AGRICULTURAL LAND ASSESSMENT UNDER THE PRODUCTIVITY SYSTEM

PRESENTED BY MICHAEL HOUDYSHELL
DIRECTOR, PROPERTY AND SPECIAL TAXES DIVISION

Overview

- Basics of Property Taxes in SD
- Agricultural land assessment under the Productivity System
- Current status of productivity implementation
- Property tax limitation system

What is the Property Tax?

- The property tax is an *ad valorem* tax on all property that has been deemed taxable by the South Dakota Legislature. *Ad valorem* refers to a tax imposed on the value of something (as opposed to quantity or some other measure). The property tax is the primary source of revenue for local governments. The State does not collect or spend any property tax revenue.

- SDCL 10-4-1. All real property in this state and the property of corporations existing or hereafter created, and the property of all banks or banking companies existing or hereafter created, except such as is hereinafter expressly excepted, is subject to taxation; and such property, or the value thereof, shall be entered in the list of taxable property for that purpose, in the manner prescribed in chapter 10-6.

- SD Constitution, Art. 11, § 2. To the end that the burden of taxation may be equitable upon all property, and in order that no property which is made subject to taxation shall escape, the Legislature is empowered to divide all property including moneys and credits as well as physical property into classes and to determine what class or classes of property shall be subject to taxation and what property, if any, shall not be subject to taxation. Taxes shall be uniform on all property of the same class, and shall be levied and collected for public purposes only. Taxes may be imposed upon any and all property including privileges, franchises and licenses to do business in the state. Gross earnings and net incomes may be considered in taxing any and all property, and the valuation of property for taxation purposes shall never exceed the actual value thereof. The Legislature is empowered to impose taxes upon incomes and occupations, and taxes upon incomes may be graduated and progressive and reasonable exemptions may be provided.

Ag Land Assessment - Overview

- Beginning with the 2010 assessments (for taxes payable in 2011) agricultural land in South Dakota is assessed based upon its productivity (agricultural income) value. The Department of Revenue contracts with South Dakota State University (SDSU) to produce the agricultural income value for the productivity valuation system. This value is the starting point for valuing all agricultural land in the state and is adjusted by the county Director of Equalization to ensure uniform and fair valuations.

- The data used to establish the agricultural income value is from official estimates published by the United States Department of Agriculture, National Agricultural Statistics Services (USDA/NASS). These official estimates are based upon surveys of farmers, ranchers and agribusinesses.

- The Department of Revenue sends each county its average assessed value per acre for cropland and non-cropland, along with the background information provided by SDSU. The counties then spread these values according to the soil survey. As with the old market valuation system, the values spread by the soil survey create the base valuation system, upon which the county makes adjustments.

How is Ag Land Assessed in South Dakota?

SDCL 10-6-33.28. Notwithstanding the provisions of § 10-6-33, beginning on July 1, 2009, **agricultural land shall be assessed based on its agricultural income value on a per acre basis**. The agricultural income value of agricultural land shall be determined on the basis of productivity and the annual earnings capacity of the agricultural land. The productivity of agricultural land and its annual earning capacity shall be based on data collected and analyzed pursuant to this section and §§ 10-6-33.29 to 10-6-33. 33, inclusive.

Agricultural income value is defined as the capitalized annual earning capacity on a per acre basis which has been adjusted by an amount that reflects the landowner's share of the gross return. The capacity of cropland to produce agricultural products shall be based on the income from crops or plants produced on the land. The capacity of noncropland to produce agricultural products shall be based on cash rents or the animal unit carrying capacity of the land, or a combination of both. For the purpose of this section, **annual earning capacity** for:

(1) **Cropland is thirty-five percent** of the annual gross return to the land; and

(2) **Noncropland is one hundred percent** of the annual gross return to the land based on cash rent for noncropland.

The **annual earning capacity shall be capitalized at a rate of six and six-tenths percent** to determine the agricultural income value.

Source: SL 2008, ch 44, § 5; SL 2009, ch 40, § 1.

How is the Agricultural Income Value Determined?

Cropland Agricultural Income Value =

$$\frac{\text{Gross Revenue per acre x landlord share (35\%)}}{\text{Capitalization rate (6.6\%)}}$$

Noncropland Agricultural Income Value =

$$\frac{\text{Average Cash Rent x landlord share (100\%)}}{\text{Capitalization rate (6.6\%)}}$$

How is the Gross Revenue per Acre and Average Cash Rent Determined?

SDCL 10-6-33.29. **The secretary of revenue shall enter into contracts with South Dakota State University and, if necessary, the South Dakota Agricultural Statistics Service for the purpose of creating a database to determine the agricultural income value of agricultural land by county.** The cropland data may include: acres planted, acres harvested, yield per acre, and statewide crop prices. The noncropland data may include: cash rents, rangeland acres, pastureland acres, rangeland AUM's per acre, pastureland AUM's per acre, grazing season data, and statewide cow and calf prices. The Agricultural Land Assessment Implementation and Oversight Advisory Task Force may recommend other cropland and noncropland data to the Legislature for subsequent use in the database. The secretary shall have such data collected for 2001, which will serve as the first year of the database, and each year thereafter. **The database shall consist of the most recent eight years of data that have been collected and the two years, one year representing the highest agricultural income value and one year representing the lowest agricultural income value, shall be discarded from the database.** The database for the 2010 assessment for taxes payable in 2011 shall consist of data from 2001 to 2008, inclusive, and the database for each assessment year thereafter shall be adjusted accordingly. South Dakota State University shall provide the data for each county to the secretary of revenue by June first of each year.

Source: SL 2008, ch 44, § 6; SL 2009, ch 40, § 2; SL 2011, ch 1 (Ex. Ord. 11-1), § 161, eff. Apr. 12, 2011; SL 2011, ch 49, § 1.

