



Understanding Your Property Taxes

<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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WHY HAVE A PROPERTY TAX?

The property tax is an important part of any well-balanced revenue system for a community. Property taxes fund things such as schools, fire and police protection, streets, libraries, and other public benefits. The property tax allows these services to be funded in proportion to the amount of money individual properties are worth. The property tax is also a more stable source of money than sales taxes because it does not fluctuate when communities have recessions. In general, when your community spends more tax dollars on better schools, parks, streets, and other public benefits and services, your property values rise and you ultimately benefit.

The State of South Dakota does not collect or spend any property tax dollars.

HOW IS MY PROPERTY ASSESSED?

The assessor's office first reviews all the property to be assessed in your community and then values it. In reviewing your individual property, the assessor collects data about its characteristics, such as the amount of land you own, the location of your property, the number and size of improvements on your land, the physical characteristics of the improvements including number and type of rooms, the quality of construction of improvements, and so on. This information is used to estimate the market value of your property by comparing the sale prices of similar properties, estimating the cost to construct your property, and/or calculating the potential rental income your property could generate (if any).

Accurate appraisals require constant searching for and accumulation of significant facts to analyze in order to estimate the fair market value of your property.

WHAT IS MARKET VALUE?

For residential and commercial properties, the market value of your property is the price most people would pay for it in its present condition. The assessor must estimate the market value of every property in your taxing jurisdiction, no matter how big or small.

To estimate the market value of any nonagricultural property, the assessor must first know what similar properties are selling for, what it would cost to replace it, how much it takes to operate and keep it in repair, what rent it may earn, and many other financial considerations affecting its value, such as the current rate of interest charged for borrowing money to buy or build properties like yours.

For agricultural properties, the market value is the agricultural income value as determined by the Productivity Formula. For more information, please see the [Ag Land Productivity Tax Fact](#).

WHAT IS AN ASSESSMENT?

State law requires that all property be assessed at its fair market value. Each year, the assessor reviews your property for changes and then revalues the property depending on current market conditions.

The assessment notice is sent out in March. The 2022 assessment notice will be used to calculate the property taxes to be paid in 2023.

If you want more information on how your property assessment was determined, you should contact your county Director of Equalization.

WHY DO ASSESSED VALUES AND MARKET VALUES CHANGE FROM YEAR TO YEAR?

As market values change, in general so do assessed values. Market values change because the property has physically changed or because market conditions have changed. For example, if you were to add a garage to your home, the market value and the assessed value may increase. If you add new siding, the market value and the assessed value of your home also may increase. However, if your property is in poor repair, the market value and assessed value may decrease over time.

In many areas, market conditions have led to increases in market values and assessed values without any changes to the property. In estimating the value of your property, the assessor reflects the conditions that are occurring in the marketplace.

HOW DOES MY ASSESSED VALUE AFFECT MY TAX RATE AND MY TAXES?

The assessor's office does not determine the total amount of taxes collected in your community, the tax rate, or your taxes. The assessor's primary responsibility is to find the fair market value of your property, so that you pay only your fair share of taxes.

The amount of tax you pay is determined by multiplying your tax rate by your property's taxable value. Your tax rate is determined by the tax requests submitted by all your taxing authorities—city, county, school districts, and others. These taxing districts determine how much tax is needed to provide all the services you enjoy. The county auditor calculates the tax rate needed to spread the tax request burden fairly and equitably amongst all property within each district.

State law limits the amount of property taxes that all local governments, except schools, can collect from their property owners. These local governments are limited to the amount of property taxes they collected last year, plus an increase for inflation and for new construction.

WHAT CAN I DO ABOUT MY ASSESSED VALUE AND MY PROPERTY TAXES?

If you believe the assessor has overestimated or underestimated the value of your property, you should contact the assessor's office and discuss the matter. Many offices have formal and informal procedures to appeal the assessed value on your property. Staff can answer your questions about how the office estimated the value of your property and explain how to appeal your assessed value. Many assessors encourage property owners to contact the assessor's office because the assessor's office relies on property owners for information. You can help by providing accurate information!

If you think your taxes are too high, you should make your opinion known to the your local taxing authorities—city council, county commission, school board—during their budgeting process. You can also inquire at the county courthouse about property tax relief programs and whether you qualify for them.

For more information about property taxes, please visit the [Property Tax 101 Tax Fact](#).