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# Estimating the Economic Boost of Marriage for Same-Sex Couples in South Dakota



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## Executive Summary

If marriage is extended to same-sex couples in South Dakota, the state would see an economic boost as same-sex couples plan their weddings and as their out-of-state guests purchase goods and services in the state. This study estimates the impact on the state's economy and on state and local sales tax revenue.

- We predict that **357 in-state same-sex couples would choose to marry in the three years** following an opening of marriage to same-sex couples in South Dakota.
- The total spending on wedding arrangements and tourism by resident same-sex couples and their guests would add an estimated **\$2.4 million to the state and local economy** of South Dakota over the course of three years, with a **\$1.5 million boost in the first year alone**.
- This economic boost would **add \$140,000 in sales tax revenue** to state and local coffers.
- Spending related to same-sex couples' wedding ceremonies and celebrations would create **7 to 21 jobs** in the tourism and recreation sector for the state.

| ECONOMIC IMPACT OF MARRIAGE FOR SAME-SEX COUPLES IN SOUTH DAKOTA | TOTAL              |
|------------------------------------------------------------------|--------------------|
| Marriages by Same-Sex Couples                                    | 357                |
| Wedding Spending                                                 | \$1,883,532        |
| Out-of-State Guest Spending                                      | \$514,080          |
| <b>TOTAL COMBINED SPENDING</b>                                   | <b>\$2,397,612</b> |
| <b>TOTAL SALES TAX REVENUE</b>                                   | <b>\$139,781</b>   |

## Introduction

As of October 2014, 19 states, the District of Columbia, and the federal government formally recognized marriages between same-sex partners.<sup>1</sup> Additionally, federal district courts in several states have held, or suggested, that withholding state-granted marriages to same-sex couples is unconstitutional in decisions which are on hold pending appeal.<sup>2</sup> In this study, we estimate the impact of weddings of same-sex couples on South Dakota's economy over the next three years if the state were to recognize those marriages.

Our analyses are informed by the methodology that we've used in previous studies of the economic impact of marriage for same-sex couples in a number of other states.<sup>3</sup> We utilized state-level data, as well as other relevant data sources, including Census 2010 and the American Community Survey, to estimate the impact of extending marriage to same-sex couples in South Dakota.

All of the findings from previous studies suggest that extending marriage rights to same-sex couples produces a positive impact on states' budgets and economies. Similar conclusions have been reached by legislative offices in Connecticut<sup>4</sup> and Vermont,<sup>5</sup> as well as by the Comptroller General of New York.<sup>6</sup> The Congressional Budget Office has concluded that if all fifty states, in addition to the federal

government, extended the rights and obligations of marriage to same-sex couples, the federal government would benefit by nearly \$1 billion each year.<sup>7</sup> Throughout this report, we rely on conservative estimates to assess the economic impact of extending the right to marry to same-sex couples. In other words, all assumptions are cautious and, given the range of possibilities, likely produce revenue impacts on the lower bound. Even so, we find that extending marriage to same-sex couples in South Dakota will have a positive impact on the state's economy.

## In-State Couples

To determine the potential impact of marriage for same-sex couples in South Dakota, we estimate the number of same-sex couples that will marry within the first three years. According to the most recent Census in 2010, there are 714 same-sex couples living in South Dakota.<sup>8</sup>

We draw upon the experience of other states that have permitted marriage between individuals of the same sex to estimate the number of same-sex couples who might marry in South Dakota. In Massachusetts, just over half of same-sex couples married during the initial three-year period.<sup>9</sup> This finding has been confirmed in several other jurisdictions that have more recently allowed same-sex couples to marry.<sup>10,11</sup> Accordingly, we predict that 50%

of South Dakota's 714 same-sex couples, or 357 couples, would marry in the first three years (Table 1).<sup>12</sup>

## Wedding Spending

If South Dakota grants same-sex couples the right to marry, we predict that the state will see a surge in spending on weddings by same-sex resident couples and their out-of-state guests. Our analysis predicts that allowing same-sex couples to marry would generate \$2.4 million through direct wedding spending and wedding-related tourism in the first three years. We estimate that wedding spending generated by marriages of same-sex couples would create 7 to 21 full- and part-time jobs in the first three years.

### Direct Wedding Spending

Following the legalization of marriage for same-sex couples, Massachusetts experienced a rise in spending associated with wedding planning, such as increased demand for catering services and hotel rooms.<sup>13</sup> More recently, New York,<sup>14</sup> Connecticut,<sup>15</sup> and Washington<sup>16</sup> have also reported a rise in wedding spending after marriage rights were extended to same-sex couples. We expect that South Dakota would experience the same economic benefit.

