



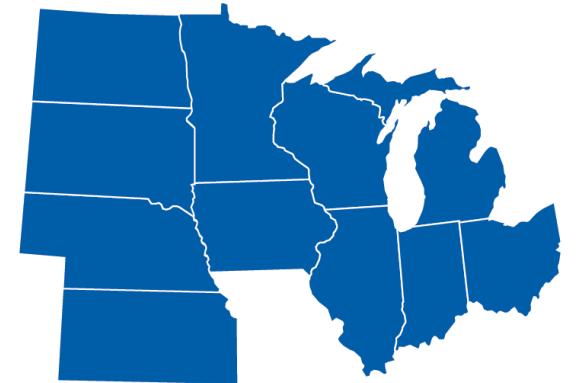
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Property Tax Relief: Policy Trends in the Midwest

PRESENTATION TO THE SOUTH DAKOTA
STATE LEGISLATURE

OVERVIEW OF PRESENTATION

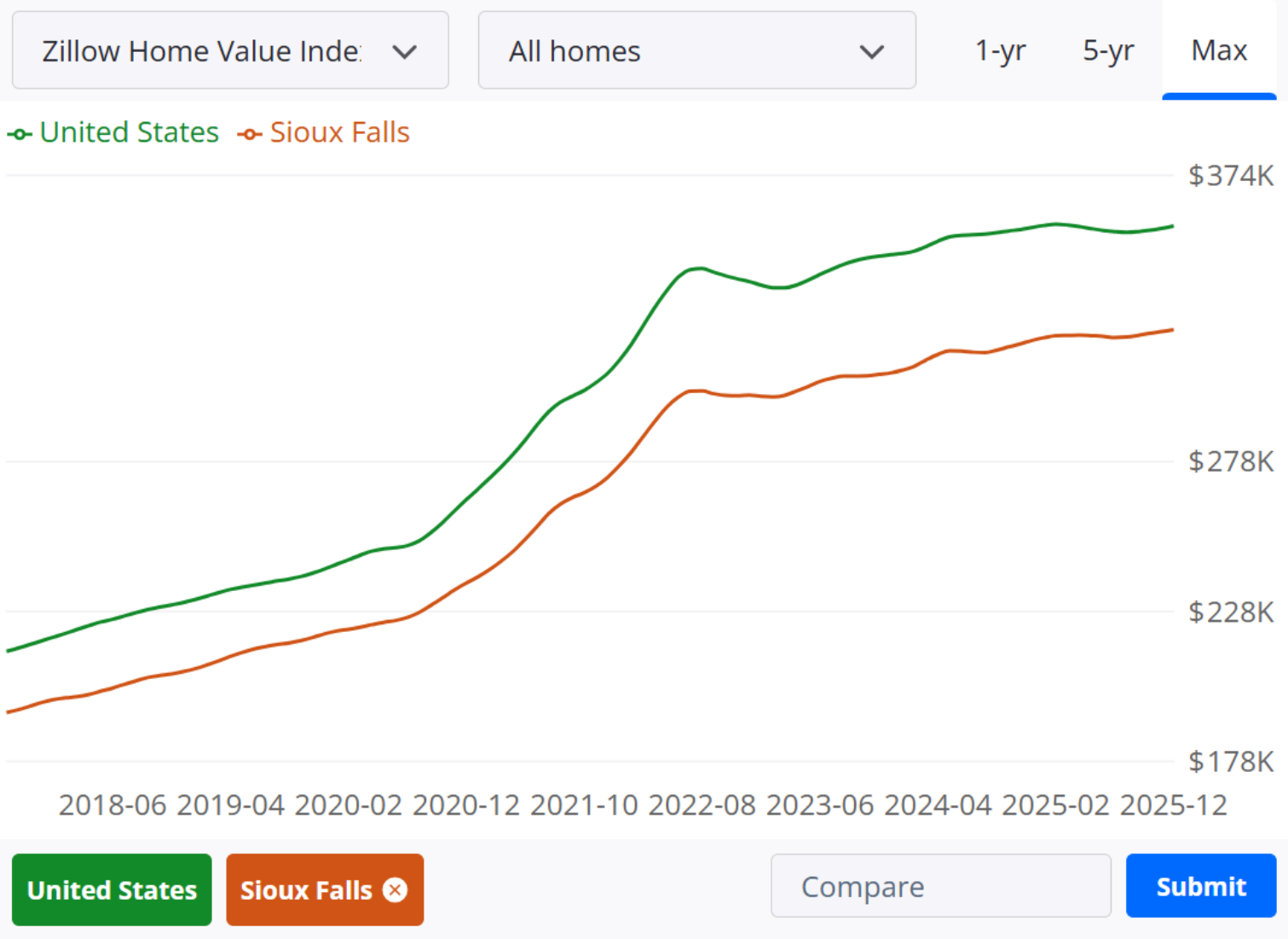
- Comparative state-level data on the property tax
- Policy options being used by states to provide property tax relief
- New laws and Legislative proposals





