

South Dakota Property Tax Basics

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Why Do We Have Property Taxes?

- Primary revenue source for **LOCAL GOVERNMENTS**
 - Schools, Cities, Counties, Townships
- Sales tax is the primary revenue source for **STATE GOVERNMENT**
 - No income tax
- Property Taxes **DO NOT FUND:**
 - State employees, Medicaid, state roads, the National Guard

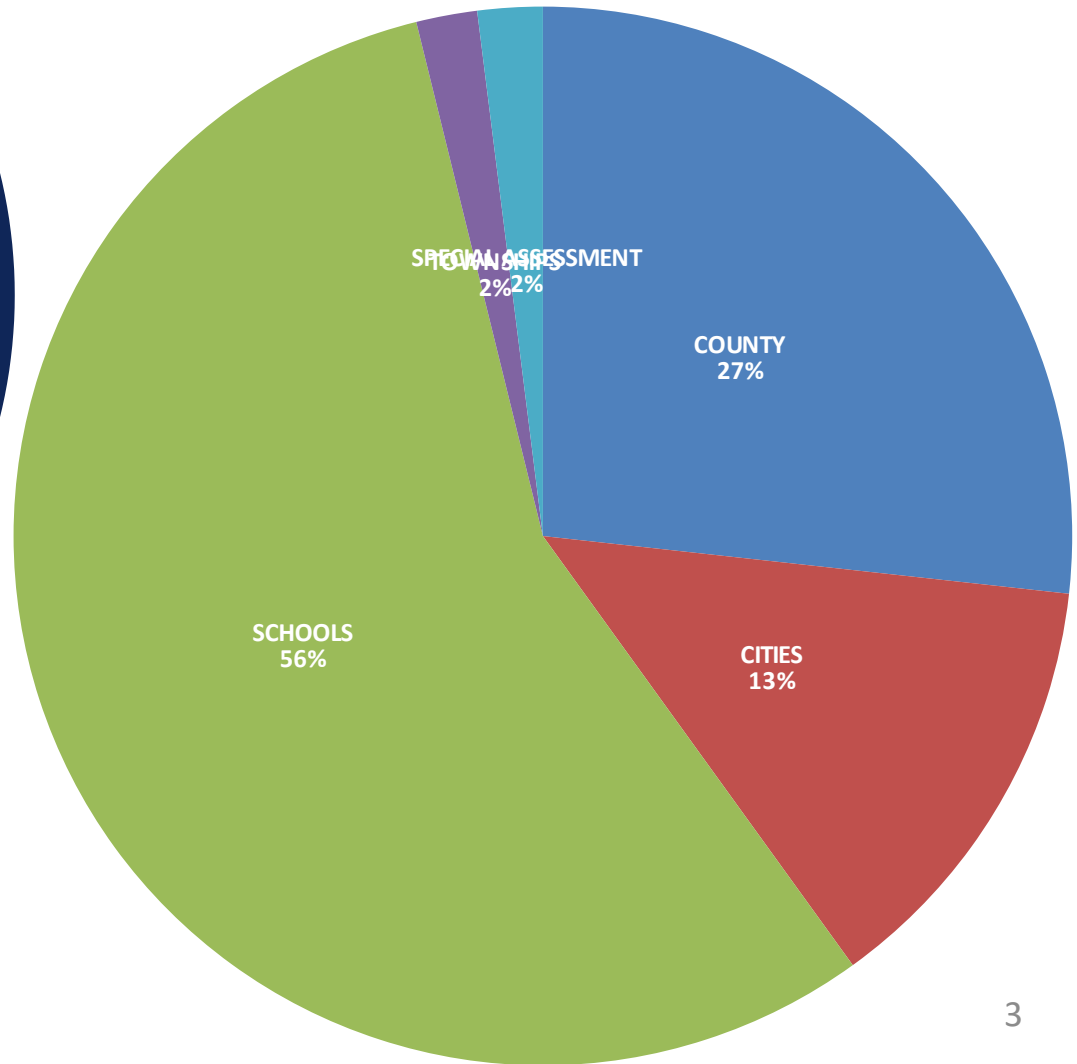
**The State of South Dakota DOES NOT collect or spend
ANY property tax dollars.**

