



## Governor Rhoden's Homeowner Tax Relief Proposal

### **OBJECTIVE**

We are not done with our efforts to bring property tax relief to South Dakotans. We need to deliver meaningful property tax relief – an actual property tax CUT for South Dakota homeowners.

### **Main Points of the Homeowner Tax Relief Proposal:**

1. Each county commission would have the option to directly reduce owner-occupied (homeowner) property taxes by replacing the revenue with a county sales tax of up to 0.5%.
2. The funds raised from the optional sales tax would be placed into a Property Tax Reduction Fund at the county level.
3. The use of the optional sales tax would be 100% dedicated towards directly lowering the county property taxes for all homeowners within the county.
4. The property tax reduction would be achieved through a Homeowner Tax Credit, which would be paid out from the Property Tax Reduction Fund.
5. If owner-occupied property taxes in the county are fully offset by the Homeowner Tax Credit, any remaining funds in the Property Tax Reduction Fund must be used to lower property taxes among the other two classes of property: agriculture and other/commercial.

### **MORE BACKGROUND**

#### **Counties:**

- This homeowner tax relief option would be referable to a public vote.
- Voters would also have the right to bring an initiated ordinance to impose a county sales tax if the county commission fails to do so.
- For counties that implement the homeowner tax relief, a portion of a homeowner's county tax burden will be shifted to out-of-state visitors who pay a sizable share of sales taxes in many counties.

#### **Dispelling Myths:**

- This proposal does not grow local government, as all county sales tax receipts must be reinvested into property tax reduction.
- Since the replacement revenues are coming from sales taxes, this proposal ***does not*** shift the property tax burden onto other classes of property. In fact, other classes may also benefit if the proceeds of the sales tax exceed county owner-occupied property taxes in a particular county.

#### **Administration/Application:**

- Advance notice would be required to the Department of Revenue. All sales tax collections would be administered through the existing state process, similar to municipal sales tax administration.
- The county sales tax would apply to all goods and services that are taxable under the municipal & state sales tax. As with municipal sales tax, the county tax would ***not*** apply to excise tax on farm machinery in chapter 10-46E.