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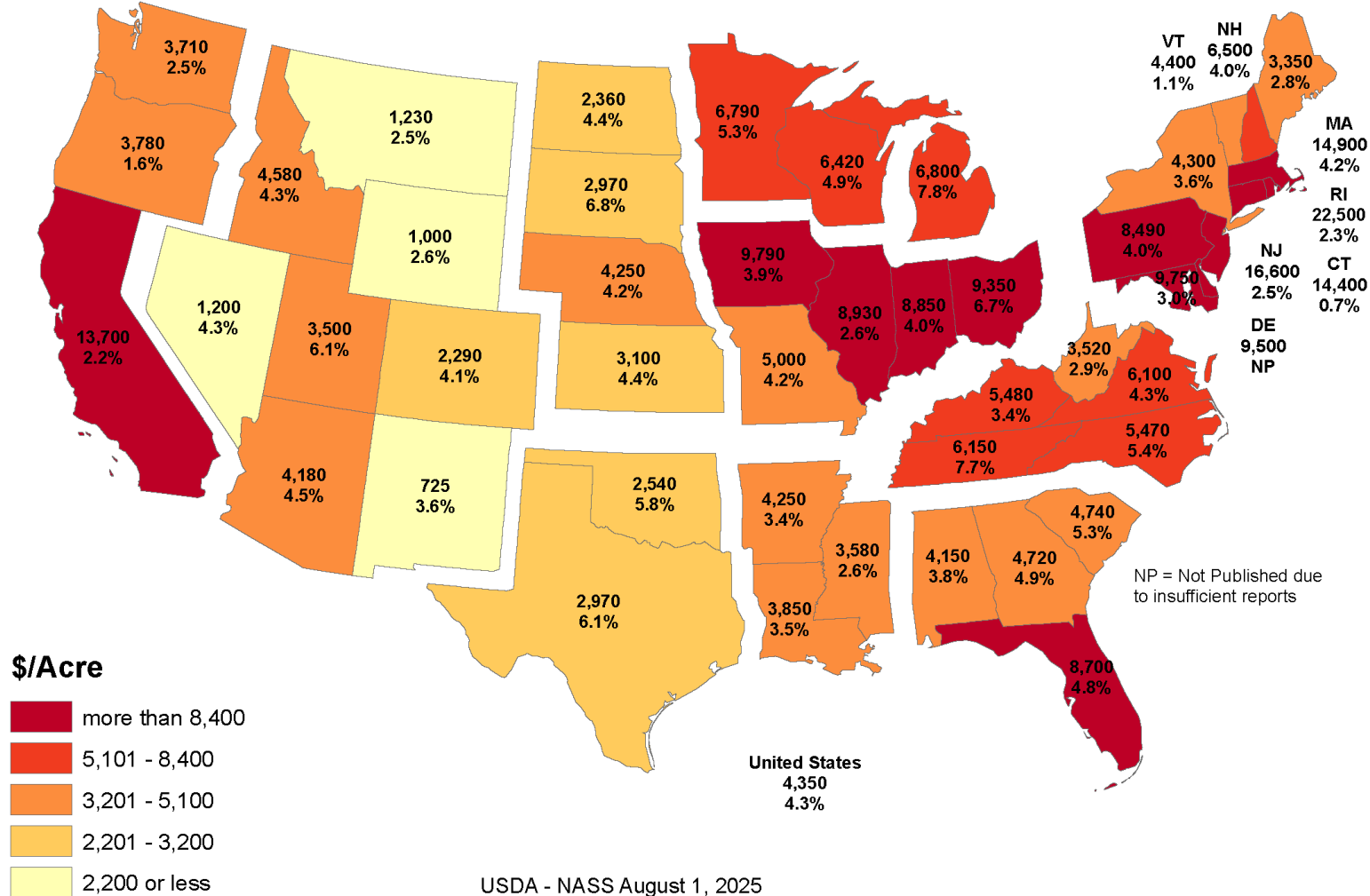
Rising Property Values and State Comparative Data on the Property Tax