FALL RIVER COUNTY
2015 ASSESSMENT YEAR PRODUCTIVITY INFORMATION

Commodity	Year	Planted All Purposes		Revenue	Revenue Per Acre	Commodity	Year	Planted All Purposes		Revenue	Revenue Per Acre
Corn For Grain	2000	3,700	acres	$ 540,960		Hay All (Dry)	2005	25,000	acres	$ 2,943,750	$ 117.75
Hay All (Dry)	2000	54,000	acres	$ 4,083,050							
Oats	2000	3,000	acres	$ 46,620							
Sorghum For Grain	2000	2,200	acres	$ 89,964							
Sunflower All	2000	900	acres	$ 58,014							
Wheat All	2000	13,000	acres	$ 1,173,840							
		76,800		$ 5,992,448	$ 78.03						
Corn For Grain	2001	3,500	acres	$ 561,750		Corn For Grain	2006	2,000	acres	$ 325,440	
Hay All (Dry)	2001	52,000	acres	$ 4,264,050		Hay All (Dry)	2006	9,000	acres	$ 1,168,650	
Oats	2001	3,000	acres	$ 61,790		Oats	2006	3,000	acres	$ 47,840	
Sorghum For Grain	2001	2,400	acres	$ 47,981		Wheat All	2006	10,500	acres	$ 612,720	
Wheat All	2001	12,500	acres	$ 658,860				24,500		$ 2,154,650	$ 87.94
		73,400		$ 5,594,431	$ 76.22						
Corn For Grain	2002	2,500	acres	$ 197,470		Hay All (Dry)	2007	10,000	acres	$ 737,200	
Hay All (Dry)	2002	35,000	acres	$ 2,691,000		Oats	2007	1,600	acres	$ 143,500	
Oats	2002	1,000	acres	$ 31,840		Wheat All	2007	9,800	acres	$ 1,354,620	
Sorghum For Grain	2002	1,900	acres	$ 93,912				21,400		$ 2,235,320	$ 104.45
Wheat All	2002	12,100	acres	$ 742,950							
		52,500		$ 3,757,172	$ 71.57						
Corn For Grain	2003	2,500	acres	$ 305,520		Hay All (Dry)	2008	55,000	acres	$ 6,400,000	
Hay All (Dry)	2003	53,000	acres	$ 3,515,050		Sorghum For Grain	2008	2,900	acres	$ 515,323	
Oats	2003	2,400	acres	$ 32,890		Sunflower All	2008	800	acres	$ 167,200	
Sorghum For Grain	2003	1,900	acres	$ 215,040		Wheat All	2008	11,000	acres	$ 2,101,200	
Wheat All	2003	10,100	acres	$ 1,370,160				69,700		$ 9,183,723	$ 131.76
		69,900		$ 5,438,660	$ 77.81						
Corn For Grain	2004	3,000	acres	$ 280,280		Hay Alfalfa (Dry)	2009	35,000	acres	$ 3,823,750	
Hay All (Dry)	2004	10,000	acres	$ 1,193,750		Hay Other (Dry)	2009	5,000	acres	$ 303,600	
Oats	2004	2,800	acres	$ 41,720				40,000		$ 4,127,350	$ 103.18
Sorghum For Grain	2004	800	acres	$ 22,176							
Wheat All	2004	12,000	acres	$ 502,130							
		28,600		$ 2,040,056	$ 71.33						

FALL RIVER COUNTY
2015 ASSESSMENT YEAR PRODUCTIVITY INFORMATION

Commodity	Year	Planted All Purposes		Revenue	Revenue Per Acre		Commodity	Year	Planted All Purposes		Revenue	Revenue Per Acre
Hay Alfalfa (Dry)	2010	33,000	acres	$ 4,730,250								
Hay Other (Dry)	2010	9,000	acres	$ 828,000								
Oats	2010	1,300	acres	$ 43,500								
Wheat Winter All	2010	11,200	acres	$ 1,987,200								
		54,500		$ 7,588,950	$ 139.25							
Corn For Grain	2011	2,800	acres	$ 1,633,500								
Hay Alfalfa (Dry)	2011	32,000	acres	$ 7,750,000								
Hay Other (Dry)	2011	7,000	acres	$ 819,000								
Wheat Winter All	2011	9,900	acres	$ 2,378,500								
		51,700		$ 12,581,000	$ 243.35							
Winter Wheat	2012	10,900	Acres	$ 1,629,750.0	$ 149.52							
Hay, (Excl Alfalfa)	2013	4,700	Acres	$ 542,100								
Hay, Alfalfa	2013	19,000	Acres	$ 4,006,800								
Winter Wheat	2013	9,800	Acres	$ 831,600								
		33,500		$ 5,380,500	$ 160.61							

FALL RIVER COUNTY
2015 ASSESSMENT YEAR PRODUCTIVITY INFORMATION

CROP INFORMATION					
Income Per Acre	2000	$ 78.03	Olympic Average 2000 - 2007	$ 82.67	
Income Per Acre	2001	$ 76.22	Olympic Average 2001 - 2008	$ 89.29	
Income Per Acre	2002	$ 71.57	Olympic Average 2002 - 2009	$ 93.78	
Income Per Acre	2003	$ 77.81	Olympic Average 2003 - 2010	$ 103.82	
Income Per Acre	2004	$ 71.33	Olympic Average 2004 - 2011	$ 114.06	
Income Per Acre	2005	$ 117.75	Olympic Average 2005 - 2012	$ 124.32	
Income Per Acre	2006	$ 87.94	Olympic Average 2006 - 2013	$ 131.46	
Income Per Acre	2007	$ 104.45			
Income Per Acre	2008	$ 131.76			
Income Per Acre	2009	$ 103.18			
Income Per Acre	2010	$ 139.25			
Income Per Acre	2011	$ 243.35			
Income Per Acre	2012	$ 149.52			
Income Per Acre	2013	$ 160.61			
NON-CROP INFORMATION					
Cash Rent	2000	$ 5.50	Olympic Average 2000 - 2007	$ 6.33	
Cash Rent	2001	$ 5.60	Olympic Average 2001 - 2008	$ 6.68	
Cash Rent	2002	$ 5.30	Olympic Average 2002 - 2009	$ 6.73	
Cash Rent	2003	$ 5.90	Olympic Average 2003 - 2010	$ 7.10	
Cash Rent	2004	$ 6.80	Olympic Average 2004 - 2011	$ 7.52	
Cash Rent	2005	$ 6.90	Olympic Average 2005 - 2012	$ 7.88	
Cash Rent	2006	$ 7.30	Olympic Average 2006 - 2013	$ 8.30	
Cash Rent	2007	$ 7.60			
Cash Rent	2008	$ 9.00			
Cash Rent	2009	$ 5.90			
Cash Rent	2010	$ 8.10			
Cash Rent	2011	$ 8.40			
Cash Rent	2012	$ 9.50			
Cash Rent	2013	$ 9.40			

How is the Agricultural Income Per Acre applied to Individual Parcels?

