

Minutes: Senate Taxation

Friday, February 20, 2026 10:00 AM

Roll Call

Present: Sen. Crabtree, Sen. Grove, Sen. Blanc, Sen. Davis, Sen. Hulse, and Sen. Hohn

Excused: Sen. Peterson (Sue)

The meeting was called to order by Senator Hohn

MOTION: TO APPROVE THE MINUTES OF WEDNESDAY, FEBRUARY 18TH

Moved by: Hulse

Second by: Blanc

Action: Prevailed by voice vote

SB 109 : modify requirements to create a tax increment financing district.

Presented by: Senator Taffy Howard

MOTION: TO TABLE SB 109

Moved by: Hulse

Second by: Grove

Action: Prevailed by Majority Members Elect (4-0-3-0)

Voting Yes: Grove, Blanc, Hulse, and Hohn

Excused: Crabtree, Davis, and Peterson (Sue)

SB 191 : remove the authorization to issue grants as part of a tax increment financing district.

MOTION: TO TABLE SB 191

Moved by: Hulse

Second by: Blanc

Action: Prevailed by Majority Members Elect (4-0-3-0)

Voting Yes: Grove, Blanc, Hulse, and Hohn

Excused: Crabtree, Davis, and Peterson (Sue)

SB 192 : modify the blight requirements for purposes of creating a tax increment financing district.

MOTION: TO TABLE SB 192

Moved by: Blanc

Second by: Grove

Action: Prevailed by Majority Members Elect (4-0-3-0)

Voting Yes: Grove, Blanc, Hulse, and Hohn

Excused: Crabtree, Davis, and Peterson (Sue)

SB 212 : establish the homeowner tax reduction fund.

Presented by: Senator Randy Deibert

MOTION: TO TABLE SB 212

Moved by: Hulse

Second by: Blanc

Action: Prevailed by Majority Members Elect (4-0-3-0)

Voting Yes: Grove, Blanc, Hulse, and Hohn

Excused: Crabtree, Davis, and Peterson (Sue)

SJR 506 : proposing and submitting to the voters at the next general election an amendment to the Constitution of the State of South Dakota, resetting, then limiting property taxes to a flat rate, until adjusted when sold.

MOTION: DO PASS SJR 506

Moved by: Hulse

Second by: Blanc

Action: Failed by Majority Members Elect (3-1-3-0)

Voting Yes: Blanc, Hulse, and Hohn

Voting No: Grove

Excused: Crabtree, Davis, and Peterson (Sue)

MOTION: DEFER SJR 506 TO THE 41ST LEGISLATIVE DAY

Moved by: Hulse

Second by: Grove

Action: Failed by Majority Members Elect (3-1-3-0)

Voting Yes: Grove, Hulse, and Hohn

Voting No: Blanc

Excused: Crabtree, Davis, and Peterson (Sue)

MOTION: DEFER SJR 506 TO THE 41ST LEGISLATIVE DAY

Moved by: Hulse

Second by: Grove

Action: Prevailed by Majority Members Elect (4-1-2-0)

Voting Yes: Crabtree, Grove, Hulse, and Hohn

Voting No: Blanc

Excused: Davis and Peterson (Sue)

SB 243 : impose a transaction tax and dedicate revenues collected to supplant certain property taxes, and to provide a penalty therefor.

Presented by: Senator John Carley

Proponents: Mike Mueller, Abolish Property Taxes South Dakota Ballot Question Committee (Handout(s) #1)

Chet Ellsworth, Self

Julie Frye-Mueller, Abolish Property Taxes SD Ballot Question Committee, Rapid City

Opponents: Derek Johnson, Bureau of Finance and Management

Mitch Rave, Greater Sioux Falls Chamber of Commerce (Handout(s) #2)

Matthew M. Bogue, South Dakota Farm Bureau Federation

Sara Rankin, South Dakota Municipal League

Garth Wadsworth, Elevate Rapid City

Samuel Matson, South Dakota Association of County Officials

Brenda Forman, South Dakota Association of Cooperatives

Angela Ehlers, South Dakota Association of Conservation Districts

Nathan Sanderson, South Dakota Retailers Association

MOTION: DEFER SB 243 TO THE 41ST LEGISLATIVE DAY

Moved by: Davis

Second by: Crabtree

Action: Failed by Majority Members Elect (3-2-2-0)

Voting Yes: Crabtree, Davis, and Hulse

Voting No: Blanc and Hohn

Excused: Grove and Peterson (Sue)

The Chair deferred SB 243 to later in the meeting.