Source: Zillow

2025 Farm Real Estate Value by State

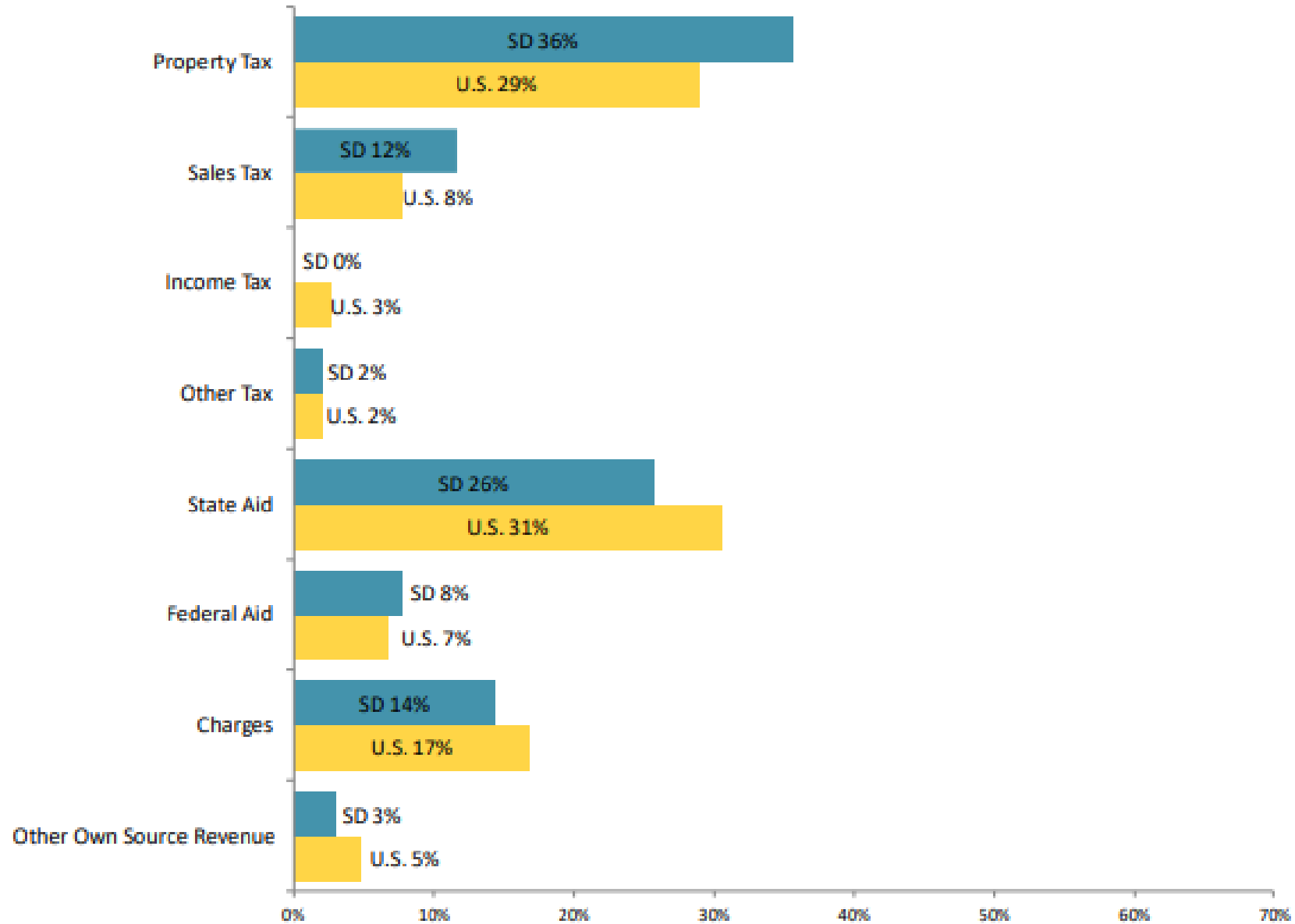
Dollars per Acre and Percent Change from 2024



