Property Taxation - A Modern History

SOUTH DAKOTA LEGISLATURE
LEGISLATIVE RESEARCH COUNCIL

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Introduction

The largest source of revenue for the state and its political subdivisions is essentially a draw between the property tax revenue and the state and municipal sales and use tax revenue. Each of these tax systems raised about $1.25 billion in 2016. Although the burden and merits of both tax systems are frequently debated, the property tax system may be criticized by taxpayers more often than the sales and use tax system. This may be partially due to the fact that property taxes are typically paid in a lump sum or reflected an escrow where the taxpayer is aware of the total annual property tax bill and it may be more difficult tax to understand and decipher. It also may be due to the fact that property taxes are based on the value of property, not the ability to pay.

Governors and legislatures have wrestled with property taxes for decades. Back in the 1930's the state briefly adopted an income tax to provide property tax relief. In 1978, the personal property tax was repealed and a sales tax increase was approved to replace the revenue. However, the sales tax increase was repealed before it became effective and the contractor's excise tax was implemented in 1979 as a replacement. Over the decades, legislation has been passed either to limit or reduce property taxes, while taxes left unchecked most likely would be higher today. However, the passage of these tax limitation and reduction provisions have not ended comments or criticism of property assessment and taxation.

In 1995, the state enacted a property tax program which is sometimes referred to as Governor Janklow's Property Tax Reduction Program. This program reduced property taxes on certain classifications and limited how property tax revenue may be increased from one year to the next. The Department of Revenue monitors each taxing district to ensure that the district complies with the property tax limitations established under SDCL chapter 10-13. Over the last twenty years this Property Tax Reduction Program has been tweaked, but the primary requirements remain intact.

The Property Tax Reduction Program does not apply to school districts in the same manner as it applies to the other taxing districts. The school districts compose about 57% of the property tax burden. The Legislature sets the general fund levy for school districts and the maximum property tax levies for special education and capital outlay. During the 2016 Legislative Session, the pension fund tax levy for school districts was rolled into the general fund tax levy. There were also other amendments made to the school funding formula in 2016 which will influence property taxation for school districts. The 2016 legislative package also targeted a portion of the sales and use tax rate increase towards property tax relief.

Scope of Issue Memorandum

This memorandum is a recap of the major changes during the last twenty to thirty years regarding property assessment and taxation. The assessment of real property and the collection of property taxes are administered by the counties on behalf of the state and other political subdivisions, hereinafter referred to as taxing districts. Beginning with property taxes payable in 2011, this revenue source for all local governments annually exceeds one billion dollars. The counties distribute the revenue to each taxing district based on the district's annual property tax levy request. Twenty some years ago, prior to the Property Tax Reduction Program, the governing board of each taxing district set the property tax levy, not to exceed the maximum levy set by statute. These locally imposed property tax levies were made without any substantive state oversight or regulation (Note: the maximum property tax levies remain in place today and are shown in Appendix A).

Property Assessment and Taxation Revisions – 1989 to 1993

During the 1989 Legislative Session several senate bills were enacted concerning property assessment and taxation. The 1989 legislative package removed the county's ability to set taxable percentages, adjusted the statutory maximum property tax levies, established minimum assessment standards, provided tools for making assessment adjustments, amended provisions concerning the director of equalization, and required uniform tax and assessment notices. These bills provide the foundation for our current property assessment and taxation and brought a certain amount of improved transparency for the property tax payers. Governor Mickelson also had legislation introduced in 1989 which imposed a property tax freeze for property taxes payable in 1990 and 1991 and required further study of the property tax system.

A few minor changes to the property tax system were made during the 1992 Legislative Session following the study of the property tax system. A new property classification (AG-Y property) was passed in 1993 which was established for agricultural property that sold for more than 150 percent of its ag income value. This property classification was later struck down by the courts.

