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Improving Property Tax Assessments in South Dakota

Joshua Robinson
Lyle Bender

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improving

property tax assessments

in South Dakota

By Joshua Robinson and Lyle M. Bender*

Property taxes in South Dakota have been a public issue almost since settlers brought taxing ideas with them during the early settlement period. The amount of the property tax bill and the way it is charged against property owners has long been a point of contention. Over the years, many of these earlier tax ideas have become obsolete for a semi-arid, thinly populated area.

Interest in the tax issue has revived. This interest is directed at broadening the tax system and improving present types of taxes—including the property tax.

Property taxes are the main revenue source of local governments. About 60 per cent of all tax revenue in 1954 came from this source. Property taxes are usually paid to county and smaller governmental units. Breakdown of this revenue in 1954 brought 60 per cent to school districts; 25 per cent to counties; 14 per cent to cities and towns; and 5 per cent to organized townships. The per capita tax load paid in 1957 in South Dakota averaged $100 for every citizen of the state.

Object of this publication is to provide helpful information and suggestions which may result in a better property tax than now exists. What does "improving the property tax" mean? Before improvement can be made, we must first study the current property tax structure. From this study and other information problem areas can be spotted. These problem areas include tax equalization, true and full assessment of property and the assessment or administrative machinery. Improvements can be made in each of these areas.

*Associate Farm Management Specialist and Economist, Agricultural Extension Service. Authors wish to express appreciation to Frank G. Graves and Bruce D. Gillis, State Department of Revenue, for technical suggestions and manuscript review.
Property Tax Law Highlights

Property tax laws are designed to distribute the tax burden among taxpayers, fair and equitably, on the basis of property ownership. This tax has partly failed to achieve this purpose. A review of property tax laws will help to evaluate the present system and to suggest possible improvements.

TAX LEVIES

Tax levies are determined at five budgetary levels. These include the city, school district, township, county and—occasionally—the state. Levies are based on predicted expenditures for the coming fiscal year at each level.

Each county's board of commissioners is responsible for taxes levied. The board supervises expenditures within the county (and any attached county) for state, judicial or other purposes as set by law.

All county, township, city, town and school taxes—except special assessments in cities and towns—are levied or voted in by the respective boards as designated by law.

ASSESSED VALUES

South Dakota tax laws specify that all property shall be assessed at true and full value in money. Since this standard was not followed, the 1957 Legislature adjusted it to one that appeared more acceptable to taxpayers and assessors.

The new change still specifies true and full value assessment; but only 60 per cent of the assessed value will be considered as the taxable value. Assessors are not legally allowed to use a standard different from that named in the law.

EQUALIZATION

Equalization of personal and real property may be done at five governmental jurisdictional levels. These are the county director of equalization; the town, city or township local board of review; the county board of equalization; and the state board of equalization and/or the circuit court.

The county director of equalization administers property assessment within the county. Much of this equalization job can be avoided if the director effectively administers the county tax program and corrects inequities in assessments.

Individual taxpayers may appeal assessment grievances to their respective local boards—the most important boards of equalization.

The state board of equalization is empowered to equalize assessments between counties—only in case of overlapping school districts. Assessment adjustments on any type of property in counties and throughout the state must be based on tangible evidence of existing inequities. Appeals may be made by any person, firm, corporation, taxing district, or governmental subdivision or agency. These appeals are first made to the county board, then to either the state board of equalization and/or the circuit court.

PROPERTY SUBJECT TO TAX

All personal and real property within a county or taxing district is subject to tax, according to law. This property is assessed as to location, ownership and value.
Property sold under contract is assessed in the name of the buyer. Any personal or real property not on previous assessment records must be added to the roll and taxed. This includes new property and improvements.

**TAX ADMINISTRATIVE MACHINERY (ASSESSOR)**

The 1957 Legislature created the office of county director of equalization to administer the county tax program. This action replaced the county assessor law of 1955. Before the 1955 law, assessors in local governmental districts were either elected or appointed. The new law places assessors on a professional basis, designed to improve the quality of assessments. More thorough and equitable taxation should result.

