



Legislative  
Research  
Council

# MINUTES

## Classifications of Real Property Interim Study Committee

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**Third Meeting**  
**2005 Interim**  
**Thursday, November 3, 2005**

**LCR 1&2**  
**State Capitol Building**  
**Pierre, South Dakota**

The third meeting of the Classifications of Real Property Interim Study Committee was called to order by Senator Jim Lintz, Chair, at 10:05 a.m. on Thursday, November 3, 2005, in Legislative Conference Rooms 1 and 2 of the State Capitol Building in Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Jim Hundstad, Jim Lintz (Chair), Kenneth McNenny and Jim Peterson; and Representatives Thomas Glover, Dale Hargens, Gordon Howie, Barry Jensen, Alice McCoy, Casey Murschel, Larry Rhoden, Charles Turbiville, and Hal Wick (Vice-Chair). Representatives Joel Dykstra, Art Fryslie, and Paul Nelson were excused.

Staff members present included Fred Baatz, Principal Research Analyst, James Fry, Director, and Kris Schneider, Legislative Secretary.

All material distributed at the meeting is attached to the original minutes on file in the Legislative Research Council (LRC). For the purpose of continuity, these minutes are not necessarily in chronological order.

### **Approval of Minutes**

**REPRESENTATIVE RHODEN MOVED, SECONDED BY SENATOR MCNENNY, TO APPROVE THE MINUTES OF THE SEPTEMBER 8, 2005, MEETING. MOTION PREVAILED UNANIMOUSLY ON A VOICE VOTE.**

### **Committee Consideration of Proposed Legislation with Public Testimony**

Mr. Baatz explained the differences between House Bill (HB) A and HB B (**Documents 1 & 2**). HB B is a variation of HB A. The title for HB A was *An Act to create additional classifications of property and to revise certain provisions concerning the taxation of certain property*. The title for HB B was *An Act to create additional classifications of property and to revise certain provisions concerning the classification, valuation, and taxation of certain property*.

#### House Bill A

HB A created two classes of agricultural land. Class one requires that the land meet all three criteria to determine whether it qualifies as agricultural property. It also increases the minimum

acreage threshold to be class one ag land and revises the means to measure income for the first criteria standard. Class two ag land requires that the land meet two of three criteria and left the minimum acreage thresholds at their current levels. It also established separate rates of taxation for the general fund levy of schools for each class.

HB B was comprised of all the aspects of HB A plus it moved the Department of Game, Fish and Park's land into class two ag land but left the acreage requirements at the current levels. It also moved certain types of production of agricultural pursuits into class two ag land and moved production of timber into the nonagricultural class. Several other sections regarding the valuation and classification procedures were also amended.

### **Public Testimony**

**Mr. Joel Wendell**, Hot Springs, Fall River and Shannon County Director of Equalization, in response to the terminology of "owner" used in HB A & B, stated it was not the intent to have leased land classified as class two ag land.

**Mr. Rob Miller**, Rapid City, Pennington County Director of Equalization, clarified the assessors' intentions relating to the soil survey in section 4 of HB B. He also stated that he preferred changing the minimum average size from 20 acres to 80 acres in HB A. In HB B, timber is moved to the nonagricultural class because the production cycle for timber is 25 to 40 years.

**REPRESENTATIVE RHODEN MOVED, SECONDED BY SENATOR MCNENNY, TO AMEND HB A BY OVERSTRIKING "OWNER" AND INSERTING "OPERATOR" OR "OWNER OR OPERATOR" IN THE APPROPRIATE PLACES. MOTION TO AMEND PREVAILED ON A VOICE VOTE.**

**REPRESENTATIVE MCCOY MOVED, SECONDED BY REPRESENTATIVE MURSCHEL, TO FURTHER AMEND HB A BY ADDING THE PROPOSED AMENDMENTS TO SUBDIVISION (3) OF SECTION 1 OF HB B TO HB A. MOTION TO AMEND PREVAILED ON A VOICE VOTE.**

**REPRESENTATIVE RHODEN MOVED, SECONDED BY REPRESENTATIVE HOWIE, TO ADOPT HB A AS AMENDED. MOTION PREVAILED ON A ROLL CALL VOTE WITH 12 AYES, 1 NAY, 3 EXCUSED. MEMBERS VOTING AYE: GLOVER, HARGENS, HOWIE, HUNDSTAD, JENSEN, LINTZ, MCCOY, MCNENNY, MURSCHEL, PETERSON, RHODEN, AND TURBIVILLE. MEMBER VOTING NAY: WICK. MEMBERS EXCUSED: DYKSTRA, FRYSLIE, AND NELSON.**

Chair Lintz stated that HB A will be a House Bill with Representative Rhoden as prime sponsor in the House and Senator McNenny as prime sponsor in the Senate.