Property Tax reduction Program - 1995

In 1995, Governor Janklow's Property Tax Reduction Program was enacted by the Legislature to address state-aid-to-education and the local property tax burden. Prior to the adoption of this program, the local property tax burden was the subject of failed constitutional amendments in 1980, 1988, and 1990 and a failed initiated measure in 1994. While the state-aid-to-education has been tweaked and modified since 1995 concerning school district funding, not much has changed concerning the property tax budget limitation provisions applied to the other taxing districts. These budget limitation provisions, which were first applied to property taxes paid in 1997, specifically limit property taxes levied by each taxing district for its annual budget.

The Property Tax Reduction Program provided immediate relief for property taxes through a 20% property tax credit for owner-occupied single-family dwellings and agricultural property beginning in 1995 and 1996. In 1997, the property tax relief was provided through the newly established property tax levies set for the school district general fund by an influx of state aid for schools to replace the decreased property tax revenue. These newly established levies primarily benefited owner-occupied single-family dwellings and agricultural property. The general fund school district aid formula provided uniform tax rates for property of the same class across the state.

The tax relief was measured on a statewide basis. If property taxes or assessments were low in a school district prior to the enactment of this legislation, property owners within that school district may have observed little or no property tax relief. On the other hand, there were other property owners who may have received more than 20% in property tax relief because their property taxes or assessments were high in comparison to the state average.

Additional tax relief was provided in 1998 and 2000 Legislative Sessions. This tax relief was implemented through a decrease in the school district general fund levy for taxes payable in 1999 and 2001 that was equal to about 5% property tax relief for each year. However, no additional property tax relief was provided for nonagricultural property, which is often referred to as commercial property. The nonagricultural property classification also includes homes that are not classified as owner-occupied and bare land that does not meet the criteria to be classified as agricultural property.

Property taxpayers have realized certain long-term property tax benefits from the controls and limitations on property taxes placed on the taxing districts. This element of the program was designed to reduce local government spending. It was presumed that the size of the local budgets dictated the level of property taxation. The property tax limitation provisions limit the dollars available and as a result control the size of the budget request. Based on historical growth, total property taxes on a statewide basis would be about $1.92 billion for taxes payable in 2016 if that trend had continued versus the actual property taxes paid of $1.25 billion in 2016.

Pursuant to SDCL 10-13-35, property taxes for each taxing district are limited the property tax dollars received in the previous year plus the annual increase provided by the index factor and growth factor. The index factor is the rate of inflation or three percent, whichever amount is less. The average increase in the index factor as defined by SDCL 10-13-38 has been about 2.19% per year, but over the last four years it has averaged 1.25%. Since the index factor has been in place, the index factor has reached the maximum five times and the minimum twice. The index factor has been much more volatile over the last few years. The provisions of SDCL 10-13-35.5 allow taxing districts to utilize any unused index factor from the previous three years.

Since its inception, the index factor has ranged from 0.0% to 3.0% as shown in the following table:

Index Factor (Rate of Inflation)				
Taxes Payable	**CPI**		**Taxes Payable**	**CPI**
1997	2.90		2008	3.00
1998	2.90		2009	2.90
1999	2.30		2010	3.00
2000	1.57		2011	0.00
2001	2.20		2012	2.10
2002	3.00		2013	3.00
2003	2.80		2014	2.10
2004	1.60		2015	1.40
2005	2.20		2016	1.50
2006	2.60		2017	0.00
2007	3.00		**Average**	**2.19**

At the beginning of the Property Tax Reduction Program some taxing districts were caught with their levies down. The property tax revenue for each taxing district was limited based on its property tax revenue for the year before the implementation of the program. It did not matter whether the property tax revenue was lower or higher than the taxing district's average. Prior to the program being enacted, several taxing districts had been encouraged to expend their reserves in part due to the recent constitutional amendments and initiatives concerning property taxation. Some taxing districts had lowered the property tax revenue and levies in anticipation of expending such reserves. When the program was enacted, the law locked these taxing districts at the current property tax revenue payable.

A taxing district may also increase the revenue payable from taxes on real property using the growth factor which varies from one taxing district to another. The growth factor reflects the percentage increase of value resulting from any improvements or change in use of real property, annexation, minor boundary changes, and any adjustments in taxation of certain property separately classified. If not for this growth factor variable, the opportunity to increase property tax revenue from one year to the next would be equivalent for each taxing district.

