

Property Assessment and Taxation Legislation

(2015 Ag Land Task Force Update)



Ballot Questions and Measures

- ★ 1980 – Amendment B “Dakota Proposition”
- ★ 1988 – Amendment C
- ★ 1990 – Amendment E
- ★ 1994 – Initiated Measure 1
- ★ 2006 – Amendment D

1977 Session

- ▶ Counties required to assess at market value
- ▶ Counties given authority to set taxable % for Ag and NonAg
- ▶ Maximum taxable percentage was 60%
- ▶ Taxable percentages varied as well as assessments from county to county

1989 Session

- ▶ **SB 12 – An Act to revise the procedure for valuing real property.**
- ▶ **SB 13 – An Act to reduce the time during which a person responsible for assessing or appraising property for tax purposes may become certified.**
- ▶ **SB 15 – An Act to repeal the use of taxable percentage and to lower the maximum tax levies correspondingly.**
- ▶ **SB 16 – An Act to make the assessment of real property within a county the sole responsibility of the director of equalization.**
- ▶ **SB 17 – An Act to require the use of uniform tax and assessment notices.**

SB 121 (1989 Session) – Governor Mickelson’s property tax freeze

- ▶ Property Tax Freeze for taxes payable in 1990 and 1991 unless improvements were made to the property

SDCL Chapter 10-6

- ▶ SDCL Chapter 10-6 – Annual Assessment of Property
 - Amended 28 out of the last 32 years.
 - Not amended in 1984, 1996, 2004, and 2014

1993 and 1998 Session

- ▶ 1993 Session, HB 1016 required that Ag Property which sold for more than 150% of its ag income value to be classified separately from other ag property for a period of five years (AG-Y property). This legislation was later struck down by the courts and repealed in 1998.
- ▶ 1998 Session, HB 1292 created the nonagricultural acreage classification

1995 – Governor Janklow’s Property Tax Relief Legislation

- ▶ Provided 20% property tax relief to ag and owner-occupied property for taxes payable beginning in 1996
- ▶ Adopted property tax limitations for local governments, except for new growth (did not apply to school districts)
- ▶ Tax increase limitation, the lower of CPI or 3%

Tax Relief

- ▶ 1998 Session – provided an additional 5% property tax relief for taxes payable in 1999
- ▶ 2000 Session – provided another 5% property tax relief for taxes payable in 2001

1999 Session – HJR 1005 was passed proposing amendment to SD Constitution Art. VIII, § 15

- ▶ Allows property to be classified into separate classes for the purposes of school taxation.
- ▶ Removed reference that agriculture property may constitute a separate class.

1999 Interim – Procedures Used in the Valuation and Assessment of Property

2000 Session

- ▶ **HB 1005 – An Act to conduct a pilot study on agricultural income value, to create a task force, to appropriate money for a pilot study, and to declare an emergency. Passed (As introduced: use agricultural income value to determine the value of agricultural land and to conduct a pilot study on agricultural income value. The appropriation in HB 1006 incorporated into this bill.)**

2000 Task Force – Pilot study on use of Agricultural Income Value to Assess AG Land

2002 Session

- ▶ HB 1229 – An Act to conduct a pilot study on agricultural income value, to appropriate money for a pilot study, and to declare an emergency. *Failed* (Introduced as: An Act to revise the procedure for assessing agricultural property and to repeal the nonagricultural acreage classification.)
- ▶ HB 1135 – Hoghouse) – An Act to revise the procedure for reclassification and valuation of certain real property, to conduct a pilot study on valuing certain real property, to appropriate money for a pilot study, and to declare an emergency. *Passed* (As introduced: An Act to provide for the reclassification of certain real property.)

2003 Session

- ▶ HB 1192 – An Act to revise the procedure for assessing certain agricultural and nonagricultural acreage property. Passed (As introduced: An Act to revise the procedure for assessing agricultural property and to repeal the nonagricultural acreage classification.)(As enacted, it provided permissive language to use cash rent information to value ag property using a cap rate at $7\frac{3}{4}\%$)

2007 Interim – Agricultural Productivity

2008 Session

- ▶ **HB 1005 – An Act to revise certain provisions concerning the assessment of real property, to assess agricultural land based on its agricultural income value, to create an implementation and oversight advisory task force, to repeal certain provisions regarding the assessment of property, and to repeal the nonagricultural acreage classification. *(Passed)***
- ▶ **HB 1006 – An Act to revise certain tax levy limitations and property tax levies for school districts. *Passed***

2008 Interim – Ag Land Task Force

2009 Session

- ▶ SB 3 – An Act to revise certain provisions concerning the assessment of agricultural land. Passed
- ▶ SB 4 – An Act to provide for additional responsibilities to the Agricultural Land Assessment Implementation and Oversight Advisory Task Force. (Passed)

2009 Interim – Ag Land Task Force

2010 Session

- ▶ HB 1009 – An Act to revise certain provisions regarding the documentation of data used to make adjustments for factors that affect the capacity of the land to produce agricultural products during the assessment process. *(Failed)*

2010 Interim – Ag Land Task Force

2011 Session

- ▶ HB 1001 – An Act to revise certain provisions concerning the assessment of agricultural land. *(Passed)*
- ▶ HB 1002 – An Act to revise certain provisions regarding the documentation of data used to make adjustments for factors that affect the capacity of the land to produce agricultural products during the assessment process. *(Passed)*

2011 Interim – Ag Land Task Force

2012 Session

- ▶ HB 1003 – An Act to revise the limitation on the increases and decreases that may be made to the total taxable value of cropland and noncropland.

