

SOUTH DAKOTA DEPARTMENT OF REVENUE

# Property Taxes & 2026 Legislative Update

Division of Legislative Audits

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# Why Do We Have Property Taxes?

- Primary revenue source for **LOCAL GOVERNMENTS**
  - Schools, Cities, Counties, Townships
- Sales tax is the primary revenue source for **STATE GOVERNMENT**
  - No income tax
- Property Taxes **DO NOT FUND:**
  - State employees, Medicaid, state roads, the National Guard

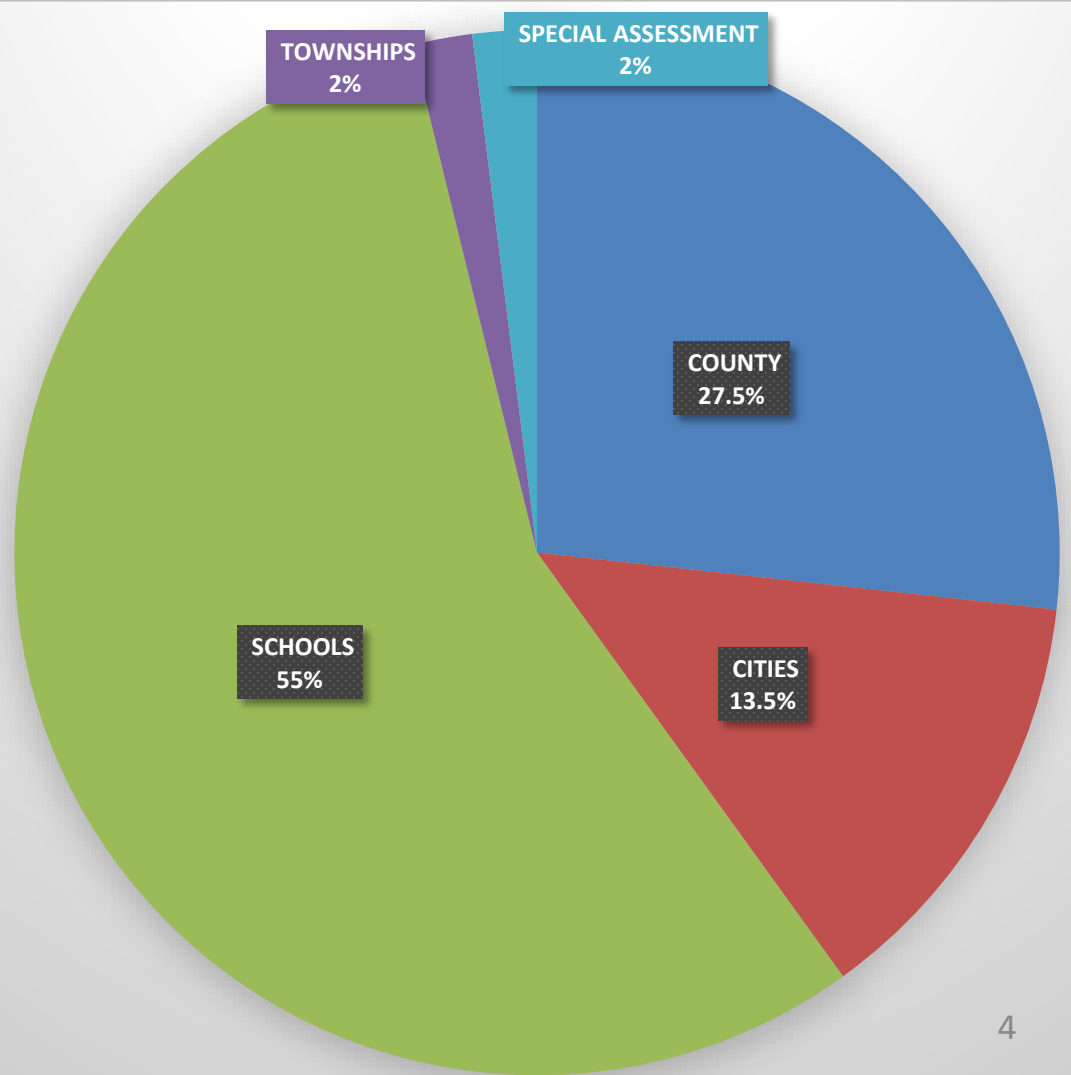
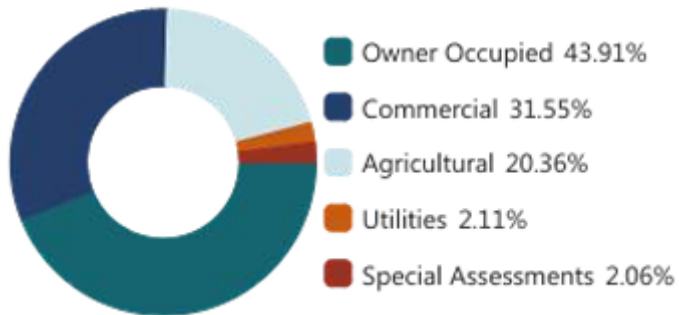
**The State of South Dakota DOES NOT collect or spend  
ANY property tax dollars.**

