

2006

YOUR PROPERTY TAXES

understanding property tax

assessments

appeal process

property taxes and schools

frequently asked questions

relief programs

legislation

South Dakota Department of Revenue & Regulation

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UNDERSTANDING PROPERTY TAX

To fully understand how property owners benefit from the tax reduction program, it is important to first understand how the property tax system works.

There is no such thing as a tax break. There are only tax shifts. If a Director of Equalization lowers an assessed value from \$500,000 to \$400,000, the taxes associated with that \$100,000 of value do not simply disappear. They are shifted from the owner that had his value lowered, to everyone else. The county is going to generate the same amount of revenue, whether that \$100,000 of value is in the tax base or not. Everyone else is going to be picking up a little piece of that burden.

The same thing happens when laws are passed that effect the valuation process. Our property tax caps control the growth of government spending. The **caps** say how much each level of local government can collect from the property owners. The **valuation system** says who has to pay it.

How Property Taxes Are Applied

Property owners in South Dakota may be taxed by two or more of the following units of government: cities, counties, townships, school districts, water districts, and, in some cases, units such as fire and sanitary sewer districts. There are three steps that are common to the application of property taxes in each government unit:

ESTABLISHING THE VALUE OF PROPERTY:

The first step is to establish the value of all property within the boundaries of each unit of government. Because all property is not of equal value, individual values are arrived at based on the price the property would bring if sold. This selling price, determined by the sale price of comparable properties, and known as the true and full value, is what establishes the value of the property.

ESTABLISHING THE AMOUNT OF TAX:

The second step is to determine the amount of taxes needed to meet the costs of operating a unit of government. The higher the cost of operating the city or school district, the larger the revenues required from property taxes. Revenues from property taxes, combined with other monies such as federal grants, must equal the size of the budget of the unit of government. The amount coming from property taxes is limited based on the Property Tax Reduction Act.

PROPERTY TAX ASSESSMENTS

ESTABLISHING A TAX RATE:

The third step, establishing a tax rate to apply to individual pieces of property, is based on steps one and two. The tax rate for all property in a local unit of government is arrived at by dividing the value of all the property into the amount of the budget that is unfunded from other sources. This calculation results in a tax rate expressed in dollars of property value, or “dollars per thousand”. If the dollars per thousand were \$4, the tax on a home valued at \$50,000 would be calculated at $\$4 \times 50$ or a tax of \$200.

Value of Property

EQUAL ASSESSMENTS OF PROPERTY

The other key part of the reduction program is to have all property assessed equitably at market value. Our statutes require property to be assessed at its market (or full and true) value. Market value is the amount the property would probably sell for if sold on the open market.

To accomplish this, it is the responsibility of the county director of equalization to assess all property within the county. The director uses a combination of three approaches to value:

Cost Approach: the estimated cost of replacing property (structures), taking into account the age and condition of the structure, then adding the value of the land.

Market Approach: comparing the property to like properties that have recently been sold.

Income Approach: using the value of the projected income for a property to determine its value.

After ALL properties are assessed at the market value, the changes in value from year to year should reflect market increase or improvements to the property.

PROPERTY TAX ASSESSMENTS

When looking at changes in the value of your property, do not assume:

That the previous year's value was the market value for last year. In the larger counties, there is not enough time or staff to visually inspect every property every year. Consequently, the director of equalization usually has a schedule specifying that within a certain time period (such as every five years), every property in the county is visually inspected.

That the current year's value IS market value. If you believe the assessed value is higher than the amount you could actually realize from selling the property, you have the right to appeal that value through your local board of equalization.

That if your value doubled, your taxes are going to double. Conversely, do not assume that if your value decreased by a percentage, that your taxes will drop by that same percentage. The taxes are limited for all taxing entities, so regardless of changes in assessed value of property from year to year, taxes will only go up by the amount needed to underwrite local budgets, which are capped. If all properties are assessed equitably, the tax burden is distributed equitably.

As the owner of real property in South Dakota, you have the right to ensure your property is being assessed at no more than market value and equitably in relationship to other properties in your area. When you receive your assessment notice, check to make sure the property is listed correctly. Look at the assessed value. Ask yourself, "If I sold this property, is this the amount I would expect to receive?" If it's higher than what you think you could sell it for, first talk to your county director of equalization to find out how the values were determined. If you still disagree with the assessment, you may want to consider appealing the assessment.

PROPERTY TAX APPEAL PROCESS

STEP 1:

Appeal to the local board of equalization. Notify the clerk of the local board of your intentions to appeal by mid-March.* The local board will hold a hearing and must notify you in writing of their decision by the end of March.