The committee recessed for lunch at 11:45 a.m. and reconvened at 1:05 p.m.

Chair Lintz informed the committee that representatives from the Department of Revenue and Regulation will give an update on sales tax on farm equipment to anyone who wishes to stay immediately following adjournment.

#### House Bill B

Mr. Baatz continued discussion on HB B.

In response to a question on subdivision 3 on page 3 of HB B, **Mr. Kirk Chaffee**, Sturgis, Meade County Director of Equalization, explained the difference between platted and unplatted land.

Following discussion on the valuation of agricultural land that is sold and developed immediately to commercial property, **Mr. Dan Nelson**, Sioux Falls, representing the Sioux Falls Area Chamber of Commerce, testified that the current system regarding land in transition makes sense as it is in transition for only one year.

**REPRESENTATIVE MURSCHEL MOVED, SECONDED BY REPRESENTATIVE TURBIVILLE, THAT HB B BE AMENDED THE SAME AS HB A WAS REGARDING "OWNER" AND "OPERATOR". MOTION TO AMEND PREVAILED ON A VOICE VOTE.**

**REPRESENTATIVE HARGENS MOVED, SECONDED BY REPRESENTATIVE MCCOY, THAT HB B BE AMENDED BY DELETING EVERYTHING EXCEPT SECTION 5 AND THE REFERENCES TO CLASS ONE AND CLASS TWO IN SECTION 5 BE REMOVED. MOTION TO AMEND PREVAILED ON A VOICE VOTE.**

**REPRESENTATIVE TURBIVILLE MOVED, SECONDED BY REPRESENTATIVE HARGENS, TO APPROVE HB B AS AMENDED.**

**REPRESENTATIVE RHODEN MOVED A SUBSTITUTE MOTION, SECONDED BY SENATOR MCNENNY, TO FURTHER AMEND SECTION 5 OF HB B BY DELETING THE SECOND SENTENCE IN ITS ENTIRETY. SUBSTITUTE MOTION TO AMEND PREVAILED ON A VOICE VOTE.**

**REPRESENTATIVE TURBIVILLE MOVED, SECONDED BY REPRESENTATIVE HARGENS, TO APPROVE HB B AS AMENDED. MOTION PREVAILED ON A ROLL CALL VOTE WITH 9 AYES, 4 NAYS, AND 3 EXCUSED. MEMBERS VOTING AYE: GLOVER, HARGENS, HOWIE, HUNDSTAD, JENSEN, LINTZ, MCCOY, RHODEN, AND TURBIVILLE. MEMBERS VOTING NAY: MCNENNY, MURSCHEL, PETERSON, AND WICK. MEMBERS EXCUSED: DYKSTRA, FRYSLIE, AND NELSON.**

Chair Lintz stated that HB B will be a House Bill with Representative Hargens as prime sponsor in the House and Senator Hundstad as prime sponsor in the Senate.

Senate Bill C

Senator Hundstad explained that Senate Bill C – *An Act to create another classification of property, to provide for the valuation and taxation of such property, and to repeal the nonagricultural acreage* (**Document 3**) would create a new class for agricultural land that was bought for investment purposes at a value more than it can produce in revenue and remain in that class until certain criteria are met. Property in the new class would be assessed in comparison to other property in the same class.

**REPRESENTATIVE HOWIE MOVED, SECONDED BY REPRESENTATIVE RHODEN, THAT THE COMMITTEE DO NOT PASS SENATE BILL C. MOTION PREVAILED ON A ROLL CALL VOTE WITH 11 AYES, 2 NAYS, 3 EXCUSED. MEMBERS VOTING AYE: GLOVER, HARGENS, HOWIE, LINTZ, MCCOY, MCNENNY, MURSCHEL, PETERSON, RHODEN, TURBIVILLE, AND WICK. MEMBERS VOTING NAY: HUNDSTAD AND JENSEN. MEMBERS EXCUSED: DYKSTRA, FRYSLIE, AND NELSON.**

**Adjourn**

**SENATOR MCNENNY MOVED, SECONDED BY REPRESENTATIVE MCCOY, THAT THE MEETING ADJOURN. MOTION CARRIED UNANIMOUSLY ON A VOICE VOTE.**

The meeting adjourned at 2:25 p.m.

# Classifications of Real Property Interim Study Committee Minutes

November 3, 2005

Page 5 of 5

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