South Dakota

#2

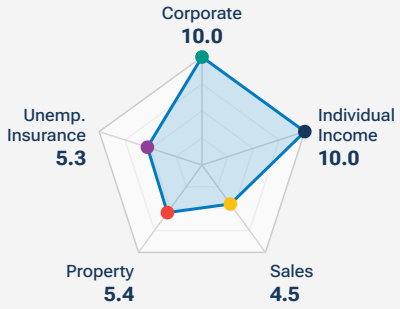
Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
2 –	**1** –	**1** –	**31** –	**15** ▼ 1	**19** ▲ 1

South Dakota is one of only two states to forgo individual income, corporate income, and gross receipts taxes. Consequently, the state relies heavily on its sales tax, which nevertheless retains a highly competitive rate, though one imposed on an overbroad base. It applies to most final personal consumption—which is appropriate—but also to a wide range of business inputs, which causes harmful tax pyramiding.

South Dakota also relies on relatively high property taxes to fund local government. While the state does impose a tax on the tangible property of centrally assessed utility and transportation property, the property tax base is competitive in that the state generally exempts business tangible personal property and business inventory from taxation. South Dakota does not have an estate or inheritance tax. The state does, however, utilize split roll property taxation, as school districts may levy separate rates on different classes of property. By favoring some classes of property over others, the tax burden is imposed in a nonneutral manner, which distorts economic decision-making.

Component scores

out of 10



South Dakota and its neighbors

Overall rank, 2027 Index, with change from 2026

Wyoming	#1	–
South Dakota	**#2**	–
Montana	#7	▼ 2
North Dakota	#12	▼ 2
Nebraska	#16	▲ 8
Iowa	#18	▼ 1
Minnesota	#41	▲ 2