

# What's Next: Ring Speaks About Property Taxes

By Sarah Wetzel for the Plain Talk, Dec 5, 2025

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The Vermillion Rotary Club welcomed Ray Ring to a November luncheon meeting and were treated to a presentation on the important issue of property taxes.

Ring, a retired USD economics professor and former District 17 legislator, referenced the Wall Street Journal pointing out the large number of ballot measures in the last election dealing with taxes.

“North Dakota’s would have essentially eliminated the property tax,” Ring said. “It failed but it got 30-some percent of the vote so it’s a pretty hot issue.”

Ring mentioned that by his count there were 10 bills introduced in South Dakota in the last legislative session though none of them passed.

“We all know that property values, housing values have gone up pretty substantially in the last 10 years or so,” Ring said. “The big increase that we saw was from about the middle of 2020 or 2021 up to sometime in 2023. Then property values have leveled off in the last few years.”

Ring’s data mostly ended in 2023, he said, due to the lag between the collection of data and when it became available.

According to Ring’s data, even adjusting for inflation property values have still risen faster than inflation, though the increase has been about equal to the increase in household income.

“I’m going to try to show that we really don’t need property tax reform in South Dakota,” Ring said, “that our taxes are not that far out of line compared to other places or compared to let’s say 10 years ago.”

Ring began by defining market value: the ideal or sometimes called the true value or the actual value of what a house would sell for in an actual market and assessed value: the value estimated by an assessor since it is worth something different now than when it was last purchased.

“Typically, they tend to underassess property,” Ring said. “The state estimates the degree of

underassessment by looking every year at property that has in fact sold in an arm’s length

transaction and compares the assessed value on the assessor’s books at the time of that sale divided by the amount of the sale.

And then they put all that information together and provide what we call the assessment-sales ratio.”

According to Ring, in South Dakota the assessed value is supposed to be 85% of market value though it jumps all over.

“Ideally, assessed value is equal to market value,” Ring said, “Or in other words, assessment sales ratio is equal to one.”

Ring focused on the effective tax rate which is the amount of tax collected divided by the actual value of the property in that year.

Citing the American Community Survey conducted annually by the Census Bureau along with some state data, Ring said that South Dakota’s property tax rate is 1.09% and we rank 19th in the effective tax rate.

Ring’s presentation included several graphs and charts showing the data.

“Clearly, property values have been increasing and then they accelerated beginning about 2021,” Ring said. “Property taxes also went up. Not surprisingly, most people would think that since the tax rates must stay the same, as house values go up assessments go up and taxes go up.”



Ray Ring  
Johnny Sundby

Surprisingly, though, Ring said the effective tax rate, or the taxes divided by the property value, went down beginning in 2020 or 2021.

“Some of the states stayed fairly constant but it dropped pretty substantially in South Dakota,” Ring said.

To understand why this happened, Ring said we need to look at the history of property tax limitations in South Dakota.

“Before 1989 the only restrictions on local property taxes were a restriction on mill rates,” Ring said. “By statute, the mill rate was set. But as I said at that time the assessed values were way below the actual value so if you wanted to get around the mill rate limits all you had to do is raise the assessment from one year to another.”

Over the years Ring said the government tried to get involved with different measures which failed.

An initiated measure in 1994 that would have limited taxes to 1% of the assessed value, cut property taxes and limited assessment increases to 1.25% received 49.5% positive votes.

“That got people’s attention,” Ring said. “And we ended up with a property tax reduction program which is pretty much what’s in place today.”

According to Ring, that locked in revenue levels, limited local revenue levels to inflation or the index factor of 3% whichever is less, and the assessment could be raised if improvements were made to a home.

Ring said that before 1995 the two types of property classifications included agricultural and non-agricultural.

“With this they divided the non-agricultural into commercial, owner-occupied property and other which is essentially commercial and industrial,” Ring said.

According to Ring’s data from the last six years the property tax rate on business property is considerably higher than that of housing. Vermillion’s owner-occupied property tax rate is above the state average.

Ring addressed the question of the distribution of tax burden, or do low-income people pay a higher percentage of their income on taxes?

“Usually in looking at property tax at housing values, the standard is that the cost of housing should not exceed 30% of income,” Ring said. “If it exceeds 30% of income, it’s referred to as cost burdened.”

In the few graphs Ring was able to find, it showed that cost burdens have been going up.

“So, you can see that low income people are much more likely to have a cost burden than higher income people,” Ring said. “Here I have the data from South Dakota and the surrounding states that shows that renters face much higher cost burdens including in South Dakota.”

One data set Ring found recently showed the average rent in South Dakota to be \$999.

Those whose income falls below roughly \$40,000 would be on the verge of being cost burdened at that rate.

“The current residential property tax is less than it was 10 years ago relative to home values,” Ring said. “That’s the effective tax rate about the same as it was 10 years ago. So even though house values have gone up, even though property taxes have gone up so have incomes, at least median incomes for South Dakotans.”

According to Ring, proposed reforms are likely to increase the tax burden on lower income households.

“The Institute for Tax and Expenditure Policy does a study every few years of the distribution of state and local tax burdens,” Ring said. “They rank South Dakota about sixth in the nation in terms of a regressive tax structure in terms of putting too much burden or putting a great deal of burden on low income people.”

Ring stated that according to studies both he and colleagues have conducted, 40% of South Dakota’s sales tax is on business inputs.

With most of the proposals reducing property tax and shifting property taxes onto sales tax, Ring said this would increase the tax burden on business investment and make South Dakota a less desirable place to live.

