

Prepared by the LRC staff for
 Local Government Workgroup of the Property Tax Task Force
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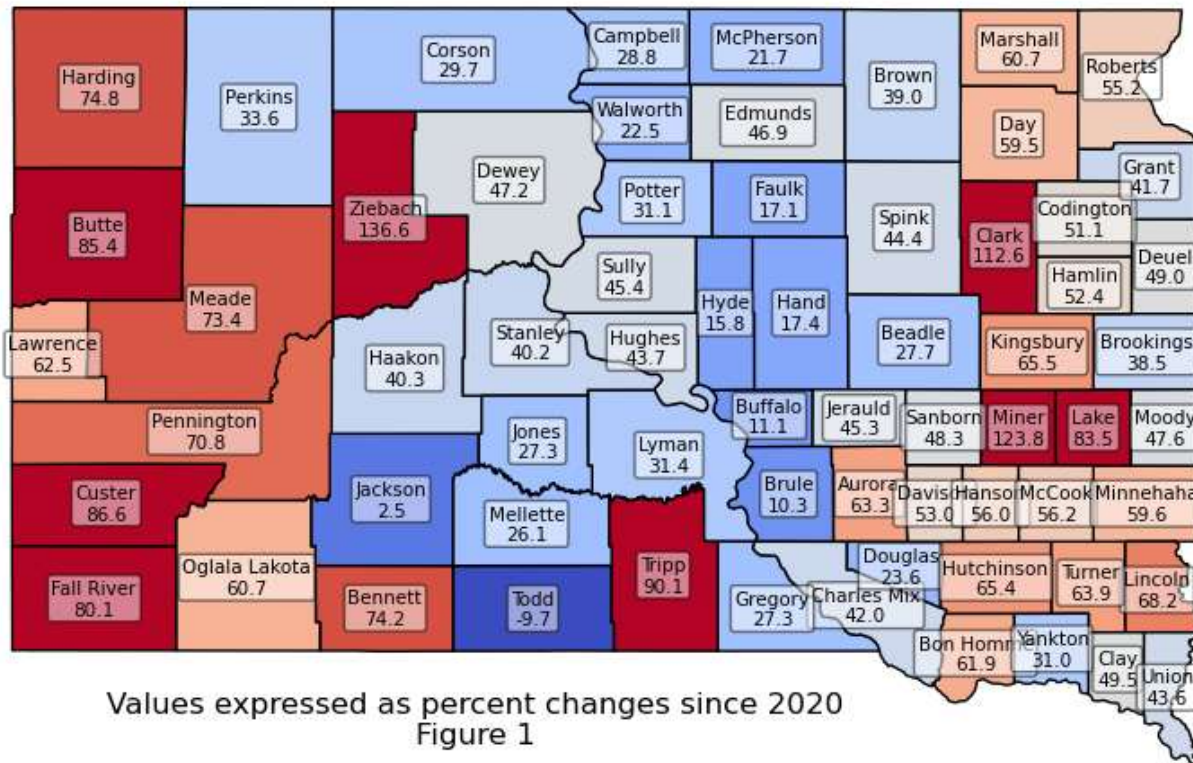
Choropleth Maps—Property Taxes in SD

This memorandum provides information regarding property tax movements across the state over the previous five tax years, from 2020 to 2024. The primary focus of this memorandum is taxable values and taxes paid within the owner-occupied classification.

Taxable Value — Owner-Occupied

Figure 1 (below) is a map of how the taxable value of the owner-occupied classification has changed over the previous five years, expressed in percentage increases since the 2020 tax year.

