

Department of Revenue

Property Tax Summer Study

June 27, 2022

Michael Houdyshell, Department Secretary

Wendy Semmler, Division Director



Taxes – How Does SD Compare?

State	Sales Tax	Income Tax*	Gas Tax	Property Tax**
Iowa	6.00%	0.33 – 8.53%	\$0.30	1.57% (40)
Minnesota	6.88%	5.35 – 9.85%	\$0.29	1.12% (32)
Montana	None	1.00 – 6.75%	\$0.32	0.84% (20)
Nebraska	5.50%	2.46 – 6.84%	\$0.29	1.73% (44)
North Dakota	5.00%	1.10 – 2.90%	\$0.23	0.98% (29)
South Dakota	4.50%	None	\$0.28	1.31% (35)
Wyoming	4.00%	None	\$0.23	0.61% (10)

* State Individual Income Tax Rates, 2022. *Tax Foundation*, available at: taxfoundation.org/publications/state-individual-income-tax-rates-and-brackets/
 ** Effective Property Tax Rate – Owner Occupied/Homestead. *WalletHub*, available at: wallethub.com/edu/states-with-the-highest-and-lowest-property-taxes/11585

Taxes – How Does SD Compare?

State	Largest City – Owner Occupied*	Largest City – Commercial*	Largest City – Apartments*	Rural City – Owner Occupied*
Iowa	7	5	7	13
Minnesota	20	10	18	20
Montana	39	46	46	29
Nebraska	10	21	15	6
North Dakota	29	47	38	21
South Dakota	16	36	20	14
Wyoming	48	53	52	40

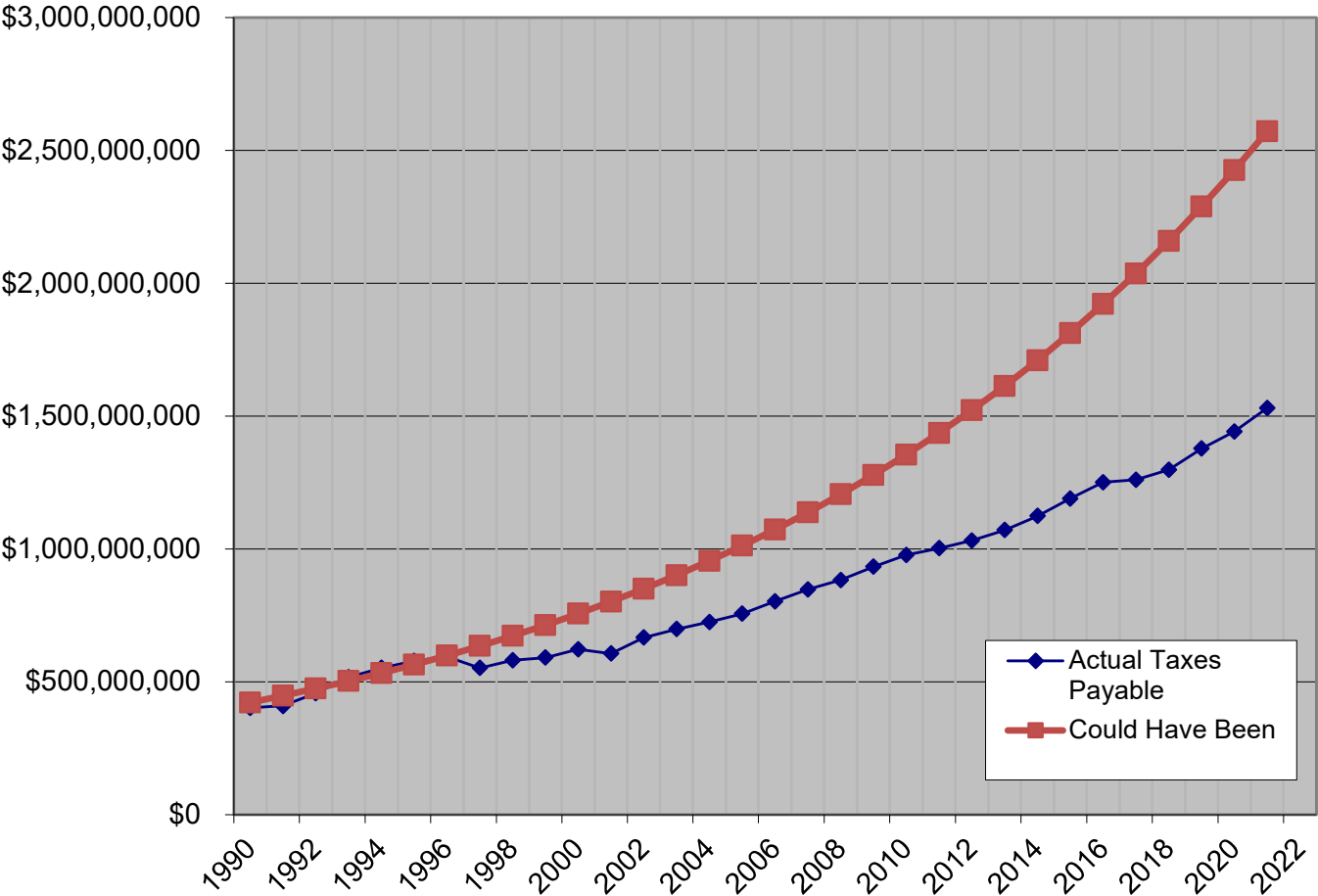
* 50-State Property Tax Comparison Study for Taxes Paid in 2020. *Lincoln Institute of Land Policy and Minnesota Center for Fiscal Excellence*, available at: https://www.lincolnst.edu/sites/default/files/pubfiles/50-state-property-tax-comparison-for-2020-full_0.pdf

