2025 South Dakota Legislature

Senate Bill 191

SENATE ENGROSSED

*Introduced by: **Senator** Hulse*

An Act to limit annual valuation increases on owner-occupied single-family dwellings.

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

Section 1. The Legislature finds that the principles established in Nordlinger v. Hahn, 505 U.S. 1 (1992), affirm the constitutionality of basing property tax assessments on the purchase price of property rather than current market value, for the purpose of protecting homeowners from unexpected hikes and escalating real estate values impacting the reliance interests in their homes. This Act is intended to stabilize property taxes for homeowners of this state, while ensuring compliance with equal protection guarantees under the United States Constitution.

Section 2. That § 10-6-105 be AMENDED:

10-6-105. All real property subject to taxation ~~shall~~ must be listed and assessed annually, but the value of ~~such~~ the property is to be determined according to its value on the first day of November preceding the assessment, while the value of any owner-occupied single-family dwelling is subject to the value limitations provided in sections 3 and 4 of this Act.

Section 3. That chapter 10-6 be amended with a NEW SECTION:

For purposes of this section, "base amount" means:

(1) The fair market value of any owner-occupied single-family dwelling, on November 1, 2020, increased by no more than three percent annually for each assessment required by § 10-6-105, which was completed in 2021, 2022, 2023, and 2024;

(2) Where a change in ownership of an owner-occupied single-family dwelling has occurred between November 2, 2020, and October 31, 2025, inclusive, the fair market value of the property on the date of transfer or purchase, increased by no

more than three percent annually for any assessment required by § 10-6-105, which was completed after the transfer or purchase in any year between 2021 and 2024, inclusive; or

(3) Where a change in ownership of an owner-occupied single-family dwelling occurs on November 1, 2025, or later, the fair market value of the property.

For purposes of the annual assessment required by § 10-6-105, the assessed value of an owner-occupied single-family dwelling may not increase more than three percent annually, beginning with the base amount as determined for assessment year 2025, or any subsequent base year as provided in this section, whichever is later.

When a change in ownership of an owner-occupied single-family dwelling occurs, the property must be reassessed at its fair market value, to determine the property's base amount. When an owner-occupied single-family dwelling is sold between a willing seller and a willing buyer, with no coercion or advantage taken by either party, the property's base amount may not exceed the sales price of the property.

Section 4. That a NEW SECTION be added to chapter 10-6:

The base amount of any owner-occupied single-family dwelling may be further increased above the limitations provided by section 3 of this Act, if there is a change in the use or classification of the property, or to account for any addition to, or expansion of, the property.

An addition to, or expansion of, the property may only result in an increase in the assessed value above the limitations provided by section 3 of this Act by the difference between the real property with the addition or expansion and the real property as if no addition or expansion was made.

For purposes of this section, the increase in taxable value from improvements to an owner-occupied single-family dwelling does not include additions to, or improvements of, existing structures affixed to the land if the improvements result in an increased valuation of forty percent or less of the current valuation.