



SOUTH DAKOTA DEPARTMENT OF REVENUE

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May 9, 2022

Dear Directors of Equalization:

During the 2022 Legislative Session, there was ongoing discussion regarding the assessment of agricultural land. These conversations included ag land adjustments, the passage of HB 1325, and the education of Directors of Equalization (DOE).

Since the full implementation of the Productivity Formula in 2019, the Department has been strongly encouraging the county DOEs to use ag land adjustments when assessing agricultural land. The Department fully realizes that for the Productivity Formula to work well, common-sense adjustments are necessary to assure fairness and equity in our property tax system. I am aware that some of you may be reluctant to use ag land adjustments, but I ask you to revisit that approach.

Please note that the Department does not approve or deny ag land adjustment requests. Rather, we check to see if the reason for the adjustment is one of the eight allowable factors listed in state law. If the reason for the adjustment is compliant with the law, then the Department will consider the value of that reduction in the calculation of the level of assessment. If the DOE applies an adjustment that is not listed in statute or does not document the reason for the adjustment, the level of assessment may be lowered.

The Department believes it is better to let the counties adjust at the local level with some guidance from our office. The goal is to keep the Productivity Formula viable for the whole state.

HB 1325 was introduced and adopted to give more local control regarding a county's soils table. This is what HB 1325 will do:

- Class 1, 2, and 3 soils **shall** be categorized as cropland.
- Class 5, 6, 7, and 8 soils **shall** be categorized as noncropland.
- The DOE has the authority to change the categorization of Class 4 soils if they so choose, subject to the following:
 - There is a limit to the number of acres that can be switched to noncrop annually; and
 - The Department must be notified of the intent to switch a Class 4 soil's categorization so that Productivity Formula calculations can be adjusted.
- The Department alone has the authority to change Class 1, 2, or 3 soils to noncropland if certain factors support that reclassification.

If a DOE chooses to change a Class 4 soil, the change will occur in the soil table and will be a countywide change. HB 1325 will not affect the current process of parcel adjustments in any way.

There will be further guidance coming soon regarding the implementation of HB 1325. Please note that this law will not go into effect until July 1, 2022. The earliest any changes might be implemented would be the 2023 assessment year.

The Department is going to increase its efforts to provide guidance and education to all DOE offices and their commissioners. The initial plan is to have the Property Tax Division field staff do in-person visits to each of their respective counties to discuss processes and issues. Our goal is to assist each DOE to become confident in their decision-making abilities and become empowered to establish protocols that best fit their county.

It is my sincere hope that the Department can continue to garner cooperation and collaboration with the counties regarding these challenging assessment issues.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael S. Houdyshell', written over a horizontal line.

Michael S. Houdyshell

Secretary, SD Dept. of Revenue