# Over \$1.8 billion in taxes in 2025

To fund local governments and provide K-12 education

## Who Paid

2025 Tax Contribution Breakdown



# South Dakota property taxes: Budget then tax, not tax then spend.

## Property Tax Need

Local governments and school districts re-budget every year to determine the amount of property taxes they can receive to fund services, like public schools, roads, utilities, parks, and law enforcement.



Taxing agencies conduct public hearings, publish their budgets, and certify their budget request to the County Auditor.

## Local Tax Rates

The **County Auditor** calculates a tax rate for each taxing district by dividing property tax need by taxable valuation.

## Property Tax Valuations

**County Assessor** revalues and reassesses all real property annually, as well as applies property tax incentives and exemptions.

- Local & County Boards of Equalization
- Hear appeals on property assessments.
  - Finalize the assessed values for property taxation.



South Dakota Department of Revenue calculates the equalization factor for each county, which transforms assessed value into taxable value.

## Your Property Tax Bill

The **County Treasurer** issues and collects the tax bills. The tax dollars are then distributed to the local governments to fund services.



# 2026 Legislative Statistics

- 665 Bills Introduced
- DOR tracked 145 of them
- Completed 111 bill analyses + 14 amendment analyses
- 6 of 7 DOR bills passed
- Successfully defeated 29 of 34 bills assigned to DOR to kill
- 48 bills on our implementation tracker

# 2026 Property Tax Bills

## 65 Property Tax (or related) bills introduced

- 15 passed
- 50 failed/tabled/withdrawn

- **Property Tax Relief Package**
  - SB 96 – county gross receipts tax (aka sales tax)
  - SB 245 & HB 1051 – “buy down” owner-occupied school general levy
- **Other notable PT bills**
  - SB 154 – OO structures
  - SB 228 – TIF reform

# South Dakota Property Tax Relief Package

Three Key Measures Signed by Governor Rhoden

**2025**

## **Senate Bill 216**

### Valuation Restriction

Total owner-occupied valuation cannot increase more than 3% countywide

### Budgetary Limitation

Taxing districts limited to a maximum growth factor of 3% in property tax budget increases

### Assessment Freeze Updates

Income and property valuation thresholds increased

**2026**

## **Senate Bill 96**

### County Opt-In Sales Tax

A county commission can implement up to a .5% sales tax.

All revenues generated must go toward lowering owner-occupied property taxes.

**2026**

## **Senate Bill 245**


(in conjunction with House Bill 1051)

### Reduction of Owner-Occupied School General Fund Levy

The State is increasing its share of education funding, resulting in a considerable decrease to the school general levy for owner-occupied property.


This will be applied to all owner-occupied properties statewide.

# How & When the Property Tax Relief Will Be Felt




**SB 216**

- All homes are assessed at full market value.
- Under SB 216, if any increases in valuation results in an increase greater than 3% of the total county owner-occupied property from the year prior, a reduction factor is applied.
- This factor is applied to all owner-occupied property equally.
- The valuation restriction was first realized on the 2026 assessment notices.
- These values will be used to calculate the 2027 tax bills.
- This restriction will only last 5 years.