Taxes – How Does SD Compare?

State	Total Overall Tax Burden*
Iowa	34
Minnesota	39
Montana	27
Nebraska	38
North Dakota	7
South Dakota	4
Wyoming	2

* State and Local Tax Burdens, 2022. *Tax Foundation*, available at: files.taxfoundation.org/20220407173521/State-and-Local-Tax-Burdens-2022.pdf

Historical Growth of Property Taxes



Property Tax System Overview





Why Have a Property Tax?

- Primary source of revenue for local governments
 - Schools
 - Cities
 - Counties
 - Townships
- Property tax is *Ad Valorem* (According to Value)

The State of South Dakota DOES NOT collect or spend any property tax dollars

Almost \$1.5 billion

To fund local governments and provide K-12 education

2021 Tax Distribution

Schools	56%
County	27%
Municipalities	14%
Townships	2%
Special Assessments	2%

Property Tax Breakdown Taxes Payable 2021

Who Paid

2021 Tax Contribution Breakdown

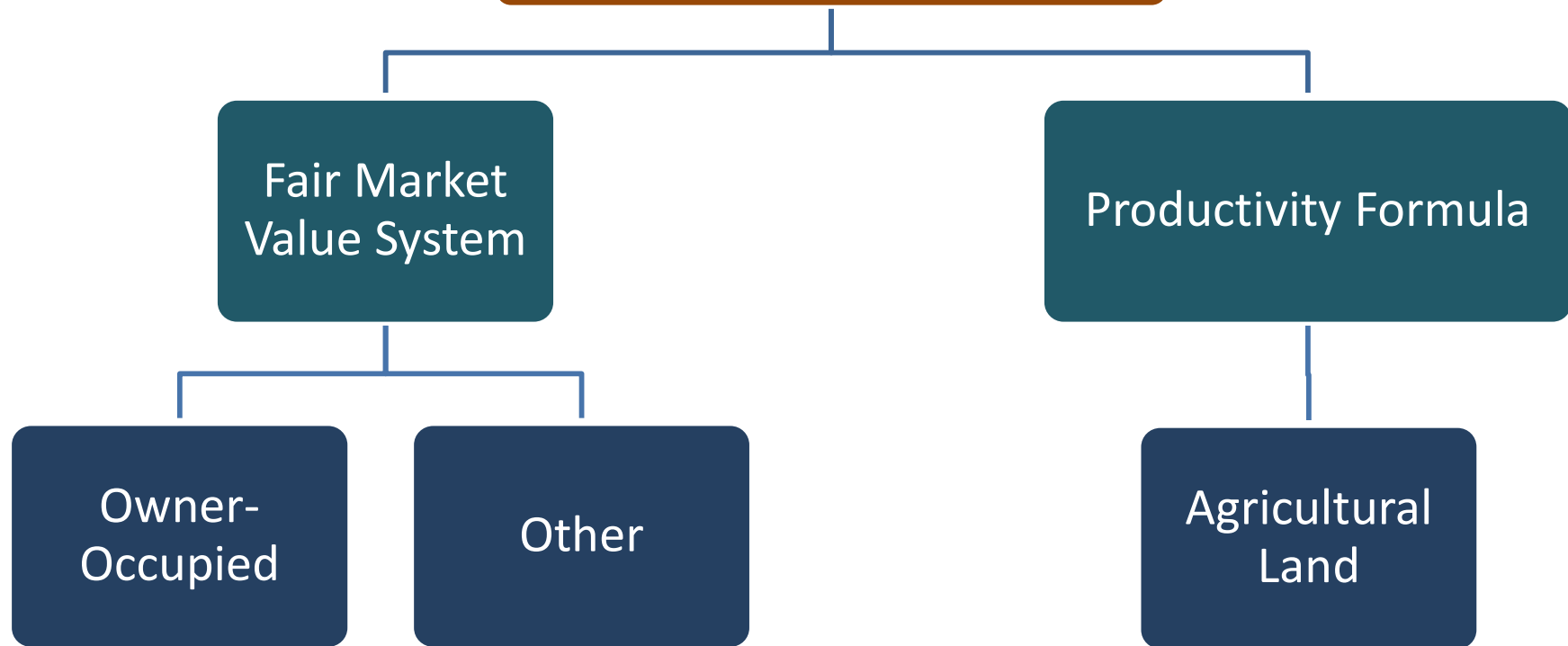


Property Tax Distribution History

For Taxes Payable In	County	% Of Total	Municipalities	% Of Total	Schools	% Of Total	Townships	% Of Total	Special Assessments	% Of Total	TOTAL
2012	281,180,299	27.26	139,272,206	13.50	574,213,937	55.67	18,047,044	1.75	18,819,754	1.82	1,031,533,239
2013	296,987,309	27.72	145,762,092	13.61	589,839,803	55.06	18,999,061	1.77	19,768,706	1.85	1,071,356,971