USDA - NASS August 1, 2025

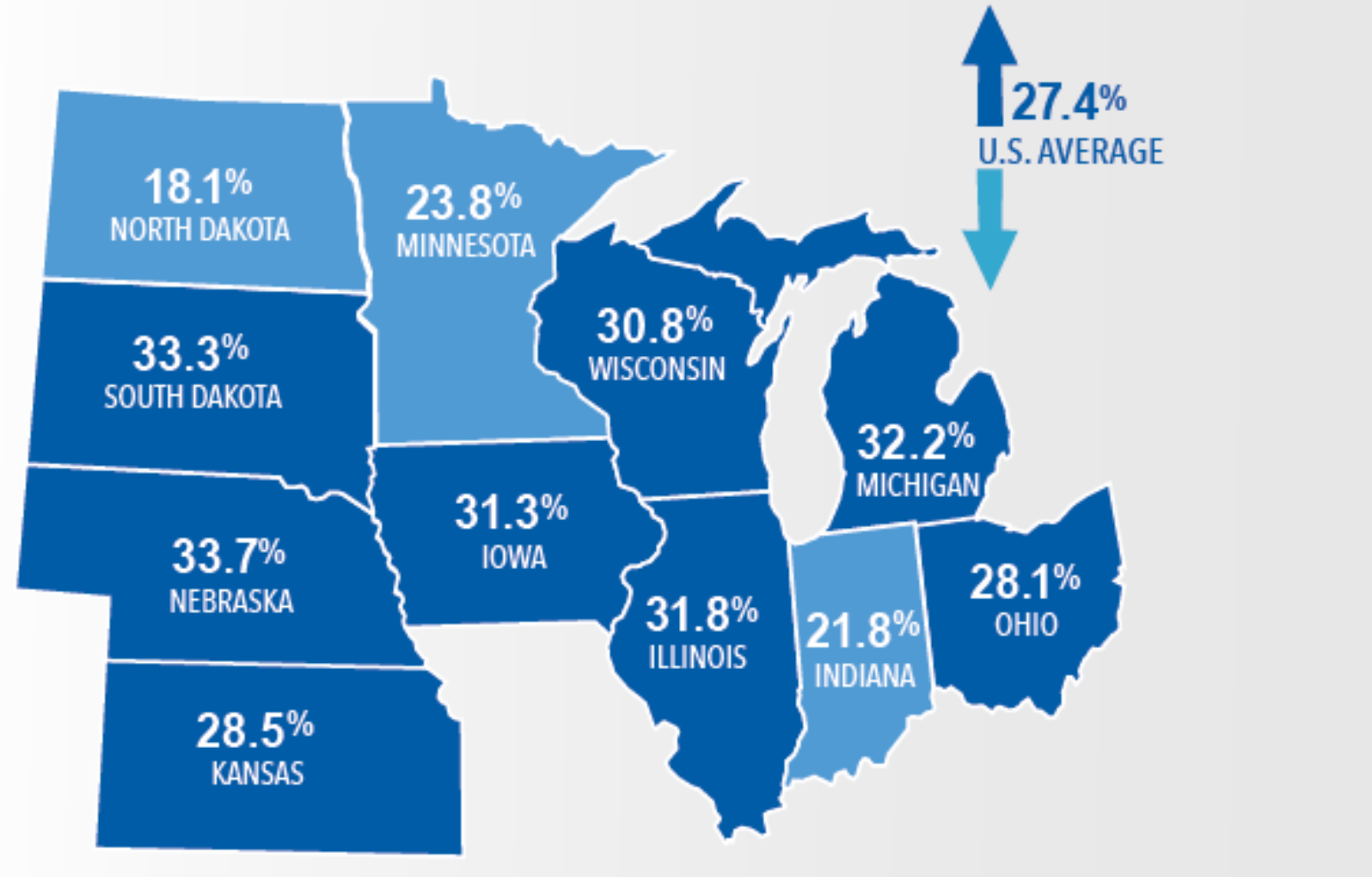
Source: U.S. Department of Agriculture

Sources of Local General Revenue, South Dakota and U.S., 2022



Source: Lincoln Institute of Land Policy (using U.S. Census Bureau data)