- Example:
  - County has a value of $125/acre for cropland with a rating of 1.000
  - County has a value of $100/acre for noncropland with a rating of 1.000
  - The rating of each soil type in a parcel is multiplied by these values to determine the value of that particular soil

Map Unit	Rating	Acres	Unit Value	Total
Crop Soils				
HlB	.720	42	90.00	3,780.00
HeA	.820	41	102.50	4,202.50
ReA	.770	8	96.25	770.00
HkA	.810	9	101.25	911.25
Noncrop Soils				
GhC	.630	44	63.00	2,772.00
JbD	.250	14	25.00	350.00
BeE	.260	2	26.00	52.00
TOTAL		160		12,837.75

Ag Land Values – Statutory Limitations on Increases/Decreases

SDCL 10-6-77. For the taxes payable in 2014, 2015, 2016, 2017, 2018, and 2019, the total taxable value of cropland within any county may not increase or decrease more than:

(1) Fifteen percent in any year, if the county is less than thirty percent from its full agricultural income value;

(2) Twenty percent in any year, if the county is thirty percent or more but less than fifty percent from its full agricultural income value; and

(3) Twenty-five percent in any year, if the county is fifty percent or more from its full agricultural income value.

For the taxes payable in 2014, 2015, 2016, 2017, 2018, and 2019, the total taxable value of noncropland within any county may not increase or decrease more than:

(1) Fifteen percent in any year, if the county is less than thirty percent from its full agricultural income value;

(2) Twenty percent in any year, if the county is thirty percent or more but less than fifty percent from its full agricultural income value; and

(3) Twenty-five percent in any year, if the county is fifty percent or more from its full agricultural income value.

Source: SL 2008, ch 44, § 2; SL 2009, ch 40, § 3; SL 2012, ch 62, § 1.

CHANGE IN VALUATION
2015 ASSESSMENT YEAR PRODUCTIVITY INFORMATION

County	2014 Equalized Crop	2015 Productivity Crop $/A - Equalized	Total change in crop dollar value going to productivity w/o limit	Crop limited to increase / decrease - Equalized		2014 Equalized Non-Crop	2015 Productivity Non-Crop $/A - Equalized	Total change in non-crop dollar value going to productivity w/o limit	Non-Crop limited to increase / decrease - equalized
AURORA	1,285.46	1,720.73	33.86%	1,542.55		455.91	472.65	3.67%	472.65
BEADLE	1,386.81	1,884.36	35.88%	1,664.17		436.81	443.24	1.47%	443.24
BENNETT	613.54	806.10	31.39%	736.25		120.85	117.63	-2.66%	117.63
BON HOMME	1,468.69	1,789.73	21.86%	1,688.99		474.15	487.03	2.72%	487.03
BROOKINGS	1,844.61	2,264.61	22.77%	2,121.30		494.49	554.86	12.21%	554.86
BROWN	1,365.81	2,106.47	54.23%	1,707.26		395.38	409.12	3.47%	409.12
BRULE	1,141.42	1,670.04	46.31%	1,369.70		315.53	318.96	1.09%	318.96
BUFFALO	788.05	982.62	24.69%	906.25		259.94	272.17	4.71%	272.17
BUTTE	358.48	668.89	86.59%	448.10		103.24	106.25	2.91%	106.25
CAMPBELL	712.97	1,386.54	94.47%	891.22		240.19	251.99	4.92%	251.99
CHARLES MIX	1,360.30	1,752.40	28.82%	1,564.35		407.83	408.26	0.11%	408.26
CLARK	1,366.60	1,885.19	37.95%	1,639.92		371.34	380.57	2.49%	380.57
CLAY	1,993.64	2,234.36	12.07%	2,234.36		540.48	550.78	1.91%	550.78
CODINGTON	1,557.90	1,823.68	17.06%	1,791.58		445.82	459.99	3.18%	459.99
CORSON	313.03	879.74	181.04%	391.29		106.67	117.20	9.87%	117.20
CUSTER	491.46	597.01	21.48%	565.18		110.11	111.62	1.36%	111.62
DAVISON	1,520.79	1,854.13	21.92%	1,748.91		471.36	485.96	3.10%	485.96
DAY	1,144.85	1,776.77	55.20%	1,431.06		406.54	416.20	2.38%	416.20
DEUEL	1,668.70	1,993.48	19.46%	1,919.00		479.95	495.19	3.18%	495.19
DEWEY	553.52	835.93	51.02%	691.90		105.18	103.67	-1.43%	103.67
DOUGLAS	1,467.19	1,915.87	30.58%	1,760.62		453.33	461.28	1.75%	461.28
EDMUNDS	1,087.09	1,734.26	59.53%	1,358.86		360.39	367.90	2.08%	367.90
FALL RIVER	405.74	575.49	41.84%	486.89		101.53	106.89	5.29%	106.89
FAULK	1,105.32	1,730.06	56.52%	1,381.65		349.66	359.10	2.70%	359.10
GRANT	1,518.15	1,881.87	23.96%	1,745.88		445.18	459.99	3.33%	459.99
GREGORY	1,024.25	1,307.12	27.62%	1,177.88		286.55	284.84	-0.60%	284.84
HAAKON	596.75	804.19	34.76%	716.10		126.64	126.43	-0.17%	126.43
HAMLIN	1,674.95	2,286.15	36.49%	2,009.94		507.85	521.38	2.66%	521.38
HAND	1,182.65	1,610.11	36.14%	1,419.18		361.46	367.90	1.78%	367.90
HANSON	1,585.51	1,987.23	25.34%	1,823.33		520.73	535.11	2.76%	535.11
HARDING	358.75	546.01	52.20%	448.44		84.36	89.94	6.62%	89.94
HUGHES	888.32	1,262.77	42.15%	1,065.98		279.04	286.55	2.69%	286.55
HUTCHINSON	1,585.42	1,873.13	18.15%	1,823.23		499.91	513.43	2.71%	513.43

Blue - limited to 15% increase / decrease in value
Yellow - limited to 20% increase / decrease in value
Green - limited to 25% increase / decrease in value

