

# State of South Dakota

EIGHTY-SECOND SESSION  
LEGISLATIVE ASSEMBLY, 2007

465N0730

## HOUSE BILL NO. 1308

Introduced by: Representative Novstrup (Al) and Senators Turbak and Peterson (Jim)

1 FOR AN ACT ENTITLED, An Act to revise certain provisions concerning the valuation of real  
2 property by allowing the director of equalization to use more sales during the assessment  
3 process and to revise certain provisions regarding taxes payable for the capital outlay fund  
4 of school districts.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

6 Section 1. That § 10-6-74 be amended to read as follows:

7 10-6-74. Any real property which sells for more than one hundred ~~fifty~~ seventy-five percent  
8 of its assessed value, may not be used for the purpose of valuing other real property. The sale  
9 of any real property which is not used for the purpose of valuing other real property pursuant  
10 to this section may not be used in any sales ratio study.

11 Section 2. That § 10-6-33.14 be amended to read as follows:

12 10-6-33.14. Any agricultural land, as defined in § 10-6-31.3, which sells for more than one  
13 hundred ~~fifty~~ seventy-five percent of its agricultural income value, is hereby classified for  
14 purposes of ad valorem taxation as a nonagricultural acreage. However, any agricultural land  
15 that is converted to use other than agricultural before the next legal assessment date shall be  
16 classified according to its actual use. The agricultural income value shall be determined pursuant



1 to § 10-6-33.15.

2 Section 3. That § 10-6-33.15 be amended to read as follows:

3 10-6-33.15. For the purposes of § 10-6-33.14, the agricultural income value shall be  
4 determined using capitalized actual annual cash rent. The actual annual cash rent is the actual  
5 annual cash rent, excluding the actual per acre tax on agricultural land, determined through an  
6 analysis of actual arm's length rental agreements collected within the county in the year prior  
7 to the year for which the income value is being determined. The annual cash rent shall be  
8 capitalized at ~~seven and three-fourths~~ six and seven hundredths percent.

9 Section 4. That § 10-6-74 be amended to read as follows:

10 10-6-74. Any real property which sells for more than ~~one hundred fifty~~ two hundred percent  
11 of its assessed value, may not be used for the purpose of valuing other real property. The sale  
12 of any real property which is not used for the purpose of valuing other real property pursuant  
13 to this section may not be used in any sales ratio study.

14 Section 5. That § 10-6-33.14 be amended to read as follows:

15 10-6-33.14. Any agricultural land, as defined in § 10-6-31.3, which sells for more than ~~one~~  
16 ~~hundred fifty~~ two hundred percent of its agricultural income value, is hereby classified for  
17 purposes of ad valorem taxation as a nonagricultural acreage. However, any agricultural land  
18 that is converted to use other than agricultural before the next legal assessment date shall be  
19 classified according to its actual use. The agricultural income value shall be determined pursuant  
20 to § 10-6-33.15.

21 Section 6. Sections 4 and 5 are effective on July 1, 2008.

22 Section 7. That § 10-6-74 be amended to read as follows:

23 10-6-74. Any real property which sells for more than ~~one hundred fifty~~ two hundred twenty-  
24 five percent of its assessed value, may not be used for the purpose of valuing other real property.

1 The sale of any real property which is not used for the purpose of valuing other real property  
2 pursuant to this section may not be used in any sales ratio study.

3 Section 8. That § 10-6-33.14 be amended to read as follows:

4 10-6-33.14. Any agricultural land, as defined in § 10-6-31.3, which sells for more than ~~one~~  
5 ~~hundred fifty~~ two hundred twenty-five percent of its agricultural income value, is hereby  
6 classified for purposes of ad valorem taxation as a nonagricultural acreage. However, any  
7 agricultural land that is converted to use other than agricultural before the next legal assessment  
8 date shall be classified according to its actual use. The agricultural income value shall be  
9 determined pursuant to § 10-6-33.15.

