SOUTH DAKOTA FARM BUREAU

Policy Update

October 31, 2025

<u>Comprehensive Property Tax Task Force's Recommendations</u>

At their last meeting in Pierre, the Comprehensive Property Tax Task narrowed down the original recommendation list of almost 30 to 19. These recommendations will now go to the Legislative Executive Board for approval, with the possibility of legislation in the 2026 Legislative Session. The task force was created in response to legislation, and the scope of their study was to conduct a comprehensive review of property tax policies and identify measures to provide significant and lasting tax relief, by focusing principally on state and local revenues and expenditures and the funding of K-12 education.

During the second meeting of eight of the task force, the group set a goal of cutting owner-occupied property taxes by at least 50 percent. In other words, this meant finding approximately $400 million in either spending cuts, shifting the tax burden to other classes of property, or finding other revenue sources to replace property taxes. Here is a summary of what the task force recommended.

- Ask the Governor to identify a 5 percent cut to the state general fund, which is roughly $124 million.
- Dedicate 25 percent of the state government's general fund growth each year to owner-occupied property tax relief.
- A one-time option under consideration would provide a $500 property tax credit for homeowners by raiding the state's housing infrastructure fund and reserve accounts.
- The committee also discussed a larger $400 million package of ideas – ranging from new taxes and fees to eliminating sales tax exemptions and redirecting current revenues – but those proposals were not adopted.
- Several transparency and education-related reforms were proposed as well. These included requiring tax bills to display a QR code or website link leading taxpayers to a Department of Revenue page explaining their bill and dedicating all state lottery revenues to K-12 education funding.
- Creating a new state treasury fund to replace the property-tax portion of local school district funding, though specific revenue sources have yet to be identified. Another version of that concept would capture the 0.3% sales tax increase scheduled to take effect July 1, 2027, and use it to fill a "local effort replacement" fund for schools.
- Several targeted property tax relief programs were discussed. These included increasing the income limit for seniors (from $65,000 to $85,000 for multi-member households) in the property tax assessment freeze program, expanding relief for disabled veterans, and allowing property owners to apply for programs online.

- The task force looked at tightening school finance rules and development incentives. Some of the proposed measures would restrict transfers between capital outlay and general funds, and require voter approval for all school district opt-outs and capital outlay certificates and potentially raising the approval threshold to 60 percent.
- Other ideas included raising the minimum project size that qualifies for a discretionary tax break from $30,000 to $100,000 and tightening Tax Increment Financing (TIF) laws to limit eligible projects and require more public input.

Click here to read the complete list of recommendations.

Contact for Questions

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