**SB 216**

- Taxing districts are limited to what they can ask for in property taxes each year. The district can only increase last year's property tax budget by a growth factor and an economic index factor.
- There is already a cap on the index factor. Under SB 216, there is now a cap on the growth factor.
- This means that a fast-growing taxing district will be constrained in the amount of property taxes it can ask for.
- The budget limitation will first be applied when calculating the taxes to be collected in 2027.
- This limitation will only last 5 years.




**SB 216**

- The Assessment Freeze program allows for an individual's property taxes to be calculated off a lower, previous year's valuation.
- By increasing the income and home valuation thresholds of the Assessment Freeze, more senior and disabled individuals will be able to qualify for the relief program.
- Each year, the income and valuation thresholds are increased by an economic index factor.
- The first year reflecting these increases is the 2026 application, which will impact the 2027 taxes.



**SB 245 & HB 1051**

- The State sales tax holiday is sunsetting in 2027, which means the sales tax is going to be returning to 4.5%.
- SB 245 is dedicating all revenue that will be generated by that 0.3% sales tax increase towards property tax relief for homeowners.
- To provide relief to taxpayers faster, SB 245 is also putting additional current monies into the education funding formula. The result is the decrease in the school general owner-occupied levy in HB 1051.
- Every owner-occupied property in the state will see this reduced levy on their 2027 tax bill.



**SB 96**

- For the first time ever, counties will have the option to pass a sales tax of up to 0.5%.
- If a county commission chooses to do so, all revenues generated by the county sales tax must go toward property tax relief for the owner-occupied properties in the county.
- The property tax relief will be reported as a tax credit of the county portion of taxes on the tax bill.
- The earliest a county sales tax will go into effect is January 2027.

# Understanding the Timing of the Property Tax Relief Package

2025

2026

2027

2028

SB 216 passed and signed into law.

- The valuation control mechanism under SB 216 is applied to the March 1 assessments notices.
- The increased Assessment Freeze thresholds of SB 216 are active for the April 1 application.
- All taxing district budgets set for the next fiscal year are restricted under the SB 216 budgetary limitation.
- SB 96 & SB 245 passed and signed into law.
- County Commissions can start the process of implementing a county sales tax in July.

- SB 216 is fully in effect on tax bills for the first time. These limits will continue until 2031.
- School General owner-occupied levy is reduced on all owner-occupied property tax bills (SB 245).
- If passed, the earliest the county sales tax could go into effect (SB 96) is January 1.

- School owner-occupied levy continues to be at the rate set in HB 1051 (or lower.)
- A tax credit on the county portion of property taxes will be displayed on property tax bills in any county that implemented the sales tax in SB 96 in the previous year.