IF YOU DISAGREE...

STEP 2:

Appeal to the county board. Write a letter to the county board stating your intent to appeal; it must be received by the board by the first part of April*. The board will hold a hearing and must notify you of their decision.

IF YOU DISAGREE...

STEP 3:

Appeal to the Office of Hearing Examiners. Send a letter to the chief administrative law judge by mid-May*. You will receive additional information from that office on how and when the hearing of your appeal will be conducted.

IF YOU DISAGREE WITH THE DECISION...

STEP 4:

Appeal to the circuit court. To be valid, your appeal must be made within 30 days after receiving notice of the decision from OHE. The court will instruct you as to how and when the hearing of your appeal will be conducted.

Consumer Price Index (CPI)

For property taxes payable in 1997 and each year thereafter, all taxing districts (except school districts) are capped as to what they can ask from the tax rolls. The cap equals what was payable the previous year plus a percentage increase due to growth or new construction and percentage increase in the Consumer Price Index (CPI) with said increase up to but not exceeding 3%.

**Check with your County Auditor or the Department of Revenue for specific deadline dates.*

PROPERTY TAX APPEAL PROCESS

Since the start of the property tax reduction act, the CPI has been:

Taxes Payable	%
1997	2.9
1998	2.9
1999	2.3
2000	1.57
2001	2.2
2002	3.0
2003	2.8
2004	1.6
2005	2.2
2006	2.6

Example: City A taxes payable in 2002 were \$245,000. Assuming 3% growth for taxes payable in 2003 - City A can request $\$245,000 + 2.8\% + 3\%$ for a total of \$259,210.

In the first phase of the property tax reduction program, the budget requests of schools districts were capped, meaning a school district with a budget request of \$5 million in 1995 could not be allowed a budget request greater than \$5 million in 1996, with the exception of additional dollars made available through new construction.

Beginning in 1997, uniform tax rates were applied for the general fund in every school district from Sioux Falls to Mobridge to Spearfish. Uniform tax rates for schools are limited and often reduced each year so that growth in the value of local property does not increase school budgets more than the rate of inflation. The amount of the rates depend on the property's classification.

THE PROPERTY TAXES AND SCHOOLS

To better explain how the reduction program affects school levies, here's the math (in the following table, ADM represents

“Average Daily Membership” or the number of students enrolled):

Maximum School Levies				
Year	Agriculture	Non-Agriculture		
Pay 1995	14.40	24.00		
Pay 1996*	14.40	24.00		
*Pay 1996 - All ag and owner-occupied properties received 20% reduction on real property taxes payable in 1996				
Year	Agriculture	Owner-Occupied	Other	Cost/ADM
Pay 1997*	5.75	9.20	16.75	\$3,350.00
Pay 1998	5.66	9.06	16.49	\$3,440.45
Pay 1999	4.73	7.61	16.25	\$3,3540.91
Pay 2000	4.70	7.56	16.15	\$3,604.65
Pay 2001	3.33	5.36	13.93	\$3,665.93
Pay 2002	4.04	6.50	13.93	\$3,775.91
Pay 2003	3.74	6.02	12.90	\$3,889.19
Pay 2004	3.49	5.62	12.04	\$3,967.88
Pay 2005	3.32	5.34	11.45	\$4,086.56
Pay 2006	3.19	5.13	11.00	\$4,237.72
*Pay 1997-All property valuations equalized to 85% of market value.				

** Set annually by Legislature*

PROPERTY TAXES AND SCHOOLS

WHAT DOES ALL THIS MEAN TO INDIVIDUAL SCHOOL DISTRICTS?

School districts receive their funding for the general operation of a school from two basic sources: dollars collected through uniform tax rates; and State Aid-to-Education dollars distributed to the school district. In determining how many Aid-to-Education dollars a district will get, take the school district's need for education funding (how much it costs to educate one student multiplied by the number of students in the district) and subtract the dollars collected through the uniform tax rates. Or to put it more simply, **Need – Local Effort (taxes) = State Aid.**

Here are some additional equations that you may find useful:

Number of students X Cost/ADM = Need

Value of District X Maximum Levies = Local effort

The following is an example of these equations at work:

The school district has 600 students.

Pay 2005

600 (students) x \$4,086.56 (cost per student).....**\$2,451,936**

Local Effort (dollars collected through uniform tax rates)

AG 110,000,000 x 3.32/thousand.....\$365,200

OO 60,000,000 x 5.34/thousand.....\$320,400

OTH 45,000,000 x 11.45/thousand.....\$279,600

TOTAL LOCAL EFFORT.....\$1,200,850

State Aid (Need - Local Effort)

\$2,451,936 - \$1,200,850.....**\$1,497,296**

State Aid = \$1,251,086

PROPERTY TAXES AND SCHOOLS

The school district has 600 students.

