



January 2025

# Tax Limitation and Opt Outs

For All Taxing Districts (Except School Districts)

For Taxes Payable in Calendar Year 2026

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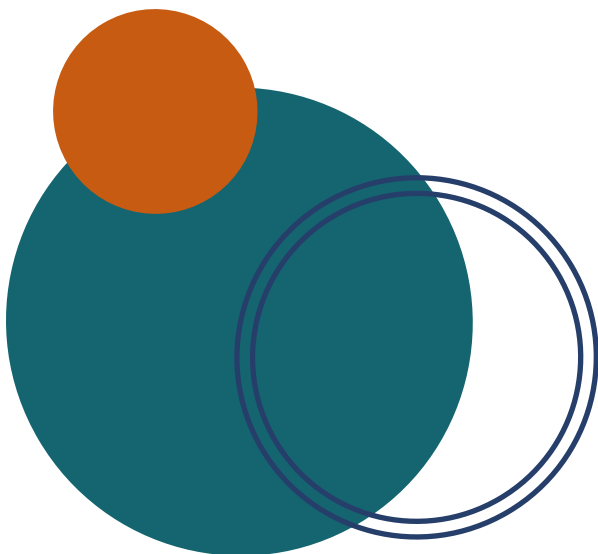
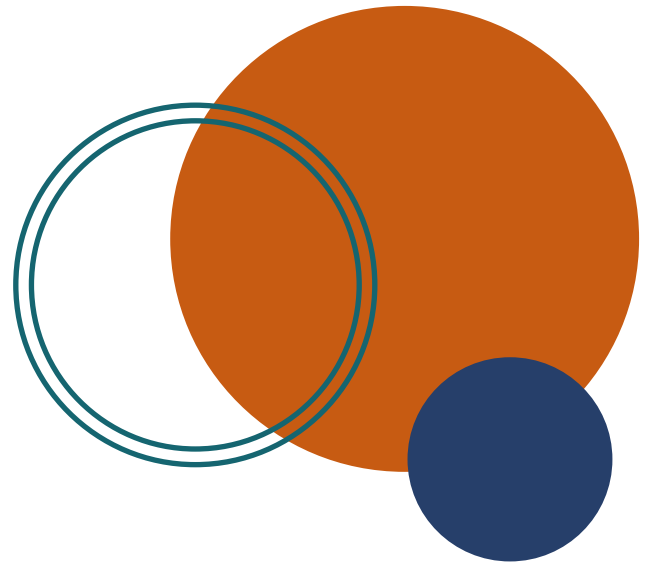
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## CONTACT US

If you have any questions, please contact the **South Dakota Department of Revenue.**

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**Website:** <https://dor.sd.gov/>

**Mailing address and office location:**  
South Dakota Department of Revenue  
445 East Capitol Ave Pierre, SD 57501

# Opting Out of the Tax Limitation

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To “opt out” means the taxing entity needs more money from property taxes than they are allowed to receive according to the property tax limitation in state law.

The limitation says that the taxing entity can increase the amount of taxes levied in the preceding year by an index factor (CPI) and a new growth factor.

*Example: If the CPI is set at 3% and the new growth for the district was 2%, then the total increase in base taxes allowed under the limitation would be 5%.*

The CPI is set annually by the State Economist and is the same for all taxing districts. Growth factors are unique to each district based upon the new construction that occurred within that district.

## Requirements

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### Timeframe

An Opt Out should not be done until after January 1 but must be done on or before July 15 of the year prior to the year the taxes are payable. The decision to opt out may be rescinded if done prior to July 15 of that year.

If the Opt Out decision has been referred to a vote and has been defeated, the governing board may opt out again if done so prior to July 15 of the year prior to the year the taxes are payable.

### Voting

Opting out **requires a two-thirds vote of the governing body** on or before July 15th. The decision to opt out must be published within ten days of decision. The decision may be referred upon a resolution of the governing body of the taxing district or by a petition at least five percent of the registered voters in the taxing district and filed with the governing body within twenty days of the first publication.