The county director of equalization is appointed for two years by the county commissioners. His appointment is based on his knowledge and training in taxation. Locally-appointed assessors assist him.

School boards in unorganized counties and governing bodies of any organized township or municipality may also appoint assessors to serve on recommendation of the county director. These local assessors are under the supervision and direction of the county director but have similar powers and duties within their own taxing districts.

Local assessors list and assess all property within their taxing districts. When assessment is completed, these books are submitted to the local board of equalization for review and correction.

The county director is responsible for assessing all taxable property within the county. He prepares and extends changes made by local boards and the county board of equalization. He also submits an abstract of this assessed property to the state board of equalization. He keeps a record of land valuations and property transfers. He may investigate applications for adjustments of property valuations and provide information on these applications to the county commissioners and county boards of equalization. The county director also has the power to visit a taxpayer’s property to determine its value. In addition, he may subpoena and examine any person on statements furnished about his property assessments.

**APPEAL PROVISION**

The law gives every taxpayer the right of appeal before the local review board of his taxing district. A taxpayer not satisfied with this decision may appeal further to the next higher board up through the state board of equalization and/or the circuit court. Taxpayers may contact their county director of equalization for further details on the appeal provision.

**Current Property Tax Problems**

While this study is directed at property tax improvements, mention should be made of why property taxes have increased. Though we are all tax paying citizens a little review of how the property tax bill is determined is in order. With such a background of information we will be in a better position to critically analyze and to suggest improvements in our property tax.
WHY TAXES HAVE INCREASED

Property taxes have increased for many reasons. Local government expenditures have expanded since World War II. Wages, and salaries of employees, and prices of materials and supplies have increased. Payments for the aid of the needy and sick have moved up as the cost of living and medical care has increased. Construction of schools, roads and other public works has been stepped up. Efforts have been made to improve the quality of our teachers, county engineers and other employees by securing better trained employees. This increases the costs. New functions and the expansion of existing functions in response to public demand have increased local tax requirements. These changes have taken place against an economic background of growing incomes for most individuals and families and of rising market values for most real estate.

HOW THE PROPERTY TAX BILL IS DETERMINED

Four factors influence the amount of property taxes that we as property owners pay. They are:

1. The total amount of taxes levied by local authorities.
2. The assessed value placed on property as compared with other taxable properties in a county, town, or townships or other assessing district.
3. The equalization rates fixed by the state and county.
4. The limited mill levy fixed by legislation on certain expenditures which the county shall or shall not make.

Four main layers of local government cover South Dakota and are supported in part by the property tax. In addition other special local governing units and occasionally the state may secure some support from the property tax or special levies.

One of the important layers of local government are the counties. Each county is divided into towns, cities and townships. One or more unincorporated villages may be located in a township. The state is also divided into school districts. Property is then located in a county, a town or city, a township and a school district.

Special taxing or improvement districts may be organized in a county for fire protection, water supply, irrigation, conservation and the like. Property in these areas helps support the services people want in these areas.

Usually property taxes are included in budgets which the local governing unit prepares. The amount of tax is usually determined by the difference between estimated expenditures for the coming year and the estimated receipts from sources other than the property tax.

The local governing bodies are responsible for preparing these budgets and in levying property taxes. They are limited only by the requirements of state laws and the State Constitution. The more important local governing bodies are: county board of commissioners, town or city boards, the school board and township boards.

These governing bodies, not the assessors, determine the total amount of property taxes needed. This amount is dependent upon other sources of income and the amount, kinds and quality of services that we the people want as expressed in the budget item, income needed.

EQUALIZATION OF PROPERTY TAXES

One of the greatest single defects in the property assessment system may be inequities in local assessments. Problems result from a non-uniform valuation and
Improving Property Tax Assessments in South Dakota

incomplete listing of property. The problem of equalization consists of two parts: local uniformity and between county uniformity.

Local Uniformity. Inequities exist among classes or types of property in the same ownership group such as between farm real estate tracts or between city real estate tracts.

Many inequities exist between owner groups like between owners of rural and urban real estate.

Inequities often exist between classes of property. For example between farm real estate and farm personal property, or between urban real estate and urban personal property.

Securing local uniformity in assessments is the duty of county and local units of government.