PROPERTY TAX as percentage of total state and local tax collections, FY 2024

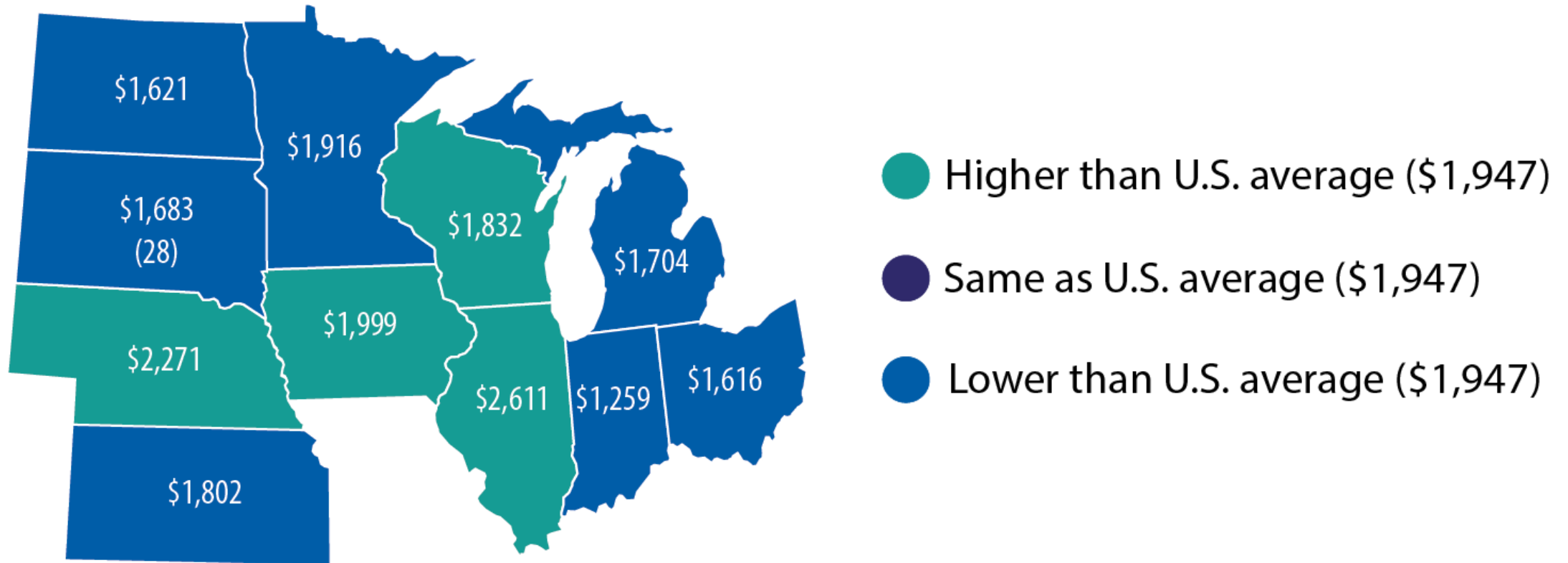


Source: CSG Midwest calculations of U.S. Census Bureau data



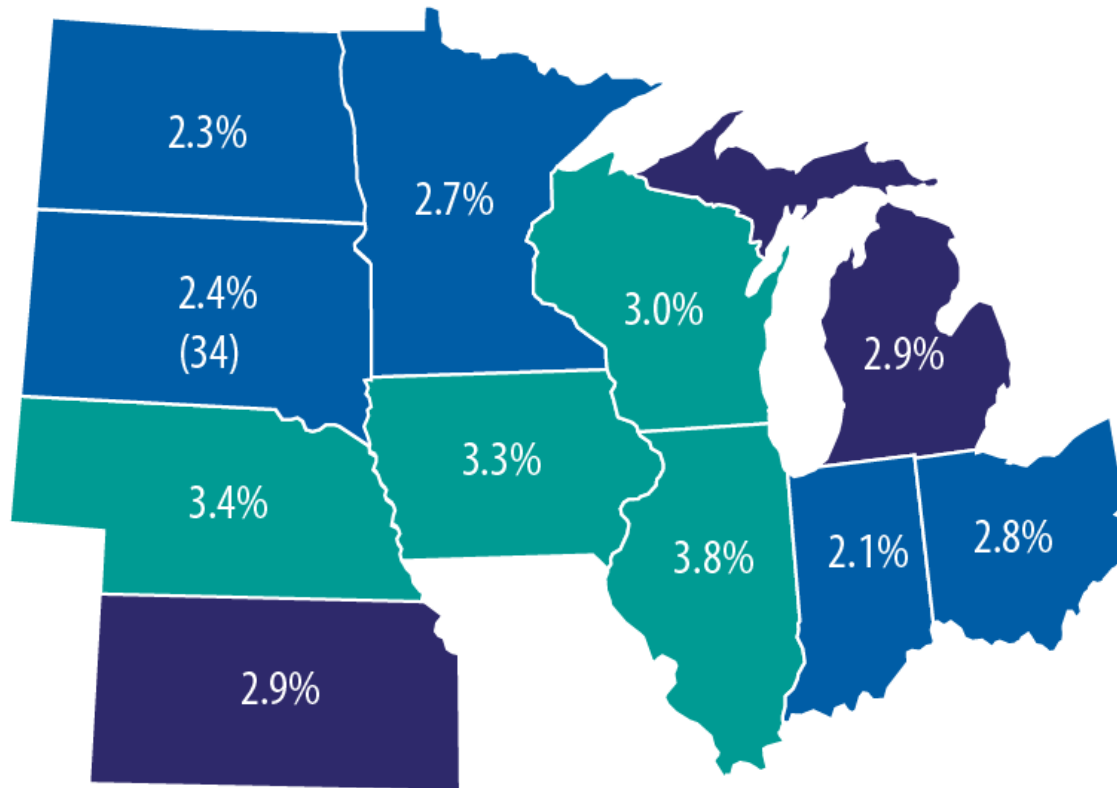
MIDWEST

PER CAPITA PROPERTY TAX IN MIDWESTERN STATES IN 2022 (U.S. RANK FOR SOUTH DAKOTA IN PARENTHESES)



Source: Lincoln Institute of Land Policy (from U.S. Census Bureau data)

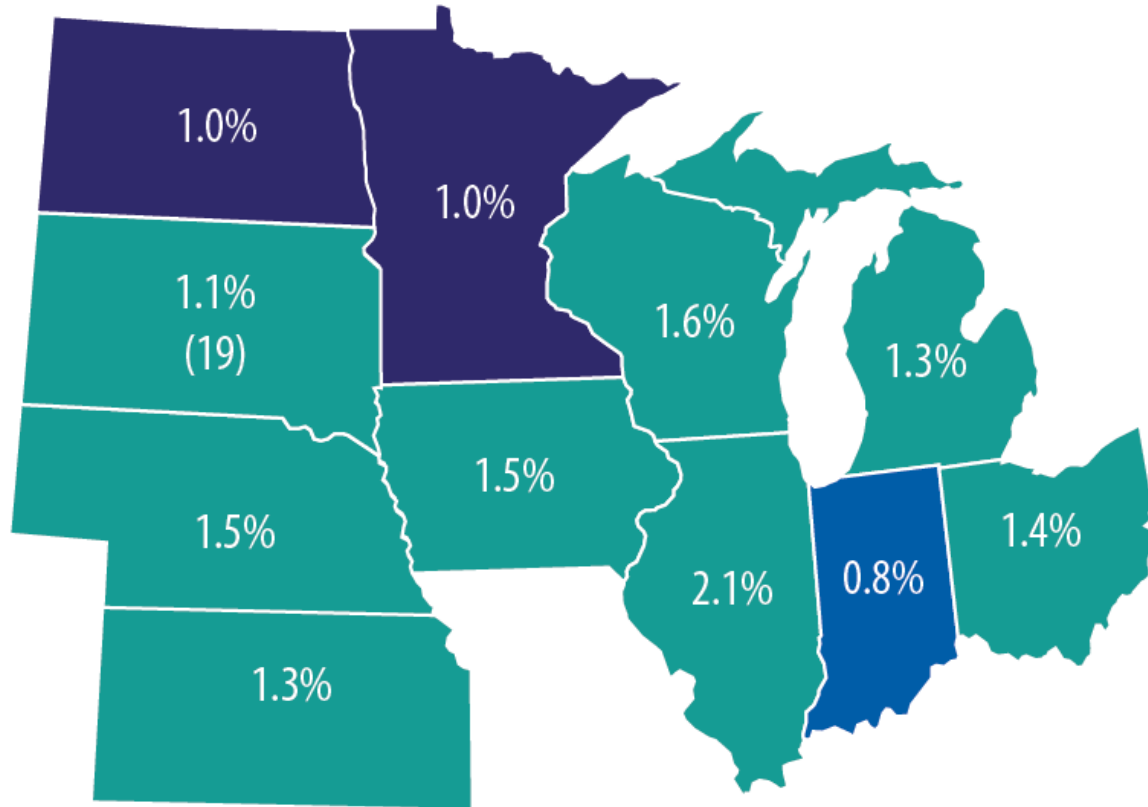
% OF PERSONAL INCOME PAID IN PROPERTY TAXES IN 2022 (U.S. RANK FOR SOUTH DAKOTA IN PARENTHESES)



- Higher than U.S. average (2.9%)
- Same as U.S. average (2.9%)
- Lower than U.S. average (2.9%)

Source: Lincoln Institute of Land Policy (from U.S. Census Bureau data)

EFFECTIVE PROPERTY TAX RATE ON MEDIAN OWNER-OCCUPIED HOME IN 2022 (U.S. RANK FOR SOUTH DAKOTA IN PARENTHESES)



- Higher than U.S. average (1.0%)
- Same as U.S. average (1.0%)
- Lower than U.S. average (1.0%)

Source: Lincoln Institute of Land Policy (from U.S. Census Bureau data)



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Property Tax Relief: Overview of Policy Levers for States

6 COMMON ACTIONS BY STATES TO PROVIDE PROPERTY TAX RELIEF

1. Provide for homestead exemptions/deductions/credits
2. **Tax Limits (Assessment limits, Caps on property tax rates, Levy Limits)**
3. Adopt “truth in taxation” laws
4. Provide targeted relief (“circuit breaker” programs)
5. Establish property tax deferral programs
6. Increase state aid/institute “tax swaps”

#1: THE HOMESTEAD EXEMPTION/DEDUCTION/CREDIT

What it is?

