



Legislative Update – Week 9

The 9th and final week of the 2026 SD Legislative Session concluded on March 12 with the passage of the general appropriation bill. The first two days of the week were busy as both chambers had multiple bills for floor debate. The last two days included conference committees and final budget negotiations. Overall, despite major headwinds at times, agriculture prevailed in the end on a multitude of issues.

Veto day will be Monday, March 30.

Education Funding & Property Tax Levies

House bill 1051 is the state aid to education bill. It is one of the last bills to be acted on by the legislature every year. It sets the property tax levies to finance the 149 school districts in the state and revises the state aid formula. Most property owners have four or five levies on the assessed valuation of their property – school, county, township, or municipal are the most common. Additional levies may include one or more of several other levies provided for in the law including capital outlay, opt-out for various local governments, fire district, water development, drainage, ambulance, etc.

The general school levy is determined each year by the legislature. All other levies are set by the local unit of government collecting the property taxes. This year the levy for general education decreased 6.8 percent for the agricultural property levy and other property levy. The owner occupied levy dropped significantly more due to the passage of SB 245. More information on SB 245 is detailed below. Below is also a history of the general education levies over the past 10 years. This results in less than half of the finances for the school districts. The remainder is contributed by the state.

| | <u>2026</u> | <u>2021</u> | <u>2016</u> |
|-----------------|-------------|-------------|-------------|
| Ag Land: | \$1.051 | \$1.409 | \$1.568 |
| Owner Occupied: | \$0.669 | \$3.153 | \$3.687 |
| Other: | \$4.867 | \$6.525 | \$7.630 |

The levy is multiplied by the assessed valuation measured in units of \$1,000 to determine the taxes payable. Add all the levies on a property together to determine total property taxes payable.

Raising Taxes to Lower Taxes & Property Tax Shifts

The Legislature continued to debate the Governor's "package" of property tax proposals this week. Below are some highlights of the outcomes.

SB 245 was an agreement between House Leadership and the Governor that dedicated 100 percent of the upcoming state sales tax increase to owner-occupied property tax relief by dropping the owner-occupied levy in the state-aid-to-education formula. To understand the upcoming sales tax increase, one needs to look back at the 2023 Legislative Session. During the 2023 Legislative Session, House Bill 1137 was signed into law and reduced the state sales tax from 4.5% to 4.2%. A condition of that bill was the state sales tax cut is set to revert to 4.5% with the 2027 sunset clause.

In 2023, SDFB urged caution surrounding the future of South Dakota's economy as well as utilizing some of the extra funds for property tax relief across the three classes of property. It is important to note that within the past 10 years, South Dakota's budget has almost doubled for multiple reasons. Since the start of the COVID pandemic, South Dakota has experienced an extraordinary increase in state revenues. Some of this comes from economic growth and some from inflation, but much of it stems from an unprecedented amount of one-time federal funding. While SDFB appreciates the effort to address property taxes, we do have reservations with SB 245 because it directs the entire sales tax increase to one property class. Farmer and ranchers will need to be diligent in the future to ensure agriculture does not pick up the tax bill if the state runs short on dollars.

SB 245 passed both chambers of the Legislature, and the Governor signed it into law.

On a positive note, SDFB members helped defeat **HB 1253** which would have created significant problems for farmers and ranchers. HB 1253 would have capped annual assessment increases for all non-agricultural property to 5 percent annually and then a jump up to fair market value on year 5. Ultimately, the bill died on the Senate floor with only nine yes votes. Due to strong engagement from our members and partners, legislators recognized the concerns and rejected the bill.

The Legislature also passed HB 1051, the annual levy bill, which is detailed above.