Current property tax revenues for each taxing district are a function of what the taxes were in 1997 after annually applying the statewide index factor and the local growth factor for each taxing district plus any property tax opt-out that may have been adopted by the taxing district.

Provisions were also made to allow taxing districts to opt-out of the property tax limitation for a set amount of dollars. The first few years the opt-out provision was in place there was no restriction on how long the opt-out may be applied by each taxing district. Beginning on July 1, 2002, the governing body of the taxing district is required to specify in the resolution the year or number of years the excess tax levy would be applied. The governing body is required to give notice to the public that an opt-out is being considered and a two-thirds vote by the governing board in favor of adopting the opt-out is required. The opt-out decision may be referred to a vote by the governing body of the taxing district or by a petition signed by five percent of the registered voters in the taxing district. The table below shows the number of opt-outs passed and failed.

Opt-Outs by All Governmental Units:						
	Opt Outs passed by local entity	Went into effect without election	Passed at election	Failed at Election	$$ Amount of Opt-outs Wanted	$$ Amount allowed to go into effect
1996 pay 1997	80	72	5	3	$2,527,582	$1,842,582
1997 pay 1998	173	163	3	7	$3,887,450	$1,833,461
1998 pay 1999	52	50	0	2	$1,733,456	$1,039,699
1999 pay 2000	46	43	1	2	$1,358,878	$1,007,519
2000 pay 2001	31	26	2	3	$3,007,587	$2,053,587
2001 pay 2002	116	103	9	4	$8,514,306	$6,514,306
2002 pay 2003	66	36	14	16	$24,341,076	$9,206,076
2003 pay 2004	39	23	8	8	$6,063,924	$2,843,491
2004 pay 2005	41	18	14	9	$5,462,605	$3,287,605
2005 pay 2006	41	24	10	7	$6,415,900	$4,605,900
2006 pay 2007	69	52	7	10	$11,229,346	$8,810,346
2007 pay 2008	51	46	4	1	$3,172,215	$2,547,215
2008 pay 2009	57	50	4	3	$5,868,362	$5,028,362
2009 pay 2010	65	57	5	3	$5,867,260	$3,967,260
2010 pay 2011	121	110	8	3	$15,679,299	$13,479,299
2011 pay 2012	109	94	11	4	$22,624,097	$16,694,097
2012 pay 2013	80	71	11	4	$11,782,226	$9,092,226
2013 pay 2014	60	52	6	2	$4,847,598	$4,507,598
2014 pay 2015	93	84	5	4	$7,027,899	$6,377,899
2015 pay 2016	42	40	2	0	$10,884,450	$10,884,450
2016 pay 2017	61	59	1	1	$2,050,766	$1,967,728

Cutler-Gabriel Amendment

The Cutler-Gabriel Amendment establishes a principle that the targeted proportion of local funding and state funding must remain constant when making the school district general fund levy adjustment each legislative session. Representatives Steve Cutler and Larry Gabriel introduced this legislation in 1995 and the current codified sections are found in Appendix C. The newly established proportion of state funding was 47.8% of the total need for Fiscal Year (FY) 104 1998. Over the next ten years the state increased the state share until its target ratio was 56.5% for FY 2008. This remained the target ratio for four years until the state budget was reduced due to decreasing revenues. The new target ratio for the state was set at 53.8% for FY 2012 and each year thereafter.

Prior to the full implementation of the Property Tax Reduction Program, state-aid-for-education was about 31% of the total need.

Prior to FY 2017, the amount of funding required for schools was a function of the per student allocation (PSA), number of students, annual change in assessment valuations, and the index factor. The new funding school funding formula adopted during the 2016 legislative session changed it from a student-based formula to a teacher-based formula.