- State law removes a portion of the assessed value of a homestead property from the tax base, allows some level of deduction from the tax bill, or provides a property tax credit of some kind

Most U.S. states have a homeowner's exemption; examples of exemptions in the Midwest:

- Illinois: \$6,000 to \$10,000 exemption (\$ based on location)
- Minnesota's sliding scale:
 - 1) 40 percent of the first \$95,000 of market value;
 - 2) Assessed value reduced by 9 percent of home's value over \$95,000 and before \$517,200;
 - 3) No exclusion for properties valued at over \$517,200

Policy considerations for states

- How do you fund the exemption, deduction or credit? State or local?
- Flat-dollar exemption or percentage exemption based on assessed value?
- Broad-based to include most homeowners or targeted (seniors, disabled, etc.)?



#2: TAX LIMITS

Assessment Limits

- A state-imposed legal limit on annual increases in a property's assessed value (for taxation purposes)
- EXAMPLE: Michigan: Constitution says the taxable value of any property cannot grow by more than 5 percent or the rate of inflation (whichever is less) until property ownership is transferred

Caps on Property Tax Rates

- State-imposed legal limit on the rate at which different classifications of property can be taxed
- EXAMPLE: Ohio caps property tax rate within any taxing district at 1 percent of taxable value of property, known as the "10 mill" law -- \$10 collected for every \$1,000 of a property's assessed value; voter approval is needed to increase the tax rate beyond "10 mills"

Levy Limits on Local Governments

- State-imposed legal limit on the amount of revenue raised by the property tax or on the annual rate of growth in property tax revenues; local voters often can decide to override the state-imposed limits
- EXAMPLE: All states in Midwest have levy limits of some kind



#3: 'TRUTH IN TAXATION' LAWS

What it is?

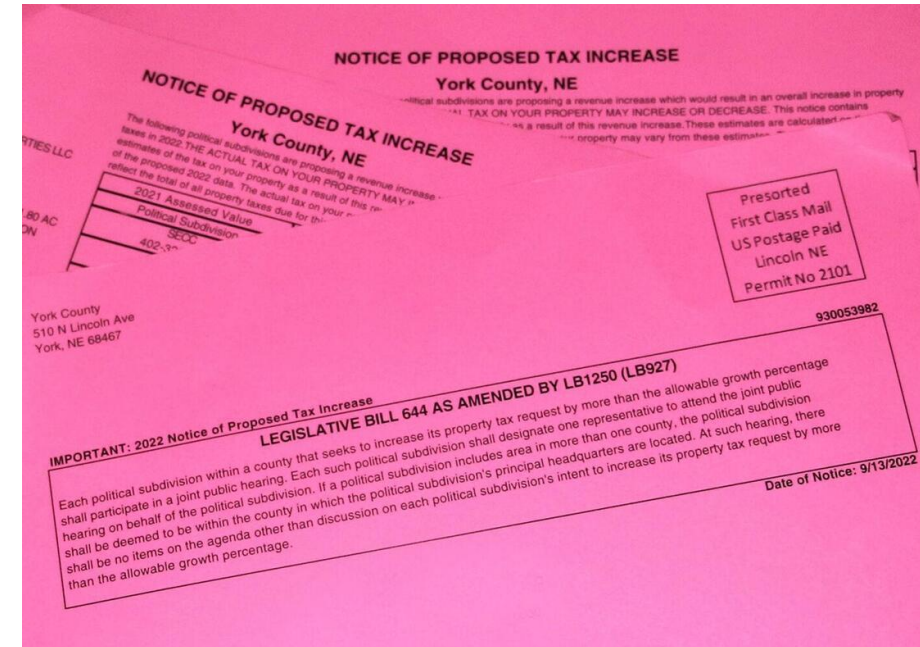
- State-imposed measures that require public notice and hearings prior to any votes by local governing bodies that raise property tax levies

Examples and recent new laws in the Midwest:

- Kansas: SB 13 of 2021 requires local taxing bodies to alert residents and hold public hearings prior to any vote that increases property tax collections; each taxpayer must receive a letter about the proposed increase and the date of the public hearings

Policy considerations for states

- Improve transparency while retaining local control?
- Will increased transparency lead to property tax relief?



#4: 'CIRCUIT BREAKER' PROGRAMS

What it is?

- Direct property tax relief that is targeted for specific groups of homeowners (disabled, low-income, seniors, etc.)
- Often referred to as “circuit breaker” programs: avoid tax overload for certain homeowners who cannot afford property taxes, especially as they increase

Examples in the Midwest:

- Minnesota
 - Household incomes of less than \$135,410 qualify for a refund; the maximum refund is \$3,310 -- the higher the income of the household, the smaller the amount of the refund
 - A second refund in Minnesota provides relief to all homeowners, regardless of income, experiencing a net year-over-year increase in property taxes of 12 percent or more



#5: TAX DEFERRAL PROGRAMS

What it is?