Between-County Uniformity. A common problem facing state equalization authorities is the correction of the variations in assessments between counties. The need for such correction varies but is usually required either for equity in property taxes, or for state aid equalization or both.

The job of between-county equalization consists of equalizing farm real estate assessments, correcting inequities in farm and urban assessments and of equalizing real estate and personal property.

LEVEL OF ASSESSMENT AND MILL RATES

The decline in the level of assessment over the past 35 years or more have contributed to inequities of the property tax burden on real estate. This may have resulted from depression, later followed by a lag in assessment to rising property values or actual decreases in level of assessment.

In Brown, Haakon, Hand and Brookings counties, where assessment sales ratio studies have been conducted, the level of assessment declined with the fall in
land values between 1920 and 1940. Since 1940, the decline in level of assessment has been almost continuous relative to rising land values as shown in Figure 1, for Brown County. This is typical of many other counties in South Dakota and a few other states.

In many counties assessors have yielded under taxpayer pressure by permitting the percentage of assessment relative to true and full value to decline—even when property values have been relatively stable. The decline in level of assessment is even more apparent if property values are rising or if the assessor lowers all assessments or lowers a few and leaves others unchanged.

Achieving and maintaining equity of property assessment and maintaining a stable relationship of assessment to value are major problems. Variation in the general level of assessment to sale value of farm real estate for selected counties in South Dakota from 1920 to 1953 is illustrated in Table 1.

Figures in Table 1 show that considerable inequities in level of assessment apparently exist within each of the counties over a period of years. The inequities in level of assessment among the four counties studied did not show a high degree of variation in more recent years.

Tendencies Blight System

Three tendencies tend to blight the property tax system at present. First, assessed valuations tend to lag behind market value. This is partly because the assessor has not had adequate training and proper tools to measure changes in value of property in rural and urban areas. Frequently, the assessor copies previous assessment records, not taking into account changes in property values. In Brown County, for example, the assessed valuation of farm real estate did not change greatly from 1933 to 1953, although land values changed appreciably and fluctuated over a wide range.

Secondly, the assessed valuation of property tends to concentrate around an average figure rather than reflect the changing value of property—either in terms of market price or productivity. In some areas hilly lands which must be utilized by livestock, or clay pan soils are assessed at the same rate as more productive silt loams possessing a variety of production alternatives. Rural property certainly should not be held up as the only shining example characterizing inequities of assessment. Urban property, both business and residential are characteristic of the same general inequities in level of assessment and value.

Third, assessed valuations have declined relative to true and full value over the past several years. When the market price of rural and urban property declined during the early thirties, assessors were forced to reduce the assessed valuation in response to complaints of property owners. Since that time assessors have decreased assessed valuations of property even further. The justification for assessors to adjust the valuation of rural and urban property downward or stabilize property valuations appears to be a method of avoiding complaints only to contribute to further inequities. The lack of an accurate measure of value and/or earning capacity has contributed to the inequities in level of assessment. The problem is to find trained personnel coupled with ways and means of maintaining equity of assessment relative to value.
As mentioned previously, South Dakota, like most states, has laws which set specific requirements on the level of assessment of all property at true and full value or a percentage of full value. The South Dakota code of 1939, specified that all property shall be assessed at its true and full value in money. This standard was not followed. In fact, the level of assessment has fallen far below average relative to increasing property values.

To compensate for the continual decline in level of assessment from the standard set by law, the 1957 South Dakota legislature took drastic action by amending the section. It specified that all property shall be assessed at true and full value in money; however, only 60 per cent of the true and full value shall be considered as the taxable value of the property. This legislative action is a compromise between assessing property at true and full value and variable levels adopted by county assessors which, in many cases, have been below the legal standard. If all property is uniformly assessed at this rate and bonding restrictions and millage limitations are adjusted to this situation, there would be no injustice connected with such a practice.

The difficulty in adjusting the law to meet the existing situation is that the assessment level does not stay fixed and is likely to decline below the new legal standard. The persistent decline in level of assessment relative to rising property values is likely to cause opposite changes in assessment level for the district as well as changes in the assessment level for units within the taxing district. This is caused by the sluggish response of changes in assessment to change in value of property.