SB 199 : establish a new fund to provide property tax relief.

Presented by: Senator Mark Lapka

Opponents: Derek Johnson, Bureau of Finance and Management

Nathan Sanderson, South Dakota Retailers Association

Heath Larson, Associated School Boards of South Dakota

MOTION: DEFER SB 199 TO THE 41ST LEGISLATIVE DAY

Moved by: Hulse

Second by: Davis

Action: Failed by Majority Members Elect (3-4-0-0)

Voting Yes: Crabtree, Davis, and Hulse

Voting No: Grove, Blanc, Hohn, and Peterson (Sue)

MOTION: DO PASS SB 199

Moved by: Blanc

Second by: Grove

Action: Prevailed by Majority Members Elect (4-3-0-0)

Voting Yes: Grove, Blanc, Hohn, and Peterson (Sue)

Voting No: Crabtree, Davis, and Hulse

Gavel passed from Vice Chair Hohn to Chair Peterson.

MOTION: DEFER SB 243 TO THE 41ST LEGISLATIVE DAY

Moved by: Crabtree

Second by: Hulse

Action: Prevailed by Majority Members Elect (4-3-0-0)

Voting Yes: Crabtree, Davis, Hulse, and Peterson (Sue)

Voting No: Grove, Blanc, and Hohn

SB 230 : make an exception for improvement districts from a limit on revenue growth for purposes of property taxation.

Presented by: Senator Randy Deibert (Handout(s) #3)

MOTION: TO TABLE SB 230

Moved by: Hohn

Second by: Crabtree

Action: Prevailed by Majority Members Elect (6-0-1-0)

Voting Yes: Crabtree, Blanc, Davis, Hulse, Hohn, and Peterson (Sue)

Excused: Grove

SB 228 : modify provisions for a tax increment financing district.

Presented by: Senator Chris Karr

Proponents: Senator Taffy Howard

Sara Rankin, South Dakota Municipal League

Garth Wadsworth, Elevate Rapid City

Mitch Rave, Greater Sioux Falls Chamber of Commerce

Michael Lee Bockorny, Aberdeen Development Corporation

Deb Mortenson, Associated General Contractors of South Dakota

Kris Jacobsen, South Dakota Association of County Commissioners

Julie M. Johnson, Homes are Possible Inc.

MOTION: AMEND SB 228

228A

On page 1, line 1, of the Introduced bill, delete " requirements to create a" and insert " provisions for a"

On page 1, after line 2, of the Introduced bill, insert: "

Section 1. That § 10-6-137 be AMENDED:

10-6-137. ~~Any~~ Following the construction of any structure classified pursuant to this section, ~~must, following construction, be valued~~ the valuation of the structure for taxation purposes ~~must occur~~ in the usual manner. The board of county commissioners of the county in which the structure is located, may adopt a discretionary formula for assessed value to be used for tax purposes. Except as otherwise provided in § 10-6-137.1, the formula may include, for any or all of the five tax years following construction, all, any portion, or none of the assessed value for tax purposes. Any formula adopted ~~must be equally applied to specifically classified properties pursuant to this section~~ may not be used for any property within a tax increment finance district.

~~The board of county commissioners of the county in which the structure is located~~ may, if requested by the owner of the structure, fully assess the structure without application of the formula. In waiving the formula for the structure of one owner, the ~~board of county commissioners~~ is not prohibited from applying the formula for subsequent new structures. The assessed value during any of the five years may not be less than the assessed value of the property in the year preceding the first year of the tax years following construction.