# How SB 96 Affects Sales Tax

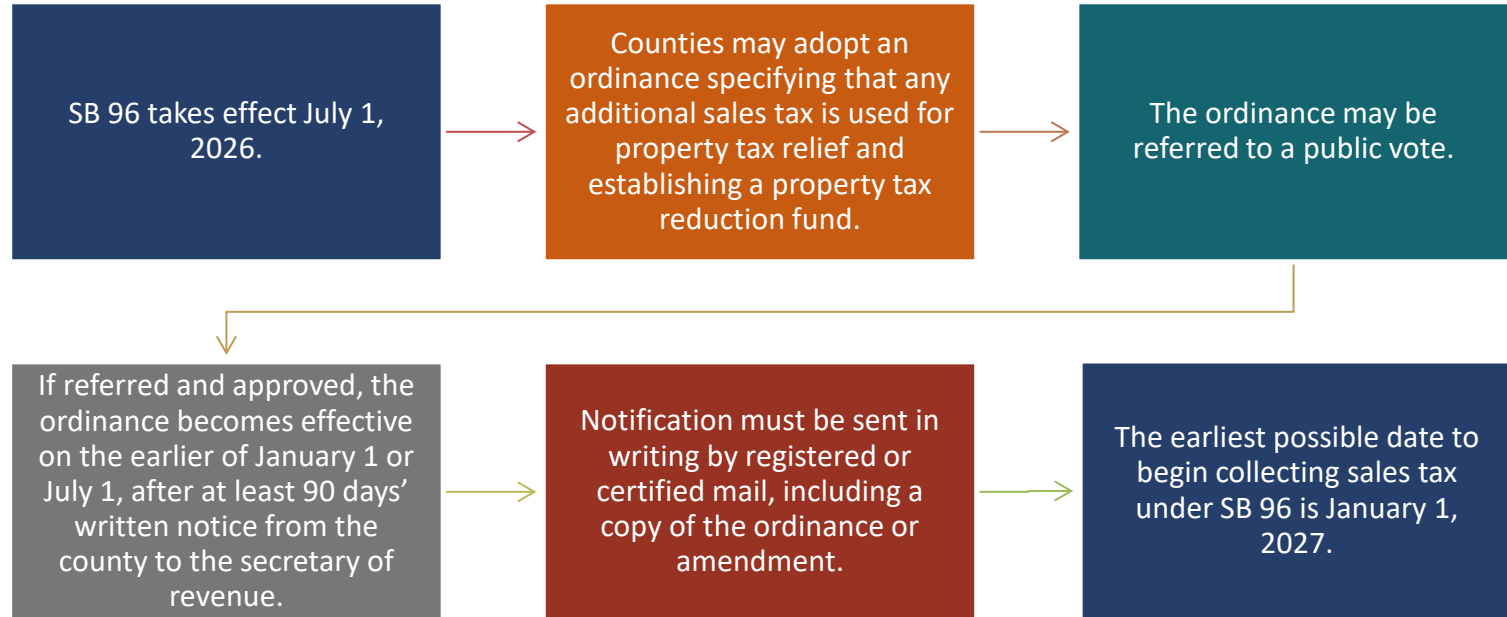
Authorizes counties to impose a county-option gross receipts tax of up to .5% (a half-cent) on taxable goods and services.

Revenue generated from this new tax must be deposited into a county “Property Tax Reduction Fund” to directly reduce owner-occupied property taxes through a credit.

The tax can be implemented by a vote of the county commission and is subject to local referendum or initiation by voters.

# Timeline for SB 96

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# SB 96 - Tax Credit

## County Vendors

Conversations have started to discuss what development is needed

## Software Upgrades

SB 96 allows for the county to use these funds to cover implementation costs

## Tax Bill

- ✓ Calculated levy must be reflected in full
- ✓ Tax credit will be a separate line, clearly defining the amount of reduction
- ✓ Tax credit will change from year to year

# When will the tax credit be seen?

## Option 1

- County can implement the sales tax and wait until they have a “pot of money” before applying the tax credit.
- Will impact 2028 tax bills at the earliest.

## Option 2

- County can estimate the amount of sales tax they expect to receive.
- Tax credit can be applied while the sales tax is coming
- Functionality within vendor systems must be available for 2027 tax year

**Two options for tax credit implementation timing**

# SB 96 High Level Accounting Flow

- County sales tax will go into effect
- Sales tax revenues will be collected by DOR and then remitted to county
- Revenues must be put into the county's Property Tax Reduction Fund
- The total of all tax credits given will be transferred from the Reduction Fund to the County Fund(s)
  - If there is a TIF:
    - For tax credits applied to properties within a TIF, money will be transferred from the Reduction Fund to the TIF Fund

# MONEY FLOW



1

**COLLECTED  
BY DOR**

Sales tax is collected by the Department of Revenue.



2

**SALES TAX REVENUE  
DISTRIBUTED TO  
COUNTY**

Sales tax revenue is distributed to the county on a monthly basis.



3

**REVENUE DEPOSITED  
INTO SEPARATE FUND**

Revenue is deposited into the County Property Tax Reduction Fund.



**TO COUNTY FUND(S)**

Monies transferred to County Fund(s) to replace tax credits on properties.



**TO TIF REPAYMENT FUND**

Monies transferred to TIF Repayment Fund to replace tax credits on properties within TIF.