2014	301,699,432	26.83	149,893,710	13.33	635,031,575	56.47	18,578,477	1.65	19,323,088	1.72	1,124,526,282
2015	315,353,572	26.50	157,338,152	13.22	674,236,597	56.66	19,994,514	1.68	23,070,108	1.94	1,189,992,943
2016	326,486,739	26.09	163,730,819	13.08	717,034,283	57.29	19,981,486	1.60	24,383,785	1.95	1,251,617,112
2017	338,664,320	26.86	168,417,888	13.36	712,929,007	56.54	21,504,813	1.71	19,486,950	1.55	1,261,002,979
2018	352,693,815	27.17	174,638,209	13.45	724,180,251	55.79	22,116,892	1.70	24,416,213	1.88	1,298,045,380
2019	366,944,994	26.66	184,782,655	13.42	775,920,231	56.37	22,241,816	1.62	26,599,147	1.93	1,376,488,843
2020	385,580,612	26.80	195,328,188	13.58	806,961,448	56.09	23,199,899	1.61	27,650,521	1.92	1,438,720,668
2021	401,635,628	26.92	201,462,760	13.50	832,585,705	55.80	26,669,038	1.79	29,866,713	2.00	1,492,219,844

Assessment

What Is Market Value?

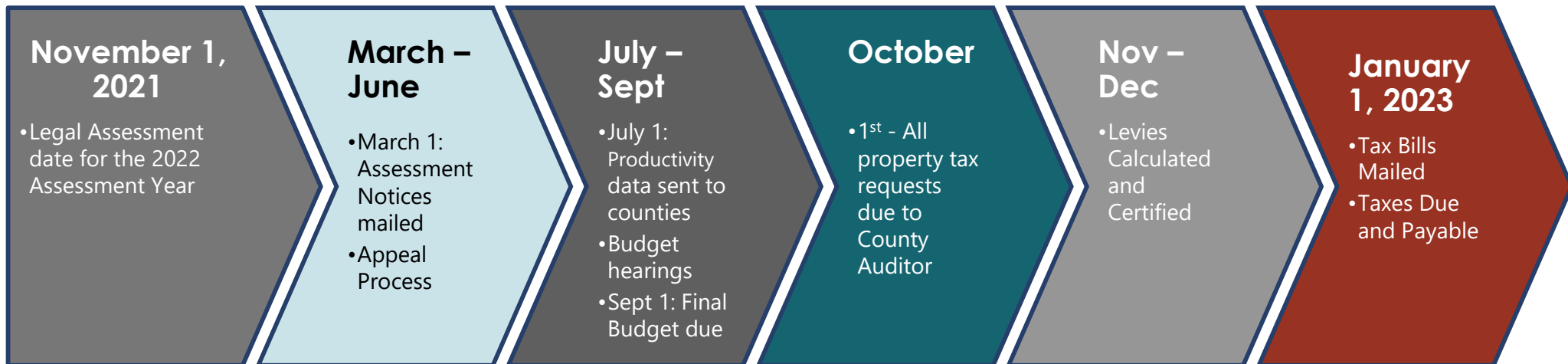


Property Tax System in South Dakota

- All property is to be assessed at “its true and full value”
 - Non-Ag → 100% Market value
 - Ag land → Agricultural income value as determined by the Productivity Formula
- All property is to be taxed at 85% of market value

Assessment date is November 1 of the previous year

Property Tax Timeline



How Is My Property Assessed?

