SOUTH DAKOTA DEPARTMENT OF REVENUE

Legislative Update & SB96

May 2026
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SD DOR
DEPARTMENT OF REVENUE

2025 Legislative Session

Property Tax Task Force

- SB 216 – Gov's PT bill

- HCR 6003 – To provide for an interim study regarding property tax reduction and preservation of the American dream to own a home.

- Ideas:
  - Cut gov't budgets (state and local)
  - Governor's proposed local option county sales tax (up to 0.5% for property tax relief)
  - "Education tax"
    - In addition to sales/use tax; eliminate all school property taxes
  - "Abolish Property Tax" group
    - New "transaction" tax to replace PT

2026 Legislative Session

Property Tax Bills

- 46 Property Tax or related bills introduced

- Property Tax Relief Package
  - SB 96 – county gross receipts tax
  - SB 245/HB 1051 – “buy down” owner-occupied school levy

- Other notable PT bills
  - SB 154 – OO structures
  - SB 228 – TIF reform
  - SB 12/HB 1193 – Paraplegic/Disabled Vet exemptions

2026 Legislative Session

Property Tax Bills

- SB 154 – An Act to clarify the eligibility of multiple garages or structures to be classified as owner-occupied.

  - SDCL 10-13-39 defines OO as a "single-family dwelling. . .including an attached or unattached garage and the parcel of land upon which the structure is situated…"

  - SB 154 expands the OO definition to include "all garages and ancillary structures related to the residential use of the dwelling by the owner…"

2026 Legislative Session

Property Tax Bills

- **SB 228 – An Act to modify provisions for a tax increment financing district.**
  - Prohibits property within a TIF from receiving a discretionary formula
  - Defines “contiguous geographic area”
  - Limits total assessed valuation in a TIF to 7 ½ percent of total valuation in Class 1 cities
  - Notice of dissolution to DOR within 30 days, along with final financial statement
  - Mandatory independent fiscal feasibility review prior to approval of project plan

South Dakota Property Tax Relief Package

Three Key Measures Signed by Governor Rhoden

2025
Senate Bill 216

Valuation Restriction
Total owner-occupied valuation cannot increase more than 3% countywide

Budgetary Limitation
Taxing districts limited to a maximum growth factor of 3% in property tax budget increases

Assessment Freeze Updates
Income and property valuation thresholds increased

2026
Senate Bill 96

County Opt-In Sales Tax

A county commission can implement up to a .5% sales tax.

All revenues generated must go toward lowering owner-occupied property taxes.

2026
Senate Bill 245
(in conjunction with House Bill 1051)

Reduction of Owner-Occupied School General Fund Levy

The State is increasing its share of education funding, resulting in a considerable decrease to the school general levy for owner-occupied property.

This will be applied to all owner-occupied properties statewide.

How & When the Property Tax Relief Will Be Felt

SB 216

- All homes are assessed at full market value.
- Under SB 216, if any increases in valuation results in an increase greater than 3% of the total county owner-occupied property from the year prior, a reduction factor is applied.
- This factor is applied to all owner-occupied property equally.
- The valuation restriction was first realized on the 2026 assessment notices.
- These values will be used to calculate the 2027 tax bills.
- This restriction will only last 5 years.

SB 216

- Taxing districts are limited to what they can ask for in property taxes each year. The district can only increase last year's property tax budget by a growth factor and an economic index factor.
- There is already a cap on the index factor. Under SB 216, there is now a cap on the growth factor.
- This means that a fast-growing taxing district will be constrained in the amount of property taxes it can ask for.
- The budget limitation will first be applied when calculating the taxes to be collected in 2027.
- This limitation will only last 5 years.

SB 216

- The Assessment Freeze program allows for an individual's property taxes to be calculated off a lower, previous year's valuation.
- By increasing the income and home valuation thresholds of the Assessment Freeze, more senior and disabled individuals will be able to qualify for the relief program.
- Each year, the income and valuation thresholds are increased by an economic index factor.
- The first year reflecting these increases is the 2026 application, which will impact the 2027 taxes.

SB 245 & HB 1051

- The State sales tax holiday is sunsetting in 2027, which means the sales tax is going to be returning to 4.5%.
- SB 245 is dedicating all revenue that will be generated by that 0.3% sales tax increase towards property tax relief for homeowners.
- To provide relief to taxpayers faster, SB 245 is also putting additional current monies into the education funding formula. The result is the decrease in the school general owner-occupied levy in HB 1051.
- Every owner-occupied property in the state will see this reduced levy on their 2027 tax bill.

SB 96

- For the first time ever, counties will have the option to pass a sales tax of up to 0.5%.
- If a county commission chooses to do so, all revenues generated by the county sales tax must go toward property tax relief for the owner-occupied properties in the county.
- The property tax relief will be reported as a tax credit of the county portion of taxes on the tax bill.
- The earliest a county sales tax will go into effect is January 2027.

Understanding the Timing of the Property Tax Relief Package

2025

SB 216 passed and signed into law.

2026

- The valuation control mechanism under SB 216 is applied to the March 1 assessments notices.
- The increased Assessment Freeze thresholds of SB 216 are active for the April 1 application.
- All taxing district budgets set for the next fiscal year are restricted under the SB 216 budgetary limitation.
- SB 96 & SB 245 passed and signed into law.
- County Commissions can start the process of implementing a county sales tax in July.

2027

- SB 216 is fully in effect on tax bills for the first time. These limits will continue until 2031.
- School General owner-occupied levy is reduced on all owner-occupied property tax bills (SB 245).
- If passed, the earliest the county sales tax could go into effect (SB 96) is January 1.

2028

- School owner-occupied levy continues to be at the rate set in HB 1051 (or lower.)
- A tax credit on the county portion of property taxes will be displayed on property tax bills in any county that implemented the sales tax in SB 96 in the previous year.

Questions?

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