Any structure that is partially constructed on the assessment date may be valued for tax purposes, pursuant to this section, and the value may not be less than the assessed value of the property in the year preceding the beginning of construction. The period that the property is valued for tax purposes under this section may include the years when the property is partially constructed.

Following the five-year period under this section, the property must be assessed at the same percentage as all other property for tax purposes, except as otherwise provided in § 10-6-137.1.

Any of the following types of real property may be specifically classified for the purpose of taxation pursuant to this section:

- (1) Any new industrial ~~or commercial~~ structure, or any addition, renovation, or reconstruction to an existing structure, ~~located within a designated urban renewal area as defined in § 11-8-4,~~ if the new structure, addition, renovation, or reconstruction has a full and true value of thirty thousand dollars or more;
- (2) Any new industrial structure, including a power generation facility, or an addition to an existing ~~structure facility,~~ if the new ~~structure facility~~ or addition has a full and true value of thirty thousand dollars or more;
- (3) Any new nonresidential agricultural structure, or any addition to an existing structure, if the new structure or addition has a full and true value of ten thousand dollars or more;
- (4) Any new commercial structure, or any addition, renovation, or reconstruction to an existing structure, except a commercial residential structure as described in subdivision (5), if the new structure or addition, renovation, or reconstruction has a full and true value of thirty thousand dollars or more;

- (5) Any new commercial residential structure, or addition to an existing structure, containing four or more units, if the new structure or addition has a full and true value of thirty thousand dollars or more;
- (6) Any new affordable housing structure containing four or more units, with a monthly rental rate of the units at or below the annually calculated rent for the state's sixty percent area median income being used by the South Dakota Housing Development Authority for a minimum of ten years following the date of first occupancy, if the structure has a full and true value of thirty thousand dollars or more;
- (7) Any new residential structure, or addition to or renovation of an existing structure, located within a redevelopment neighborhood established pursuant to § 10-6-141, if the new structure, addition, or renovation has a full and true value of five thousand dollars or more. ~~The structure must be,~~ provided the structure is located in an area defined and designated as a redevelopment neighborhood based on conditions ~~provided set forth~~ in § 11-7-2 or 11-7-3; or
- (8) Any commercial, industrial, or nonresidential agricultural property that increases more than ten thousand dollars in full and true value, as a result of reconstruction or renovation of the structure."

On page 1, after line 2, of the Introduced bill, insert: "

Section 2. That § 10-12-44 be AMENDED:

10-12-44. The county auditor having jurisdiction over a school district shall raise additional revenue, for the general fund and special education fund, from real property taxes, to compensate for a tax abatement, a tax increment financing district, or a discretionary formula in accordance with the following:

- (1) For tax increment financing districts created pursuant to chapter 11-9, the county auditor shall impose an additional tax levy, for an amount not to exceed an amount equal to the sum of the levies in §§ 10-12-42 and 13-37-16 multiplied by the tax increment value, as defined in § 11-9-1 total value of the tax increment financing district less the tax increment base as determined pursuant to § 11-9-19;
- (2) For property subject to § 10-6-137, 10-6-137.1, or 10-6-144, the county auditor shall impose an additional tax levy, for an amount not to exceed the amount of taxes that were not collected, due to the reduction in value based on the maximum levies, pursuant to §§ 10-12-42 and 13-37-16; and
- (3) For abated taxes, the county auditor shall impose an additional tax levy, for an amount not to exceed the amount of the school district's portion of the taxes that were abated, pursuant to chapter 10-18, during the previous tax year.

The levies in this section are not subject to the referendum provision of § 10-12-43 and these levies must maintain the same proportion to each other, as represented in the mathematical relationship at the maximum levies pursuant to § 10-12-42."