- Allows the postponement of a portion of an elderly homeowners' property taxes until the property is sold or the owner dies (South Dakota has such a program)

Examples from the Midwest:

- Wisconsin
 - For individuals 65 or older or veterans of any age with incomes of no more than \$20,000, maximum annual "loan" from the state is \$3,525
- Illinois SB 642 of 2025:
 - Expanded number of seniors who are eligible for the property tax deferral program; it's now available to all seniors with incomes of up to \$75,000 in 2026
 - The amount that can be deferred is \$7,500 per year or as much as 80 percent of the equity in the home, whichever is lower



#6: 'TAX SWAPS' & STATE AID

What it is?

- Increase state aid to local governments and/or use state-based taxes to reduce reliance on property tax and to provide property tax relief

Examples from the Midwest:

- Nebraska governor's stated goal: Reduce property taxes by 40%
 - 'Tax swap' is among legislative proposals to reach that goal
 - Increase sales tax rate from 5.5% to 6.5%
 - Expand sales tax base by imposing a tax on more services and certain farm equipment
 - Increase cigarette tax
- Wisconsin Governor's Proposed property tax relief plan:
 - Offer local governments additional aid, equal to a 3 percent levy increase, if they agree to hold their property tax levies flat
 - Increase state funding to local school districts beyond their revenue limit authority in state statute, thus reducing the amount school districts collect in property taxes



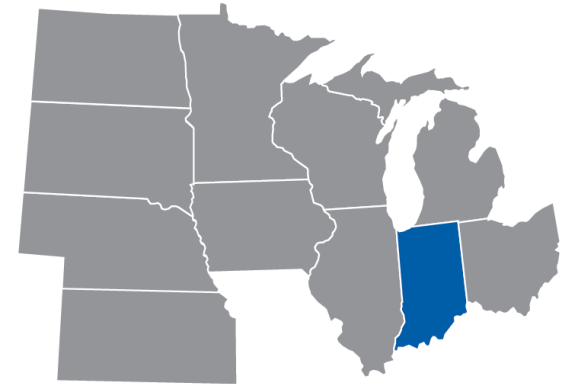


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Property Tax Relief: New Laws and Legislative Proposals in the Midwest

INDIANA: SB 1 (ENACTED IN 2025)

1. Creates a new property tax credit for all homeowners
 - Up to \$300 per year; additional credit for veterans and senior citizens
2. Phases in a complete restructuring of the state's homestead deduction program
 - New system will provide more relief and makes the deduction a percentage of the home's assessed value (current system is a flat \$ amount)
 - Deduction will be 66.7% of home's assessed value by 2031
 - All farmland assessments will receive a phased-in deduction to their taxable value: 33.4% by 2031
3. Requires any year-to-year increase in a local political subdivision's property tax levy to be passed via a separate ordinance/vote of the governing body.
 - Ordinance can only be passed after a separate public hearing is held on the levy increase
4. Adjusts the assessment formula for agricultural land to reduce property taxes
5. Expands eligibility and income limits for a property tax credit program targeted for seniors
6. Creates a state-run portal for homeowners to compare existing property tax bill to proposed changes
7. Authorizes counties to run property tax deferral programs; yearly deferral can be no more than \$500 in a given year and \$10,000 total for a homeowner
8. Allows local governments to adopt higher local income taxes to make up for lost revenue



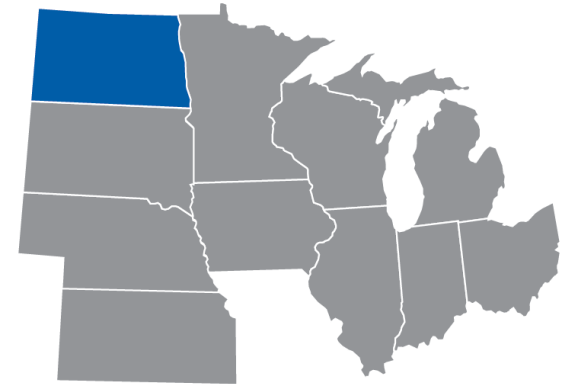
NORTH DAKOTA: HB 1176 (ENACTED IN 2025)

1. Expands Primary Residence Property Tax Credit Program

- First established in 2023 as a \$500 credit for every homeowner
- 2025 law triples the credit to \$1,600 per year
- Credit will grow every year with growth in earnings from State Legacy Fund
- Legacy Fund is based off revenue from oil and gas extraction
- Majority of Legacy Fund dollars will now go to Property Tax Credit Program

2. Establishes a 3% cap on yearly levy increases in local property tax budgets

- If the entire 3% isn't used, the remainder of it can be carried over for up to five years
- The 3% cap excludes new construction, levies approved by voters, and the servicing of debt



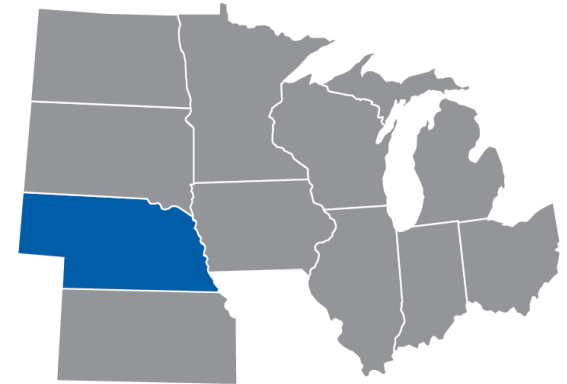
NEBRASKA

1. Several bills enacted in recent years

- Removed community colleges from local property taxes; now funded by the state
- Restricted local school districts' year-over-year levy increases to 3 percent, with exceptions to account for enrollment growth or number of higher-need students
- Created new levy limits on cities, counties and villages, which only increase their property tax request from one year to the next based on the one of the following:
 - New construction or other improvements that increase the taxing district's total property valuation growth
 - Inflationary changes, as tracked by a price index that monitors state and local government expenses
 - Local voters can override this new levy limit