*Election must be held on or before October 1st and requires a simple majority to pass.*

### Resolution

The resolution must be on a form prescribed by the Secretary of Revenue (see pages 6 & 7.) The resolution form shall be signed by all members of the governing body voting in favor of the opt out.

### Dollar Amount

All Opt Outs must specify the additional dollar amount that may be requested per year of the term.

The amount of dollars of an opt out remains the same for the entire term. It does not increase by growth and CPI.

At no time can the sum of the amount of base taxes from the limitation plus the amounts from all opt outs create a levy that is greater than the maximum levy allowed in statute for the district.

### Term Limit

The resolution must specify the beginning year and the number of years the Opt Out will be available. The governing body does not have to opt out again during that timeframe unless they need to exceed the amount they are currently receiving.

Any Opt Out passed prior to July 1, 2002 is considered a “forever opt out” and will not expire unless the governing body votes to dissolve it. “Forever Opt Outs” are available to use at any time.

Once an Opt Out is passed, the taxing entity has up to the determined duration to use it. **The entity can decide to use all, some, or none of the Opt Out amount available in any given year.** It is not required that the district use all of the opt out in the first year. This applies to all Opt Outs.

At the end of the time specified in the resolution, the Opt Out will expire. If a taxing district needs to exceed the limitation again, the board will need to go through the process to start a new opt out.

## Opt Out Publication Requirements

- 1) Must publish within 10 days of decision
- 2) At least twice in legal newspaper—with 5 days between publications
- 3) Three newspaper columns in width and four inches in length or 1/6 page in size, whichever is greater
- 4) Must contain the Opt Out Resolution with heading “ATTENTION TAXPAYERS: NOTICE OF PROPERTY TAX INCREASE”

**#3 & 4 are not mandatory for Opt Outs less than \$15,000.**

**For Opt Outs of \$15,000 or more #3 and 4 may be waived IF:**

- A copy of the resolution is mailed to every property taxpayer
- AND a copy of resolution is printed in each official newspaper in the governing unit’s boundary

The publication of the resolution requires only the signature of the finance officer.

The above publication requirements are mandated by state law. [SDCL 10-13-36](#)

Failing to follow these specifications can result in the county auditor rejecting the opt out and not allowing the opt out to be levied.

## Using the Opt Out

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### Reporting a New Opt Out

Once the governing board has finalized the resolution and publication requirements, the clerk needs to send the following documentation to the county auditor:

- Copy of the signed Opt Out resolution,
- Copies of the minutes of the meeting at which the Opt Out took place,
- Proof of publication (copy of actual publication may be requested) or proof of notification to taxpayers (which should include mailing list of taxpayers and all documents that were mailed,)
- The outcome of the election, if opt out was referred to a vote.

### Requesting the Opt Out

Unless an opt out goes to a vote and fails, the opt out can be used in the next tax year. The governing board will need to include the amount to be levied on the same tax request form as the general tax request.

The clerk should show a breakdown of exactly how much of the opt out the taxing district wishes to levy. Do not assume the county auditor will know the intentions of the board.

## South Dakota Codified Law

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10-13-36. Excess tax levy authorized--Vote of governing body--Announcement requirements--Referendum election. The governing body of a taxing district may exceed the limit pursuant to § 10-13-35 through the imposition of an excess tax levy. The governing body of a taxing district may impose an excess tax levy with an affirmative two-thirds vote of the governing body on or before July fifteenth of the year prior to the year the taxes are payable. On any excess tax levy approved after July 1, 2002, the governing body of the taxing district shall specify in the resolution the year or number of years the excess tax levy will be applied

The requirements for an announcement made pursuant to this section are as follows:

- (1) The decision of the governing body to originally impose or subsequently increase an excess tax levy shall be published within ten days of the decision;
- (2) Publication shall be made at least twice in the legal newspaper designated by the governing body pursuant to law, with no fewer than five days between publication dates, before the opt out takes effect;
- (3) The announcement shall be at least three newspaper columns in width and four inches in length or at least one-sixth of a page in size, whichever size is greater;
- (4) The announcement shall be headed with the following statement in a typeface no less than eighteen point type: "ATTENTION TAXPAYERS: NOTICE OF PROPERTY TAX INCREASE OF \$(fill in amount)." The remainder of the announcement shall consist of a reproduction of the "Resolution for Opt Out," including the amount that property taxes will be increased annually by the proposed opt out and a statement of the right to refer the decision of the board to a vote of the people as provided in this section. The secretary of revenue and regulation, in rules promulgated pursuant to chapter 1-26, shall prescribe a uniform form to be used by the taxing district for notification of taxpayers as required by this section.

