

South Dakota Property Tax Basics

2025 – 100th Legislative Session
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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

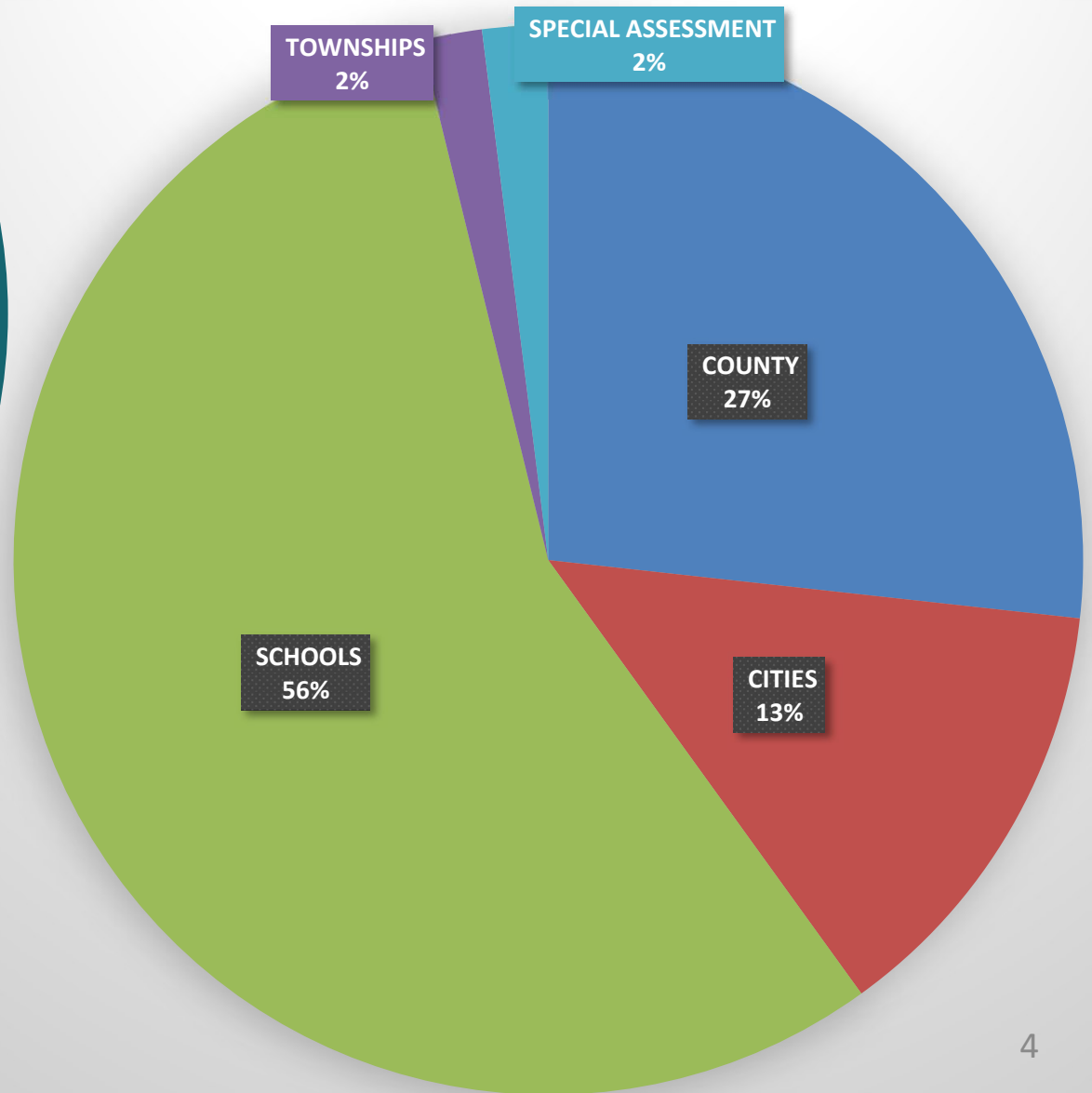
**The State of South Dakota DOES NOT collect or spend
ANY property tax dollars.**

Over \$1.7 billion in taxes in 2024

To fund local governments and provide K-12 education

Breakdown of the County's 27%

- County Consolidated – 23.2%
- TIF – 2.5%
- Rural Fire – 0.5%
- Water & Sanitary - 0.3%
- Ambulance – 0.2%



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 source

- Income tax, increased sales tax, more State General funds, etc.

There are only 3 options

Budgets Drive Property Taxes

$$\text{Need} = \text{Valuation} \times \text{Levy}$$

NEED: The funding schools, cities, counties, fire districts, townships, ambulance districts and other local units of government need to operate.

VALUATION: The assessed value of property [Owner Occupied, Agricultural, Non-Ag Other (Commercial)].

LEVY: The tax rate calculation applied to the **VALUATION** to meet the **NEED**.

How is the **NEED** determined?

$$\text{Need} = \text{Valuation} \times \text{Levy}$$

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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.

