure	No Disclosure	No Disclosure
Minnehaha County	\$505,606	\$562,303	\$642,845	\$636,105	\$664,595
Pennington County	\$2,479,639	\$2,636,994	\$3,133,058	\$3,109,123	\$3,331,000
Lincoln County	\$90,352	\$48,127	\$24,705	\$50,369	\$73,126
Brown County	\$386,987	\$457,402	\$558,939	\$481,303	\$538,181
Brookings County	\$290,764	\$408,775	\$480,378	\$562,692	N/A
State of South Dakota	\$1,540,800	\$10,736,062	\$21,805,523	\$19,300,000	\$23,600,000
Annual Total	\$9,857,480	\$19,907,107	\$32,808,775	\$28,779,255	\$33,614,972
<b>Selected Cities, Counties, and State Five-Year Total: \$124,967,589</b>					
<b>Selected School Districts, Cities, Counties, and State Five-Year Total Foregone Revenue: \$125,675,589</b>					

Source: Annual Comprehensive Financial Reports for the reported jurisdictions – N/A indicates the ACFR is not yet published

During this five-year period, some jurisdictions significantly increased the amount of foregone tax revenue from economic development tax abatements. Many of these losses (40%) are due to Tax Increment Financing (TIF) agreements, which capture the increase in property taxes (and sometimes other taxes) resulting from new development and divert that revenue to subsidize the development.

**Key findings:**

- **Between 2017 and 2021 the State of South Dakota’s revenue losses ballooned by 1,432%**, from \$1.5 million in 2017 to \$23.6 million in 2021. All of these losses were due to the state’s Reinvestment Payment Program which provides reimbursements to businesses relocating to, expanding in, or making significant investments in the state.
- **The Sioux Falls School District’s revenue losses increased by 147%**, from \$112,000 in 2017 to \$277,000 in 2021. No further details about the number of or names of companies comprising these deals are provided in the district’s ACFR.
- **Rapid City lost over \$7.2 million to economic development tax breaks.** Nearly all (96%) of these losses were due to tax breaks for Cabela’s, the American hunting and sporting goods store.

Again: these findings are only from a handful of South Dakota cities, counties, and school districts. The state has a total of 310 municipalities, 66 counties, and 153 school districts.

For more information about these abatements, see [taxbreaktracker.goodjobsfirst.org](https://taxbreaktracker.goodjobsfirst.org).  
 For company-specific information, see [subsidytracker.goodjobsfirst.org](https://subsidytracker.goodjobsfirst.org).