However, the requirements of subdivisions (3) and (4) shall be waived if:

- (A) The opt out is for less than fifteen thousand dollars; or
- (B) A copy of the resolution for opt out is mailed to every property taxpayer in the local governmental unit, by first class mail or bulk mail, within twenty days of the decision to opt out; and
- (C) A copy of the resolution for opt out is printed in each official newspaper in the local governmental unit's boundaries.

For the purposes of subsections (A), (B), and (C), the first publication is not deemed to have occurred until three days after the mailing is sent or the resolution is delivered to the official newspaper.

The opt out decision may be referred to a vote of the people upon a resolution of the governing body of the taxing district or by a petition signed by at least five percent of the registered voters in the taxing district and filed with the respective governing body within twenty days of the first publication of the decision. The referendum election shall be held on or before October first preceding the year the taxes are payable. If the opt out is for the purpose of increasing the secondary road levy pursuant to § 31-12-27, only the registered voters within the area of the county not included in any municipality, organized civil township, or county road district organized pursuant to chapter 31-12 may petition or vote on the referred decision. The taxing districts may not exceed the levy limits provided in chapter 10-12 except for the provisions in § 10-12-36.

**ATTENTION TAXPAYERS:  
NOTICE OF  
PROPERTY TAX INCREASE  
OF \$\_\_\_\_\_**

**RESOLUTION FOR OPT OUT**

THE GOVERNING BOARD OF \_\_\_\_\_ do state that the above said board is unable to operate under the tax limitation measure currently in statute. We therefore OPT OUT of such tax limitation in the amount of \$ \_\_\_\_\_ starting with calendar year \_\_\_\_\_ taxes payable in the calendar year \_\_\_\_\_. This opt out will be for \_\_\_\_\_ years, which will be through taxes payable in the calendar year \_\_\_\_\_. This action has been taken by the board and approved by at least a two-thirds vote of the board.

This decision may be referred to a vote of the people upon a petition signed by at least five percent of the registered voters in the district and filed with the governing body within twenty days of the first publication of this decision.

Unless this action is referred to a vote of the people and reversed by such vote, this resolution authorizes the county auditor to spread an excess levy to raise tax dollars in the above stated amount.

Signed _____	Board Chairman
_____	Board Member
_____	Board Member
_____	Board Member
_____	Board Member
_____	Board Member
_____	Board Member
_____	Board Member
_____	Board Member

DATE \_\_\_\_\_

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**ATTENTION TAXPAYERS:  
NOTICE OF  
PROPERTY TAX INCREASE  
OF \$\_\_\_\_\_**

**RESOLUTION FOR OPT OUT AND VOTE TO BE HELD**

THE GOVERNING BOARD OF \_\_\_\_\_ do state that the above said board is unable to operate under the tax limitation measure currently in statute. We therefore OPT OUT of such tax limitation in the amount of \$\_\_\_\_\_ starting with calendar year \_\_\_\_\_ taxes payable in the calendar year \_\_\_\_\_. This opt out will be for \_\_\_\_\_ years, which will be through taxes payable in the calendar year \_\_\_\_\_. This action has been taken by the board and approved by at least a two-thirds vote of the board.

Also, be it resolved that the GOVERNING BOARD OF \_\_\_\_\_ will conduct an election to approve or disapprove the tax levy opt out pursuant to SDCL 10-13-36. The election will be held on \_\_\_\_\_.

Signed _____	Board Chairman
_____	Board Member
_____	Board Member
_____	Board Member
_____	Board Member
_____	Board Member
_____	Board Member
_____	Board Member
_____	Board Member
_____	Board Member

DATE \_\_\_\_\_

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