Over \$1.6 billion in taxes in 2023

To fund local governments and provide K-12 education

County Breakdown

- County Consolidated – 23.4%
- TIF – 2.2%
- Rural Fire – 0.6%
- Water & Sanitary - 0.4%
- Ambulance – 0.2%



How Much Do I Pay in Property Taxes?

$$\text{Need} = \text{Valuation} \times \text{Levy}$$

NEED: The funds schools, cities, counties, fire districts, townships, ambulance districts and other local units of government need to operate.

VALUATION: The assessed value of property [Owner Occupied, Agricultural, Non-Ag Other (Commercial)].

LEVY: The tax rate calculation applied to the **VALUATION** to meet the **NEED**.

How is the **NEED** determined?

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How Does A Local Unit of Government Determine Funding NEED?

Tax NEEDS are set by the local governing body – School Board, County Commission, City Council, Township Board, etc.

Amount of property taxes NEEDED to provide required services.

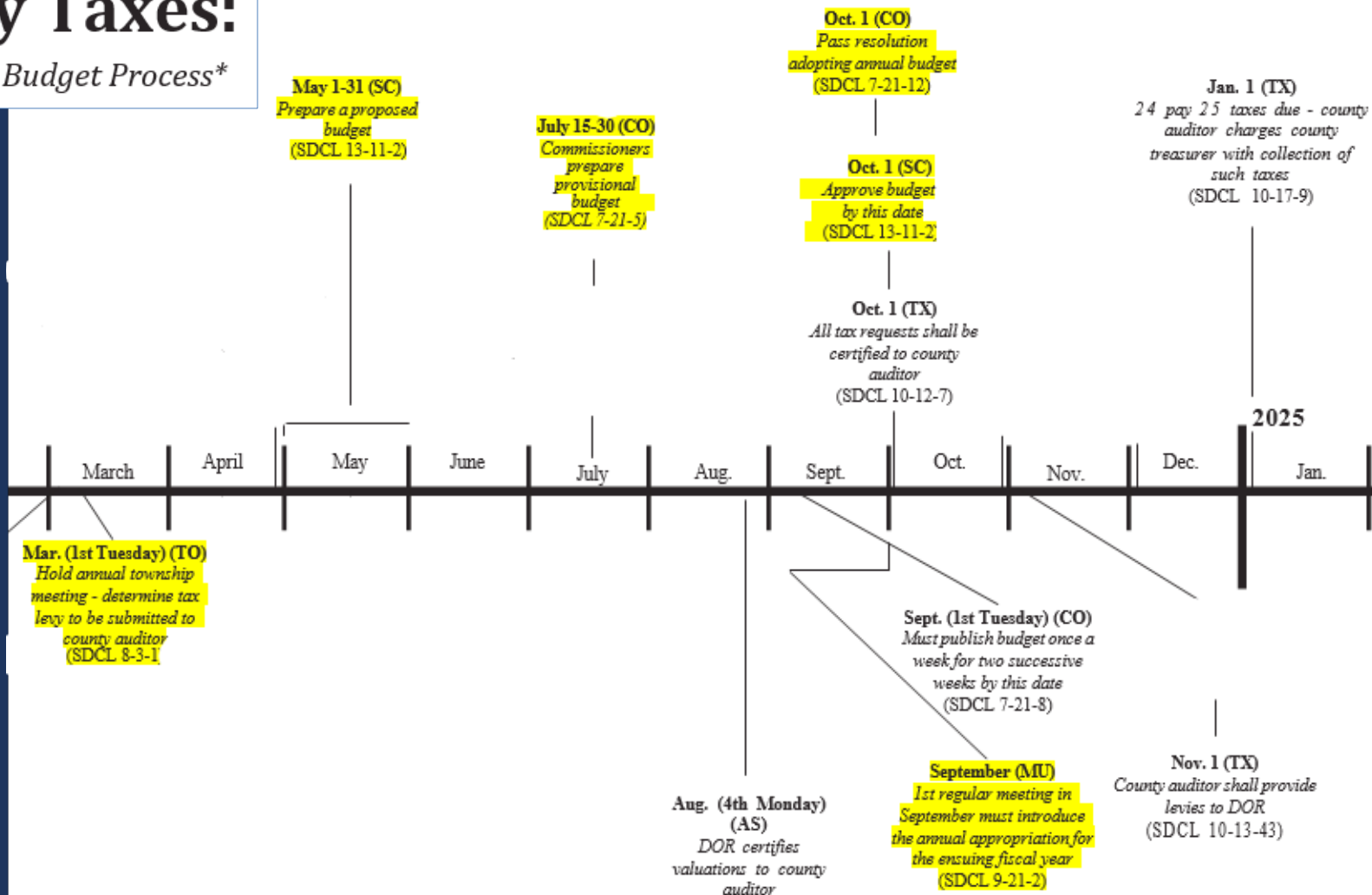
Changes in the real estate market have no impact on the revenue NEED by the county, city, school district, etc.