Percentage Increase in Owner-Occupied Taxable Value
 2020 to 2024

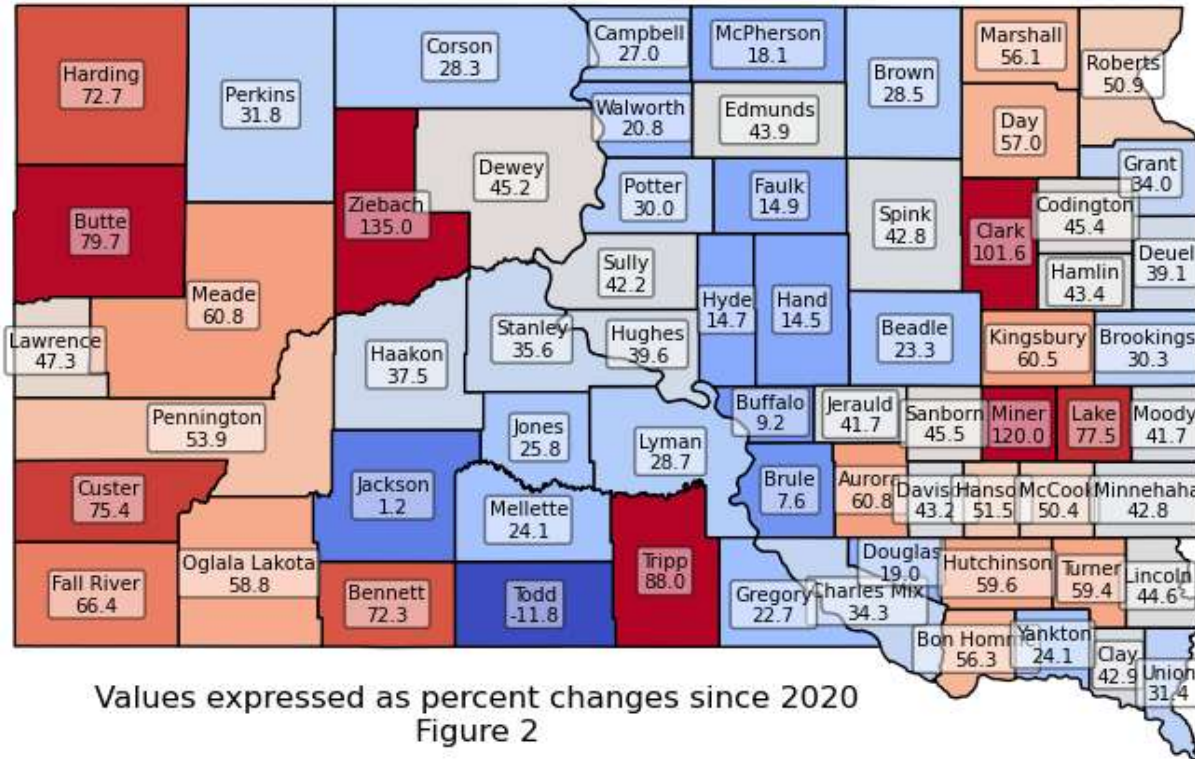


The increase in taxable value of a property classification can come from two primary sources: appreciation of the property value due to movements in the real estate market, and the construction/development of new property and structures within that classification.

Therefore, in looking at Figure 1 (above), it is not clear in which cases there are rapid increases in the value of existing owner-occupied structures, or if there is new development of structures accounting for the rapid increases in the taxable value of the owner-occupied classification.

To help delineate between these two factors, Figure 2 (below) depicts the growth in the taxable value of the owner-occupied classification, net of the growth factor of each county. This, in a sense, provides a general idea of how the taxable value of pre-existing structures has increased since 2020.

Percentage Increase in Owner-Occupied Taxable Value
Net of Accumulated Growth
2020 to 2024



