



2026 South Dakota Legislature

House Bill 1245

HOUSE LOCAL GOVERNMENT ENGROSSED

Introduced by: Representative Jamison

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 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.