(Passed)

- 15% if less than 30%
- 20% if 30% or more but less than 50%
- 25% if 50% or more

2012 Interim – Ag Land Task Force

2013 Session

- ▶ SB 6 – An Act to determine whether factors affecting productivity should be applied if the actual use of agricultural land does not correspond to the soil classification standards. *(Passed)*
- ▶ HB 1007 – An Act to restrict the term of conservation easements. *(Failed)*

2013 Interim – Ag Land Task Force

2014 Session

- ▶ SB 8 – An Act to revise certain provisions concerning the assessment and taxation of real property. *(Failed)*
- ▶ HB 1006 – An Act to provide for the assessment and taxation of agricultural land based on its actual use. *(Failed)*

2014 Interim – Ag Land Task Force

2015 Session

- ▶ SB 4 – An Act to make an appropriation for research concerning the administrative and financial impact of actual use on agricultural land assessments and to declare an emergency. *(Failed)*
- ▶ SB 5 – An Act to revise certain provisions concerning the assessment and taxation of real property. *(Passed)*
- ▶ SB 6 – An Act to revise certain provisions concerning the pension and capital outlay tax levies for school districts. *(Withdrawn)*
- ▶ SB 7 – An Act to revise certain provisions concerning the school district pension fund and capital outlay fund tax levies and to provide property tax opt-out procedures for the capital outlay levy. *(Withdrawn)*
- ▶ SB 44 – An Act to revise the criteria for classifying property as agricultural land and to provide for additional requirements for small agricultural acreages and timber land to be classified as agricultural land. *(Failed)*

Productivity Value Legislation

HB 1005 – Productivity Legislation

(2008 Session)

- ★ § 1 – Phase out the 150 % rule over 5 years
- ★ § 2 – Phase in the increase in the Ag Productivity Value
- ★ § 3 – Sunsets section 1 and 2
- ★ § 4 – Repeals the 150 % rule on July 1, 2014

HB 1005 – Continued

- ★ § 5 – Requires the use of ag income value to assess ag land – framework for setting the landlord share and cap rate
- ★ § 6 – Contract with SDSU to provide the data – Use 8-year Olympic average
- ★ § 7 – Provides that SDSU submit recommendations
- ★ § 8 – Provides for the adjustment factors

HB 1005 – Continued

- ★ § 9 – Establishes two categories of land – Cropland and Noncropland
- ★ § 10 – Assessment of agricultural buildings and structures
- ★ § 11 – Productivity value represents market value

HB 1005 – Continued

- ▶ § 12 – Creates Ag Land Task Force
 - Membership = 4 Senators, 4 Representatives, and 6 members of the public (Was 4 public members, but revised to 6 by SB 116)
 - Advise the Department on rules
 - Propose legislation
 - Recommend % for annual earning capacity (landlord share)
 - Recommend cap rate (minimize tax shifts in first year)

HB 1005 – Continued

- ★ § 13 – Department’s rule making authority
- ★ §§ 14 to 22 – Revise existing statutes for productivity system
- ★ § 23 – Repeals NA–Z and other sections
- ★ § 24 – Delays effect on revised sections
- ★ § 25 – Requires the Department to provide data for following session

HB 1006 – School District Tax Levies

- ★ § 1 – Required adjustment in general fund levies nonagricultural property and owner-occupied dwellings to address the phasing out of the 150 % rule
- ★ § 2 – Pension Fund Levy – holds the school district and the taxpayers harmless for five years during the repeal of 150% rule and transition to the productivity system
- ★ § 3 – Capital Outlay Fund Levy – holds the school district and the taxpayers harmless for five years during the repeal of 150% rule and transition to the productivity system
- ★ §§ 4 & 5 – Special Education Fund Levy – holds the school district and the taxpayers harmless for five years during the repeal of 150% rule and transition to the productivity system
- ★ § 6 Exempts certain schools with less than 10% change in taxable growth from this requirement.

HB SB 116 – Continued

- ★ Revised the number of members on the Ag Land Task Force
- ★ Required one member appointed from the general public to have an agricultural background and one to have a business background

SB 3 – Assessment of Ag Land

(2009 Session)

- ★ § 1 – Set the landlord share for cropland and noncropland and adjusted the capitalization rate
- ★ § 2 to 6 – Made adjustments to HB 1005

SB 4 – Task Force Recommendations

(2009 Session)

Directed the Task Force to monitor changes in ag land values so as not provide a substantial revenue increase or decrease due to changes in ag land value due to move to the productivity system

SB 149 – General Fund Levies

(2009 Session)

- ▶ Amended 13-13-72.1 – Revised the basis for adjustment to the general fund levy for school districts.
- ▶ Separated ag land from the other two classifications when making adjustments to the levies

Any Questions?