



2026 South Dakota Legislature

House Bill 1245

HOUSE 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 and must
 23 conform in all respects to the state tax under chapters 10-45 and 10-46, with the
 24 exception of the tax rate.

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

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

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

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

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

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

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

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

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

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

22 (1) Acquisition or lease, by the municipality, of real property, a plant asset, or
23 equipment; or

24 (2) Construction, repair, or renovation of real property owned solely by the
25 municipality or jointly by the municipality with one or more political subdivisions of
26 this state.

27 After the completion of a project using moneys in the special capital outlay fund,
28 the municipality may transfer ownership of the real property, plant, or equipment to a
29 county in which the municipality is at least partially situated or to a school district in which
30 the municipality is at least partially situated.

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

2 Subject to the notification requirements provided in § 10-52-9, an ordinance
3 enacted pursuant to sections 3 to 5, inclusive, of this Act, and any tax rate affected
4 thereby, remain effective until the last day of a calendar quarter that is at least ninety
5 days after notification by the municipality to the secretary of revenue, and occurring on
6 the earlier of:

7 (1) Sixty months after the enactment of the ordinance; or

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

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

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