Prepared by Department of Revenue

CHANGE IN VALUATION
2015 ASSESSMENT YEAR PRODUCTIVITY INFORMATION

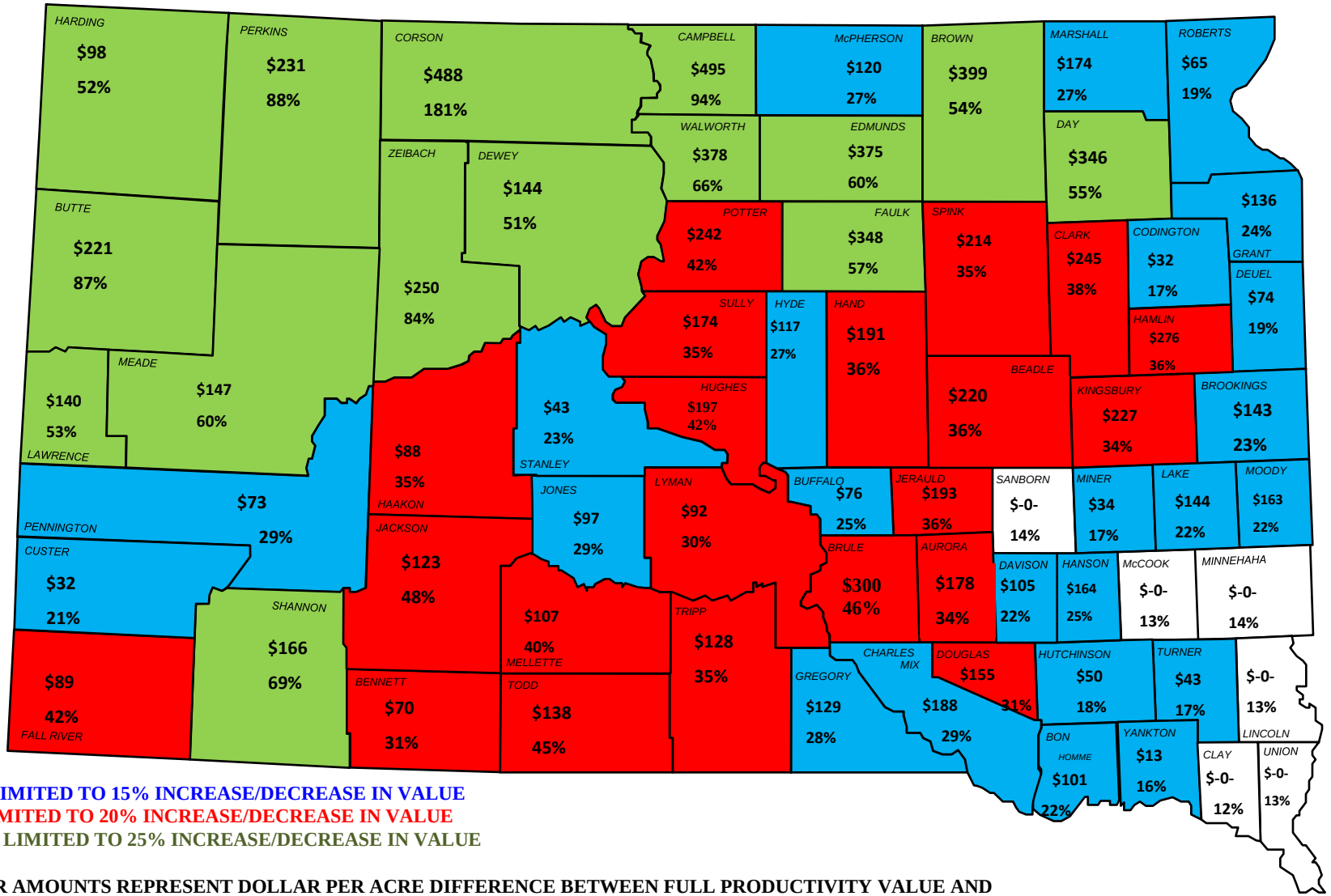
County	2014 Equalized Crop	2015 Productivity Crop $/A - Equalized	Total change in crop dollar value going to productivity w/o limit	Crop limited to increase / decrease - Equalized	2014 Equalized Non-Crop	2015 Productivity Non-Crop $/A - Equalized	Total change in non-crop dollar value going to productivity w/o limit	Non-Crop limited to increase / decrease - equalized
HYDE	952.07	1,211.62	27.26%	1,094.88	290.20	295.14	1.70%	295.14
JACKSON	444.60	656.30	47.62%	533.52	121.70	119.56	-1.76%	119.56
JERAULD	1,213.49	1,649.34	35.92%	1,456.19	377.56	388.30	2.84%	388.30
JONES	682.69	882.47	29.26%	785.10	162.70	164.85	1.32%	164.85
KINGSBURY	1,586.16	2,130.69	34.33%	1,903.40	514.94	524.60	1.88%	524.60
LAKE	1,976.44	2,417.28	22.30%	2,272.91	260.05	602.73	131.77%	325.06
LAWRENCE	507.42	774.23	52.58%	634.28	156.69	152.40	-2.74%	152.40
LINCOLN	1,963.88	2,210.30	12.55%	2,210.30	613.89	629.99	2.62%	629.99
LYMAN	914.15	1,188.70	30.03%	1,096.98	167.21	167.64	0.26%	167.64
MARSHALL	1,458.50	1,851.63	26.95%	1,677.27	387.87	401.60	3.54%	401.60
MC COOK	1,886.36	2,130.89	12.96%	2,130.89	549.49	558.08	1.56%	558.08
MC PHERSON	987.89	1,256.53	27.19%	1,136.07	342.79	355.03	3.57%	355.03
MEADE	420.08	672.14	60.00%	525.10	113.33	118.27	4.36%	118.27
MELLETTE	524.60	736.78	40.45%	629.52	172.36	173.43	0.62%	173.43
MINER	1,513.76	1,774.66	17.23%	1,740.83	535.97	551.00	2.80%	551.00
MINNEHAHA	2,171.45	2,486.63	14.51%	2,486.63	563.02	570.74	1.37%	570.74
MOODY	2,191.38	2,683.40	22.45%	2,520.09	560.66	562.37	0.31%	562.37
PENNINGTON	518.82	669.72	29.09%	596.64	122.99	126.00	2.44%	126.00
PERKINS	364.78	687.14	88.37%	455.97	139.52	138.88	-0.46%	138.88
POTTER	1,104.94	1,568.35	41.94%	1,325.93	279.90	288.70	3.14%	288.70
ROBERTS	1,563.80	1,862.94	19.13%	1,798.37	358.03	362.54	1.26%	362.54
SANBORN	1,364.83	1,563.15	14.53%	1,563.15	483.38	490.47	1.47%	490.47
SHANNON	375.25	635.12	69.25%	469.06	82.64	81.57	-1.30%	81.57
SPINK	1,458.37	1,963.58	34.64%	1,750.05	446.04	462.13	3.61%	462.13
STANLEY	554.63	681.23	22.83%	637.82	141.88	143.60	1.21%	143.60
SULLY	1,184.07	1,594.89	34.70%	1,420.88	260.58	277.54	6.51%	277.54
TODD	545.59	792.25	45.21%	654.71	155.62	154.97	-0.41%	154.97
TRIPP	827.00	1,120.19	35.45%	992.40	281.62	286.12	1.60%	286.12
TURNER	1,851.40	2,172.21	17.33%	2,129.11	517.73	523.95	1.20%	523.95
UNION	2,205.75	2,485.92	12.70%	2,485.92	665.62	687.08	3.22%	687.08
WALWORTH	925.06	1,534.63	65.90%	1,156.32	245.77	253.93	3.32%	253.93
YANKTON	1,821.72	2,108.10	15.72%	2,094.98	457.20	466.43	2.02%	466.43
ZIEBACH	421.76	777.21	84.28%	527.20	89.29	89.08	-0.24%	89.08