Relationship Between Level of Assessment and Mill Rates. The relationship between the level and uniformity of assessment and mill rates can be understood by illustration. Variation in levels of assessment can exist provided adjustments are made in the mill rate. Mill rates can be adjusted to provide needed revenue. If the assessed valuation is below true and full value or legal standard, for the unit of government the mill rate must be held high enough to provide the needed revenue. Should the opposite situation be true—if the assessment is above true and full value...
Table 2. The Effect of Varying Mill Rates and Level of Assessment to Obtain Required Taxes for a School District

<table>
<thead>
<tr>
<th>Example 1</th>
<th>Example 2</th>
<th>Example 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment Standard</td>
<td>% of Standard</td>
<td>Dist. Taxes</td>
</tr>
<tr>
<td>$20,000 100</td>
<td>$30,000 150</td>
<td>$450</td>
</tr>
<tr>
<td>20,000 100</td>
<td>20,000 100</td>
<td>300</td>
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<tr>
<td>20,000 100</td>
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<td>$900</td>
<td>$900</td>
<td>$900</td>
</tr>
<tr>
<td>Tax rate $15.00 per</td>
<td>Tax rate $15.00 per</td>
<td>Tax rate $7.50 per</td>
</tr>
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<td>$1,000</td>
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</tbody>
</table>

or the legal standard, the mill rate must be lower to provide the needed revenue.

For example, assume a school district needs $900 in property taxes. The responsibility of the assessor is to pro-rate the taxes needed among the property owners in the district.

Suppose there are three properties of equal value in a district. If the assessor values each property at 60 per cent of full value according to the legal standard, each property will have an assessed valuation of $20,000 ($33,333 true value x 60 per cent) as shown in Table 2, Example 1. The assessed valuation for the district under the 60 per cent standard will be $60,000 ($100,000 true and full value x 60 per cent = $60,000). The mill rate necessary to yield the $900 is 15 mills per dollar ($900 ÷ $60,000) or $15.00 per $1,000 of the assessed valuation. At $15.00 per $1,000 a property assessed at $20,000 yields $300. Taxes of $300 for each of the three properties will yield the required $900 levy for the district. In this example, each property has been valued according to true and full value and assessed at the 60 per cent legal standard. The mill rate was held constant and a uniform level of assessment was used resulting in a tax levy on each property based on true and full value.

Lack of Uniformity

A more common tendency causing inequities among individual taxpayers is the failure to assess all properties at a uniform level according to value.

This is the situation in Example 2 where three properties of equal value were assessed at different levels, $30,000; $20,000 and $10,000 totaling $60,000 for the district. The mill rate is held the same for all properties. The property assessed at $30,000 had been over assessed by 150 per cent of the legal standard. The levy is $450 resulting in a burden of $150 more than his fair share of the levy. The property assessed at $20,000 is assessed at 100 per cent of the legal standard, bearing a fair share of the burden. The property assessed at $10,000 is under-assessed—paying a total tax of $150. This is 50 per cent of the property owner’s fair share. The required levy of $900 for the district has been obtained, but the failure of the assessor to rate each property at a uniform level according to value, has caused unfair distribution of the tax burden among the property owners.

Using levels of assessment higher than the legal standard will not affect the
amount of tax levied on the individual taxpayers or for the district—provided a uniform percentage of assessment to value is used and mill rates are adjusted accordingly.

In Example 3, if each of the property assessments are doubled, say to $40,000 and the mill rate is cut in half from $15.00 per $1,000 to $7.50, the tax burden on each property will still be fairly distributed according to value. The required $900 levy for the district has been unchanged. So long as a uniform level of assessment is used and mill rates are adjusted to provide the needed revenue no inequities will occur.

