

# **SOUTH DAKOTA LEGISLATIVE RESEARCH COUNCIL**

## **2025 South Dakota Legislature**

FISCAL NOTE 2025-FN190A

SB190, An Act to provide school choice through an education tax credit.

SB190, as amended, would allow property owners to receive a property tax credits for eligible educational expenses they incur on behalf of students enrolled in private school or who are receiving alternative instruction. Property owners could receive credits for any eligible child's expenses.

The credits would apply only to school district property taxes. School district revenue lost because of the credits would not be replaced by additional state aid, and thus there would be no cost to the state general fund from the credits.

In any year, the tax credit a property owner receives could not exceed 80% of the school district property taxes the owner owes on a given property. Furthermore, total tax credits for an individual student could not exceed 80% of the general state aid per student equivalent (PSE) amount.

Under the Governor's recommended state aid budget, the FY2026 PSE will likely be \$7,497.76. 80% of this amount is \$5,998.21.

According to the fall 2024 enrollment census, 9,520 K-12 students are enrolled in private schools in South Dakota, while 11,489 are receiving alternative instruction, for a total of 21,009 students whose educational expenses would be eligible for property tax credits under SB190.

For property taxes payable in 2026, lost school district revenue statewide would range from an estimated \$33,969,032 to a maximum of \$126,016,394. The impact would vary by district depending on the number of private school and alternative instruction students in the district who participated in the program.

The maximum of \$126,016,394 is the product of multiplying the number of currently eligible students by 80% of the projected FY2026 PSE. This estimate corresponds to a scenario in which utilization of the program is highly coordinated across school districts by commercial and/or agricultural property owners seeking to sponsor students, in addition to utilization by owner-occupied property owners. It further assumes each eligible student would have annual eligible educational expenses of at least 80% of the projected PSE.

The lower-end estimate is calculated by multiplying the estimated average credit (\$1,616.88, elaborated below) for an average owner-occupied property by the number of currently eligible students (21,009). This estimate corresponds to a scenario in which the program is utilized predominantly by owner-occupied property owners on behalf of their own children and/or the children of immediate family members or neighbors. Further, it assumes only one property tax credit would be claimed per eligible student.

For property taxes payable in 2026, the maximum owner-occupied general fund and special education fund levies will be \$2.518 and \$1.464, respectively, under the Governor's recommended state aid budget. The other major school district property tax is for capital outlay, which varies by district more than the other two major levies but averaged \$2.020 for property taxes payable in 2024. Combining these levies and adding \$0.427 for owner-occupied general fund opt-outs (the average of all districts for Pay 2024) results in a total millage of \$6.429.

The median listing price of a home in South Dakota was \$369,850 in January 2025, according to the [St. Louis Federal Reserve](#). Since owner-occupied property is taxed at 85% of its assessed (fair market) value, the taxable value of such a home would be \$314,372.50. With total school district levies of \$6.429, this home would pay school district property taxes of \$2,021.10; 80% (the maximum percentage for a tax credit under SB190) of this amount is \$1,616.88.

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