On page 1, line 6, of the Introduced bill, after "district" insert " in a contiguous geographic area within a political subdivision, which is defined and created by resolution of the governing body, provided that parcels that are not otherwise adjacent are not contiguous based solely on the existence of an easement, right-of-way, transportation corridor, or waterway connecting the parcels, unless the parcels are:

- (a) Separated only by the easement, right-of-way, transportation corridor, or waterway; and
- (b) Located directly opposite one another"

On page 1, line 7, of the Introduced bill, after "district;

(3)" delete ""Financing plan," the intended methods and revenue sources by which the political subdivision will pay for the project costs;

(4) "

On page 1, line 9, of the Introduced bill, delete " the board of trustees, the board of commissioners, the board of county commissioners, or the common council of a municipality" and insert " a board of commissioners, board of trustees, common council, or other authoritative body by which a political subdivision is controlled"

On page 1, line 11, of the Introduced bill, remove the overstrikes from "(4)"

On page 1, line 11, of the Introduced bill, after "municipality;

(4)" delete "(5)"

On page 1, line 13, of the Introduced bill, remove the overstrikes from "(5)"

On page 1, line 13, of the Introduced bill, after "subdivision;

(5)" delete "(6)"

On page 1, line 13, of the Introduced bill, delete " chapters" and insert " chapter"

On page 1, line 14, of the Introduced bill, after "committee" delete " of a governing body"

On page 1, line 17, of the Introduced bill, remove the overstrikes from "(6)"

On page 1, line 17, of the Introduced bill, after "committee;

(6)" delete "(7)"

On page 1, line 19, of the Introduced bill, remove the overstrikes from "(7)"

On page 1, line 19, of the Introduced bill, after "state;

(7)" delete "(8)"

On page 1, line 19, of the Introduced bill, delete " the properly" and insert " an"

On page 1, line 20, of the Introduced bill, after "a" delete " tax increment financing"

On page 1, line 20, of the Introduced bill, after "all" delete " properly"

On page 1, line 22, of the Introduced bill, remove the overstrikes from "(8)"

On page 1, line 22, of the Introduced bill, after "plan;

(8)" delete "(9)"

On page 1, line 22, of the Introduced bill, after "plan;

(8)(9)" delete ""Tax increment financing district," a contiguous geographic area within a political subdivision defined and created by resolution of the governing body;

(9)(10) "

On page 1, line 24, of the Introduced bill, after "a" delete " tax increment financing"

On page 2, line 1, of the Introduced bill, delete "(11)" and insert "(9)"

On page 2, line 1, of the Introduced bill, after "the" delete " tax increment financing"

On page 2, after line 2, of the Introduced bill, insert: "

Section 4. That § 11-9-4 be AMENDED:

11-9-4. The planning commission shall designate the boundaries of a district that the planning commission recommends be created. The planning commission shall submit the recommendation to the governing body. The boundaries of a district may not split a whole unit of property that is being used for a single purpose."

On page 2, line 5, of the Introduced bill, after "that" delete " is subject to a referendum under the provisions of section 12 of this Act, and which"

On page 2, line 7, of the Introduced bill, after "included" delete ". The boundaries may not split a whole unit of property that is being used for a single purpose"

On page 2, line 11, of the Introduced bill, delete " ten five" and insert ":

(a) For a district created by a first class municipality, seven and one-half"

On page 2, line 13, of the Introduced bill, after "and" insert "

(b) For all other classes, ten percent of the total assessed value of all taxable property in the political subdivision;"

On page 2, line 17, of the Introduced bill, after "number" insert "; and

(5) Demonstrates that the district has been reviewed by all affected taxing districts at a public meeting held pursuant to chapter 1-25, provided that the affected taxing districts may provide input but do not have authority to approve or reject the creation of the district" On page 2, after line 17, of the Introduced bill, insert: "

Section 6. That § 11-9-6 be AMENDED:

11-9-6. ~~Subject to any agreement with bondholders, a district may overlap with one or more existing districts if the boundaries of the districts are not identical. Unless otherwise authorized by a joint resolution among the affected political subdivisions, a district established after July 1, 2026, may not overlap with any other existing district.~~"

On page 2, line 22, of the Introduced bill, remove the overstrikes from " or"

On page 2, line 22, of the Introduced bill, after "or" delete " and"

On page 2, line 25, of the Introduced bill, remove the overstrikes from " and"

On page 2, line 27, of the Introduced bill, after "district" delete "; and"

(3) The review required by section 13 of this Act indicates that the social or economic benefits of the project exceed its costs to property owners and political subdivisions authorized to impose a property tax within the boundaries of the district"

On page 3, line 4, of the Introduced bill, after "resolution." delete "

No municipality may create a district unless the board of county commissioners of the county in which the district is located, either in whole or in part, has consented to the creation of the district by resolution."