Pay 2006

600 (students) x \$4,237.72 (cost per student).....**\$2,542,632**

Local Effort (dollars collected through uniform tax rates)

AG 110,000,000 x 3.19/thousand.....\$350,900

OO 60,000,000 x 5.13/thousand.....\$307,800

OTH 45,000,000 x 11.00/thousand.....\$495,000

TOTAL LOCAL EFFORT.....\$1,153,700

State Aid (Need - Local Effort)

\$2,542,632 - \$1,153,700.....**\$1,388,932**

State Aid = \$1,388,932

Like counties, townships, and municipalities, school districts may choose to exceed the limits of the property tax reduction program through a two-thirds vote of their governing boards. That decision in turn can be referred to the voters by a petition filed within 20 days bearing the signatures of five percent of the registered voters.

HOW DOES THIS AFFECT INDIVIDUAL PROPERTY VALUES AND TAXES?

The previous examples have shown how changes in the local effort (taxes) raised in a school district affect the amount of State Aid funding a school district receives to educate its students. The figures on the next page illustrate how those changes are reflected in property values and actual taxes paid.

PROPERTY TAXES AND SCHOOLS

Pay 1995

AG 40,000 x 14.40 = \$576.00
NA 40,000 x 24.00 = \$960.00

Pay 1996

AG 40,000 x 14.40 = \$576.00 - 20% = 460.80
OO 40,000 x 24.00 = \$960.00 - 20% = 768.00
OTH 40,000 x 24.00 = \$960.00

Pay 1997

(Property valuations equalized to 85%)

AG 42,500 x 5.75 = \$244.38
OO 56,666 x 9.20 = \$521.33
OTH 56,666 x 16.75 = \$949.16

Pay 1998

AG 42,500 x 5.66 = \$240.55
OO 56,666 x 9.06 = \$513.39
OTH 56,666 x 16.49 = \$934.42

Pay 1999

AG 42,500 x 4.73 = \$201.03
OO 56,666 x 7.61 = \$431.23
OTH 56,666 x 16.25 = \$920.82

Pay 2000

AG 42,500 x 4.70 = \$199.75
OO 56,666 x 7.56 = \$428.39
OTH 56,666 x 16.15 = \$915.16

Pay 2001

AG 42,500 x 3.33 = \$141.53
OO 56,666 x 7.56 = \$303.73
OTH 56,666 x 16.15 = \$789.36

PROPERTY TAXES AND SCHOOLS

Pay 2002

AG	$42,500 \times 4.04 =$	\$171.70
OO	$56,666 \times 6.50 =$	\$368.33
OTH	$56,666 \times 13.93 =$	\$789.36

Pay 2003

AG	$42,500 \times 3.74 =$	\$158.95
OO	$56,666 \times 6.02 =$	\$341.13
OTH	$56,666 \times 12.90 =$	\$730.99

Pay 2004

AG	$42,500 \times 3.49 =$	\$148.33
OO	$56,666 \times 5.62 =$	\$318.46
OTH	$56,666 \times 12.04 =$	\$68.22

Pay 2005

AG	$42,500 \times 3.32 =$	\$141.10
OO	$56,666 \times 5.34 =$	\$302.60
OTH	$56,666 \times 11.45 =$	\$64.88

Pay 2006

AG	$42,500 \times 3.19 =$	\$135.58
OO	$56,666 \times 5.13 =$	\$290.70
OTH	$56,666 \times 11.00 =$	\$62.33

NOTE: To simply illustrate how changes in levies affect taxes, the property values in this table remain constant. In actuality, property values may increase or decrease from year to year.

FREQUENTLY ASKED QUESTIONS

HOW DO I APPLY FOR OWNER-OCCUPIED STATUS TO LOWER MY PROPERTY TAXES?

Definition: Owner-occupied property is just that - property that is lived in by the owner. For example, a mobile home would qualify for the tax credit if the person who lives in it is also the owner.

How To Apply: Download the form from <https://www.state.sd.us/eforms/secure/eforms/E1659V3-CertificationOwnerOccupiedDwelling.pdf> or visit your local county's Director of Equalization. Complete the owner-occupied certificate and mail or deliver it to the County Director of Equalization office by March 15 of the current year.