Values expressed as percent changes since 2020
Figure 2

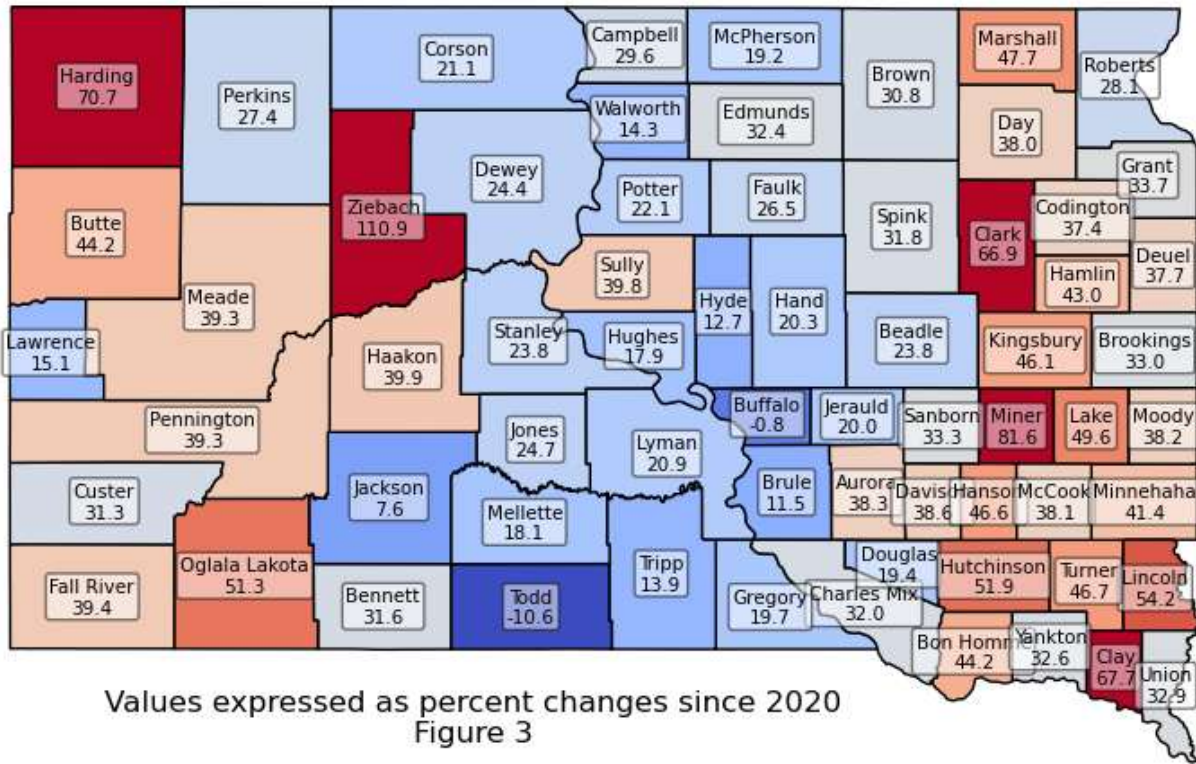
Taxes Paid — Owner-Occupied

When observing an increase in the assessed value of any particular property, an increase in the assessed value, however large or small, does not in itself result in an increase in the taxes paid by that property's owner. However, because property taxes are imposed using a uniform mill rate across all classifications (school district general fund levies excepted), the tax burden will follow the assessed value. Given a uniform mill rate across classifications, if the value of property within one classification increases faster than that of another classifications, then the tax burden will fall more heavily on the rapidly-appreciating property classification.

Increases in the taxes paid by the owner-occupied classification can be seen in Figure 3 (below).



