# *Property Taxes*

*Property and Special Taxes Division - Michael Kenyon, Director*

Property taxes are the primary source of funding for school systems, counties, municipalities and other units of local government. The state does not collect or spend any property tax money. Each county administers its own property tax system; the department's authority is limited to assisting local governments in making property tax assessments that are fair and in compliance with the law.

## Who pays property taxes and where does the money go?

In calendar year 2004, South Dakota property owners paid more than $716 million to fund local governments and provide K-12 education for the state's children. The following two charts show the portion of the total tax bill paid by each classification of property, and where the money collected is spent.

### *Percentage Breakdown of Property Taxes Collected by Property Classification*

Of the $716,327,461 CY2004 total property taxes collected, 38% ($273,180,527) came from Owner Occupied Property; 36% ($261,888,646) was from Other property; and 26% ($181,258,288) was from Agricultural Property.

### *Percentage Breakdown of Property Taxes Distributed by Government Entity*

The $716,327,461 collected was distributed as follows: schools received 60% ($430,465,020); counties 26% ($182,029,759); municipalities got 12% ($92,005,243); and townships received 2% ($11,827,439).

### *Total Property Taxes 2002 – 2004*

| | **Payable 2002** | **Payable 2003** | **Payable 2004** |
|---|---|---|---|
| Agricultural Property | $166,225,267.53 | $172,050,045.58 | $181,258,287.38 |
| Non-Ag Acreages | 2,733,688.53 | 4,304,303.18 | 1,769,313.89 |
| Owner-Occupied Property | 239,415,363.36 | 254,014,786.51 | 267,665,970.68 |
| Manufactured Homes (Real) - Not Owner Occupied | 1,587,635.82 | 1,893,270.12 | 2,372,198.91 |
| Manufactured Homes (Real) - Owner Occupied | 3,729,608.67 | 4,742,877.34 | 5,514,556.18 |
| Other Property | 213,873,016.90 | 220,384,652.16 | 227,464,566.45 |
| Utilities | | | |
| Railroad | 1,561,830.38 | 1,788,793.94 | 1,098,055.36 |
| Telegraph | | | |
| Electric Light, Power, etc. | 22,752,088.59 | 22,953,341.35 | 23,265,295.66 |
| Telephone Companies (Within) | 5,152,969.25 | 4,989,265.31 | 4,772,700.39 |
| Telephone Companies (Without) | 1,347,660.89 | 1,321,005.48 | 1,146,515.30 |
| Special Assessments | 8,774,865.67 | 10,279,052.77 | 8,835,377.91 |
| **TOTAL** | $667,153,995.59 | $698,721,393.74 | $725,162,838.11 |

## Taxes Levied by Local Units of Government

The chart below compares the total amount of tax levied by each unit of government.

***Taxes Levied by Local Units of Government – 2004***

| | Amount Taxed | Percent of Total |
|---|---|---|
| County (Includes Library, Secondary Road, Fire Fighting Purposes, Telephone Outside-General Fund) | $182,029,759.26 | 25.10% |
| Municipalities | 92,005,242.69 | 12.69% |
| Schools | 430,465,019.66 | 59.36% |
| Townships | 11,827,438.59 | 1.63% |
| Special Assessments | 8,835,377.91 | 1.22% |
| **Total** | **$725,162,838.11** | **100.00%** |

## Limits on Property Taxes

The South Dakota Legislature has enacted two independent systems that limit the growth of property taxes. The first is the state aid to education payments. These payments effectively replace property taxes for schools that would otherwise be paid by owners of agricultural and owner-occupied homes. The second system is the caps placed on the property taxes collected by all levels of local government (except schools). These caps limit the local governments' property tax collections to the amount they collected the previous year, plus small increases for inflation and new construction.