WHERE CAN I FIND INFORMATION ON HOW MY PROPERTY VALUATION IS DETERMINED?

Contact your county Director of Equalization or the SD Department of Revenue & Regulation Property Tax Division.

HOW DO I APPLY FOR THE ELDERLY AND DISABLED ASSESSMENT FREEZE ON MY PROPERTY?

Download the form or obtain an application form from your local County Treasurers office. Your local county treasurers office will assist you with any questions you may have about the form.

Complete the form and return it to your local county treasurer on or before April 1 of the current year.

HOW DO I APPLY FOR A TAX CREDIT FOR RENEWABLE RESOURCE ENERGY SYSTEM?

Contact your county Director of Equalization or the SD Department of Revenue & Regulation Property Tax Division.

FREQUENTLY ASKED QUESTIONS

HOW DO I REGISTER MY MOBILE HOME FOR PROPERTY TAXES?

Mobile homes manufactured after 1977 are considered real estate and do not have to be registered. Mobile homes manufactured before 1977 must be registered ANNUALLY ON OR BEFORE THE FIRST DAY OF FEBRUARY unless they have already been considered real estate. (If in doubt, contact your County Director of Equalization.)

Take completed forms AND the title of the mobile home to your County Director of Equalization office.

Complete the Mobile Home Registration Form obtained from the County Director of Equalization office on or before February 1.

WHEN ARE PROPERTY TAXES TO BE PAID?

PROPERTY TAX RELIEF PROGRAMS

SALES AND PROPERTY TAX REFUND FOR SENIOR & DISABLED CITIZENS

What the program does: Offers eligible senior citizens and disabled individuals a once-a-year refund of sales OR property taxes. The program is funded through an annual appropriation from the South Dakota Legislature. Property is the house, garage and the lot upon which it sits or one acre, whichever is less.

To be eligible:

- You must be at least 66 years old on or before January 1 of the current year OR
- Disabled during any part of the year. Disabled means you are qualified to receive: Social Security Disability benefits, Supplemental Security Disability benefits, or you are a veteran with a rated disability of 60% or higher.
- You must have been a South Dakota resident for the entire previous year.
- You must meet the annual income requirements. The 2004 income limit for a single-member household is \$9,750; the limit for a multiple-member household is \$12,750.

To apply: Applications are accepted from May 1 to July 1. Please submit your application to the Department of Revenue & Regulation, Special Tax Division, 445 East Capitol Avenue, Pierre, SD 57501-3185. An application can be found at <http://www.state.sd.us/drr2/forms/SpecialTaxes/non0882V2-SalesOrPropertyTaxRefundsForSeniorCitizensWithDisabilities.pdf>.

Refunds: Refunds are calculated based on your income; the Division begins issuing refund checks at the end of August.

PROPERTY TAX RELIEF PROGRAMS

ASSESSMENT FREEZE FOR THE ELDERLY AND DISABLED

What the program does: Reduces the assessed value of the homeowner's property. Property is the house, garage and the lot upon which it sits or one acre, whichever is less.

To be eligible:

- You must be 65 years of age or older OR disabled (as defined by the Social Security Act).
- You must own the home or retain a life estate in the property. *

Unremarried widow/widowers of persons previously qualified may still qualify in some circumstances.

To apply: Applications are available online at <http://www.state.sd.us/drr2/forms/PropertyTax/non1289V3-ApplicationForFreezeOnAssessmentsOfDwellingsOfDisabledAndSeniorCitizens.pdf> or at any county treasurer's office beginning in January of each year. Applications must be submitted annually to your county treasurer on or before April 1st.

**Income and property value limits apply.*

PROPERTY TAX REDUCTION FROM MUNICIPAL TAXES FOR THE ELDERLY AND DISABLED

What the program does: Reduces your city property taxes the year following your application. Property is the house, garage and the lot upon which it sits or one acre, whichever is less.

To be eligible:

- You must be 65 years old or older or disabled (as defined by the Social Security Act).
- You must own the property.*

Unremarried widow/widowers of persons previously qualified may still qualify.

This program is only offered in those cities that have passed ordinances allowing the reduction. (As of July 1, 2003, only Rapid City has such an ordinance.)

To apply: Applications are available online at <http://www.state.sd.us/drr2/forms/PropertyTax/non1295V3-ApplicationForPropertyTaxReductionFromMunicipalTaxesForTheElderlyAndDisabled.pdf> or at any county courthouse beginning in January of each year. Applications must be submitted annually to your county treasurer on or before April 1st.