Mass Appraisal Process

- Appraisers inspect properties and collect details
- Recommend physical inspection every 5 – 7 years
- For Non-Ag properties, 3 approaches to value must be considered
 - Cost approach
 - Sales Comparison Approach
 - Income Approach

What is an Assessment?

Assessment notice is sent in March.

- Current year's valuation of the property
- Reflects full and true market value
 - Does not reflect any exemptions, such as discretionary formula or relief programs

Sales Ratio Analysis

Measuring Assessment Accuracy of Non-Ag Properties

- Sales information is verified and analyzed to ensure uniformity and equality of assessments both countywide and statewide.
- Compares assessed value to sale price on all open market sales
 - Assessed Value ÷ Sale Price
$$\$90 \div \$100 = 90\%$$
- Median Ratio → Primary measure of level of assessment





Defining Taxable Value

- SDCL 10-1-37

“Property taxes shall be levied on valuations where the median level of assessment represents 85% of the market value as determined by the Department of Revenue.”

- Percentage of assessed value
- Value shown on the tax bill
- Value used to calculate the levies and to which those levies are applied

What is an Equalization (Taxable) Factor?

- A factor that converts assessed value to taxable value
- Assigned annually to each county by the Department of Revenue
- Factor adjusts assessed value to 85% of market value
 - If level of assessment is 100% of market value  Factor is .850
 - If level of assessment is 85% of market value  Factor is 1.000
 - If level of assessment is 95% of market value  Factor is .895
 - If level of assessment is 75% of market value  Factor is 1.133

Taxation

How Does Assessed Value Affect the Tax Rate & Taxes

- Tax requests are set by the governing body of the taxing entity – Commission, School Board, City Council, etc.
 - Amount of property taxes needed to compliment the overall budget to provide required services

Changes in the real estate market have no impact on the revenue needed by the county, the city, and the school district.

An Increase in Value Does **NOT** Equate to a Direct Increase in Taxes

Example:

City had \$10,000,000 of value. City asked for \$10,000 of taxes last year. City's levy was \$1.00.

Property of \$150,000 → paid \$150 in taxes.

Assessor increases values by 50% as required by the market. City now has \$15,000,000 of value. City increases their tax request by growth + cpi * (total of 5%), making their request \$10,500. City's levy is now \$0.700.

Property is now assessed at \$225,000 → pays \$157.50 in taxes.

Taxes did increase. BUT the increase was due to the 5% increase in the tax call...not the 50% increase in value.

*State law limits the amount of property taxes that all local governments, except schools, can collect from their property owners. These local governments are limited to the amount of property taxes they collected last year, plus an increase for inflation and for new construction.

How Levies Respond



How Levies Respond



Property Tax Budget

LEVIES are not set by the governing board.

- Taxable value is calculated by the assessment and the taxable factor
- Budgets are set by the governing board
- Levies are simply the mathematical result of those two

• County	• Ambulance Districts
• Cities	• Rural Fire Protection Districts
• Townships	• Water Development Districts
• Schools	• Water Project/Watershed Districts
• Road Districts	• Sanitary/Sewer Districts

Property Tax Request Limitations

**All entities except
School Districts**

The amount of taxes an entity may receive is capped based upon what they received last year, increased by:

- Economic index factor of 3% or the CPI, whichever is less
PLUS
- Percentage of new construction that occurred within the last year

Calculation of Levies

- Tax Rate, Mill Levy, and Levy are often used interchangeably
- One "mill" is one dollar of taxes per \$1,000 dollars of assessed value

**Request ÷ Taxable Value
= Tax Rate**

$$1,000 \div 500,000 = .002000$$

**Multiply that by 1000 to get
the Levy**

$$.002000 \times 1000 = \$2.00$$

School General Levies

School General Fund is the **ONLY** instance where there are different levies based on property classification

- Agricultural
- Owner Occupied
- Other

All other levies are the same for everybody



What Can A Taxpayer Do About Their Assessed Value & Property Taxes?

➤ ASSESSMENT

- Ask yourself "Could I sell my property for this value?"
- Talk to the county director of equalization

➤ TAXES

- You cannot appeal your tax bill.
- Get involved during the budget process.

Questions?



South Dakota
Department of Revenue



@SDRevenue



South Dakota DOR



Sign-up for our
E-Newsletter

<https://dor.sd.gov/>