

Department of Revenue

Property Tax Assessment Methodology

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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	4.20%	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

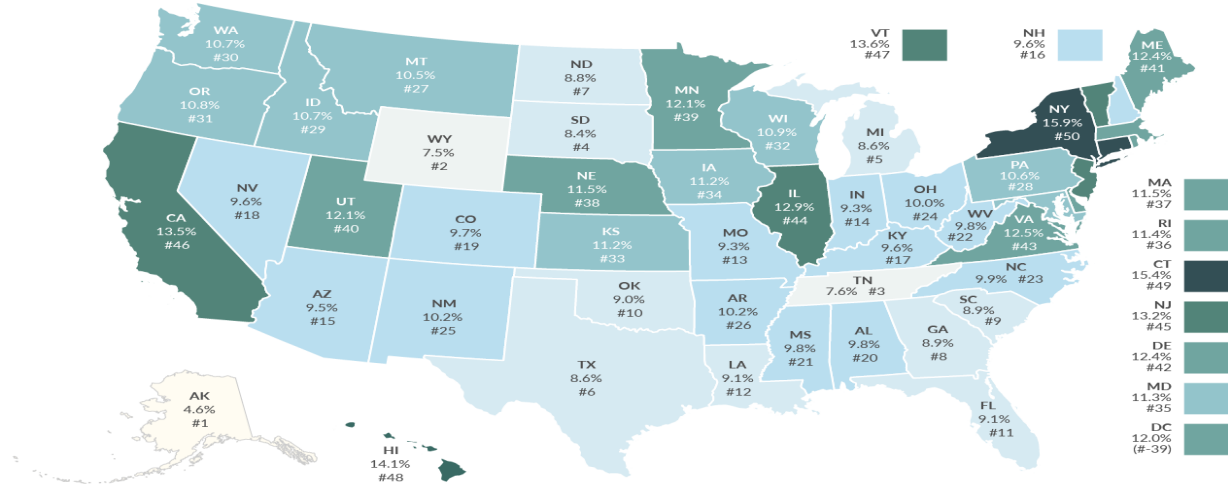
Taxes – How Does SD Compare?

State	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

Taxes – How Does SD Compare?

State-Local Tax Burdens by State, Calendar Year 2022



Note: D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included.
 Source: Tax Foundation calculations.

State-Local Tax Burden by State, Calendar Year 2022



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

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

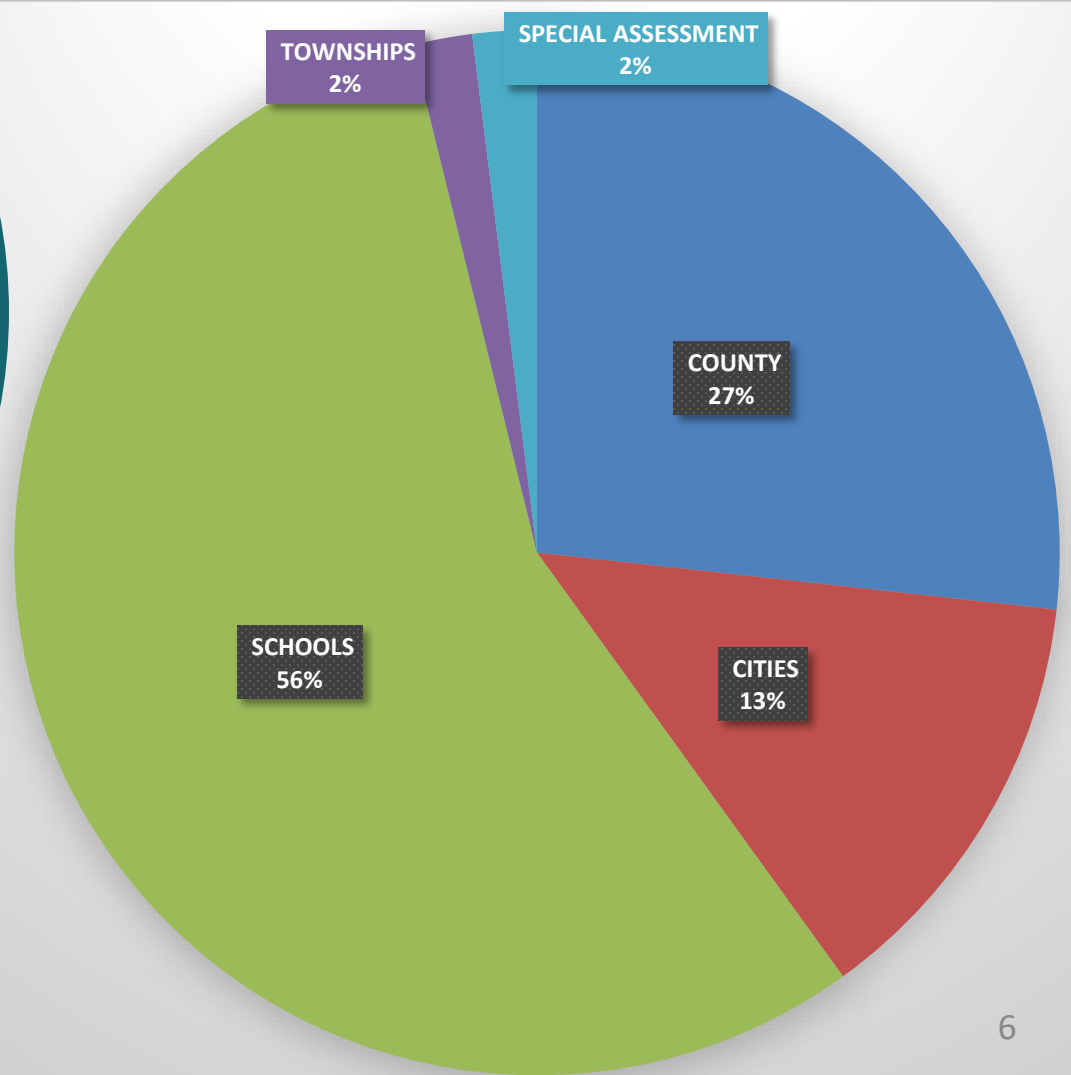
**The State of South Dakota DOES NOT collect or spend
ANY property tax dollars**