**Income limits apply.*

PROPERTY TAX RELIEF PROGRAMS

PROPERTY TAX HOMESTEAD EXEMPTION

What the program does: Delays the payment of property taxes until the property is sold. The taxes are a lien on the property and must be paid along with the interest before the property can be transferred. Property is the house, garage and the lot upon which it sits or one acre, whichever is less.

To be eligible:

- You must be at least 70 years old or a surviving spouse. *

To apply: People who qualify for this program are ineligible for the Sales and Property Tax Refund Program. Applications are available online at <https://www.state.sd.us/eforms/secure/eforms/E1294V2-ApplicationForPropertyTaxHomesteadExemption.pdf> or at any county courthouse beginning in January of each year. Applications must be submitted annually to your county treasurer on or before May 1st.

**Income and residency requirements apply.*

PROPERTY TAX REDUCTION FOR PARAPLEGICS

What the program does: Reduces your property taxes on a graduated scale based on your income. Property is the house, garage and the lot upon which it sits or one acre, whichever is less.

To be eligible:

- The property must be owned or occupied by a paraplegic or individual with the loss or loss of use of both lower extremities, or the unmarried widow/widower of such paraplegic.
- The property must be specifically designed for wheelchair use within the structure.

To apply: Applications are available online at <https://www.state.sd.us/eforms/secure/eforms/E1291V3-ApplicationForParaplegicPropertyTax-Reduction.pdf> or at any county courthouse beginning in January of each year. Applications must be submitted annually to your county assessor.

**Income and occupancy limits apply.*

PROPERTY TAX RELIEF PROGRAMS

PROPERTY TAX EXEMPTION FOR PARAPLEGIC VETERANS

What the program does: Exempts the property from all property taxes. Property is the house, garage and the lot upon which it sits or one acre, whichever is less.

To be eligible:

- The property must be owned by a paraplegic veteran, a veteran with loss or loss of use of both lower extremities, or the unremarried widow/widower of such veteran.
- The property must be specifically designed for wheelchair use within the structure.

To apply: Applications are available online at <https://www.state.sd.us/eforms/secure/eforms/E1292V3-ApplicationForParaplegicVeteranPropertyTaxExemptions.pdf> or at any county courthouse beginning in January of each year. Applications must be submitted annually to your county assessor.

PROPERTY TAX LEGISLATION

Prior to 1977, counties in South Dakota were allowed to assess properties at a percentage of market value. The percentage varied from county to county. Since that time, a variety of bills have been passed that changed the state's property tax system. Here is a quick review:

1977

- Counties required to assess property at market value
- County Commissioners given authority to establish taxable percent for AG and Non-Ag property (SDCL 10-11-25)
- Maximum taxable percentage of 60% (SDCL 10-6-33)

Often, the taxable percentage was different for the two classes with ag taxable percentage generally lower. Assessments were not changed often except for new construction and ranged anywhere from 30% of market value to 120% of market value.

1989

SB12 and SB15: major rewrite of property tax laws, removing taxable percentage; adjusting statutory levy limits; and establishing minimum requirements for assessments according to market.

SB121: Governor Mickelson's property tax freeze legislation froze INDIVIDUAL tax bills for two years (pay 90 and pay 91) unless improvements were made to property.

Taxes payable in 1992--the freeze ended and assessments were brought up closer to market value.

PROPERTY TAX LEGISLATION

1995

Governor Janklow's Property Tax Relief Legislation

Taxes payable in 1996, 1997, 1998-- All ag and owner-occupied designated property received 20% reduction in real property taxes with State of South Dakota paying the 20% (\$83 million).

All taxing entities capped as to what they could ASK from tax rolls; for taxes payable 1996--could ask for no more than what they asked for payable 1995, except for percentage increase due to growth.

1998

Governor Janklow's Property Tax Relief Legislation

Taxes payable in 1999--Expanding on the 1995 tax relief program, all ag and owner-occupied designated property received an additional 5% reduction in real property taxes in 1999, with the State of South Dakota paying the 5% (\$20.4 million for a total of \$102 million to provide 25% property tax relief).

Limits placed on growth of local government budgets instituted in 1995 remain in place.

2000

Governor Janklow's Property Tax Relief Legislation

Taxes payable in 2001--This fulfills Governor Janklow's promise, to citizens of South Dakota, of lowering property taxes by 30% for property designated agricultural and owner-occupied. The additional 5% reduction (\$20.4 million) in real property taxes payable in 2001 brings the reduction to 30%.

Limits placed on growth of local government budgets instituted in 1995 remain in place.





Property Tax Division | 445 East Capitol Ave. | Pierre, SD 57501