SB 149 was enacted in 2009 which separated the school district general fund levy adjustment (Cutler-Gabriel amendment) for agricultural property from nonagricultural property and owner-occupied property. This was done due to a concern that the productivity model may lead to a flattening of agricultural land assessments. During the next few years that presumption proved to be incorrect as agricultural land values increased dramatically and the other two classifications experienced little growth in assessment valuations. In 2008 the taxable value of agricultural property was 34% of the total taxable value of the state and by 2016, agricultural property was 44% of the total taxable value. The Governor's education funding package that was enacted in 2016 repealed this provision that separated the determination of the general fund school levy for agricultural land from the other property classifications

Under the Cutler-Gabriel amendment from FY 1998 thru FY 2007, the state experienced declining K-12 student enrollment and steady increases in property assessments. While the student enrollment was declining, the declining enrollment partially offset the state and local effort required to meet the growth in PSA due to the annual application of the index factor. The state also increased its share of funding during this time period. The declining student enrollment and the increased state share of funding is reflected by the relatively small increase in property taxes for the general fund of school districts during that time frame. In FY 1998, $249 million of property taxes were levied to provide the local effort, ten years later in FY 2008 local effort was $258 million. However, beginning in FY 2008 that trend reversed, K-12 student enrollment has annually increased and the state's share of funding was decreased, thereby increasing the property tax dollars required to fund schools. By FY 2016, approximately $325 million of property taxes were required to meet the local effort requirement.

Three Rules and the Ripple Effect

During the 1998 Legislative Session, the Legislature enacted HB 1292 which created the nonagricultural acreage classification (NA-Z Rule). If any agricultural land sold for more than 150% of its agricultural income value, the provisions of HB 1292 required that property be separately classified and taxed for school district general fund purposes. These sales could not be used in the assessment of agricultural land. Initially, this property remained in this new classification for five years and was assessed at the sale price times the level of assessment for nonagricultural property within the county. After five years, if the owner could document that land remained in agricultural use, the owner could apply to have the land reclassified as agricultural land. Otherwise the property would be reclassified as nonagricultural property after the five-year time period had expired. A new school district general fund levy for the NA-Z classification was also established by HB 1292. In 2002, the timeframe for remaining in this classification was reduced to one year.

The 1998 Legislature also enacted SB 103 which eliminated the sale of any agricultural land parcel of seventy acres or less from being used in the sales ratio study (70-Acre Rule). This further limited the number of agricultural land sales available for the directors of equalization to use to assess agricultural property.

In 1999, the Legislature adopted SB 1 that created the 150% rule, which meant any real property which sold for more than 150% of its assessed value could not be used in the sales ratio study (150% Rule). Property is required to be assessed at a value between 85% and 100% of its market value on average. If property was generally assessed at 85% of its market value in the county, that meant the sale of any property that sold for more 127.5% of its projected market value was not included in the sales ratio study. The sale of any property that was under assessed often resulted in that sale being discounted from the assessment process.

Over time property assessments moved further and further from the market value because of these three rules. This slowed the growth of assessments in many parts of the state and caused various levels of disparity between neighborhoods, counties, and property classifications. This disparity in property valuations from one area to the next also impacted the application of the state-aid-to-education formula. The school district tax burden from comparable property in one location of the state to another location varied depending on how these three rules impacted the usable sales for assessments.

During a 2007 interim study on property tax assessment, the Department of Revenue reported that in 2005 there were only 200 agricultural sales and 12,000 nonagricultural sales for assessors to use to assess property on a statewide basis. Thirty-three of the sixty-six counties had one or less agricultural sales to use to assess agricultural land. Prior to the implementation of these three rules there were approximately 1,400 agricultural land sales used for the assessment process or about 21 sales per county. Furthermore, over 5,000 nonagricultural sales were not used during the assessment process in 2005 because of the 150% rule. The Department reported that all three classifications were experiencing a slowed growth in assessment values in comparison to the market. The greatest impact on statewide assessments was on agricultural land, however, due to the cumulative effect of the three rules affecting agricultural land sales.

During the 2008 Legislative Session, the Legislature enacted legislation phasing out these three-rules. The Legislature also enacted legislation that changed the procedure for assessing agricultural land to a methodology that is used by many other states which is a model based on the productivity value of the agricultural land.