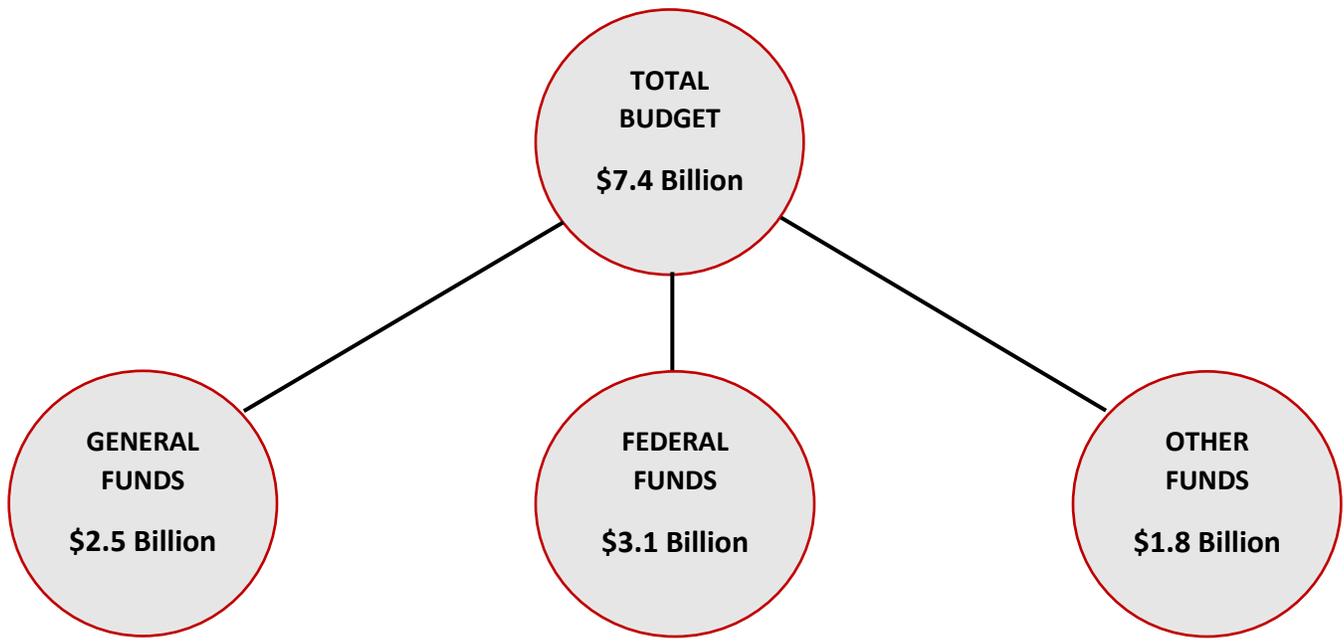
We want to thank our members who contacted legislators, shared their perspectives, and stayed engaged throughout the entire process. Your involvement makes a difference and helps ensure that SDFB's voice is heard.

GENERAL APPROPRIATION BILL

According to state law, the South Dakota Legislature must pass a balanced budget. The General Appropriation bill is usually the last bill to be voted on by both Chambers and goes to the Governor to be signed into law. This year, the budget to fund state government is comprised of nearly \$7.5 billion. This funding is derived from three sources: general, federal, and other funds. South Dakota's reserves are well funded, and the state is in a strong position moving forward.

There were many cuts proposed to the budget and in the end by two-thirds vote, the decisions were sorted out. This Legislature also held fast to the long-standing rule that one-time dollars should not be built into on-going budgets but rather directed to one-time needs. Below is a breakdown of where the funds were sourced and how they contributed to the state budget.

Funding for Fiscal Year 2027 State Budget:



In summary, South Dakota Farm Bureau would like to thank all our members for their engagement and support during the 2026 Legislative Session. With your support, South Dakota Farm Bureau’s legislative priorities were met. Additionally, we would like to thank both the House of Representatives and the Senate for their continued support for agriculture and for their investment in the future of South Dakota.

If you have any questions or comments, please contact the South Dakota Farm Bureau policy team.

Matthew Bogue
SDFB State Public Policy Director
(605) 377-8833
matthew@sdfbf.org

Krystil Smit
SDFB Executive Director
(605) 261-2960
k.smit@sdfbf.org

Helpful Links:

View the SDFB bill-tracker list here.

View the details on any bill by clicking this link and typing in the bill number:

[2026 South Dakota Bills](#)

Find contact information for the Legislators here:

[2026 South Dakota Legislators](#)