SOUTH DAKOTA DEPARTMENT OF REVENUE

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September 29, 2026 **VIA EMAIL ONLY**

Dear County Commissioners:

Governor Rhoden's Homeowner Tax Relief bill, SB 96 (now codified as SDCL ch. § 10-52B), created a powerful new tool for counties in South Dakota to provide impactful property tax relief. Although the law just recently went into effect on July 1, several county commissions have already passed ordinances authorizing the local option sales tax. Some counties will see the tax go into effect on January 1, 2027, while others will see their citizens vote on the optional relief at the November general election.

Over the last few months, our team has met with several county commissions to discuss the implementation of SB 96. One of the most frequent questions is the timing of when the county can provide property tax relief to homeowners. Depending on when the optional tax goes into effect, there are essentially two options:

- Provide a tax credit the first year the tax is in effect based on a conservative estimate of year one revenue (Ex., if the tax goes into effect January 1, 2027, then provide a credit on the pay 2027 tax bill) – we prefer this option; or
- Allow revenue from the tax to accumulate for a year before providing a credit (Ex., if the tax goes into effect January 1, 2027; provide a credit on the pay 2028 tax bill) – this is not what the legislation was intended to do.

Given the urgency the Legislature gave this relief, the first option is the right approach for your taxpayers. Homeowners should receive property tax relief as soon as possible, and it is what they will expect given the increase in tax on purchases. We understand the concern regarding the cash flow of county operations; however, the Department of Revenue is confident it will be able to help the commissions develop a solid year 1 estimate so your homeowners can immediately realize the benefits while, at the same time, give confidence the anticipated sales tax revenue will hit the mark.

By way of example, here is a simple analysis of how Custer County could provide relief for taxes payable in 2027:

- Total county revenue estimate at 0.5% rate for calendar year 2025 = $1,628,397
- Total revenue from taxable sales within municipalities located in Custer Co. = $749,016

Because the taxable sales within municipalities are based on actual sales tax returns, Custer County can anticipate generating *at least $750,000+- in calendar year 2027 before sales outside of municipalities are even included.* This means that, at a minimum, the county will have

those funds available to provide a property tax credit on the 2027 tax bill for homeowners in the county.

SB 96, along with SB 245, provides the opportunity for the largest property tax cut in state history. That money is meant to replace property tax revenue and provide relief, not sit in the bank for a year. I hope you agree that the relief should be provided to your homeowners as soon as possible.

Respectfully,



Michael S. Houdyshell
Secretary
South Dakota Dept. of Revenue