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1-800-829-9188

Owner-Occupied Property Tax Relief

The purpose of this tax fact is to explain how the 2026 property tax relief bills affect owner-occupied properties in South Dakota. 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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Qualifying Owner-Occupied Property

The owner-occupied classification can be applied to a primary residence, all garages and other buildings used with the home, and the parcels of land where the property sits.

A primary residence can be a:

- House
- Condominium Apartment
- Residential Housing Consisting of Four or Less Family Units
- Town House/Town Home
- Manufactured or Mobile Home

More information can be found in the [Owner-Occupied Classification Tax Fact](#).

Senate Bill 96 (SB 96) – Local Relief

SB 96 (2026 legislative session) gives counties the option to impose a local sales and use tax of up to 0.5%. Revenue from the tax must be used to reduce the county portion of property taxes. Property owners will see this relief as a credit on their property tax bill. ([SDCL Chapter 10-52B](#))

Participation is optional. Each Board of County Commissioners decides whether to impose it in their county.

If a county chooses to adopt SB 96, it must:

- Adopt an ordinance pursuant to [SDCL Chapter 7-18A](#).
- Notify the Department of Revenue by registered or certified mail at least 90 days before the effective date of January 1 or July 1.

The Department of Revenue will collect the optional county sales tax in the same manner as the city sales tax process and distribute the funds to the county twice each month.

The revenue must first be used to reduce property taxes on owner-occupied property. If enough revenue is collected to completely offset the county property taxes on all owner-occupied property, any remaining revenue may be used to reduce county property taxes on agricultural and non-agricultural property.

A county may also allocate a portion of the revenues for software and administrative costs.

For additional information on the implementation of the sales tax, counties should refer to the South Dakota Department of Revenue's [Tax Guide for County Officials](#).

SUMMARY – SB 96: County tax relief through a credit.

Senate Bill 245 (SB 245) – Statewide Relief

SB 245 (2026 legislative session) provides increased state funding to reduce the school portion of property taxes on owner-occupied homes. The bill provides both one-time funding for immediate relief and an ongoing source of funding for future years.

The relief applies statewide without any county action.

For taxes payable in 2027, SB 245 provides one-time state funding that allows the owner-occupied School General Fund Levy to be lower than it otherwise would have been. ([SDCL 10-13-47](#))

Beginning July 1, 2027, the state sales tax rate will return from 4.2% to 4.5%. SB 245 dedicates the revenue from that additional 0.3% to property tax relief. In future years, that revenue will provide additional state funding for schools, allowing the Legislature to set a lower School General Fund Levy for owner-occupied property. ([SDCL 10-13-48](#))

SUMMARY – SB 245: School tax relief through a lower levy.

Understanding the Difference between SB 96 and SB 245

	SB 96	SB 245
County action required?	Yes	No
Where does the money come from?	Optional local sales tax	State funding
What part of the tax bill is reduced?	County	School General Fund
How is the relief provided?	Credit against county taxes	Lowers owner-occupied school levy
When does it begin?	If/when a county adopts it	Property taxes payable in 2027
Ongoing?	Yes, while the county tax is in effect	Yes; one-time funding initially, then ongoing funding from the 0.3% state sales tax

Contact Us

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

Call toll-free: 1-800-829-9188

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