2. Proposals under consideration

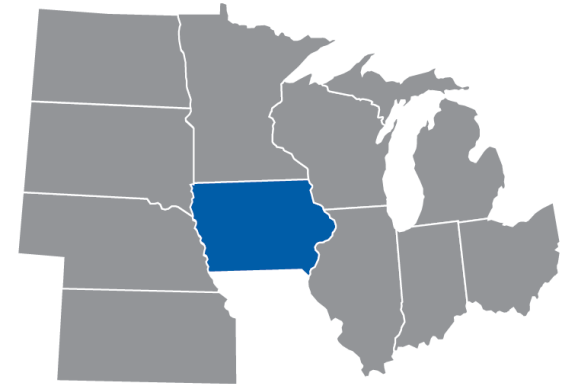
- “Tax swap” — State eliminates sales tax exemptions and uses the revenue to pay for all or most of K-12 schools' operating costs
- Assessment limit – Proposed constitutional amendment that would essentially freeze the market value of a home for tax purposes; the only allowable year-to-year increases in tax liability for a homeowner would be based on inflationary changes



IOWA: GOVERNOR'S PROPOSED TAX PLAN

1. Governor's property tax plan

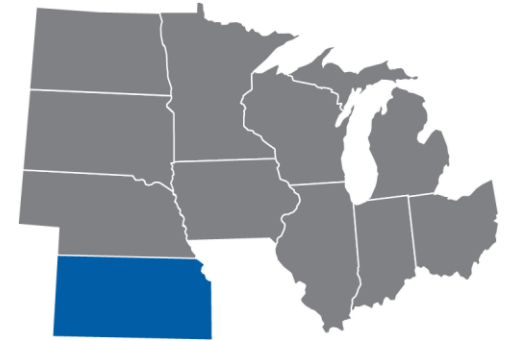
- Levy limit — Cap yearly local government revenue growth at 2 percent (plus new construction) on all taxing authorities except debt services and school funding
- Shift the burden of proof in appeals of large property tax increases from the homeowner to the assessor
- Create a property tax freeze for Iowans ages 65 and older with homes valued at \$350,000 or less
- Create a grant program for local governments to consolidate services
- A portion of Iowa's sales tax goes to a special fund for school infrastructure projects or school property tax relief. The governor proposes that at least 30 percent of the money in this fund go to property tax relief by 2030.



KANSAS

Examples of legislative proposals/proposed constitutional amendments in 2026

- Assessment limit — Cap annual increases to appraised property values at 3% and roll back the clock to the 2022 assessment
 - Going back to 2022 provides many property owners with immediate relief
- Provide a tax refund when a house sells for below the appraised value
- Hire an ombudsman within the Kansas Department of Revenue to help homeowners with property tax appeals
- Create a Citizens Freedom Review Board to review and end sales tax exemptions; additional revenue would be used to offset other taxes, including the state property tax



Note: Kansas, unlike most states, has a statewide property tax to equalize school funding

- *Legislature increased the residential property tax exemption to \$75,000 on statewide property taxes (just a few years ago, it was \$20,000)*

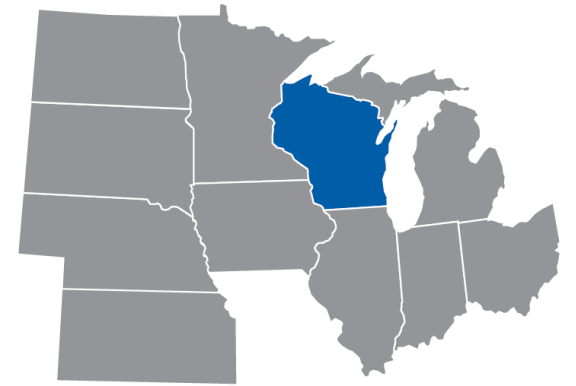


WISCONSIN

Governor's proposed property tax relief plan (\$1.3 billion)

- Offer local governments additional aid, equal to a 3 percent levy increase, if they agree to hold their property tax levies flat
- Increase state funding to local school districts beyond their revenue limit authority in state statute, thus reducing the amount school districts collect in property taxes
- Enhance the use of the existing state-funded school levy tax credits, which reduce all taxpayers' net liability for funding schools, and an automatic "first dollar" credit for property taxpayers

Note: Wisconsin also uses proceeds from the lottery to fund property tax relief



LEGISLATIVE YEAR AHEAD ON PROPERTY TAX RELIEF

1. More consideration of legislative measures to cut property taxes

- Popular options appear to be:
 - Increasing homestead exemptions and deductions
 - Imposing stricter levy limits on local governments
 - ‘Truth in taxation’ laws (increase transparency)

2. Constraints on state budgets

- Very strong past few years in terms of revenue growth: a) influx of additional federal funds; and b) high year-over-year tax collections from state-own sources
- “Back to normal”
- Much tighter budget conditions for states



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