Two factors affect the amount of tax levied on a property: (1) the assessed valuation of the property, and (2) the mill rate. The mill rate times the assessed valuation determines the amount of tax due on a property. If the level of assessments are not equitable to start with at a uniform level—say, 60 per cent of true and full value—attempts to obtain equity of tax payment at a given mill rate is very difficult. Varying the mill rate to obtain the required amount of tax for the district may result in even greater inequities if the level of assessment to value of the property is not at a uniform rate for similar property. If there is a legal millage limitation and assessments are low in relation to the legal standard then an adjustment in level of assessment must be made in order to obtain the amount of taxes required for the district. The manipulations in level of assessment or mill rates is frequently misunderstood because of the general belief that a rise in the level of assessment or mill rates necessarily involves increased taxes.

COUNTY ADMINISTRATIVE MACHINERY

Little change has been made in the assessment procedure in South Dakota since 1930. The weakness in the assessment system has been the general tendency of assessor to copy previous records from year to year. Since the early thirties the assessed valuation of real estate has remained relatively constant while land values have varied over a wide range.

Two important factors have contributed to problems in the assessment procedure. First, lack of adequate tools to carry out the assessment. Second, most assessors have not been trained in the field of taxation and appraisal, and for the most part have not been able to make the best use of the tools available.

Prior to the present time assessors have been hired on a part-time basis and were either not on the job long enough to do something about the assessments in a county or the salary was not attractive enough to motivate them, or other interests demanded most of their attention and were perhaps more profitable. The salary paid assessors previously has not been satisfactory to attract qualified and experienced personnel. This plan has been amended somewhat and may help to alleviate the problem.

ASSESSMENT UNITS

The problem of what assessment unit to use—townships or counties—is a subject of frequent debate. Those who favor the township assessor argue that local assessors are better acquainted with local values and therefore can do a better job of assessing. Supporters of the county assessor system argue that better qualified and trained assessors can be secured which would aid in more equitable assessment.
ELECTED VS. APPOINTED ASSESSORS

The question of elected or appointed assessors has been in the limelight recently. Those who favor the election of assessors argue that the assessment of property is a personal matter and, as such, the people in an area should have a definite voice in the selection of an assessor. On the other hand, the opposition argues that assessment requires appraisal skill and, as such, warrants the appointment of persons qualified for the job. Appraisal and valuation work, they argue, is being regarded more generally as a professional task.

ADEQUATE GUIDES FOR ASSESSORS

Interest in guides for assessors has grown out of the rise in property values, the complex use of some properties, and the desire for equitable taxation. There are two general plans of state assistance to local assessors. One is for the state to provide little if any assistance except for equalization between counties. The other is for the state to set-up a qualified staff of appraisal specialists to be used in localities where needed to work on re-appraisals.

ASSESSMENT PROCEDURE

Tax administrators and taxpayers have long been confronted with problems associated with the assessment procedure in the personal property tax field. Many states have exempted certain personal property because they have been unable to properly cope with the problem. Prior to the use of self listing forms there was little uniformity in assessing personal property because of the differences in assessor policies. The use of self listing forms have not improved the situation greatly, because these create even greater individual differences among taxpayers in the method of valuing personal property items. The responsibility of filling in the forms has now been shifted from the assessor to the taxpayer. However, the law in relation to the taxpayer’s obligation of providing a full listing of property is essentially the same. The assessor is now acting as an adjuster of personal property values presented by the taxpayer.

Personal property is divided into two groups—household and business. The greatest difficulties in assessing personal property occur in the household group. The problem is mainly that it is usually small in amount, difficult to value and even more difficult to get on the list. Efficiency in handling assessment of personal property has varied. Self listing forms have alleviated the problem somewhat, but have also created other difficulties. In many states household personal property exemptions are common. According to a survey reported by the National Association of Assessing Officer household furniture was completely exempt in 13 states, partially exempt in 26 states and fully exempt in 9. The exemptions ranged from $100 to $5,000.

Two problems present themselves in assessing agricultural and non-agricultural businesses and industries: (1) getting a full listing, and (2) valuing the property accurately. Inefficiencies in assessment procedures have contributed to these two problems. In a number of states, exemptions are made on livestock, growing crops, grain and hay for lack of an effective assessment system. Another problem that exists in business and industrial establishments is where assessments are taken on a
specified date. Often inventories are sold down or shifted to minimize the amount on hand at the time of assessment.

The assessment procedure used on farm property provides little or no consideration to production capacity of land or buildings in valuing farm property.