Blue - limited to 15% increase / decrease in value
Yellow - limited to 20% increase / decrease in value
Green - limited to 25% increase / decrease in value

Prepared by Department of Revenue

2015 Cropland Productivity Valuations

(all figures equalized to 85%)



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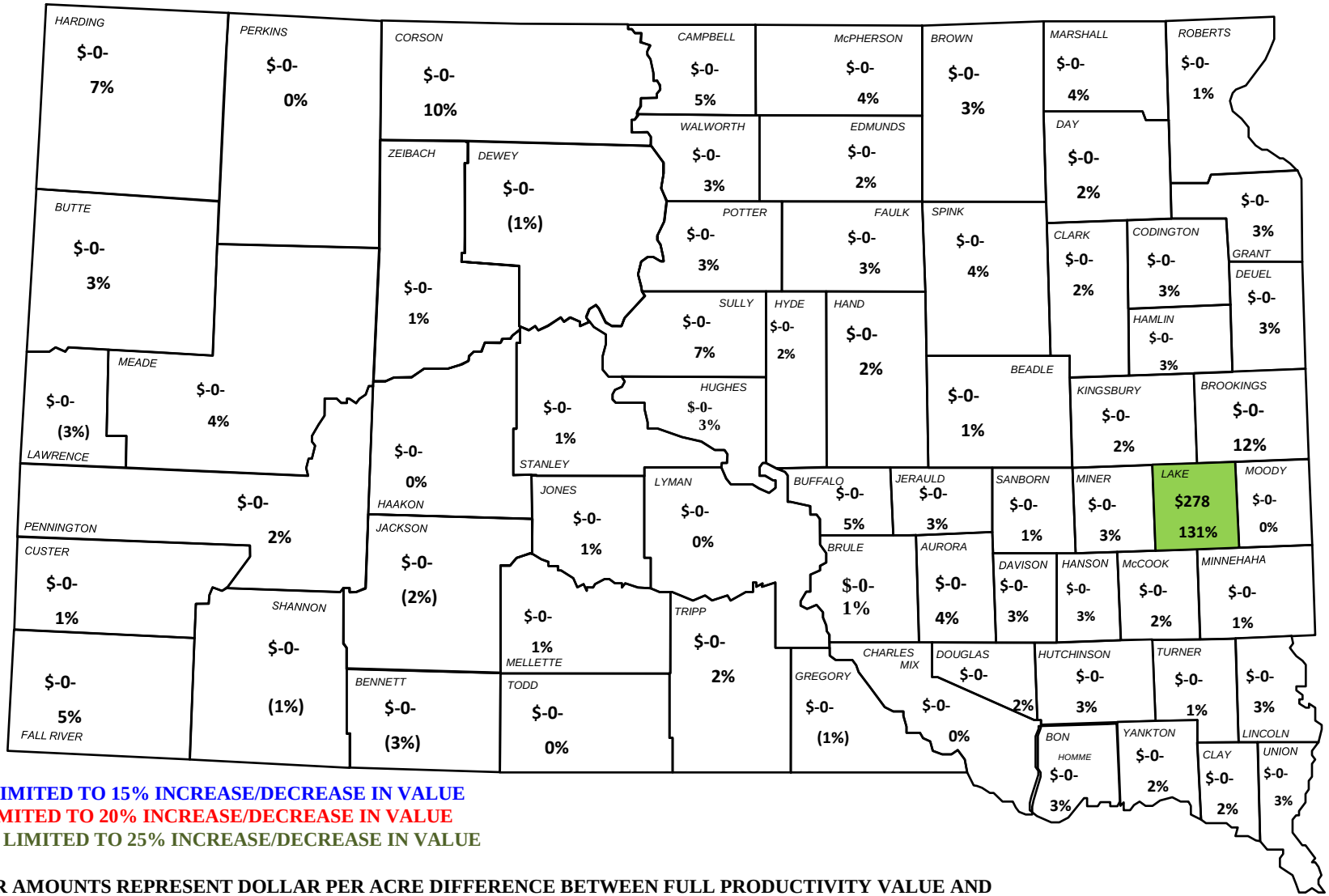
GREEN – LIMITED TO 25% INCREASE/DECREASE IN VALUE

***DOLLAR AMOUNTS REPRESENT DOLLAR PER ACRE DIFFERENCE BETWEEN FULL PRODUCTIVITY VALUE AND 2015 LIMITED PRODUCTIVITY VALUE.**

****PERCENTAGES REPRESENT PERCENT CHANGE FROM 2014 LIMITED PRODUCTIVITY VALUE TO 2015 FULL PRODUCTIVITY VALUE.**

2015 Noncropland Productivity Valuations

(all figures equalized to 85%)



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***DOLLAR AMOUNTS REPRESENT DOLLAR PER ACRE DIFFERENCE BETWEEN FULL PRODUCTIVITY VALUE AND 2015 LIMITED PRODUCTIVITY VALUE.**