### State Aid to Education Payments

Agricultural and owner-occupied property owners benefit from the funding for education provided by the state. The state provides an extra $120 million for K-12 education that would otherwise have to be paid by these property owners. The benefit is provided to the taxpayer through a tax rate reduction for the school general fund levy. The school general fund levy rates for taxes payable in 2005 are set statewide as follows:

| | |
|---|---|
| Ag | $3.32/$1,000 of value |
| Owner-Occupied | $5.34/$1,000 of value |
| Other | $11.45/$1,000 of value |

### Property Tax Caps

State law limits the amount of property taxes that local governments (counties, cities, townships, fire districts, etc.) can collect from their property owners. Market increases in the value of the property within the taxing district automatically decrease the property tax rates upon that property to ensure that the caps are not exceeded. Local

governments are limited to the amount of property taxes they collected last year, plus an increase for inflation based upon the consumer price index (but not more than 3%) and for new construction within the taxing jurisdiction.

An example will illustrate how the property tax caps work. Assume that last year, the total property valuation within a city was $100 million and the city collected $300,000 from property taxes. To collect the $300,000, the city assessed property within the city a tax of $3.00/$1,000 of assessed value. This year, the consumer price index is 2%, a new subdivision was created within the city with a total valuation of $1 million, and a hot real estate market increased the value of the existing property within the city to $109 million. The city can increase the $300,000 it received from property taxes last year by 3% (2% for CPI and 1% for the new construction) for a total of $309,000. To prevent the city from going over the cap, the tax rate applied to the $110 million of property within the district (market value of $109 million plus the new $1 million subdivision), the tax rate is automatically lowered from last year's rate of $3.00/$1,000 of value to $2.81/$1,000 of value.

**Combined Effect of Tax Caps and State Aid Payments**

Historically, property taxes have increased at a rate of about 6% per year since 1947. Property tax caps and state aid to education have significantly slowed this increase. If the historical rate of property tax growth had continued through the 1990's, current property owners would be paying almost $1 billion in property taxes. Instead, property owners are paying less than $720 million of property taxes. The chart below shows the historical growth of property taxes and the actual growth of property taxes. These programs were implemented in 1997.

## Effective Property Tax Rates

The following tables show the effective tax rate for owner-occupied, agricultural, and other property in 25 South Dakota jurisdictions. The “Other” category includes residential property not occupied by the owner, commercial property and utility property. The effective tax rate is the percentage of a property’s assessed (market) value that will be paid in taxes. For example, if the effective tax is 2%, and the assessed (market) value of the property is $150,000, then the taxes will be about $3,000 per year. The “Agricultural” effective tax rate is for the agricultural property in the township around the cities on the list.

### *Owner-Occupied Taxes Payable in 2004*

| Effective City | Tax Rate | X $40,000 = | A Tax Of | Effective City | Tax Rate | X $40,000 = | A Tax Of |
|---|---|---|---|---|---|---|---|
| Aberdeen | 1.82% | | $727.26 | Mobridge | 2.12% | | $849.32 |
| Belle Fourche | 1.99 | | 795.60 | Pierre | 1.66 | | 662.69 |
| Brandon | 1.54 | | 616.66 | Rapid City | 1.57 | | 629.17 |
| Brookings | 1.76 | | 703.12 | Redfield | 3.03 | | 1,211.59 |
| Canton | 1.95 | | 781.32 | Sioux Falls | 1.50 | | 600.98 |
| Chamberlain | 1.99 | | 797.30 | Sisseton | 2.11 | | 842.55 |
| Dell Rapids | 1.62 | | 647.53 | Sturgis | 2.21 | | 884.34 |
| Flandreau | 2.29 | | 917.86 | Vermillion | 1.94 | | 775.20 |
| Hot Springs | 2.31 | | 922.76 | Watertown | 1.49 | | 595.44 |
| Huron | 2.30 | | 919.29 | Webster | 2.09 | | 834.02 |
| Madison | 1.75 | | 698.02 | Winner | 1.77 | | 708.56 |
| Milbank | 1.50 | | 598.60 | Yankton | 1.63 | | 652.46 |
| Mitchell | 1.92 | | 769.76 | | | | |

