

# Study Committee on Property Tax Assessment Methodology 2024 Final Report



## Study Assignment

The Executive Board of the Legislative Research Council established the Study Committee on Property Tax Assessment Methodology and directed it to examine the methodology by which assessments are made for purposes of real estate taxation, research the relative roles of the state Department of Revenue and local government units in assessing real estate, and recommend policies to increase the efficiency or effectiveness of assessment and improve the accuracy and consistency of real estate assessment.

## Summary of Interim

The committee's first meeting was on June 17. The Department of Revenue presented information regarding the property tax structure in this state, property tax assessment, and equalization. The department also described the responsibilities of the director of equalization and the training required of those appointed to the position.

Directors of equalization explained the mass appraisal process that uses software to assess property according to one of two appraisal manuals and described the process of physically examining property for assessment purposes. The committee was briefed on discussions of the Agricultural Land Assessment Task Force in recent years. The committee discussed the possibility of introducing more standardization and consistency in the data and software used by counties for property assessment purposes.

The committee's second meeting was on August 13. The committee received presentations on the taxing constraints to which counties are subject, and the degree to which political subdivision budgets are insulated from fluctuations in the housing market. The committee also received a presentation on the history and implementation of the agricultural productivity formula, and the degree to which the agricultural productivity formula has improved the stability and equitability of the state's property tax structure. Concerns were voiced regarding a recent shift of the property tax burden onto residential property, how that relates to the market value of certain property, and what specific movements in the housing market may be the cause. Directors of equalization addressed the unique challenges that equalization offices face when assessing property, including the volume of data available in assessing property using software, and high staff turnover, which can lower the level of experience and institutional knowledge of equalization personnel.

The committee's third meeting was on September 11. Agricultural organizations and owners of agricultural property testified in favor of the current implementation of the agricultural productivity formula and against fundamentally altering the formula. Other individuals testified to the committee to suggest possible changes to the state's property tax structure, including proposals to limit the annual increase of assessed values of owner-occupied property, to repeal the property tax and replace it with an increased sales tax rate, and to establish another classification of property for leased residential properties.

The committee's fourth and final meeting was on October 9. The committee recommended six proposals in the interest of improving the efficiency and effectiveness of property tax assessments.

## Listing of Recommendations Adopted by the Committee

### 1. Compliance Audit

Through legislation or rule, the Department of Revenue should develop a compliance audit to be conducted at all equalization offices, based on identified metrics collected from counties. The audits may be conducted annually or less frequently, to ensure uniformity and fairness in property tax assessments.

2. Shared Software

A workgroup should be appointed to review the potential for a shared software that may be used by counties for purposes of property appraisal, property taxes, and related matters. The workgroup should be composed of directors of equalization, county treasurers, county auditors, county commissioners, and Department of Revenue staff. The workgroup should explore the costs and benefits of developing this shared software platform. On an annual basis, the workgroup should present an initial report to a legislative committee.

3. Director of Equalization Educational Platform

The Department of Revenue and the South Dakota Association of Assessing Officers should develop, for new directors of equalization, an educational platform containing training videos and other instructional materials covering appraisal manuals, software platforms, and standards for the execution of their duties.

4. Voluntary Cooperation of Counties

For purposes of appraising properties and equalizing assessments, legislation should be introduced to clarify that counties may voluntarily cooperate, collaborate, and share data with one or more other counties.

5. Board of Equalization Educational Platform

The Department of Revenue and the South Dakota Association of Assessing Officers should develop, for members of boards of equalization, an educational platform, containing training videos and other instructional materials pertaining to a uniform execution of duties, in accordance with state law and administrative rule.

6. Process of Evaluating Property Tax Assessment

For purposes of scoring the efficacy and fairness of property tax assessment in this state, a process should be established to request certain data and metrics from the Department of Revenue, for an annual examination by a legislative committee.

**Summary of Meeting Dates and Places**

The committee met on June 17, August 13, September 11, and October 9, 2024, at the State Capitol in Pierre.

**Listing of Committee Members**

Senator Randy Deibert, Co-Chair; Representative Drew Peterson, Co-Chair; Senators Jean Hunhoff, Liz Larson, Al Novstrup, and Larry Zikmund; and Representatives Mary Fitzgerald, Trish Ladner, Ernie Otten, Marty Overweg, and Tim Reisch.

**Listing of Staff Members**

Will Steward, Research Analyst; Jeff Mehlhaff, Chief Fiscal Analyst/Deputy Director; and Bailey Fiero, Administrative Specialist.