Percentage Increase in Owner-Occupied Taxes
2020 to 2024



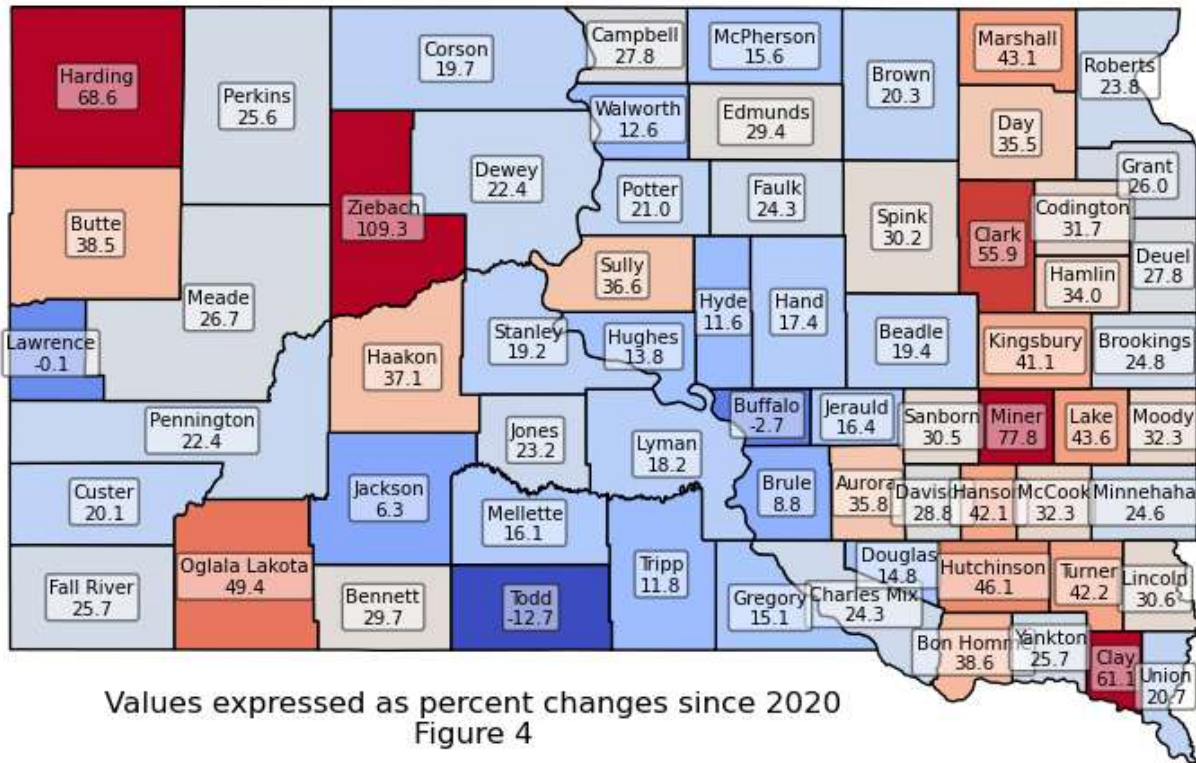
While the same counties that observe faster growth in the taxable value of owner-occupied property also observe faster growth in owner-occupied property taxes, the growth in taxes is milder than the growth in taxable value.

Figure 3 should not be construed to mean that each owner-occupied property owner saw an increase in their tax liability over the last 5 years by the amount shown in Figure 3. As discussed in the previous section, there is construction and development of new structures, which expand the property tax base, and spread the tax burden amongst more property owners than what existed previously.



Therefore, to provide additional clarity, Figure 4 (below) depicts growth in property taxes paid by the owner-occupied classification, net of the growth factor in each county. The intuition is this: if a county observes a 15% increase in the taxes paid by the owner-occupied classification, but there was an equivalent 15% increase in the taxable value of owner-occupied structures due solely to new construction, then on average owners of pre-existing property would see no increase in their own tax liability, since the tax burden was being absorbed entirely by new property owners. Conversely, the increase in taxes within a classification outpaces the growth factor within a classification, then the increase in taxes would fall more heavily on owners of pre-existing property.