On page 3, line 27, of the Introduced bill, after "improvements" delete ", provided this subdivision does not apply to a municipality having fewer than fifteen thousand legal residents"

On page 5, line 7, of the Introduced bill, delete "The amount of payments and grants" and insert " A recipient for a grant"

On page 5, line 7, of the Introduced bill, delete " may not exceed ten percent of the project costs" and insert " shall enter into an agreement with the governing body specifying the only purposes for which a grant may be used"

On page 5, line 13, of the Introduced bill, after "plan." delete "Section 8. That § 11-9-20 be AMENDED:

"

On page 5, line 14, of the Introduced bill, after "AMENDED:" delete "11-9-20. "

On page 5, line 14, of the Introduced bill, after "11-9-20. " delete "Upon receiving an application by the county auditor or municipal finance officer, as applicable, on a form prescribed by the department, the department must determine the aggregate assessed value of the taxable property in the district, which aggregate assessed value, on certification to the county auditor or the municipal finance officer, as applicable, is the tax increment base of the district.

The application must be accompanied by a detailed parcel list of the included legal descriptions, property ownership, and value, as provided by the director of equalization office, of the affected corresponding county. For purposes of determining the tax increment base, the value of agricultural property in the district must be determined in the same manner as nonagricultural property.

Except as provided in this section and § 11-9-20. 1, the department shall use the values, as last previously certified by the department, adjusted for the value to the date the district was created, for any completed buildings or additions and without regard to any reduction pursuant to §§ 1-19A-20, 10-6-137, 10-6-137. 1, and 10-6-144."

On page 6, line 4, of the Introduced bill, delete " fifteen" and insert " twenty-five"

On page 6, line 14, of the Introduced bill, delete " a" and insert " the"

On page 6, line 14, of the Introduced bill, delete " under" and insert " pursuant to"

On page 6, line 15, of the Introduced bill, after "district" delete the comma

On page 6, line 17, of the Introduced bill, after "district." insert "

Within thirty days after the termination of a district, the governing body shall provide to the department a notice, which must include the name of the district and copies of the resolution of dissolution and the district's final financial statement. The final financial statement must account for the distribution of any remaining funds pursuant to § 11-9-45."

On page 6, line 18, of the Introduced bill, after "district." delete "Section 12. That a NEW SECTION be added to chapter 11-9:

"

On page 6, line 19, of the Introduced bill, after "11-9:" delete "If the tax increment base of a proposed district is greater than one-half percent of the total assessed value of all taxable property in the political subdivision, the governing body creating the district must call a special election to determine the question of the establishment of the district. The election must be held on a Tuesday between forty-five and sixty days from when the governing body adopted the resolution establishing the district.

If the resolution is adopted within the ninety days prior to the political subdivision's regular election or a primary or general election and with sufficient time to comply with the subdivision's requirements for publishing notice of the election, the question must be submitted to the voters at that election.

A special election held pursuant to this section must be held upon the same notice and conducted in the same manner as a regular election of the political subdivision."

On page 6, line 31, of the Introduced bill, after "subdivision." delete "Section 13. That a NEW SECTION be added to chapter 11-9:

"

On page 7, line 1, of the Introduced bill, after "11-9:" delete "The governing body shall submit the project plan and financing plan for the district to an independent, certified public accountant or economist to provide:

- (1) A cost-benefit analysis of the project;
- (2) An estimate for the expected change in the distribution of property taxes over time resulting from the project; and
- (3) An estimate for the expected effects on employment, housing, and economic output resulting from the project."