According to *The Wedding Report*, average spending on weddings in South Dakota in 2012 was \$21,105.<sup>17</sup> Same-sex couples may receive

less financial support from their parents and other family members to cover wedding costs due to persistent stigma, resulting in less spending than their heterosexual counterparts. Taking these factors into account, as in previous studies by the Williams Institute, we estimate here that same-sex couples spend one-quarter of the amount that different-sex couples spend on wedding arrangements.<sup>18, 19</sup> Accordingly, we assume that same-sex couples will spend an average of \$5,276 per wedding in South Dakota. Using this estimate, we expect resident same-sex couples to generate \$1.9 million in direct wedding spending over the introductory three year period.

### Out-of-State Guests

In 2008, a report based on *The Health and Marriage Equality in Massachusetts Survey* indicated that in Massachusetts, weddings of same-sex couples included an average of 16 out-of-state guests.<sup>20</sup> We assume that the resident same-sex couples who celebrate their weddings in Wisconsin will have a similar count of 16 out-of-state guests at their ceremonies.

In order to estimate out-of-state guest spending, we utilize the per diem allowance for food and lodging by state as set forth by the U.S. General Services Administration (GSA).<sup>21</sup> The GSA's per diem allowance rates are used by federal government agencies to reimburse their employees' business-related travel expenses.<sup>22</sup>

We determine the overall state per diem, \$90, by averaging hotel and food allowance by county and calculating a weighted average by each county's population. We assume that each of these guests will spend the average GSA per diem rate for meals for a one day visit. We further assume that guests will share a room and stay for one night.

Based on these studies by the Williams Institute, 5,712 out-of-state guests will spend an estimated \$514,000 attending weddings of same-sex couples in South Dakota during the first three years after legalization (Table 1).

### ***Job Creation***

In Fiscal Year 2013, South Dakota generated nearly \$4.1 billion overall in leisure and recreation spending, which supported 36,718 jobs in South Dakota during the year.<sup>23</sup> Based on these figures, we calculated that for every \$111,635 in leisure and recreation spending in South Dakota, one additional job is created. Taking into account our estimated amount of increased spending, we can deduce that new spending generated by weddings of same-sex couples could create an additional 7 to 21 jobs for South Dakota residents.

The number of jobs that could be generated by the total amount of additional spending provides our upper-bound estimate for job creation (21). Sustaining these jobs over time

would require the same amount of spending per year. Thus, we assume that one-third of these jobs will likely be sustained for the full three-year period. Based on this assumption, our low-end estimate is that 7 jobs will be sustained over the three-year period.

### **Sales Tax Revenue**

State and local governments will directly benefit from this increase in spending through the state sales tax and a range of local sales taxes. The state of South Dakota imposes an average 5.83% general sales or use tax on consumers.<sup>24</sup> The state levies sales tax at a rate of 4.0% and localities set their own rate of additional sales tax, which is 1.83% on average.<sup>25</sup> The combined wedding-related spending of same-sex couples and their out-of-state guests is estimated to be \$2.4 million, as indicated in Table 1. Using these figures, we estimate that the overall spending boost will generate almost \$140,000 in sales tax revenue in the first three years same-sex couples are permitted to marry.

### **Impact of Existing Marriages**

Currently, the data do not show exactly how many South Dakota couples have already married in other jurisdictions. Therefore, we do not exclude these marriages from our analysis. However, we also do not include in our analysis same-sex couples who are likely to travel to South Dakota to marry during the next three

years. Data from other states show that many couples living in states that do not recognize their marriages travel to other states to marry. For example, the most recent data released from Washington State reveals that out-of-state same-sex couples accounted for 17% of marriages of same-sex couples performed in the first year.<sup>26</sup> A significant number of couples travelled from as far as Texas (170 couples) and California (155 couples).<sup>27</sup> Same-sex couples may be even more likely to marry out of state now than in the past because, as a result of the U.S. Supreme Court's 2013 decision striking down Section 2 of the Defense of Marriage Act, the federal government now recognizes marriages validly performed in any jurisdiction for purposes of federal rights and benefits.<sup>28</sup>

South Dakota is likely to experience a number of couples traveling from out-of-state to marry. South Dakota shares a border with North Dakota, Minnesota, Iowa, Nebraska, Wyoming, and Montana. Four of these states—North Dakota, Nebraska, Wyoming, and Montana—do not offer marriage to same-sex couples. According to Census 2010 data, these four states have a total of over 4,928 same-sex couples.<sup>29</sup> A sizeable impact may occur if even a small number of those couples decide to travel to South Dakota to marry. Thus, while we do not exclude from our analysis an estimate of South Dakota couples who may have already married in other states, that number is most

likely offset, if not exceeded, by the number of out-of-state couples who will travel to South Dakota to marry, whom we also exclude.

