

HB 1082 Bertsch
1-24-24 #6
handout

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Introduction

My name is Dale Bertsch. I am here today representing myself to ask your favorable consideration of 2024 HB1082. Except for two years in the United States Army, South Dakota has always been my home.

Is there a tax shift?

- Considering owner-occupied property:
 - The partial exemption (first \$100,000 of assessed value) was enacted in 2007, affected valuations in 2008 and tax in 2009.
 - The partial exemption later increased by \$50,000 to \$150,000 of assessed value in 2019 affected valuations in 2020 and taxes in 2021.

Owner-Occupied (incl mobile homes)	State Total Valuation	annual increase	% increase
2005 Valuation, taxes payable 2006	\$17,014,286,314		
2006 Valuation, taxes payable 2007*	\$18,683,755,098	\$1,669,468,784	9.81%
2007 Valuation, taxes payable 2008	\$20,353,223,881	\$1,669,468,784	8.94%
2008 Valuation, taxes payable 2009	\$21,687,103,039	\$1,333,879,158	6.55%
2009 Valuation, taxes payable 2010	\$22,768,420,477	\$1,081,317,438	4.99%
2018 Valuation, taxes payable 2019	\$34,523,317,431		
2019 Valuation, taxes payable 2020	\$36,751,321,899	\$2,228,004,468	6.45%
2020 Valuation, taxes payable 2021	\$39,004,559,218	\$2,253,237,319	6.13%
2021 Valuation, taxes payable 2022	\$41,185,554,545	\$2,180,995,327	5.59%

- So what happened to assessed values with all that valuation off the books? Valuations still increased.
 - 2008 total valuation increased by \$1.3 billion (6.55%).
 - 2020 total valuation increased by \$2.3 billion (6.13%).
 - The evidence does not support the notion that 2007 and 2017 legislation had any effect on owner-occupied valuations.

- What might be the impact of 2024 HB1082?
 - About 2,000 disabled veterans are currently in receipt of the partial property tax exemption.
 - If each of those disabled veterans received an additional \$100,000 partial exemption, a maximum \$200 million of assessed owner-occupied valuation would come off the books.
 - Most recent available information, 2021 valuations taxes payable 2022 shows statewide total real property is \$106,296,692,579, that is \$106.3 billion. Billion with a B.
 - The \$200,000,000 that might come off the books amounts to 0.19% of the \$106.3 billion. In no way would a significant tax shift or increase take place.
- Let's look at it another way. Forget about all the numbers for a moment.
 - 2007 SB96 had an impact on taxes payable in 2009
 - 2019 HB1080 had an impact on taxes payable in 2021.
 - Does anyone remember the great tax shifts and tax increases in 2009 and 2021?
 - Of course not. It did not happen.
- You just heard Representative Pinnow's testimony indicating a negligible, if any, shift in taxes.
- Using different data and a different method, I arrived at the same conclusion.
- Testimony from the Department of Revenue in 2007 (cited later) likewise indicated a negligible, if any, shift in taxes.
- An LRC estimate in 2019, (cited later) the impact of any tax shift would be an increase of \$5.00 in property taxes per year to the average home owner.
- Four different people independently reached the same conclusion.

- The benefit of the partial exemption has eroded as property valuations have increased.
 - Disabled veterans pay property taxes like everyone else. Disabled veterans feel the impact of increasing property values like everyone else.
 - When the value of the disabled veterans home exceeds \$150,000, the disabled veteran's property taxes increase dollar for dollar like everyone else's.
 - Indexing the partial exemption takes care of the erosion of the benefit.
- The disabled veteran.
 - Some became disabled resulting from direct enemy action.
 - Some became disabled resulting from the toxic environment of their surroundings. A few that come to mind: agent orange exposure; burn pits, Saddam Hussein's Kuwait oil well fires.
 - The disabilities resulting from the toxic environment may not present themselves for many years after exposure—a ticking time bomb.
 - So long as the United States Military has a presence in the world, there will be disabled veterans returning.
 - Even when not deployed, serving in the United States Military is a dangerous profession.
 - By their very nature, most disabled veterans live on a fixed income. And unlike other forms of property subject to taxation, the veteran's home is not income generating.
 - Also, the property tax exemption ends when the veteran and spouse no longer occupy their home. At which time the exemption goes back on the tax rolls.

Previous Legislation.

- **2007 SB96.** Introduced by Senator Mac McCracken. Provided for property relief to disabled veterans who are found by the Veterans Administration to be totally and permanently disabled due to service-

connected disabilities. The property tax relief was: the first \$100,000 of assessed value the veterans home be exempt from property taxes.

- Senate Tax Committee, 1-31-2007.
 - Proponent testimony.
 - 873 permanent and totally disabled veterans in the state means a maximum amount of \$87,000,000 would be exempt from taxation.
 - Impact of \$87,000,000 exemption, reduction of \$1,300,000 in property taxes would be shifted to other tax payers (this assumes local units would not experience a reduction in property tax revenue)
 - Maximum impact of a shift in property taxes.
 - Ag Property: \$ 0.004 per \$1,000 of taxable value. This amounts to an increase of \$0.40 of taxes on \$100,000 of Ag Property.
 - Owner-Occupied Property: \$0.006 per \$1,000 of taxable value. This amounts to an increase of \$0.60 of taxes on \$100,000 of owner-occupied property.
 - Commercial Property: \$4.00 of \$100,000 Commercial property.
 - Note, these figures were provided to Senator McCracken by Michael Kenyon, South Dakota Department of Revenue.
 - No opponents.
 - Committee Action: Do Pass 9-0
- Senate 2-1-2007, Passed 34-0.
- House Tax Committee, 2-8-2007.
 - Proponent testimony, same as Senate tax Committee.
 - Committee Discussion.
 - Increase the \$100,000 exemption by an annual index? Senator McCracken response—go with this for now, maybe something to consider later.

- Representative Bradford, what about veterans who live in tribal or federal housing?
- No opposition.
- Committee action: Do Pass 7-0.
- Passed Senate 33-0.
- **2019 HB1080.** Introduced by Representative Larry Zickmund. As introduced, increased the \$100,00 exemption to \$250,000.
 - House Military and Veterans Affairs Committee, 2-23-2019.
 - ~~Amendment offered by the sponsor the \$250,000 exemption was opposed by the Governor's Office~~
 - Agreed to amend the \$250,000 down to \$150,000.
 - The Veterans Council, other veterans' groups were agreeable with the reduction of the exemption from \$250,000 to \$150,000.
 - Passed House Military and Veterans Affairs Committee 9-0
 - Passed House 69-0.
 - Senate Tax Committee 2-27-2019.
 - Talked about the increase in median home value.
 - Identified 1,241 currently eligible disabled veterans. During the 2007 legislative session, 873 eligible disabled veterans.
 - Testimony, LRC estimate of the impact of any tax shift would be an increase of \$5.00 in property taxes per year to the average home owner.
 - Passed Senate Tax Committee 7-0.
 - Passed Senate 33-0.

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