In many counties and townships assessed valuations per acre is at the same rate regardless of wide variation in soil type, productivity or location. Little consideration has been given to production capacity and market value of land; consequently the taxes levied have not been distributed equitably in terms of ability to pay. Frequently market value of farm real estate has been the sole criteria in measuring earning capacity. Usually market price lags behind changes in income. Market value is not exclusively a function of production capacity and ability to pay. However, if taxes had been levied in the past in accordance with changes in market value of real estate, taxes would have been more in line with ability to pay.

Valuations placed on farm buildings have frequently not reflected the extent of building numbers, condition or adequacy relative to improvements on other units in the area. Methods currently used in assessing farm buildings have contributed to inequities in the amount of tax levied. The tax procedure does not permit consideration to earning capacity of farm buildings. Little consideration has been given to a procedure for making an equitable comparison of buildings on different farms.

Suggestions for Improvement

These suggestions have been gleaned from many sources. They should form the basis for constructive thinking on how we can make our property tax work better.

CONTROL OF PUBLIC EXPENDITURES

The amount of state, county and local expenditures is pretty much determined by the total of citizen's demands on his government. Some of this rise in expenditures is due to a growing population demanding a higher standard of services as well as more services than were formerly provided.

If we, as taxpayers, wish to hold tax expenditures down we must: (1) strive for efficiency in all levels of government; (2) decide upon the level or standard of services that will be acceptable to us and (3) agree upon what services we wish the governmental units to provide us and what government units should provide them.

Having agreed upon the services desired by governmental units it is then up to us as individuals or business to foot the bill.

PAYING THE TAX BILL

Paying the property tax bill, like any other bill, is sometimes painful. Since it is paid annually or semi-annually it has the appearance of being a rather large sum. One proposal to make paying the property tax bill easier, is the monthly or quarterly payment method. This would simplify the taxpayer's budgetary problem. It may also increase the costs of collection since more entries are required. But the smaller, more frequent, payments may result in more timely and more complete tax collections. The building of reserves by taxpayers as a hedge against uncertainty or variable income will help to alleviate unforseeable hardships in the future.
EQUALIZATION OF ASSESSMENTS

The basis for equality in property taxation is the full listing of property at its true and full value.

Much can be said from an equalization point of view for assessing most properties at full prevailing market value. Assessments may be made at something less than full value—like 60 per cent. But basically we must know something about its full value. For certain properties not frequently bought and sold assessment values can be made on a replacement basis or a productivity basis. The former method would apply to manufacturing plants and the latter to farm real estate.

The difficulty of getting household property listed and valued equitably suggests a limitation to a relatively few large items of the luxury or semi-luxury class or the complete elimination of household property as a tax source.

If limitation or exemptions are made for household property then other steps will be needed to add public revenue for that lost on household property.

In the case of equalization of business property assessments the use of an average inventory appears to be more equitable than the one date assessment. However, this system requires considerably more work and should be studied carefully before the plan is adapted. A plan which may be used is a variable or moving assessment date. This system may tend to discourage business and industries from shifting inventories to obtain a tax advantage.

To get at the problem of between-county equalization the assessment sales ratio offers some promise. This method is the best basis for an equalization of real estate assessments.

LEVEL OF ASSESSMENT AND MILL RATE

No one answer will solve the tax problem. Several methods may be used—a combination of which may help to improve the tax system. Inequities in the property tax system have been pointed out previously. Finding ways and means of achieving a desirable level of assessment and stabilizing it at a given level in relation to value is not an easy task.

Improvements in the level of assessment may require a careful re-examination of assessed valuations. A thorough re-appraisal of assessments of rural and urban property by adequately trained assessors or professional appraisers will help to locate inequities in level of assessments to value.

A study of assessed valuations and sale price of both farm and city property will help to bring to light inequities of assessment. Adjustments may be made in assessments of property to arrive at a uniform assessment sale ratio.

Soil survey information, where available, may be used to classify farms according to productive capacity in terms of net income. Consideration should be given to quality of soil, crops grown, crop yields, rainfall, stoniness, topography, improvements, type of farming, location of the land in relation to schools, improved roads and other factors affecting the value of the property.

