



Property Tax 101

<https://dor.sd.gov/> 1-800-829-9188 (Option 2)

The purpose of this document is to provide a general overview of how property taxes are established. It is not intended to answer all questions that may arise. The information contained in this fact sheet is current as of the date of publication.

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Overview

Property tax is an *ad valorem* tax on all real property (land and improvements) that has been deemed taxable by the South Dakota Legislature. *Ad valorem* means "according to value" which is done by imposing a tax rate (levy) to the value of each taxpayer's property. Property tax is the main source of revenue for local governments in South Dakota; **the State does not collect or spend any property tax revenue.**

The property tax system in South Dakota consists of two parts: **assessment** and **taxation**.

- The County Director of Equalization (DOE) assesses the value of all real property. All real property is subject to property taxes unless specifically exempt per state law.
- The County Auditor manages the taxes requested by all taxing districts and calculates a tax levy for each.
- The County Treasurer is responsible for collecting all property taxes. Revenue from property taxes is used to fund many government services, including: schools, cities, fire districts, and county jails.

A **taxing district** is the entity with the authority to levy property taxes, including, cities, counties, townships, school districts, and special districts (fire, ambulance, water, road).

The Department of Revenue (DOR):

- Educates DOEs in making fair and equitable property assessments;
- Oversees the property tax limitation system;
- Determines the value of some public utilities, railroads, and airline companies;
- Administers alternative taxes for telecommunication companies, commercial wind farms, and rural electric associations; and
- Partners with the South Dakota Association of Assessing Officers to train and certify all DOEs in valuing property through mass appraisal for taxation purposes.

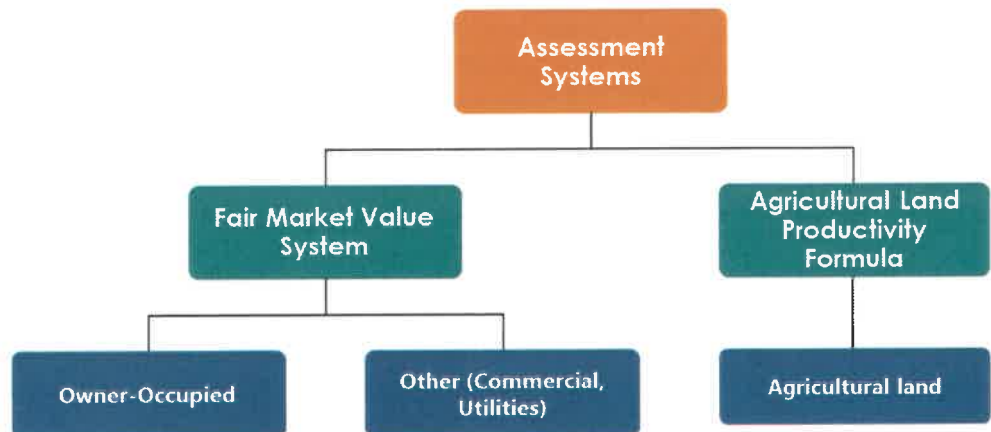
A **levy** is the tax rate needed to distribute the tax burden evenly amongst all property within a jurisdiction.

In South Dakota, it is represented by dollars per one thousand of taxable valuation.

Assessment

DOEs use two systems to determine assessed values:

- Agricultural land is valued using the *agricultural land productivity formula*. For more information, visit the [Agricultural Land Productivity Formula](#) tax fact.
- All other property, including an owner-occupied residence, is valued using the *fair market value system*.



Assessment (cont.)

The full and true (assessed) value of all property in the state is determined by the legal assessment date of November 1 prior to the assessment year and two years prior to when the taxes are due for the property.

Each DOE is required to assess all real property within the county at the full and true value. Assessment notices are sent to the property owner on or before March 1 of each year ([SDCL 10-6-154](#)).

Example:

DOE assesses a home for the 2021 assessment year by determining the fair market value of the property on the legal assessment date of November 1, 2020. Taxes are payable in 2022.

The DOE considers three approaches to value in determining the fair market value of property:

- **Market approach:** reviews sales of similar properties to value the subject property
- **Cost approach:** determines what it would cost to build the property, deducting for depreciation, and adding in land value
- **Income approach:** reviews the stream of income or potential for income from the property to determine a value of the property

The most common approaches used are **market** and **cost**.

After the fair market value of the property has been determined, the DOR determines an equalization factor annually for agricultural and nonagricultural properties for each county. South Dakota laws require the property to be equalized to 85% for property tax purposes.

