

# SOUTH DAKOTA LEGISLATIVE RESEARCH COUNCIL

## 2026 South Dakota Legislature

### FISCAL NOTE 2026-FN1168A

HB1168, An Act to provide a property tax credit for the payment of nonpublic school tuition.

HB1168 (House Education Engrossed) would allow property owners to receive tax credits for paying the nonpublic school tuition of South Dakota kindergarten through 12<sup>th</sup> grade (K-12) students. The maximum credit a property owner could receive in any year would be the lesser of 80% of that year's school district property taxes owed on the property, to the district in which the property is located, or \$1,000. Multiple property owners could receive credits for the same student's tuition, but the total credits received for any student in any year could not exceed the per-student equivalent (PSE) set forth in SDCL [13-13-10.1](#). Any credits received would be deducted from the local effort of the school district in which the receiving properties are located, thereby shifting the cost of the credits from the school district to the state through the state aid to general education and special education formulas.

The term nonpublic school includes both accredited nonpublic schools (ANPS) and nonaccredited nonpublic schools (NNPS). An FY2028 PSE of \$7,801.04 is assumed, which reflects a 1% increase to the target teacher salary for FY2027 and a 3% increase for FY2028.

Section 4 states that a property owner would be required to apply for the credit prior to June 1, which is assumed to mean prior to June 1 of the year immediately preceding the year in which the credit would be applied to the applicant's taxes. Since, if passed, the bill would become law July 1, 2026, credits would be deducted from local effort starting with property taxes payable in 2028. Consequently, the cost to the state from HB1168 would first materialize in FY2028.

The total estimated cost to the state general fund in FY2028 is approximately \$90.8 million. This estimate assumes the maximum per-student amount (either the PSE or the annual tuition cost, whichever is less) would be received by each eligible student, which would require coordination among property owners to claim multiple property tax credits for the tuition of a single student.

<b>Student type</b>	<b># of students</b>	<b>Est. # of participating students</b>	<b>Est. average tuition</b>	<b>Est. FY2028 cost</b>
ANPS grades K-8	7,085	6,943	\$6,455	\$44,819,002
ANPS grades 9-12	2,377	2,329	\$7,985	\$18,172,211
NNPS	5,627	5,514	\$5,050	\$27,848,023
			<b>Total</b>	<b>\$90,839,235</b>

In estimating the number of eligible students, this analysis does not include an estimate of how many students would switch from public schooling to accredited or nonaccredited nonpublic schooling in response to the incentive provided by the tax credits. According to [South Dakota Department of Education data](#), there were 9,462 K-12 students in South Dakota enrolled in accredited nonpublic schools, as of the fall 2025 enrollment count. Of these

students, 7,085 were enrolled in grades K-8 and 2,377 were enrolled in grades 9-12. The number of South Dakota students enrolled in nonaccredited nonpublic schools is unknown from publicly available data. For this analysis, an estimate of 5,627 NNPS students is used. This estimate was calculated by taking the higher-end estimate of the number of nationwide full-time microschool students, per a [2025 RAND Corporation study](#), as a share of estimated national K-12 enrollment, per the [US Census Bureau Current Population Survey](#), and applying this percentage to South Dakota's total 2025 K-12 fall enrollment. The higher-end estimate is used in light of the rapid growth of alternative instruction in South Dakota relative to the rest of the country in the last several years. Based on the participation rate among eligible students in Iowa's universal education savings accounts (ESA) program for nonpublic school tuition and given the 14 months that would elapse between the passage of HB1168 and the application deadline for property tax credits, this analysis assumes the credits would be sought on behalf of 98% of the eligible students.

According to the [Education Data Initiative](#), the average cost of private elementary school tuition in South Dakota is \$6,455 and the average cost of private secondary school tuition is \$7,985. The estimated average annual tuition for a nonaccredited nonpublic school in South Dakota is \$5,050, which is the average of the annual tuition charged by seven such schools in the state, according to those schools' websites. Schools increasing their tuition in response to the availability of the tax credits is not taken into account in this analysis.

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