If farm buildings are included in the appraisal their valuation should include such factors as condition, enterprise adequacy, and their contribution to net income. Some consideration may be given to cost of construction, replacement cost and their value in terms of the sale price of the unit. Once this information has been obtained, adjustments in the level of assessment to full value may be made on the assessors.
Improving Property Tax Assessments in South Dakota

records. Some states have exempted farm buildings from the tax roll. Exempting farm buildings may not solve the problem. This is perhaps only a substitute for lack of a better method of assessment. This area should be studied more thoroughly before the practice is adopted.

Setting a legal standard level at which all property is to be assessed does not solve the problem. Even less satisfactory is setting mandatory levies which may bring in more or less than the required amount of revenue if assessments are adjusted with changes in property values.

Two factors govern the amount of tax paid: one is the assessed valuation of the property and the second is the mill rate. The mill rate depends upon total valuation. Holding mill rates constant while varying assessments at a fixed per cent of value for various properties will help to achieve equity of tax payment. Under careful supervision of varying assessments directly with changes in value of property and adjusting mill rates to obtain the desired revenue, no inequalities need arise.

The tax system should be flexible to meet the changing economy. Rate limitations written into the constitution assume that all communities have like problems. Each community should be given an opportunity to work out its own problems under coordinated supervision. Millage limits set restrictions on property tax only not directly on other taxes. This is only part of the tax problem. Limitation of tax rates on property assessments may permit the assessing officer to set legal limits on the budgeting body. Imposing rate limitations may create hardships in some communities forcing them to borrow money which they might have avoided. Rate limitations sometimes cause over-lapping of governments. New governmental units are sometimes added to deal with a problem because a restrictive device does not permit raising funds for additional services demanded by the public.

The limelight often cast on tax rate limitation as a measure of the government’s budgeting efficiency is a meaningless concept. Tax issues are often created because millage limitations will not permit the government to raise the required revenue through property taxes to cover the cost of services demanded by the public. Constitutional rate limitations often advocated by the taxpayer has failed to limit taxes. If the taxpayer demands more public services he must be prepared to pay the bill.

COUNTY ADMINISTRATIVE PROCEDURE

The strength of the assessment system is based upon the ability of the assessor to hold the level of assessments to property value at a desirable standard and to adjust mill rates to obtain the needed revenue. This is quite feasible if the assessor’s job can be made attractive enough to obtain personnel who have a thorough understanding of the problem. Hiring a battery of professional appraisers to do a complete reappraisal of all property in a county is not the complete answer. If the cause of the problem has not been removed the level of assessment will again decline, and inequalities in mill rates and other tax problems will reappear. The assessor must be a good administrator trained in the field of taxation, assessment procedure and appraisal methods. He should be provided with up to date tools to do the most effective job at the county level. The assessor should be given the power to hire assistants needed to do the field assessments and office clerical work under his supervision.
ASSESSMENT UNITS

The township in most cases is too small to support an assessor who has the ability to do a skilled job of assessing. As mentioned previously a full-time county assessor, can employ competent assistants to do the field assessing under his supervision and thereby achieve local uniformity throughout the county.

ELECTED VS. APPOINTED ASSESSORS

An appointed assessor may come closer to providing the impartial assessment service desired than an elected assessor could.

Since local inequities are the major defect in the assessment system, the first step is to correct this defect with a skilled assessor. This means that to be eligible for the assessor position, an individual should have certain qualifications. The most important is appraisal skill.

ASSESSMENT METHODS

A re-appraisal program may be needed if assessments and appraisals appear inconsistent with property values. This may be done effectively only under the supervision of a skilled assessor. After careful study of assessments—if additional assistance is needed—the county assessor can advise the proper county officials on a recommended plan. In some cases it may involve state assistance, additional personnel under the assessor’s supervision or perhaps outside professional appraisal assistance.

A good set of maps, plots and aerial surveys is an essential tool in every assessor’s office whether assessing in a town or rural area.

Soil survey information where available is necessary to classify land according to productivity. A soil survey consists of a soil map and a report. Information in such a survey includes the amount and distribution of soil types, topography, natural drainage areas, degree of erosion, stoniness, lakes, location of improvements, kind of roads and other physical facilities affecting the property.