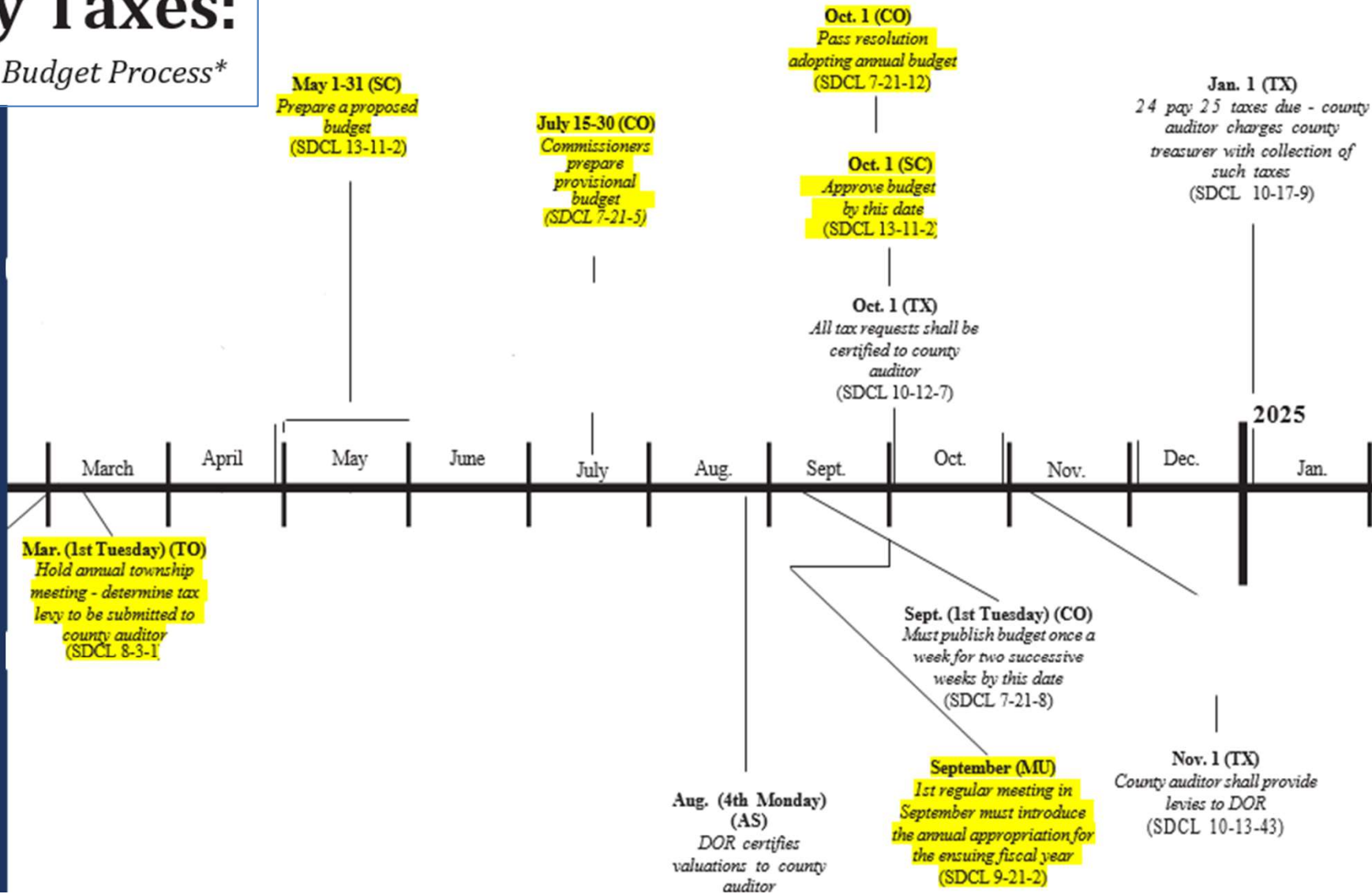
Changes in the real estate market have no impact on the revenue NEED by the county, city, school district, etc.

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

Property Taxes:

*A Timeline for the Budget Process**

- Townships – March
- Schools – May
- Counties – July
- Cities – September



How is the VALUATION determined?

