



2024 South Dakota Legislature

House Bill 1181

Introduced by: **Representative Chase**

1 **An Act to increase the number of years the discretionary formula may be applied to**
 2 **a structure, and to allow for the individual application of the discretionary**
 3 **formula for a structure.**

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

5 **Section 1. That § 10-6-137 be AMENDED:**

6 **10-6-137.** Any structure classified pursuant to this section, must, following
 7 construction, be valued for taxation purposes in the usual manner. The board of county
 8 commissioners of the county in which the structure is located, may adopt a formula for
 9 assessed value to be used for tax purposes. Except as otherwise provided in § 10-6-137.1,
 10 the formula may include, for any or all of the ~~five~~ ten tax years following construction, all,
 11 any portion, or none of the assessed value for tax purposes. Any formula adopted must
 12 be equally applied to specifically classified properties within a tax increment finance
 13 district.

14 The board of county commissioners of the county in which the structure is located
 15 may, if requested by the owner of the structure, fully assess the structure without
 16 application of the formula. In waiving the formula for the structure of one owner, the
 17 board of county commissioners is not prohibited from applying the formula for subsequent
 18 new structures. The assessed value during any of the ~~five~~ ten years may not be less than
 19 the assessed value of the property in the year preceding the first year of the tax years
 20 following construction.

21 Any structure that is partially constructed on the assessment date may be valued
 22 for tax purposes, pursuant to this section, and the value may not be less than the assessed
 23 value of the property in the year preceding the beginning of construction. The period that
 24 the property is valued for tax purposes under this section may include the years when the
 25 property is partially constructed.

1 Following the ~~five-year~~ ten-year period under this section, the property must be
2 assessed at the same percentage as all other property for tax purposes, except as
3 otherwise provided in § 10-6-137.1 or section 3 of this Act.

4 Any of the following types of real property may be specifically classified for the
5 purpose of taxation pursuant to this section:

- 6 (1) Any new industrial or commercial structure, or any addition, renovation, or
7 reconstruction to an existing structure, ~~located within a designated urban renewal~~
8 ~~area as defined in § 11-8-4~~, if the new structure, addition, renovation, or
9 reconstruction has a full and true value of thirty thousand dollars or more;
- 10 (2) Any new industrial structure, including a power generation facility, or an addition
11 to an existing structure, if the new structure or addition has a full and true value
12 of thirty thousand dollars or more;
- 13 (3) Any new nonresidential agricultural structure, or any addition to an existing
14 structure, if the new structure or addition has a full and true value of ten thousand
15 dollars or more;
- 16 (4) Any new commercial structure, or any addition to an existing structure, except a
17 commercial residential structure as described in subdivision (5), if the new
18 structure or addition has a full and true value of thirty thousand dollars or more;
- 19 (5) Any new commercial residential structure, or addition to an existing structure,
20 containing four or more units, if the new structure or addition has a full and true
21 value of thirty thousand dollars or more;
- 22 (6) Any new affordable housing structure containing four or more units, with a monthly
23 rental rate of the units at or below the annually calculated rent for the state's sixty
24 percent area median income being used by the South Dakota Housing Development
25 Authority for a minimum of ten years following the date of first occupancy, if the
26 structure has a full and true value of thirty thousand dollars or more;
- 27 (7) Any new residential structure, or addition to or renovation of an existing structure,
28 located within a redevelopment neighborhood established pursuant to § 10-6-141,
29 if the new structure, addition, or renovation has a full and true value of five
30 thousand dollars or more. The structure must be located in an area defined and
31 designated as a redevelopment neighborhood based on conditions provided in
32 § 11-7-2 or 11-7-3; or
- 33 (8) Any commercial, industrial, or nonresidential agricultural property that increases
34 more than ten thousand dollars in full and true value, as a result of demolition,
35 reconstruction, or renovation of the structure.

1 **Section 2. That § 10-6-137.1 be AMENDED:**

2 **10-6-137.1.** For any real property specifically classified under subdivisions 10-6-
3 137(5), (6), and (7), or for any real property approved by the board of county
4 commissioners pursuant to section 3 of this Act, the formula adopted by the board of
5 county commissioners must include:

- 6 (1) No more than twenty-five percent of the increased assessed value in the first or
7 second year following the completion of construction;
8 (2) No more than fifty percent of the increased assessed value in the third or fourth
9 year following the completion of construction;
10 (3) No more than seventy-five percent of the increased assessed value in the fifth or
11 sixth year following the completion of construction; and
12 (4) One hundred percent of the increased assessed value in the seventh year following
13 the completion of construction and each year thereafter.

14 During construction, the assessed value of the property may not exceed the
15 assessed value of the property in the year preceding the beginning of construction.

16 The percentages stated in this section are limited to that portion of the assessed
17 value that exceeds the property's assessed value in the year preceding the start of
18 construction.

19 Any real property receiving the benefit of a discretionary formula prior to July 1,
20 2022, must continue to be assessed and taxed in the manner provided for in any county
21 or municipal resolution adopted pursuant to this chapter and in effect prior to July 1, 2022,
22 and must continue to be subject to the provisions of §§ 10-12-44, 11-9-20, and 13-13-
23 20.4.

24 **Section 3. That a NEW SECTION be added to chapter 10-6:**

25 The board of county commissioners may, by a two-thirds vote of the board of
26 county commissioners, adopt the formula provided by § 10-6-137.1, for any individual
27 structure that meets the criteria of any class provided under subdivisions 10-6-137(1) to
28 (6), inclusive, if:

- 29 (1) The structure is in a blighted area, as defined by § 11-8-3;
30 (2) The structure is determined by the board of county commissioners to be abandoned
31 or vacant for at least three years; or
32 (3) The ownership of the structure has changed during the period the structure has
33 been assessed for taxation purposes under § 10-6-137.1.

1 **Section 4. That § 10-6-138 be AMENDED:**

2 **10-6-138.** If the board of county commissioners has not adopted a formula
3 pursuant to § 10-6-137~~, or~~ 10-6-137.1, or section 3 of this Act, the governing board of a
4 municipality in which the structures or property are located, or within three miles of the
5 corporate limits of the municipality, may adopt a formula for assessed value pursuant to
6 § 10-6-137~~, or~~ 10-6-137.1, or section 3 of this Act.

7 In the case of residential structures described in ~~§ subdivisions~~ 10-6-137(5), (6),
8 and (7), the governing board of a municipality may adopt a formula that differs from any
9 formula adopted by the board of county commissioners, provided the formula complies
10 with § 10-6-137.1.