Agricultural Land

Over the decades, there have been provisions implemented to address the tax burden on agricultural land. Prior to 1989 the maximum general fund tax levy for school districts was different for agricultural land versus nonagricultural land. Also, some counties set the percentage of taxable value different for agricultural land versus nonagricultural land.

As the agricultural economy began to prosper after the droughts and high interest rates, the market price for agricultural property rose. A limited supply of agricultural property may have led to market increases, as more agricultural land is not being created in comparison to what occurs with commercial and residential property. Also, agricultural property was being purchased by buyers who may have been primarily motivated to secure land for hunting or investment purposes. These escalating agricultural property market prices caused the Legislature to enact legislation slowing or mediating the increases in assessment valuations for agricultural property.

The Legislature enacted a new classification in 1993 which created a class a separate class of ag property referred to as AG-Y. This classification was found unconstitutional by the Supreme Court in 1997 as it created two classes of agricultural land, but agricultural land was limited by the Constitution to a single class of property. In 1998, a new property classification was created by the Legislature that was referred to as NA-Z, which was also challenged in the courts and was upheld by the Supreme Court in 2000 as a legal property classification. A school district general fund levy was annually set by the Legislature for the NA-Z classification that paralleled changes made to the agricultural property classification.

In 1999, the Legislature passed House Joint Resolution 1005, which propose a revision to Article VIII, Section 15 of the South Dakota Constitution. The proposed constitutional amendment was approved by the voters on November 7, 2000. This provision authorized the Legislature to establish multiple classes of property for school taxation purposes. An identical constitutional amendment was submitted to the voters in 1998 and was rejected by the voters. There was also an initiated constitutional amendment rejected by the voters in 1998 that would have prohibited the use of property taxes for school purposes. The dichotomy of these two 1998 constitutional amendments may have led to the defeat of both proposed amendments.

The Legislature passed HB 1005 in the 2000 Session to create a task force to conduct a pilot study concerning the use of the agricultural income value as a means to assess agricultural land. The Economics Department at South Dakota State University completed an analysis of ten counties and reported the information during the 2001 Legislative interim. HB 1135 was passed in 2002 to complete the analysis of all counties in South Dakota using the income method. After the analysis was completed it took several years to develop a consensus on how to revise the valuation system for agricultural property.

As mentioned previously, the number of agricultural land sales that could be used to assess agricultural land was diminishing in most areas of the state due to the NA-Z rule, 150% rule, and 70-acre rule. HB 1192 was passed during the 2003 Legislative Session to address the diminishing market sales data. The provisions of this bill permitted the county director of equalization to use the income method in lieu of the market method as a means to assess agricultural land. The income method used county ag land cash-rent data and a capitalization rate of 7.75% as the basis for determining the ag land assessment value for the county. This alterative could be used if there were less than fifteen arms-length transactions of agricultural land during the three preceding assessment years. Approximately, a half dozen counties used this methodology for several years. The Legislature made slight revisions to these provisions during the following sessions and continued seeking alternative for assessing agricultural land and monitoring the affects the 150% rule was having on the other property classifications.

Productivity System

After the 2007 legislative interim, the interim Property Tax Assessment Committee introduced HB 1005 in 2008 which moved the assessment of agricultural land from the market system to a productivity system. This system uses the income value of agricultural property. It is comprised of eight years of data and throws out the high and low income value (Olympic average) as determined by the production of crops for each county. Statewide prices were applied to the amount of crops produced. The noncropland was based on the income received for cash rents by county. A landlord share and capitalization rate were established by the Legislature. The goal of the Legislature when establishing the landlord share and capitalization rate was not to have a shift of values among the classifications of property, nor a shift between cropland and noncropland.

HB 1005, also created the Agricultural Land Oversight and Advisory Task Force to monitor the implementation of the productivity system. The task force has eight legislative members with equal representation from both parties and six non-legislative members representing agricultural and business. The task force has introduced and passed legislation making a few modifications to the productivity valuation system.