# SB 228 – TIF Reform

Discretionary  
Formula  
Not in a TIF

Definition of  
Contiguous  
Must be adjacent

Base Value Limitation  
First Class – 7.5%  
All Others – 10%

Resolution must  
demonstrate plan has  
been reviewed by all  
taxing entities

No  
Overlapping TIFs  
(unless agreed upon)

50 %  
Blighted

Grant Money  
Usage Restrictions

Amended TIFs  
25% increase in  
project cost triggers  
re-establish the Base

Notify DOR within 30  
days of when TIF  
dissolves

# SB 228

## Fiscal Accountability Independent Feasibility Review

- Advisory in nature and does not constitute a guarantee
- Does not relieve political subdivision responsibility
- Must be made public at least 14 days before the governing body votes on the district.

- ❖ **Municipal Advisor**
- ❖ **Licensed CPA**
- ❖ **Another 3rd Party Reviewer with municipal finance & TIF experience**
  - ✓ **Must be approved by the governing body**
  - ✓ **Must be independent of the developer**

# HB 1051 School Max Levies Pay 2027

## General Levies

Ag – 1.051

OO – .669

Oth – 4.867

Special Ed

1.449

General Opt Out levies are now tied to the  
Pay 2026 proportion of levies

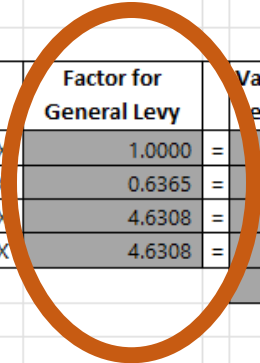


**HB 1051**  
**Change to**  
**Opt Out**  
**Calculation**

**CALCULATION OF SCHOOL LEVIES**

FOR PAYABLE 2027

	Value for Tax Purposes of District		Factor for General Levy	=	Value for General Levy Calculations	Factor for Opt Out	Value for Opt Out Levy Calculations
AG Value		X	1.0000	=	-	1.0000	-
OO Value		X	0.6365	=	-	2.2382	-
OTHER Value		X	4.6308	=	-	4.6320	-
UTILITY Value		X	4.6308	=	-	4.6320	-
TOTAL Value	-				-		-



School General Fund		
Tax Request		
Divided by Value for General Levy Calc	Ag Levy (Max = 1.051)	#DIV/0!
	OO Levy (Max = 0.669)	#DIV/0!
	Oth Levy (Max = 4.867)	#DIV/0!
	-	

Opt Out	
Amount Requested	
Ag Levy	#DIV/0!
OO Levy	#DIV/0!
Other Levy	#DIV/0!

# County Budget Changes

Cash Balance Applied
311 Current Property Tax Amount
<del>Less current uncollected</del>
<del>Less 25% to Cities</del>
311 TIF Property Taxes
312/319 - Other Taxes
NET TOTAL TAXES
320 Licenses & Permits
330 Intergovernmental Revenue
340 Charges for Goods & Services
350 Fines & Forfeits
360 Miscellaneous Revenue
370 Other Financing Sources
TOTAL OTHER REVENUES
SUBTOTAL (Cash + Taxes + Other Rev)
<del>Less 5% (SDCL 7-21-18)</del>
NET MEANS OF FINANCE
TOTAL APPROPRIATIONS

Cash Balance Applied
311 Current Property Tax Amount
Less current uncollected
311 TIF Property Taxes
312/319 - Other Taxes
NET TOTAL TAXES
320 Licenses & Permits
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340 Charges for Goods & Services
350 Fines & Forfeits
360 Miscellaneous Revenue
370 Other Financing Sources
TOTAL OTHER REVENUES
NET MEANS OF FINANCE
TOTAL APPROPRIATIONS