****PERCENTAGES REPRESENT PERCENT CHANGE FROM 2014 LIMITED PRODUCTIVITY VALUE TO 2015 FULL PRODUCTIVITY VALUE.**

2013 Ag Land Median Sales Ratios

COUNTY	Median Ratio	# of Sales
AURORA	28.60	6
BEADLE	33.60	18
BENNETT	39.80	12
BON HOMME	27.70	13
BROOKINGS	27.20	11
BROWN	20.90	11
BRULE	27.20	25
BUFFALO	34.10	3
BUTTE	17.60	15
CAMPBELL	27.60	7
CHARLES MIX	45.50	15
CLARK	24.70	13
CLAY	27.50	46
CODINGTON	33.00	18
CORSON	32.80	17
CUSTER	10.80	11
DAVISON	35.30	6
DAY	33.20	8
DEUEL	30.60	17
DEWEY	20.40	2
DOUGLAS	28.40	6
EDMUNDS	25.10	13
FALL RIVER	28.00	11
FAULK	53.70	6
GRANT	25.00	21
GREGORY	37.10	22
HAAKON	42.40	3
HAMLIN	29.30	9
HAND	38.10	9
HANSON	25.10	8
HARDING	48.10	2
HUGHES	34.50	4
HUTCHINSON	33.60	21

COUNTY	Median Ratio	# of Sales
HYDE	40.80	9
JACKSON	64.60	3
JERAULD	33.90	5
JONES	38.90	12
KINGSBURY	24.70	15
LAKE	22.10	11
LAWRENCE	5.80	7
LINCOLN	25.40	32
LYMAN	37.50	9
MARSHALL	25.20	16
MC COOK	35.30	5
MC PHERSON	39.20	9
MEADE	25.10	34
MELLETTE	35.20	4
MINER	37.40	18
MINNEHAHA	25.40	24
MOODY	21.90	21
PENNINGTON	24.50	16
PERKINS	40.20	14
POTTER	21.90	3
ROBERTS	17.90	15
SANBORN	42.20	11
SHANNON	27.00	3
SPINK	31.40	35
STANLEY	33.60	20
SULLY	27.30	14
TODD	12.60	1
TRIPP	39.30	17
TURNER	28.50	27
UNION	31.30	13
WALWORTH	32.80	8
YANKTON	31.10	29
ZIEBACH	34.30	4

2013 Non-Ag Median Sales Ratios

COUNTY	Median Ratio	# of Sales
AURORA	110.60	7
BEADLE	85.90	202
BENNETT	101.20	9
BON HOMME	100.50	61
BROOKINGS	90.70	428
BROWN	85.50	447
BRULE	81.00	40
BUFFALO	0.00	0
BUTTE	88.20	150
CAMPBELL	93.70	11
CHARLES MIX	98.80	76
CLARK	101.60	31
CLAY	86.10	171
CODINGTON	88.10	411
CORSON	95.00	13
CUSTER	92.20	163
DAVISON	91.50	269
DAY	93.20	46
DEUEL	88.80	45
DEWEY	100.00	6
DOUGLAS	86.00	16
EDMUNDS	105.60	70
FALL RIVER	99.20	110
FAULK	96.90	14
GRANT	93.00	67
GREGORY	95.70	28
HAAKON	83.00	13
HAMLIN	95.90	89
HAND	91.30	35
HANSON	97.40	29
HARDING	96.00	2
HUGHES	90.00	271
HUTCHINSON	93.70	84
HYDE	100.00	7
JACKSON	83.50	9
JERAULD	120.50	17
JONES	102.20	7
KINGSBURY	98.60	38
LAKE	84.60	172
LAWRENCE	87.20	535
LINCOLN	91.30	1072
LYMAN	97.50	25
MARSHALL	101.80	50
MC COOK	97.80	71
MC PHERSON	103.30	35
MEADE	89.00	438
MELLETTE	101.10	4
MINER	143.00	19
MINNEHAHA	91.10	3222
MOODY	95.30	51
PENNINGTON	94.80	2036
PERKINS	95.80	17
POTTER	88.30	20
ROBERTS	86.70	55
SANBORN	99.20	13
SHANNON	0.00	0
SPINK	100.00	65
STANLEY	86.60	31
SULLY	96.20	18
TODD	71.20	4
TRIPP	95.80	59
TURNER	95.30	104
UNION	94.80	241
WALWORTH	92.60	73
YANKTON	87.40	333
ZIEBACH	142.90	1