For all entities except School Districts, NEEDS are capped at 3% or CPI, whichever is less, PLUS the percentage of new construction.

Property Taxes:

*A Timeline for the Budget Process**

- Townships – March
- Schools – May
- Counties – July
- Cities – September



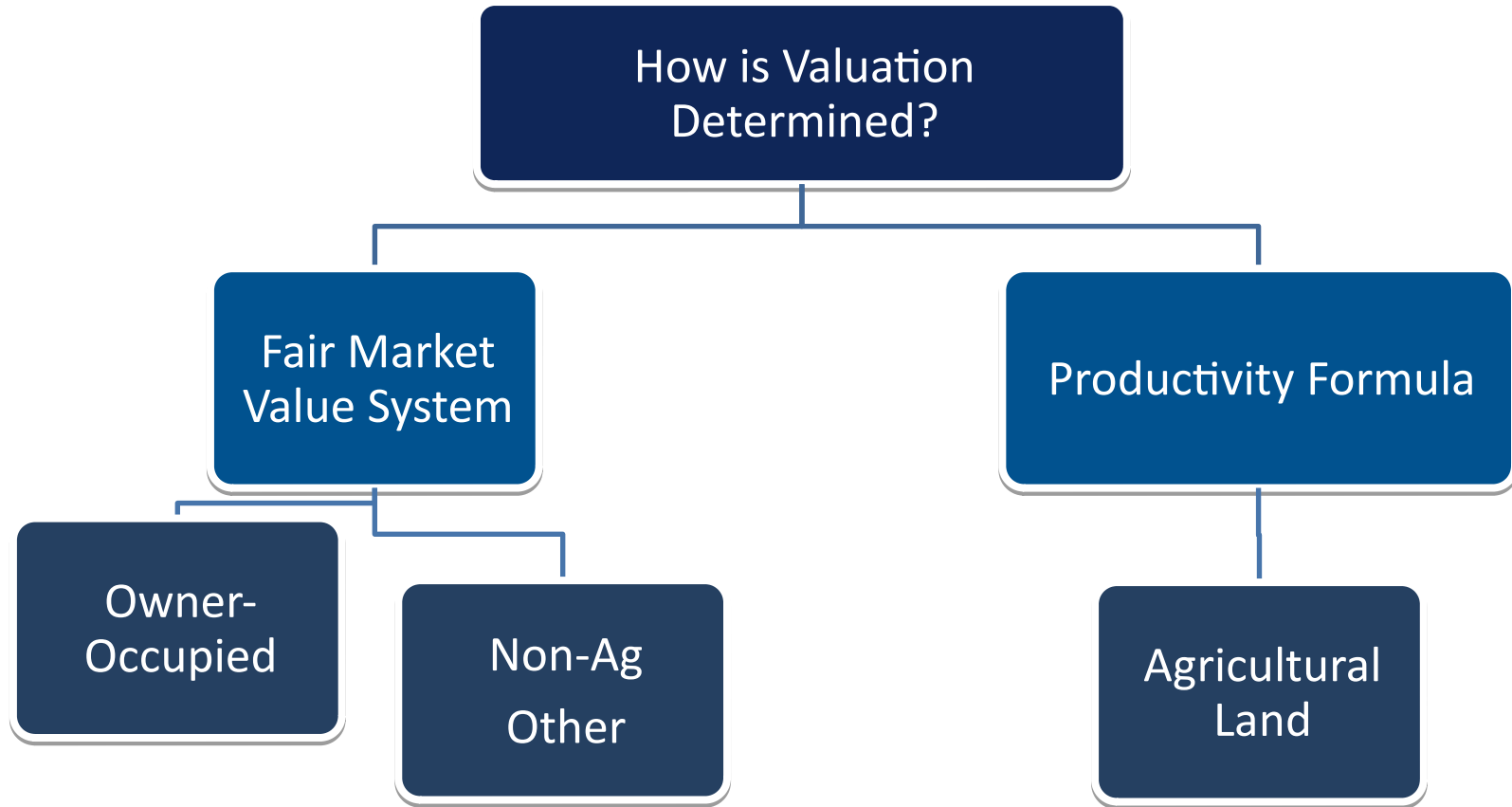
How is the VALUATION determined?