Owner-occupied Tax Increases Net of Accumulated Growth
2020 to 2024

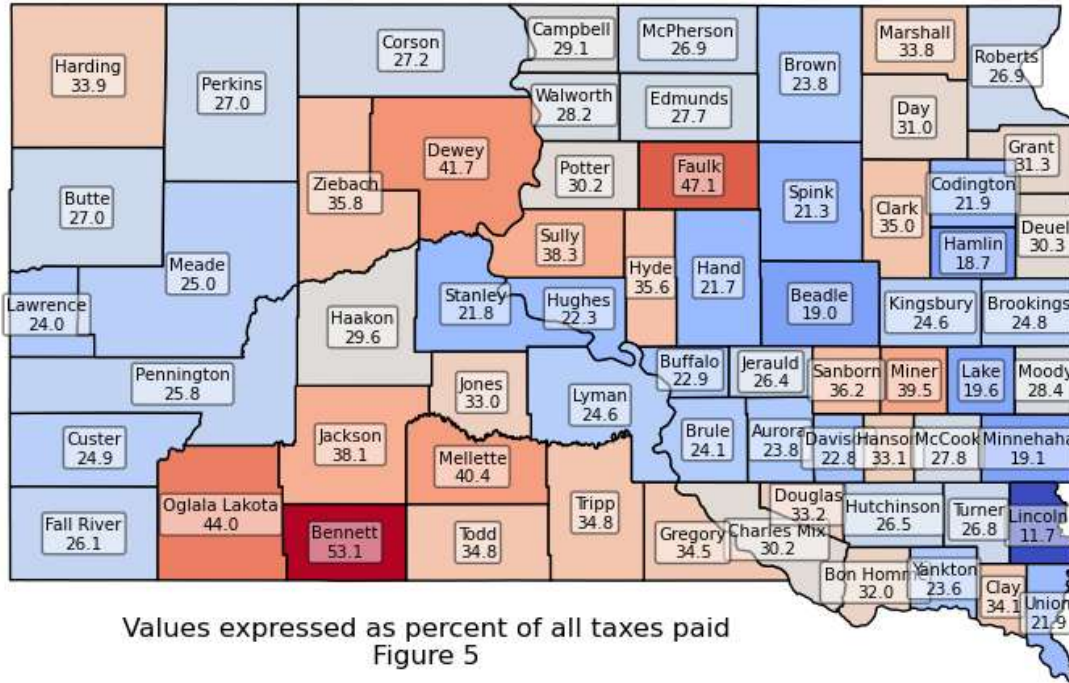


Taxes Paid — Distributed to School Districts and Counties

Figure 5 and Figure 6 are maps of the proportion of all taxes paid, distributed to counties and school districts, respectively.

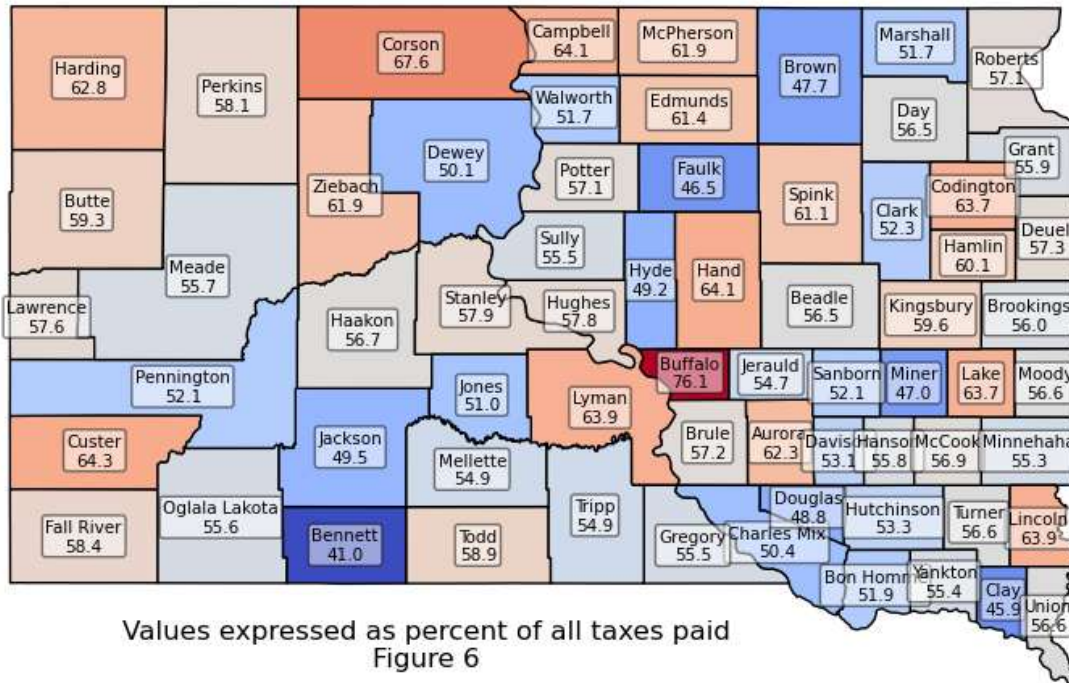


Proportion of All Taxes Imposed Distributed for County Purposes — 2024



Values expressed as percent of all taxes paid
Figure 5

Proportion of All Taxes Imposed Distributed to School Districts — 2024



Values expressed as percent of all taxes paid
Figure 6