The **equalization factor** is the multiplier that converts assessed value into taxable value.

- If the county is at 100% fair market value, the equalization factor is 0.85.
- If a county falls below the 85% rule, a factor above 1.0 may be applied.

For additional information about your property's assessment, contact your county director of equalization or county auditor. Contact information can be found on the DOR website:

- [Directors of Equalization](#)
- [County Auditors](#)

Example of Equalization:

Full and True Value x .85 = Taxable Value

\$120,000 x .85 = \$102,000

The taxable value is the value to which a tax levy is applied to calculate the property tax bill.

In this example, a home with a full and true value of \$120,000 has a taxable value of \$102,000.

Appeal Process

Assessment notices are sent to property owners annually on or before March 1st. When a property owner receives their assessment notice, it is their duty to review the notice to confirm the property is listed correctly. If the property is valued higher than a property owner thinks it should be, the owner should talk to the county DOE. The property owner may appeal if they still disagree with the assessed value of their property.

- The first step in the appeal process is the local board of equalization. The taxpayer must appeal by mid-March.
 - ⇒ For property in a jurisdiction that has chosen to consolidate the local and county boards of equalization, the first step in the appeal process is to appeal to the consolidated board of equalization.
- If the property owner disagrees with the decision of the local board, they may appeal to the county board.
- If the property owner disagrees with the county or consolidated board's decision, they may appeal to the Office of Hearing Examiners (OHE).
- If the property owner disagrees with the decision of the OHE, they have the right to appeal to the circuit court.
 - ⇒ The property owner may also take their appeal directly from the county board of equalization to the circuit court, bypassing the OHE.

A local board consists of the township board of supervisors or the governing board of a municipality, and a member of the school board.

For more information, refer to: [Appeal Process Guide for the Property Owner](#).

Taxation

Assessed Value of Property Established

- Each DOE assesses all real property within the county at the full and true value as of the legal assessment date on November 1st. Assessment notices are sent to the property owner on or before March 1st of each year.

All real property is subject to taxation unless specially exempt per state law.

Taxable Value Determined

- The property value is equalized to 85% for taxation purposes.

Taxing districts in South Dakota may include: cities, counties, townships, school districts, fire districts, and water districts.

Tax Rate Established

- Tax levies for each taxing jurisdiction are determined by dividing the tax request by the total taxable value within the taxing jurisdiction and multiplying the result by 1,000. The County Auditor determines the tax rate or tax levy for all taxing districts that have the authority to levy a property tax within their county.

Example of Tax Levy/Rate:

$$\text{(REQUEST} \div \text{VALUE)} \times 1,000 = \text{TAX RATE OR LEVY}$$

$$(\$100,000 \div \$10,000,000) \times 1,000 = \$10 \text{ per thousand of value}$$

Taxes Calculated

- Taxes are calculated for individual properties by multiplying the taxable value times the sum total of all applicable levies.

Example of Tax on Individual Properties:

$$\text{VALUE} \times (\text{TAX LEVY} \div \text{by } 1,000) = \text{TAXES}$$

A property owner has a home valued at \$150,000. Using a tax levy of \$10 per thousand dollars of value, the taxes would be \$1,500.

$$\$150,000 \times (\$10 \div 1,000) = \$1,500$$

Tax Bills Sent to Property Owners

- Taxes are due and payable January 1 of the year following assessment. SDCL [10-21-1.1](#) specifies what information must be included on the tax bill.

⇒ All property taxes are paid to the County Treasurer in the county where the property is located.

⇒ If you have an issue, contact your County Treasurer. Contact information for county treasurers can be found on the DOR website [here](#).

Tax payments do not become delinquent if half of the bill is paid before May 1 and the remaining half is paid before November 1.

Property Tax Timeline

| November 1 | March 1 | March-June | October 1 | November-December | January 1 |
|------------------------------------|--|-------------------------------------|---|--|--|
| Legal assessment date for counties | Assessment notices mailed to taxpayers | Appeal process—taxpayers can appeal | Property tax requests from taxing districts due to County Auditor | Auditors calculate levies by Nov. 1 & DOR certifies the levies | Tax bills mailed; taxes due and payable* |

*You are paying taxes on the property value established in the year prior.

Contact Us

If you have any questions, please contact the **South Dakota Department of Revenue**.

Call toll-free: 1-800-829-9188 (option 2)

Property Tax Division Email: proptax@state.sd.us

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