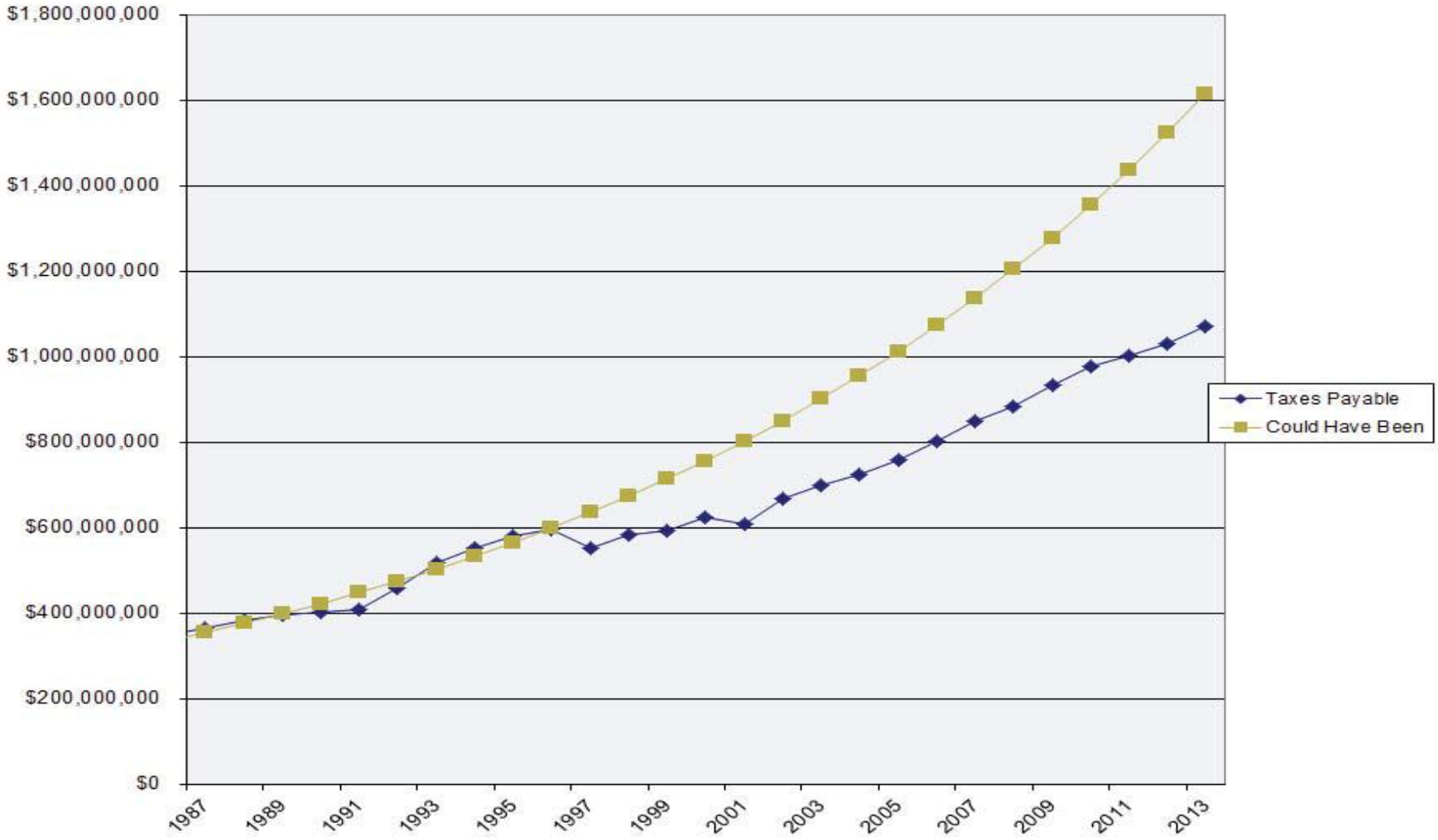
Property Tax Limitation System

- South Dakota has two independent systems that limit the growth of property taxes.
  - **State aid to education payments** replace property taxes for schools that would otherwise be paid by owners of agricultural property and owner-occupied houses.
  - **Property tax caps** limit the amount of property taxes that local governments can collect from property owners.

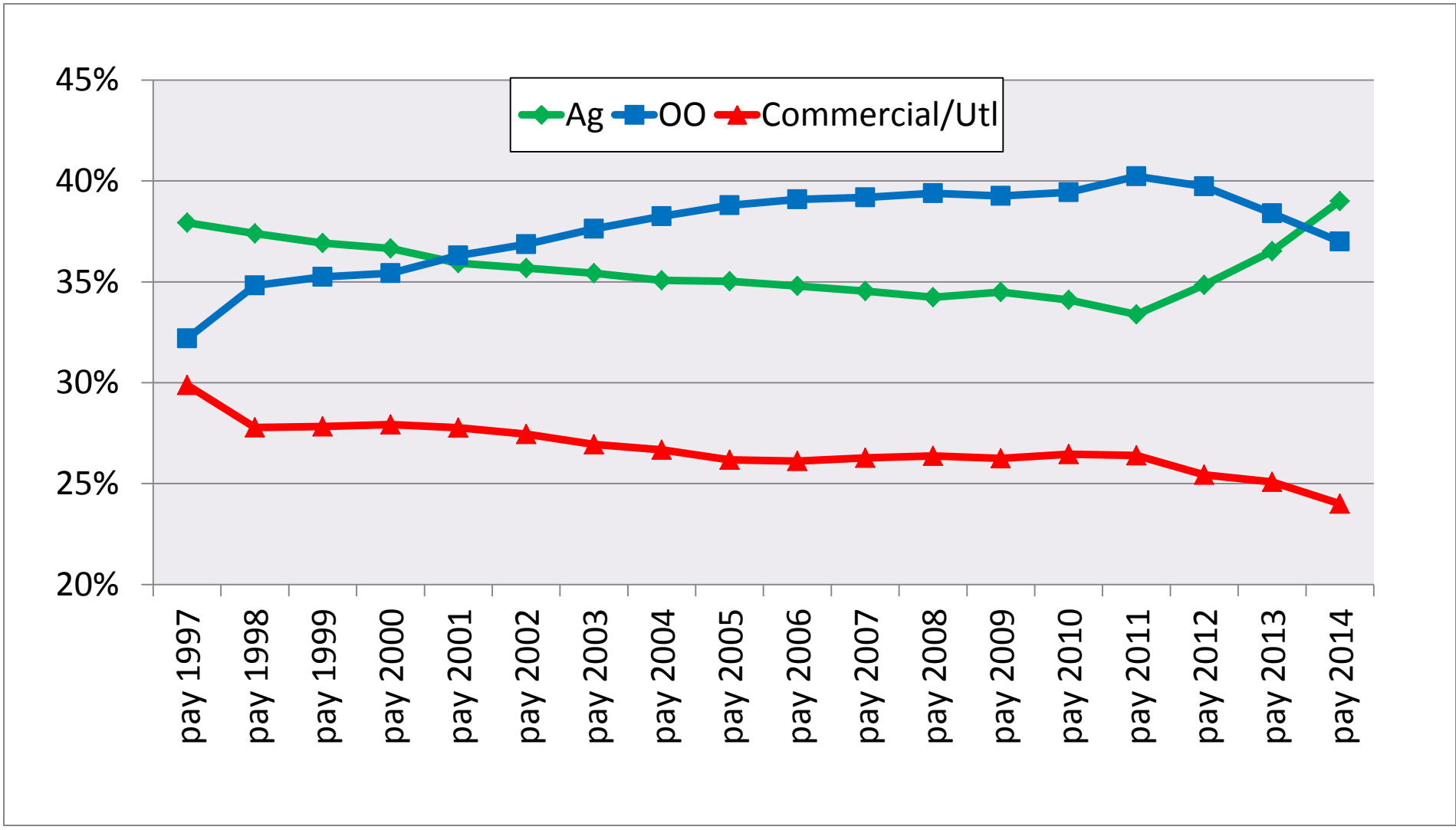
Property Tax Limitation System

- Property tax caps (continued)
  - Local governments are limited to the amount of property taxes they collected the prior year, PLUS an increase for inflation based upon the consumer price index or 3%, whichever is less, and growth (new construction within the taxing jurisdiction).
    - Example:
      - Municipality has a total property valuation of $100 million and collected $300,000 in property taxes by imposing a 3 mill tax levy last year. Current year CPI is 2% and residential development added $1 million of new value (growth). Values of existing properties increased to $109 million.
      - Municipality can increase its prior year tax request by 3% (2% for CPI + 1% for growth), or $9,000, for a total current year request of $309,000.
      - To prevent going over the cap, the tax rate applied to the $110 million of property in the municipality ($109 million of existing value + $1 million of new growth) would be automatically lowered from 3 mills to 2.81 mills ($309,000/110,000,000) x 1,000 = 2.81 per thousand)