## Conclusion

In this study, we have drawn on information regarding marriage spending by same-sex couples in other states, along with wedding expenditure and tourism data from the state of South Dakota, to estimate the economic boost if the state extends the right to marry to same-sex couples. Our calculations indicate that the total spending on wedding arrangements and tourism by same-sex couples and their guests would be approximately \$2.4 million over three years, with a positive impact of \$1.5 million in the first year alone. We estimate that total economic boost over three years would generate almost \$140,000 in tax revenue for state and local governments.

It is important to note that also allowing out-of-state same-sex couples the opportunity to wed will likely result in further economic gains for South Dakota businesses. This impact would then translate into additional increased tax revenue for the state and local budgets.

Finally, we note that sales taxes only capture the most direct tax effects of increased tourism and wedding expenditures. Businesses and individuals also pay taxes on the new earnings

generated by wedding spending, providing a further boost to the state budget.

**Table 1. South Dakota Wedding Spending and Tourism Figures by Resident Same-Sex Couples and their Guests**

| SPENDING                           | Year 1             | Year 2           | Year 3           | Total              |
|------------------------------------|--------------------|------------------|------------------|--------------------|
| # of Marriages by Same-Sex Couples | 228                | 75               | 54               | 357                |
| Wedding Spending                   | \$1,202,928        | \$395,700        | \$284,904        | \$1,883,532        |
| Out-of-State Wedding Guests        | 3,648              | 1,200            | 864              | 5,712              |
| Out-of-State Guest Spending        | \$328,320          | \$108,000        | \$77,760         | \$514,080          |
| <b>TOTAL COMBINED SPENDING</b>     | <b>\$1,531,248</b> | <b>\$503,700</b> | <b>\$362,664</b> | <b>\$2,397,612</b> |

**Table 2. Tax Revenue from Wedding Spending**

| TAX REVENUE                    | Year 1          | Year 2          | Year 3          | Total            |
|--------------------------------|-----------------|-----------------|-----------------|------------------|
| State Sales Tax Revenue        | \$61,250        | \$20,148        | \$14,507        | \$95,905         |
| Local Sales Tax Revenue        | \$28,022        | \$9,218         | \$6,637         | \$43,877         |
| <b>TOTAL SALES TAX REVENUE</b> | <b>\$89,272</b> | <b>\$29,366</b> | <b>\$21,144</b> | <b>\$139,782</b> |

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## Endnotes

<sup>1</sup> See Chris Cillizza. 2014. [“The Rapidly Evolving State of Same-Sex Marriage, in 1 Map,”](#) *Washington Post*, May 15.

<sup>2</sup> *Deboer v. Snyder*, No. 12-CV-10285 (E.D. Mich. Mar. 21, 2014); *Tanco v. Haslam*, No. 3:13-cv-01159; *De Leon v. Perry*, No. SA-13-CA-00982-OLG (W.D. Tex. Feb. 26, 2014); *Bishop v. U.S.*, No. 04-CV-848-TCK-TLW (N.D. Okla. Jan. 14, 2014); *Kitchen v. Herbert*, No. 2:13-cv-217 (D. Utah Dec. 20, 2013); *Wright v. Arkansas*, No. 60CV-13-2662 (Ark. Cir. Ct. May 9, 2014); *Latta v. Otter*, No. 1:13-cv-00482-CWD (D. Idaho May 13, 2014); *Henry v. Himes*, No. 1:14-cv-129 (S.D. Ohio Apr. 14, 2014); *Wolf v. Walker*, No. 14-cv-64-bbc (W.D. Wis. June 6, 2014); *Baskin v. Bogan*, No. 1:14-cv-00355-RLY-TAB (S.D. Ind. June 25, 2014); *Love v. Beshear*, No. 3:13-CV-750-H (W.D. Ky. July 1, 2014); *Brinkman v. Long*, No. 14-CV-20731 (Co. Dist. Ct. July 9, 2014). Three appellate courts have also determined that withholding marriage to same-sex couples is unconstitutional. *Kitchen v. Herbert*, No. 2:13-CV-00217-RJS (10th Cir. June 25, 2014); *Bostic v. Shaefer*, No. 14-1167 (4th Cir. Feb. 14, 2014); *Baskin v. Bogan*, Nos. 14-2386 to 14-2388 (7th Cir. Sept. 4, 2014) and *Wolf v. Walker*, No. 14-2526 (7th Cir. Sept. 4, 2014).

<sup>3</sup> Reports available on the Williams Institute’s web site under [Economic Impact Reports, by state](#).

<sup>4</sup> Office of Legislative Research. (2002). [Office of Fiscal Analysis Report on HB 5001](#). (Hartford, CT: Connecticut’s General Assembly).

<sup>5</sup> Vermont Civil Union Review Commission, (2002). [Report of the Vermont Civil Union Review Commission](#). (Montpellier, VT: Office of the Legislative Council).

<sup>6</sup> Hevesi, Alan G., (2004). [Testimony of New York State Comptroller, Alan G. Hevesi, to New York City Council in Support of the Right to Civil Marriage for Same-Sex Couples in New York State](#). March 3. (New York: Office of the New York State Comptroller).