On page 7, after line 7, of the Introduced bill, insert: "

Section 15. That a NEW SECTION be added to chapter 11-9:

For any district established after July 1, 2026, a governing body may not approve a project plan unless an independent fiscal feasibility review has been completed and submitted to all political subdivisions.

The review must be conducted by a third-party who is a municipal advisor registered with the Municipal Securities Rulemaking Board and the United States Securities and Exchange Commission pursuant to section 15B of the Securities Exchange Act of 1934, 15 U.S.C. §§ 78a to 78qq, inclusive (January 1, 2026), a licensed certified public accountant, or another independent third-party reviewer, including a nonprofit or research organization, or attorney, with demonstrated experience in municipal finance and tax increment financing, approved by the governing body.

The person conducting the review may be compensated for conducting the review but must be independent of any developer, obligated person, and private entity receiving financial assistance or reimbursement under the project plan. If the review is conducted:

- (1) By a municipal advisor, the advisor must:

- (a) Act in the capacity of municipal advisor to the governing body and may not act on behalf of any developer, underwriter, or other private party; and
 - (b) Acknowledge in writing that the advisor owes a fiduciary duty to the governing body with respect to any advice provided in the review;
- (2) By a certified public accountant, the accountant:
 - (a) Must perform the review in accordance with applicable professional standards;
 - (b) May not prepare, or have prepared, any development feasibility analysis, financial projection, or valuation study for the developer or any affiliated entity relating to the district; and
 - (c) Must acknowledge in writing that the review is conducted for the benefit of the governing body; or
- (3) By an independent third-party reviewer, including a nonprofit or research organization, or attorney, approved by the governing body, the third-party reviewer may not receive funding or compensation, other than compensation for conducting the review, from the governing body or any developer, underwriter, or other private entity involved in the project."

On page 7, after line 7, of the Introduced bill, insert: "

Section 16. That a NEW SECTION be added to chapter 11-9:

A fiscal feasibility review required pursuant to section 15 of this Act:

- (1) Must contain:
 - (a) A description of the project plan, proposed district boundaries, and estimated project costs;
 - (b) An analysis of the tax increment base and the projected tax increment valuation for the anticipated duration of the district;
 - (c) An evaluation of whether the projected tax increment revenue is sufficient to pay the project costs and any other obligation proposed to be paid from the revenue;
 - (d) An analysis of the timing of projected revenue relative to anticipated expenditures or debt service requirements;
 - (e) A discussion of material financial risks to the feasibility of the project plan;
 - (f) A statement identifying material assumptions, limitations, and reliance on information from other third persons; and
 - (g) A conclusion stating whether, based on the assumptions and analyses described in the report, the project plan is reasonably feasible from a financing standpoint;
- (2) Is advisory in nature and does not constitute a guarantee of project completion, revenue, or valuation;
- (3) Does not relieve the governing body of the responsibility to evaluate the project plan; and
- (4) Must be completed and made available to the governing body and the public at least fourteen days prior to the governing body's consideration of the resolution establishing the district."

Moved by: Crabtree
Second by: Hulse
Action: Prevailed by voice vote

MOTION: DO PASS SB 228 AS AMENDED

Moved by: Crabtree
Second by: Davis
Action: Prevailed by Majority Members Elect (7-0-0-0)

Voting Yes: Crabtree, Grove, Blanc, Davis, Hulse, Hohn, and Peterson (Sue)

**HAVING PASSED UNANIMOUSLY, THE CHAIR CERTIFIED SB 228 AS UNCONTESTED
AND AS SUCH BE PLACED ON THE CONSENT CALENDAR.**

SB 196 and SB 216 will be deferred to 2/23/2026.

MOTION: ADJOURN

Moved by: Hulse
Second by: Grove
Action: Prevailed by voice vote

Amy Hansen, Committee Secretary

/s/ SUE PETERSON
Sue Peterson, Chair