There was also a concern that HB 1005 would change how taxes, especially for school districts, are applied from one area to another. Tax shifts were expected to occur as some counties were not assessing property at the same level other counties were assessing property. Therefore, HB 1006 was also enacted in 2008 to ensure school districts would not benefit from this revised assessment system nor would the taxpayers realize an undue burden from changes in assessments. The provisions limited the annual increase in property taxes payable to the lesser of three percent or the index factor.

Due to various levels of assessments on ag land across the state, a provision was adopted in 2008 and amended in 2009 that limited the change in the total taxable value of cropland and noncropland within a county to 10% per year. This provision provided a transition period for taxpayers to adjust to a revised level of assessment and taxation. However, changes in commodity prices and increased yields quickly led to increasing productivity values within a relatively short period of time which was reflected in the crop Olympic average data. The productivity model was exhibiting annual increases exceeding or near the limited change in the total taxable value permitted by statute. The Ag Land Task Force introduced HB 1003 during the 2012 Legislative Session creating a three-tier system for increases in agricultural assessments. The tiers allowed an annual increase of fifteen, twenty, and twenty-five percent depending on how the current assessed value relates to the full agricultural income value of property within the county. It also extended the phase-in process for taxes payable until 2019.

Revised School Formula

In 2016, the Blue Ribbon Task Force on School Funding and the Governor had legislation introduced increasing sales and use tax revenue and revising the education formula. The additional sales and use tax revenue was dedicated to increasing K-12 teacher salaries (63%), reducing property taxes (34%), and increasing postsecondary technical institute instructor salaries (3%). The education formula moved from a per student allocation to a new target teacher ratio based-program. The school district pension fund levy tax was rolled into the general fund tax levy. Several other school district revenue sources were also reallocated. This revised school funding formula obviously impacts property taxation, but is a subject for another day.

Conclusion

An examination of property taxation over a period of time shows that these taxes are influenced by changes in the total statewide property taxable valuation and the taxable valuation for each property classification due to changes in the market or productivity model. Historically, there has been an increase in the total statewide taxable valuation from one year to the next. If the total taxable valuation increase exceeds the index factor, the net result has been lower property tax levies.

Property tax revenue has also increased on annual basis. However, these property tax increases vary from one classification to another, one taxing district to another, and one neighborhood to another.

The Legislature has enacted a number of provisions to address property taxpayer concerns and to provide a fair and reliable source of revenue for local governments over the past thirty years. SDCL chapter 10-6 contains the provisions that provide the operational structure for assessing real property. The provisions in this chapter have been amended 27 out of the last 30 years. Some may wonder when are we going to get this right, but if you would view this tax system as a billion-dollar business, you would be revisiting your business structure and operations frequently and making adjustments on a regular basis.

Property taxation provides a reliable and dependable source of revenue for local governments. These units of government are situated close to the constituents who are paying these taxes. Although most citizens prefer that someone else pay the taxes, we are all served by the schools, law enforcement, courts, roads, other infrastructure, and basic services provided by these local units of government.

This issue memorandum was written by Fred Baatz, Principal Research Analyst on 11/16/2016 for the Legislative Research Council. It is designed to supply background information on the subject and is not a policy statement made by the Legislative Research Council.

Appendix A – Local Government Tax Levies as of January 1, 2017

LEVY LIMITS AND CODE SITES

COUNTIES

General	SDCL 10-12-21 (Purpose of general levy 10-12-9 and 10-12-9.2)	limit of $12.00/thousand

County Levies in addition to the $12.00/thousand limit:

Snow Removal & Special Emergency Fund	SDCL 34-5-2	limit of $1.20/thousand
Courthouse Bldg.	SDCL 7-25-1	limit of $0.90/thousand
Ag. Bldg.	SDCL 7-27-1	limit of $0.30/thousand
Hospital Bldg.	SDCL 34-8-5	limit of $0.60/thousand
Hospital Oper. & Maint.	SDCL 34-8-19	MUST BE INCLUDED IN COUNTY GENERAL
Bond Redemption	SDCL 7-24-18	amount required
County Road & Bridge (Limit dependent on total taxable valuation of the county)	SDCL 10-12-13	limit of $1.20/thousand $.90/thousand $.60/thousand
Secondary Road (Levy applied only to unorganized portion of county and not within a road district)	SDCL 31-12-27	unlimited
Fire Fighting	SDCL 34-31-3	limit of $0.60/thousand
Railroad Authority	SDCL 49-17A-22, 23	limit of $2.40/thousand
Airport Authority	SDCL 50-6A-24, 25	limit of $2.40/thousand