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How is Valuation determined?

- All property is to be assessed at “its true and full value.”
 - Non-Ag Other → 100% market value
 - Owner Occupied → 100% of market value
 - Agricultural → Productivity Formula

“Assessment” is the current year’s value of property.

How is the LEVY determined?

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Calculating the LEVY

- Tax Rate, Mill Levy, and Levy are often used interchangeably
- One “mill” is one dollar of taxes per \$1,000 dollars of assessed value

$$\text{NEED} \div \text{VALUATION} = \text{LEVY}$$

$$\$1,000 \div \$500,000 = .002000$$

Multiply that by 1,000 to get the “Mills”

$$.002000 \times \$1,000 = \$2.00$$

Levy = Need ÷ Valuation

LEVIES are not set by local governments

- NEED is set by local governing boards.
- VALUATION is calculated by the County Assessor.
- LEVIES are simply the mathematical result of those two, calculated by the County Auditor.

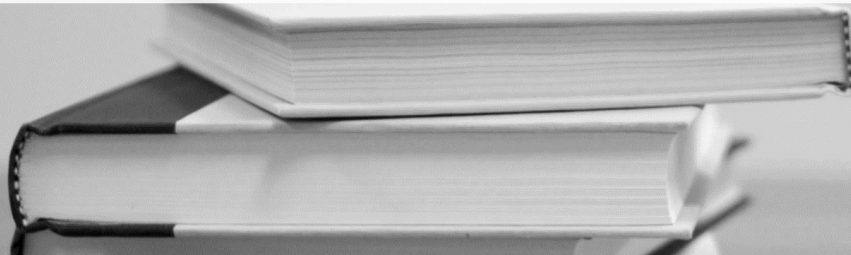
• Counties	• Ambulance Districts
• Cities	• Rural Fire Protection Districts
• Townships	• Water Development Districts
• Schools	• Water Project/Watershed Districts
• Road Districts	• Sanitary/Sewer Districts

School General Fund Levies

School General Fund is the **ONLY** instance where there are different levies based on property classification.

- Agricultural
- Owner Occupied
- Non-Agricultural Other

All other levies are the same for all properties.



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How Do You Reduce Property Taxes?

There are only 3 options.

1. Reduce the NEED

- Budget cuts for schools, counties, fire districts, etc.

2. Shift the burden to another class of property

3. Find alternate funding source

- Income tax, sales tax, more State General funds, etc.

Questions?

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