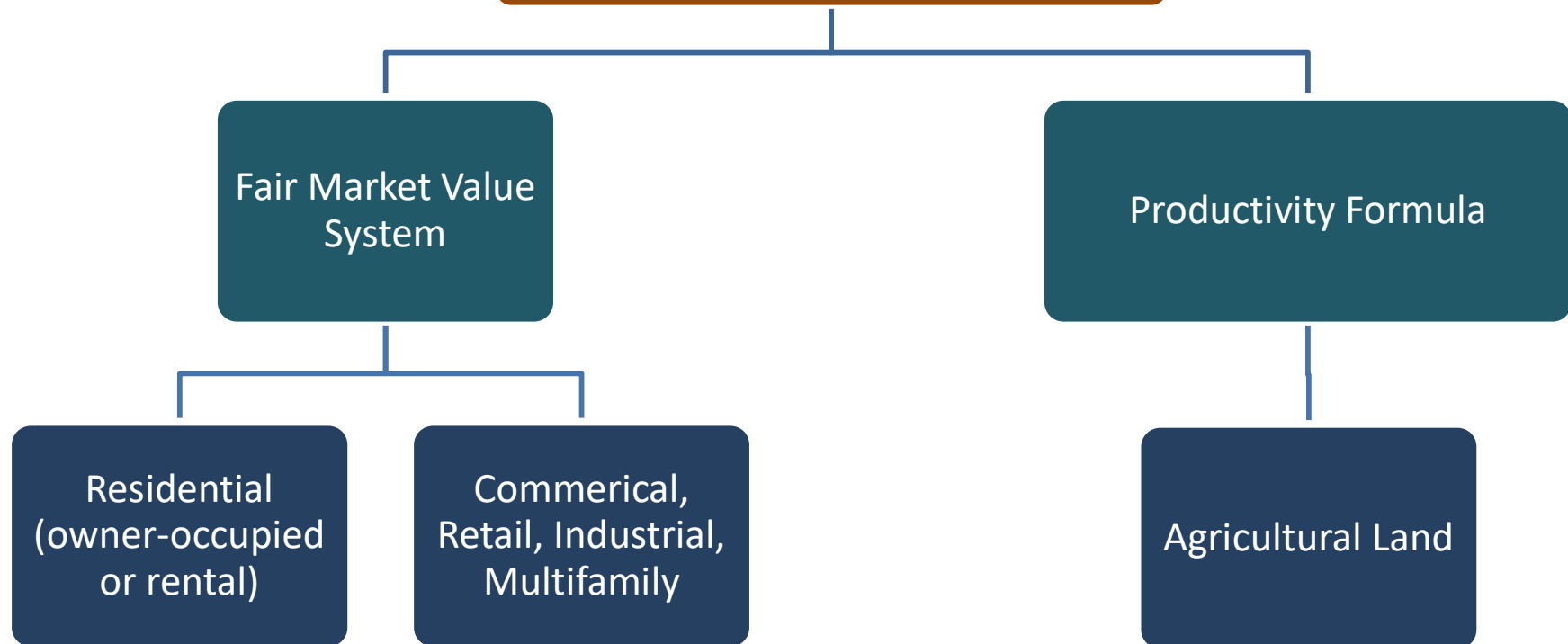
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How is Valuation Determined?



How is Valuation determined?

- All property is to be assessed at “its true and full value.”
 - Non-Ag Other → 100% market value
 - Owner Occupied → 100% of market value
 - Agricultural → Productivity Formula

“Assessment” is the current year’s value of property.

How is the LEVY determined?

$$\text{Need} = \text{Valuation} \times \text{Levy}$$

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VALUATION: The assessed value of property [Owner Occupied, Agricultural, Non-Ag Other (Commercial).]

LEVY: The tax rate calculation applied to the **VALUATION** to meet the **NEED**.

Levy = Need ÷ Valuation

LEVIES are not set by local governments

- NEED is set by local governing boards.
- VALUATION is calculated by the county assessor.
- LEVIES are simply the mathematical result of those two.

• Counties	• Ambulance Districts
• Cities	• Rural Fire Protection Districts
• Townships	• Water Development Districts
• Schools	• Water Project/Watershed Districts
• Road Districts	• Sanitary/Sewer Districts

School General Levies

School General Fund is the **ONLY** instance where there are different levies based on property classification

- Agricultural
- Owner Occupied
- Other

All other levies are the same for all properties



School General Fund Basics

Total Need –
Local Effort
= State Aid

- **Total Need** – amount as determined by the Education Formula
- **Local Effort** – amount of taxes from the taxable property values at maximum levies
- **State Aid** – The portion of money the state kicks in



South Dakota property taxes: Budget then tax, not tax then spend.

Property Tax Need

Local governments and school districts re-budget every year to determine the amount of property taxes needed to fund services, like public schools, roads, utilities, parks, and law enforcement.



Taxing agencies conduct public hearings, publish their budgets, and certify their budget request to the County Auditor.

Property Tax Valuations

County Assessor revalues and reassesses all real property annually, as well as applies property tax incentives and exemptions.

- Local & County Boards of Equalization
- Hear appeals on property assessments.
 - Finalize the assessed values for property taxation.



South Dakota Department of Revenue calculates the equalization factor for each county, which transforms assessed value into taxable value.

Local Tax Rates

The County Auditor calculates a tax rate for each taxing district by dividing property tax need by taxable valuation.

Your Property Tax Bill

The County Treasurer issues and collects the tax bills. The tax dollars are then distributed to the local governments to fund services.



Property Tax Transparency Portal

- Provides an overview of the property tax system in South Dakota
- Property Tax Explainer Tool
- Quick access to property tax reports, data, resources, and laws

<https://sdproptax.info>

Questions?



South Dakota
Department of Revenue



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