OTHER TAXING DISTRICTS

Ambulance Districts	SDCL 34-11A-20	limit of $0.60/thousand
Capital Outlay.	SDCL 34-11A-32	limit of $0.50/thousand
Rural Fire Protection Districts		
Capital Outlay	SDCL 34-31A-22	limit of $0.60/thousand
Maintenance (See also AG Opinion 82-57)	SDCL 34-31A-21	limit of $1.00/thousand
Water Development Districts	SDCL 46A-3E-1 SDCL 46A-3E-9	limit of $0.30/thousand contracting authority
Water Project Districts	SDCL 46A-18-32	limit of $1.00/thousand

Watershed Districts	SDCL 46A-14-60	limit of $1.00/thousand
Sanitary Districts	SDCL 34A-5-26 (same as Municipal)	limit of $27.00/thousand

<u>SCHOOLS</u>

General	SDCL 10-12-42	limit of $1.568 / thous. on AG limit of $3.687 / thous. on O-O limit of $7.63 / thous. on Other
Bond Redemption	SDCL 13-16-10	sufficient to pay principal and interest
Capital Outlay	SDCL 13-16-7	limit of $3.00/thousand
Liabilities (Adj)	SDCL 13-6-81	limit of $6.00/thousand
Special Ed.	SDCL 13-37-16	limit of $1.505/thousand

<u>MUNICIPALITIES</u>

General	SDCL 10-12-32	limit of $27.00/thousand
Bonded Indebt.	SDCL 10-12-35	sufficient to pay principal and interest
Regional Airport Authority	SDCL 50-6A-24, 25	limit of $2.40/thousand

<u>TOWNSHIPS</u>

General	SDCL 10-12-28	limit of $3.00/thousand

Township Levies in addition to <u>the $3.00/thousand limit</u>

Fire	SDCL 10-12-28.1	limit of $1.20/thousand
Snow Removal	SDCL 31-13-22	limit of $0.60/thousand

<u>OTHER</u>

Business Improvement Districts	SDCL 9-55-13, 14, 15	Special Assessments
Community Improvement Districts	SDCL 7-25A-30	limit of $10.00/thousand