The soil survey report describes important characteristics of soils, adaptability of various crops to the area, yield data predictions and management practices. The productive rating in addition to other economic and social considerations makes it possible to give land an economic rating, or a base upon which taxes may be levied. In arriving at the economic ratings, cost of production and prices received for products are considered. The procedure is designed to reflect the ability of a farm unit to produce net income and the assessment is adjusted accordingly.

An excellent way to develop a good assessment system is to select representative farms or “bench mark” properties in a county and make detailed appraisals for reference use. The bench mark properties can be used as a check on the accuracy of other property valuations. If a taxpayer is dissatisfied with his assessment, comparable or bench mark farms may be used to check his assessment for inequities.

No assessment system is complete without a card classification system for land and buildings. Records should be kept of data on building dimensions, condition and enterprise adequacy. If a rating scale is used the card should show the classification of the buildings and value calculations. The land section should show the classification of the soil and productivity index if the information is available in addition to acreage and value calculations.
A system that has not been used to the fullest advantage is the assessment sales ratio. County assessors are in a good position to utilize information available in their own county. For the most part, sale and assessment data may be utilized to prepare assessment sale ratios to measure the uniformity an assessor is achieving in the level of assessment to value of property. Much of this work can be done on a county level, relieving the State Tax Commission of some of the burden of equalization. This method has proved to be the best for equalization of real estate.

Border checking is an efficient method of inter-county equalization. This involves checking the level of assessment to value of properties located on either side of the county line.

Advisory committees for assessment improvement composed of community leaders are often very helpful to the assessor. If members are selected from a cross-section of the county who are familiar with tax issues and understand the tax problem, the assessor may use them in explaining tax problems and help with public relations.

**STATE ASSISTANCE TO LOCAL ASSESSORS AND PUBLIC**

The educational program needed to help improve the tax system could be directed at assessor improvement and public education.

Schools and assessor clinics should be encouraged as a means of professional training, picking up ideas and comparing notes with other assessors. Here the Extension Service along with the Tax Department can provide much information on methods and other information.

The assessors themselves should have a continuing program of acquainting citizens with their assessment system. This could include sessions in the schools to inform young people of the functioning of the assessment process and other phases of the property tax. General public meetings could also be held jointly by the assessors and county extension agents on improving the property tax itself.

An advisory citizens taxpayer organization along with the Tax Department and Extension Service could provide a useful educational program for the public. Such an organization should represent all classes of taxpayers. Their educational opportunities are unlimited. They might explore the possibilities of simplifying the structure and organization of government units as a means of keeping closer track of government expenditures. They could explore the possibility of uniform budget accounts which would enable the taxpayer to better appraise the services he receives.
THE PROPERTY TAX DILEMMA

The state and local expenditure pattern is developing in such a manner that increased attention is necessarily focused upon the adequacy and the equality of the revenue systems involved.

While we speculate in the timing of a tax reduction at the federal level, we view impending increases at the state and local levels of government. It should be clear that state and local governments are now in a fiscal squeeze. As prices rise, populations grow, and the demand for expanded and improved service continues, revenues from existing sources are not reaching the levels required.

Modification of the existing tax system, in varying degrees, is needed during the next few years. A change arouses anxieties and concern over the effect of any increased tax burden. We are never quite sure that a tax increase is really justified and further we are almost always in doubt as to the proper distribution of the added burden.

We are aware that policy makers find many who would advise them. Private institutions and individuals serve a most important purpose in making their thoughts and wishes known and often they perform significant research work in fiscal affairs. The responsibility of the appropriate governmental segments to ensure themselves of adequate, impartial information with which to reach ultimate decisions is one which cannot be abdicated. Neither can it be delegated to other institutions to be performed—as it is the responsibility of the political institution to act for the common good.

With all this in mind the research and information programs which the South Dakota Experiment Station and Extension Service are embarking upon may bring about a clearer as well as a constructive insight into the adequacy of our tax program.

Bruce D. Gillis
Commissioner of Revenue
State of South Dakota