<sup>7</sup> Holtz-Eakin, Douglas, (2004). [“The Potential Budgetary Impact of Recognizing Same-Sex Marriages.”](#) Letter to the Chairman of the House Subcommittee on the Constitution, June 21.

<sup>8</sup> Gates, Gary J. & Abigail M. Cooke, (2010). [“South Dakota Census Snapshot: 2010”](#) (Los Angeles: The Williams Institute).

<sup>9</sup> This calculation is based upon collected data revealing that 9,931 same-sex couples married in Massachusetts within the first three years after same-sex couples were allowed to marry. To estimate the total number of same-sex couples residing in Massachusetts in 2004 we utilized American Community Survey data and determined that there were approximately 19,550 resident same-sex couples at that time. This suggests that approximately 51% of couples married over three years.

<sup>10</sup> Badgett, M.V. Lee & Jody L. Herman, (2011) [Patterns of Relationship Recognition by Same-Sex Couples in the United States](#). (Los Angeles: The Williams Institute).

<sup>11</sup> Washington State Department of Health, (2013). [Washington same sex couples: follow-up data report released](#). (press release), Dec. 5.

<sup>12</sup> Not all couples who will marry in the first three years will do so within the first year they are permitted. Using data from Massachusetts, we can predict the timing of nuptials over three years; 64% married in the first year, 21% married in the second year, and 15% married in the third year.

<sup>13</sup> Belkin, Douglas. 2004. “Wedding Bell Bonanza: Tourism, Marriage Industry Foresee Boom in Same-Sex Nuptials,” *Boston Globe*, Feb. 26.

<sup>14</sup> Gammage, Jeff. (2013). [“Another Reason Backers Say Pa. Should Legalize Gay Marriage: \\$\\$\\$.”](#) *Philly.com*. July 16.

<sup>15</sup> Buck, Rinker. (2010). [“Same-Sex Marriage Law An Economic Boon For State: Couples Coming From Other States Boosting Hospitality Industry.”](#) *The Courant*. Oct. 10.

<sup>16</sup> Lerner, Sara. (2013). [“Same-Sex Marriage Anniversary An Economic Boost For Washington.”](#) *KUOW.ORG*. Dec. 10.

<sup>17</sup> The Wedding Report, (2012). [2012 Wedding Statistics Summary for South Dakota](#).

<sup>18</sup> Badgett, M.V. Lee & Gary J. Gates, (2006). [“The Effect of Marriage Equality and Domestic Partnership on Business and the Economy.”](#) (Los Angeles: The Williams Institute). As well as, Goldberg, Naomi G., Steinberger, Michael D., & M.V. Lee Badgett, (2009). [“The Business Boost from Marriage Equality: Evidence from the Health and Marriage Equality in Massachusetts Survey.”](#) (The Williams Institute, 2009).



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<sup>19</sup> Community Marketing & Insights with the Gay Wedding Institute, (2013). [“Same-Sex Couples: Weddings and Engagements.”](#) (San Francisco: Community Marketing & Insights with the Gay Wedding Institute).

<sup>20</sup> Goldberg, Steinberger, and Badgett, *The Business Boost from Marriage Equality*.

<sup>21</sup> U.S. General Services Administration, (2014). [“Per Diem Rates Look-up by State.”](#)

<sup>22</sup> The per diem lodging rates are based on Average Daily Rate data from lodging properties that meet the GSA’s criteria. The per diem meal rates are based on data received from restaurants. More information about the GSA’s per diem rates is available at <http://www.gsa.gov/portal/content/104208#4>.

<sup>23</sup> IHS Global. [“2013 Tourism Satellite Account.”](#)

<sup>24</sup> Scott Drenkard, [“State and Local Sales Tax Rates in 2014.”](#) (Washington: The Tax Foundation, March 18).

<sup>25</sup> Ibid.

<sup>26</sup> Washington State Dept. of Health, *Washington same-sex couples*.

<sup>27</sup> Ibid.

<sup>28</sup> U.S. v. Windsor, 570 U.S. \_\_\_\_ (2013).

<sup>29</sup> Gates, Gary J. & Abigail M. Cooke, (2010). [“North Dakota Census Snapshot: 2010”](#) (Los Angeles: The Williams Institute); Gates, Gary J. & Abigail M. Cooke, (2010). [“Nebraska Census Snapshot: 2010”](#) (Los Angeles: The Williams Institute); Gates, Gary J. & Abigail M. Cooke, (2010). [“Wyoming Census Snapshot: 2010”](#) (Los Angeles: The Williams Institute) ; Gates, Gary J. & Abigail M. Cooke, (2010). [“Montana Census Snapshot: 2010”](#) (Los Angeles: The Williams Institute).