Over \$1.6 billion in taxes in 2023

To fund local governments and provide K-12 education

Breakdown of the County's 27%

- County Consolidated – 23.4%
- TIF – 2.2%
- Rural Fire – 0.6%
- Water & Sanitary - 0.4%
- Ambulance – 0.2%



Who Paid Property Tax?

Year Taxes Payable	Agricultural	% Of Total	Owner-Occupied	% Of Total	Commercial	% Of Total	Utilities	% Of Total	Special Assessments	% Of Total	TOTAL
2014	286,177,332	25.45	444,727,084	39.55	346,978,590	30.86	27,320,189	2.43	19,323,088	1.72	1,124,526,283
2015	313,174,676	26.32	462,029,557	38.83	363,467,432	30.54	28,251,171	2.37	23,070,108	1.94	1,189,992,944
2016	345,426,962	27.60	481,760,248	38.49	371,483,979	29.68	28,562,138	2.28	24,383,785	1.95	1,251,617,112
2017	354,621,162	28.12	482,519,548	38.26	376,062,906	29.82	28,312,412	2.25	19,486,950	1.55	1,261,002,979
2018	361,302,073	27.83	502,290,098	38.70	376,483,975	29.00	33,553,019	2.58	24,416,213	1.88	1,298,045,378
2019	371,142,707	26.96	538,037,388	39.09	404,346,700	29.38	36,362,901	2.64	26,599,147	1.93	1,376,488,843
2020	375,178,898	26.08	570,688,126	39.67	427,624,967	29.72	37,578,156	2.61	27,650,521	1.92	1,438,720,668
2021	371,416,537	24.89	601,883,810	40.33	449,923,645	30.15	39,129,139	2.62	29,866,713	2.00	1,492,219,844
2022	361,494,705	23.59	635,106,660	41.44	464,788,134	30.33	39,685,883	2.59	31,388,188	2.05	1,532,463,570
2023	365,459,648	22.08	707,987,255	42.78	509,546,122	30.79	39,116,396	2.36	32,782,536	1.98	1,654,891,957

How Do You Reduce Property Taxes?

1. Reduce the **NEED**

- Budget cuts for schools, counties, fire districts, etc.

2. Shift the **burden to another class of property**

- Expanding exemptions, limiting valuation increases for only certain property classes, etc.

3. Find **alternative funding sources**

- New tax types, increase sales tax, reallocate general funds, etc.

Assessment

Property Tax System in South Dakota

All property is to be assessed at “its true and full value”

- Non-Ag Property (residential, rentals, commercial)
 - 100% Market value
- Agricultural land → Productivity Formula
- All property is to be taxed at 85% of market value

SDCL ch. 10-6 contains the laws that govern assessment and taxation of real property

What Is Market Value?

Fair Market Value System

Productivity Formula

Owner-Occupied

Other

Agricultural Land

What is an Assessment?

Assessment notice is sent in March.

- Current year's valuation of the property (as determined on Nov. 1 of prior year)
- Reflects full and true market value
 - Does not reflect any exemptions, such as discretionary formula or relief programs

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

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

What is an Equalization Factor?

- Converts assessed value to taxable value
- Determined annually for each county by the Department of Revenue
- Factor adjusts assessed value to 85% of market value



Certified Appraiser Assessor Program

**Statutorily
required for all
county appraisal
staff**

Temporary Certification

- Must be completed in 1 year
 - Attend and pass a class at the Annual Assessors School
 - Complete the 5 home study training courses
 - Pass the certification exam

Permanent certification

- Required every 5 years
 - Attend and pass a class at 3 Annual Assessors School
 - Complete 12 hours of continuing education
 - Complete and pass a USPAP course

Factors That Cause Variability Amongst Counties

- **County Commission support**
- **Experience levels ranging from new to 30+ years**
 - 25 out of 64 DOE's have 5 or less years experience
- **Six different software vendors**
- **Two cost manuals**
 - Marshall & Swift or Vanguard Appraisal

No Two Counties are the Same!

How Does A Local Unit of Government Determine Funding NEED?

Tax **NEEDS** are set by the local governing body – School Board, County Commission, City Council, Township Board, etc.

Amount of property taxes **NEEDED** to provide required services.

Changes in the real estate market have no impact on the revenue **NEED** by the county, city, school district, etc.

For all entities except School Districts, **NEEDS** are capped at 3% or CPI, whichever is less, **PLUS** the percentage of new construction.

How Levies Respond



Things That Affect Valuation Base

Reduced Tax Base =
Higher Levy for All
Property

Exemptions

- Religious, Benevolent, Charitable, Health, Relief Programs, Local Industrial Development

Discretionary Formula

- \$279,673,018 taxable value pays no taxes

TIF Districts

- 244 active TIFs with almost \$2.8 billion taxable valuation in increment
- Taxes are diverted away from local govts.



Questions?



South Dakota
Department of Revenue



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