

2026 South Dakota Legislature

House Bill 1245

**AMENDMENT 1245A
FOR THE INTRODUCED BILL**

1 **An Act to authorize municipalities to establish a local funding mechanism for capital
2 improvement projects.**

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

4 **Section 1. That a NEW SECTION be added to chapter 9-12:**

5 A municipality shall appoint a capital improvement board for purposes of approving
6 or rejecting ordinances pursuant to section 4 of this Act.

7 A capital improvement board consists of the following five members, appointed by
8 the mayor of the municipality and approved by the governing body:

9 (1) One member of the governing body of the municipality; and
10 (2) Four residents of the municipality, excluding any member of the governing body of
11 the municipality.

12 **Section 2. That a NEW SECTION be added to chapter 9-12:**

13 The term of each member appointed pursuant to section 1 of this Act is three years.
14 In the case of a vacancy, a new member may be appointed for the remainder of the term,
15 in accordance with section 1 of this Act.

16 Each term begins on the January first or July first following the appointment,
17 whichever occurs first.

18 **Section 3. That a NEW SECTION be added to chapter 10-52:**

19 In addition to any other tax imposed by a municipality under this chapter, a
20 municipality may impose a gross receipts tax, subject to the provisions of sections 4, 5,
21 8, and 9 of this Act.

22 The rate of tax authorized by this section may not exceed one percent on the gross
23 receipts of all sales of tangible personal property and services **and products transferred**
24 **electronically** that are taxable pursuant to chapter 10-45 in the municipality. The tax must

1 conform in all respects to the state tax under ~~chapter~~ chapters 10-45 and 10-46, with the
2 exception of the tax rate.

3 **Section 4. That a NEW SECTION be added to chapter 10-52:**

4 To impose a tax pursuant to section 3 of this Act, the governing body of a
5 municipality shall specify in the ordinance the purpose of, and the minimum amount to be
6 generated from, the tax. The governing body shall submit the ordinance to the capital
7 improvement board of the municipality, established pursuant to section 1 of this Act.

8 If the capital improvement board, by a majority vote, approves the ordinance, the
9 governing body must submit the question of the imposition of the tax to the voters of the
10 municipality at the next regular or special election of the municipality.

11 **Section 5. That a NEW SECTION be added to chapter 10-52:**

12 To the extent applicable, the administration and notification of an election for the
13 imposition of a tax pursuant to section 3 of this Act must adhere to the provisions of §§ 6-
14 8B-4 and 6-8B-5 governing a bond election.

15 The tax may only be imposed if it is supported by at least sixty percent of the
16 voters of the municipality voting on the question.

17 **Section 6. That a NEW SECTION be added to chapter 10-52:**

18 All moneys collected from the tax imposed pursuant to section 3 of this Act and
19 distributed to a municipality must be deposited into a special capital outlay fund of the
20 municipality to be used only for purposes set forth in section 7 of this Act.

21 **Section 7. That a NEW SECTION be added to chapter 10-52:**

22 The governing body of a municipality may expend moneys in the special capital
23 outlay fund only for the following purposes:

- 24 (1) Acquisition or lease, by the municipality, of real property, a plant asset, or
25 equipment; or
- 26 (2) Construction, repair, or renovation of real property owned solely by the
27 municipality or jointly by the municipality with one or more political subdivisions of
28 this state.

29 After the completion of a project using moneys in the special capital outlay fund,
30 the municipality may transfer ownership of the real property, plant, or equipment to a

1 county in which the municipality is at least partially situated or to a school district in which
2 the municipality is at least partially situated.

3 **Section 8. That a NEW SECTION be added to chapter 10-52:**

4 Subject to the notification requirements provided in § 10-52-9, an ordinance
5 enacted pursuant to sections 3 to 5, inclusive, of this Act, and any tax rate affected
6 thereby, remain effective until the last day of a calendar quarter, occurring on the earlier
7 of:

8 (1) Sixty months after the enactment of the ordinance; or
9 (2) June thirtieth or December thirty-first of the year in which the municipality collects
10 the minimum amount of money specified in the ordinance, pursuant to section 4
11 of this Act.

12 **Section 9. That a NEW SECTION be added to chapter 10-52:**

13 A municipality may not impose a tax pursuant to section 3 of this Act if the
14 municipality has, in the most recent twenty-four months, collected moneys from a tax
15 imposed pursuant to section 3 of this Act.