Appendix B – Property Taxes Payable for Each Local Government

For Taxes Payable In	*County*	*% Of Total*	*Municipality*	*% Of Total*	*School District*	*% Of Total*	*Township*	*% Of Total*	*Special Assessments*	*% Of Total*
1997	132,306,002	*24%*	63,030,246	*11%*	341,703,332	*62%*	8,935,430	*2%*	6,597,665	*1%*
1998	138,413,304	*24%*	66,159,294	*11%*	359,703,612	*62%*	10,102,257	*2%*	7,378,706	*1%*
1999	142,493,545	*24%*	69,357,020	*12%*	361,591,363	*61%*	10,196,165	*2%*	8,011,655	*1%*
2000	147,698,195	*24%*	72,234,893	*12%*	384,503,303	*62%*	10,269,391	*2%*	8,165,304	*1%*
2001	154,771,962	*26%*	76,628,850	*13%*	356,034,460	*59%*	10,522,342	*2%*	8,783,550	*1%*
2002	165,080,172	*25%*	81,296,731	*12%*	400,493,843	*60%*	11,508,383	*2%*	8,774,866	*1%*
2003	172,099,579	*25%*	87,349,216	*13%*	417,257,623	*60%*	11,735,923	*2%*	10,279,053	*1%*
2004	182,029,759	*25%*	92,005,243	*13%*	430,465,020	*59%*	11,827,439	*2%*	8,835,378	*1%*
2005	190,946,759	*25%*	96,379,649	*13%*	447,203,111	*59%*	12,066,658	*2%*	10,120,766	*1%*
2006	201,763,441	*25%*	102,625,076	*13%*	475,005,462	*59%*	12,326,339	*2%*	11,422,093	*1%*
2007	215,590,027	*25%*	109,964,079	*13%*	495,863,786	*58%*	12,798,789	*2%*	13,675,583	*2%*
2008	231,487,473	*26%*	116,772,552	*13%*	506,618,292	*57%*	13,487,087	*2%*	15,057,152	*2%*
2009	248,284,680	*27%*	124,481,492	*13%*	529,246,426	*57%*	14,170,891	*2%*	17,091,242	*2%*
2010	267,475,363	*27%*	131,066,116	*13%*	546,181,894	*56%*	14,734,342	*2%*	18,467,990	*2%*
2011	268,440,562	*27%*	133,749,586	*13%*	560,022,922	*56%*	16,462,026	*2%*	24,485,447	*2%*
2012	281,180,299	*27%*	139,272,206	*14%*	574,213,937	*56%*	18,047,044	*2%*	18,819,753	*2%*
2013	296,987,309	*28%*	145,762,092	*14%*	589,839,803	*55%*	18,999,061	*2%*	19,768,706	*2%*
2014	301,699,432	27%	149,893,710	13%	635,031,575	56%	18,578,477	*2%*	19,323,088	*2%*
2015	315,353,572	27%	157,338,152	13%	674,236,597	57%	19,994,514	*2%*	23,070,108	*2%*
2016	326,486,739	26%	163,730,819	13%	717,034,283	57%	19,981,486	*2%*	24,383,785	*2%*

Appendix C – Cutler-Gabriel Rule for the General Fund Levy for School Districts

13-13-71. Equalizing increase in local effort with increase in need. If local effort increases on a statew5ide aggregate basis by a greater percentage than local need on a statewide aggregate basis from any one year to the next, for the following year each of the levies specified in subdivision 13-13-10.1(6) shall be reduced proportionally so that the percentage increase in local effort on a statewide aggregate basis equals the percentage increase in need on a statewide aggregate basis.

Source: SL 1995, ch 94, § 38A

13-13-72. Legislative policy on annual increase in appropriation for state aid. It is the policy of the Legislature that the appropriation for state aid to education increase on an annual basis by the percentage increase in local need on an aggregate statewide basis so that the relative proportion of local need paid by local effort and state aid shall remain constant. For school fiscal years 2017 to 2022, inclusive, the proportion of local need paid by local effort and state aid shall be adjusted annually to maintain the proportion between state aid and local property taxes and to reflect adjustments in local effort due to the implementation of the other revenue base amount as defined in § 13-13-10.1.

Source: SL 1995, ch 94, § 38B; SL 2007, ch 93, § 23; SL 2011, ch 90, § 1; SL 2015, ch 89, § 15; SL 2016, ch 83, § 7.

13-13-72.1. Adjustment to certain levies. Any adjustments in the levies specified in § 10-12-42 made pursuant to §§ 13-13-71 and 13-13-72 shall be based on maintaining the relationship between statewide local effort as a percentage of statewide local need in the fiscal year succeeding the fiscal year in which the adjustment is made. For school fiscal years 2017 to 2022, inclusive, the proportion of local need paid by local effort and state aid shall be adjusted annually to reflect adjustments in local effort due to the implementation of the other revenue base amount as defined in § 13-13-10.1. However, if the levies specified in § 10-12-42 are not adjusted to maintain this relationship, the target teacher salary as defined in § 13-13-10.1 shall be reduced to maintain the relationship between statewide local effort as a percentage of statewide local need.

Source: SL 2001, ch 79, § 1; SL 2007, ch 94, § 1; SL 2008, ch 78, § 1; SL 2009, ch 77, § 1; SL 2011, ch 90, § 3; SL 2015, ch 39, § 16; SL 2016, ch 83, § 8.