### *Other Non-Agricultural Taxes Payable in 2004*

| Effective City | Tax Rate | X $40,000 = | A Tax Of | Effective City | Tax Rate | X $40,000 = | A Tax Of |
|---|---|---|---|---|---|---|---|
| Aberdeen | 2.36% | | $945.88 | Mobridge | 2.67% | | $1,067.60 |
| Belle Fourche | 2.53 | | 1,013.88 | Pierre | 2.20 | | 880.97 |
| Brandon | 2.09 | | 836.30 | Rapid City | 2.13 | | 850.34 |
| Brookings | 2.38 | | 952.34 | Redfield | 3.81 | | 1,525.07 |
| Canton | 2.50 | | 999.60 | Sioux Falls | 2.09 | | 834.56 |
| Chamberlain | 2.54 | | 1,015.58 | Sisseton | 2.61 | | 1,043.83 |
| Dell Rapids | 2.17 | | 866.15 | Sturgis | 2.76 | | 1,105.68 |
| Flandreau | 2.84 | | 1,137.50 | Vermillion | 2.50 | | 998.58 |
| Hot Springs | 2.85 | | 1,141.38 | Watertown | 2.03 | | 813.72 |
| Huron | 2.84 | | 1,137.57 | Webster | 2.63 | | 1,053.66 |
| Madison | 2.29 | | 916.30 | Winner | 2.32 | | 928.20 |
| Milbank | 2.40 | | 961.38 | Yankton | 2.18 | | 870.74 |
| Mitchell | 2.53 | | 1,013.88 | | | | |

## *Agricultural Taxes Payable in 2004*

| Township | Effective Tax Rate | X $40,000 = | A Tax Of |
|---|---|---|---|
| Aberdeen Twp. 6-1 | 1.32% | | $526.66 |
| Belle Fourche Twp. 9-1 (Unorg.) | 1.19 | | 475.32 |
| Brandon Twp. 49-2 | 1.10 | | 438.80 |
| Brookings Twp. 5-1 | 1.45 | | 581.06 |
| Canton Twp. 41-1 | 1.05 | | 419.90 |
| Chamberlain Twp. 7-1 | 1.15 | | 459.00 |
| Dell Rapids Twp. 49-3 | 1.02 | | 409.67 |
| Flandreau Twp. 50-3 | 1.41 | | 562.22 |
| Hot Springs Twp. 23-2 (Unorg.) | 1.53 | | 611.32 |
| Clyde Twp. 2-2 | 1.33 | | 530.81 |
| Lakeview Twp. 39-2 | 1.06 | | 425.34 |
| Alban Twp. 25-4 | 1.27 | | 509.52 |
| Mitchell Twp. 17-2 | 1.20 | | 478.72 |

| Township | Effective Tax Rate | X $40,000 = | A Tax Of |
|---|---|---|---|
| Mobridge Twp. 62-3 (Unorg.) | 1.25% | | $501.50 |
| Pierre Twp. 32-2 (Unorg.) | 1.18 | | 472.33 |
| Rapid City Twp. 51-4 (Unorg.) | 1.26 | | 503.88 |
| Redfield Twp. 56-4 | 1.31 | | 522.99 |
| Sioux Falls Twp. 49-5 | 1.06 | | 424.01 |
| Sisseton Twp. 54-8 | 1.10 | | 438.87 |
| Sturgis Twp. 46-1 (Unorg.) | 1.23 | | 491.98 |
| Vermillion Twp. 13-1 | 1.33 | | 533.80 |
| Elmira Twp. 14-4 | 1.12 | | 448.97 |
| Webster Twp. 18-4 | 1.31 | | 522.92 |
| Lamro Twp. 59-2 | 1.16 | | 463.08 |
| Unorganized Twp. 63-3 | 1.24 | | 496.74 |

## *Historical Growth of Property Taxes v. Actual Growth*