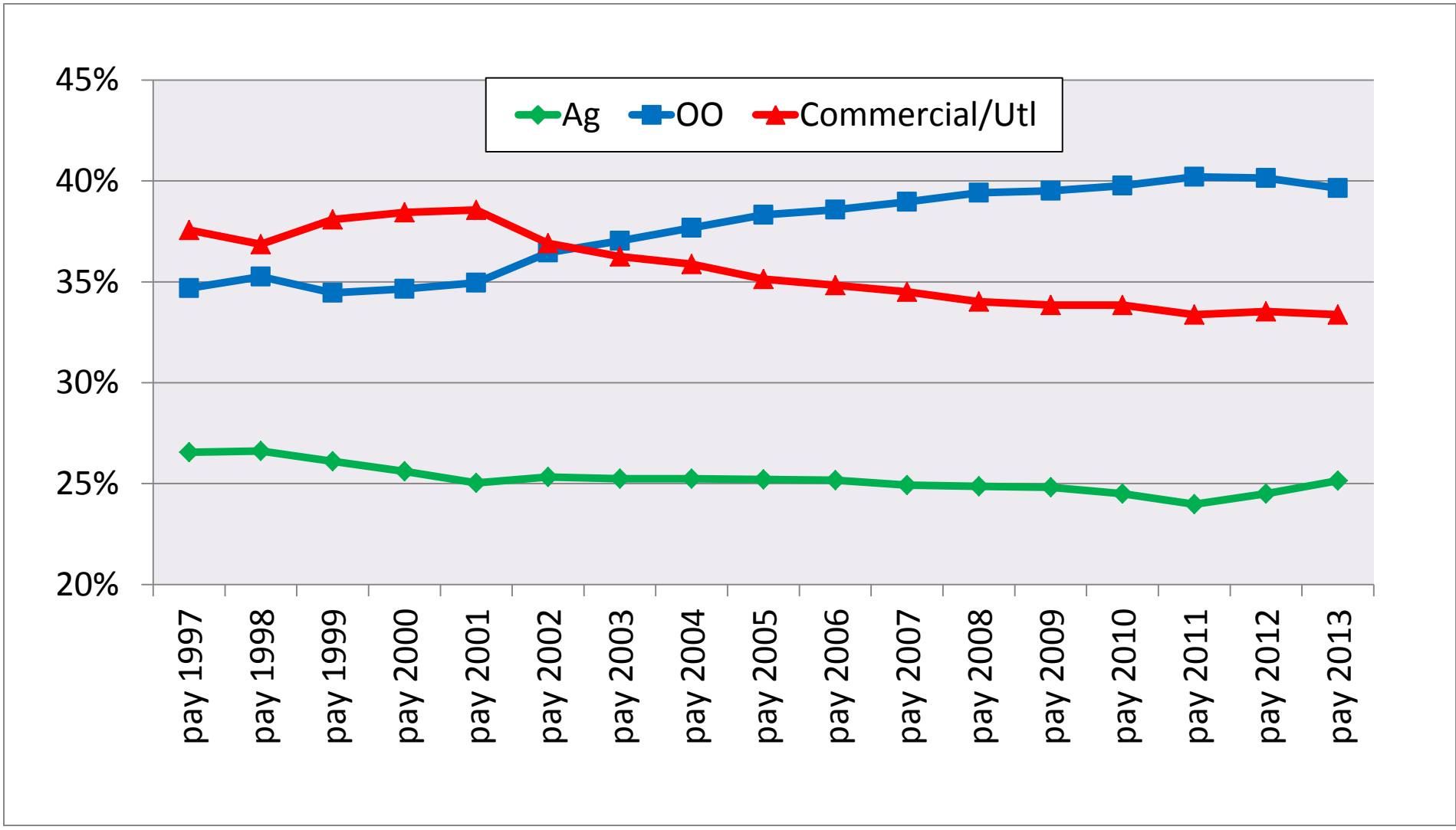
Projected Historical Growth v. Actual Growth of Property Taxes since the Implementation of the SD Property Tax Limitation System



Valuation by Class as % of Total



Who Pays: Property Taxes Paid by Class as % of Total



Highest and Best Use vs. Actual Use

- The productivity system is based on the capacity of the soil to produce agricultural products. How a specific parcel of agricultural land is used is irrelevant to the determination of the productivity value of the parcel.
- Current law requires agricultural land to be assessed based on its “highest and best” use. In other words, crop soils are assessed as crop soils and noncrop soils are assessed as noncrop soils, regardless of use.
- Adjustments can be made to account for factors that affect agricultural use (topography, access, climate, etc…)

Highest and Best Use vs. Actual Use

- Actual use assessment would look to how a specific parcel is currently being used (crop vs. noncrop) and value accordingly, regardless of soil type or capacity to produce ag products.
- Issues:
  - Loss of agricultural land valuation (tax shifts)
  - Conservation easements
  - Equity (tax fairness) amongst similarly situated property owners
  - Implementation (DOE workload; staffing levels; appeals)

Highest and Best Use vs. Actual Use

- Loss of valuation
  - In 2012, DOR estimated the statewide loss of valuation from a switch to actual use to be $3.6 billion (11 percent decrease in total valuation; approximately $36 million in lost/shifted taxes).
  - Caveat: Does not account for noncrop land currently being cropped (data is unavailable).
- Conservation easements
  - FWS easement program: 592,551 crop acres encumbered statewide.
  - Edmunds Co.: loss of $83 million in valuation
  - Faulk Co.: loss of $104 million in valuation (1/5th of total county ag land valuation)
- Tax Fairness
  - Two identical parcels scenario

Questions?

Michael Houdyshell

SD Dept. of Revenue

michael.houdyshell@state.sd.us

605.773.3311