10 Section 9. Sections 7 and 8 are effective on July 1, 2009.

11 Section 10. Section 10-6-74 and §§ 10-6-33.14 to 10-6-33.18, inclusive, are repealed on  
12 July 1, 2010.

13 Section 11. That chapter 10-6 be amended by adding thereto a NEW SECTION to read as  
14 follows:

15 Notwithstanding the provisions § 10-6-74 and §§ 10-6-33.14 to 10-6-33.18, inclusive, for  
16 the taxes payable in 2009, 2010, 2011, 2012, and 2013, no property's valuation may increase  
17 more than twelve percent per year because of the additional sales of property that sold for more  
18 than one hundred fifty percent of its assessed value or more than one hundred fifty percent of  
19 its agricultural income value.

20 Section 12. That § 13-16-7 be amended to read as follows:

21 13-16-7. The school board of any school district of this state may at its discretion authorize  
22 an annual levy of a tax not to exceed three dollars per thousand dollars of taxable valuation on  
23 the taxable valuation of the district for the capital outlay fund for assets as defined by § 13-16-6  
24 or for its obligations under a resolution, lease-purchase agreement, capital outlay certificate, or

1 other arrangement with the Health and Educational Facilities Authority. Taxes collected  
2 pursuant to such levy may be irrevocably pledged by the school board to the payment of  
3 principal of and interest on installment purchase contracts or capital outlay certificates entered  
4 into or issued pursuant to § 13-16-6 or 13-16-6.2 or lease-purchase agreements or other  
5 arrangement with the Health and Educational Facilities Authority and, so long as any capital  
6 outlay certificates are outstanding, installment agreement payments, lease-purchase agreements,  
7 or other arrangements are unpaid, the school board of any district may be compelled by  
8 mandamus or other appropriate remedy to levy an annual tax sufficient to pay principal and  
9 interest thereon, but not to exceed the three dollars per thousand dollars of taxable valuation in  
10 any year authorized to be levied hereby.

11 For taxes payable in 2009, the total amount of revenue payable from the levy provided in  
12 this section may not increase more than the lesser of three percent or the index factor, as defined  
13 in § 10-13-38, over the maximum amount of revenue that could have been generated for the  
14 taxes payable in 2008. After applying the index factor, a school district may increase the revenue  
15 payable from taxes on real property above the limitations provided by this section by the  
16 percentage increase of value resulting from any improvements or change in use of real property,  
17 annexation, minor boundary changes, and any adjustments in taxation of real property separately  
18 classified and subject to statutory adjustments and reductions under chapters 10-4, 10-6, 10-6A,  
19 and 10-6B, except § 10-6-31.4, only if assessed the same as property of equal value. A school  
20 district may increase the revenue it receives from taxes on real property above the limit provided  
21 by this section for taxes levied to pay the principal, interest, and redemption charges on any  
22 bonds issued after January 1, 2007, which are subject to referendum, scheduled payment  
23 increases on bonds and for a levy directed by the order of a court for the purpose of paying a  
24 judgment against such school district. Any school district created or reorganized after January 1,

1 2007, is exempt from the limitation provided by this section for a period of two years  
2 immediately following its creation.

3 For taxes payable in 2010, 2011, 2012, and 2013, the total amount of revenue payable from  
4 the levy provided in this section may not increase more than the lesser of three percent or the  
5 index factor, as defined in § 10-13-38, over the amount of revenue payable from taxes on real  
6 property in the preceding year. After applying the index factor, a school district may increase  
7 the revenue payable from taxes on real property above the limitations provided by this section  
8 by the percentage increase of value resulting from any improvements or change in use of real  
9 property, annexation, minor boundary changes, and any adjustments in taxation of real property  
10 separately classified and subject to statutory adjustments and reductions under chapters 10-4,  
11 10-6, 10-6A, and 10-6B, except § 10-6-31.4, only if assessed the same as property of equal  
12 value. A school district may increase the revenue it receives from taxes on real property above  
13 the limit provided by this section for taxes levied to pay the principal, interest, and redemption  
14 charges on any bonds issued after January 1, 2007, which are subject to referendum, scheduled  
15 payment increases on bonds and for a levy directed by the order of a court for the purpose of  
16 paying a judgment against such school district. Any school district created or reorganized after  
17 January 1, 2007, is exempt from the limitation provided by this section for a period of two years  
18 immediately following its creation.

19 For taxes payable in 2009, 2010, 2011, 2012, and 2013, the levy limitation of three dollars  
20 per thousand dollars of taxable valuation does not apply to any school district.