**HB 1060 & HB 1088**

# Remaining 2026 Property Tax Bills

**HB 1193 – Allows for a refund of property taxes for certain Disabled Veteran Exemption applicants**

**HB 1258 – Requires a QR code to be printed on each property tax bill**

**HB 1260 – Cities can create their own property tax refund programs**

**HB 1264 – Dissolves the Ag Land Task Force**

**SB 12 – Gives authority to county commission to give abatements connected to the Paraplegic Veteran Exemption bill**

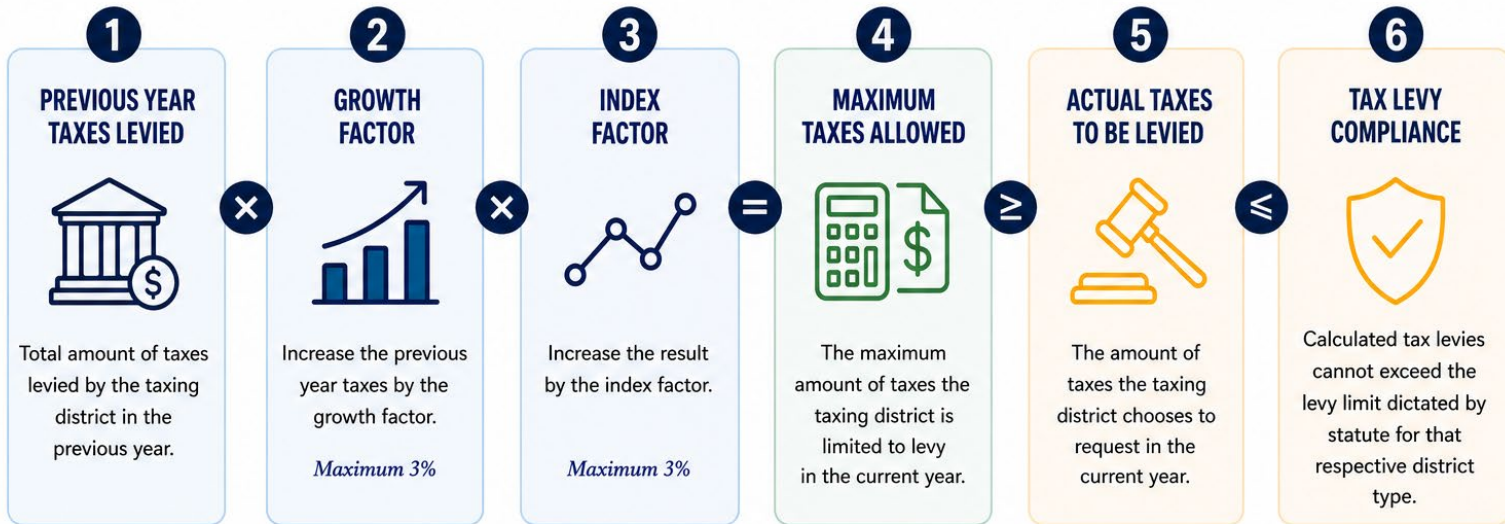
**SB 154 – Allows for multiple structures to receive owner-occupied classification**

# SOUTH DAKOTA PROPERTY TAX LIMITATION CALCULATION

SDCL 10-13-35



## 2025's SB 216 Growth Limit



- SDCL 10-13-35 limits the amount of taxes a taxing district may levy in the current year.
- The growth factor and index factor are established annually and each are limited to a maximum of 3%.
- If either factor is greater than 3%, it must be limited to 3% for purposes of calculating the maximum taxes levied.
- Local decisions of tax increases (e.g. opt outs) are not included in this calculation.



### IMPORTANT

This calculation determines the maximum amount of taxes the taxing district is limited to levy in the current year under SDCL 10-13-35.

The actual amount levied must be less than or equal to this maximum.

# SB 216

## Growth Limit Exception

Growth percentage can be greater than 3% if there has been growth valuation due to:

- Discretionary Formula
- TIF Dissolution

	Previous Year's Taxable Value	This year's Taxable Growth Value	Growth %
City A	370,776,761	14,040,815	3.79%

Discretionary Formula Usage	Value of Dissolved TIF	Growth % due to DF/TIF
1,925,725	2,098,000	1.09%

# Questions?

[SDPropertyTaxation@state.sd.us](mailto:SDPropertyTaxation@state.sd.us)



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