

Assessors,

During the 2023 Legislative Session SB 120 was passed, increasing the exemption amount available for Local Industrial Development Corporations (LIDC). Previously, a LIDC could receive up to \$750,000 in valuation exempted from their total amount of property owned (SDCL 10-4-8.1). The new valuation amount is \$2,500,000.

### **What is a LIDC?**

The primary objective of a LIDC is to benefit the community by increasing employment, payroll, business volume, and corresponding factors. A LIDC is an enterprise incorporated under the laws of the State of South Dakota, formed for the purpose of furthering the economic development of a community. It has the authority to promote and assist in the growth and development of small business concerns in the area. It is required that the LIDC be organized as a nonprofit enterprise and shall be composed of no fewer than 25 members. A LIDC shall be principally composed of and controlled by persons residing or doing business in the community, and such persons shall constitute not less than 75% of the voting control of the LIDC. (SDCL 5-14-23)

### **How does a LIDC get the exemption?**

Any corporation meeting the requirements of a LIDC must apply for the exemption to the county director of equalization prior to November first of the tax year (SDCL 10-4-15.) The initial application\* must be made on the [PT43 form Property Tax Exempt Status of a Private Organization Application](#), or the "long form." The director of equalization will review the application and make a recommendation to the County Board of Equalization. The County Board of Equalization makes the final determination on the exemption status of the property.

To continue to receive the exemption, the LIDC must annually submit the [PT44 form Continuing Property Tax Exempt Status Application](#)\*, or the "short form" (SDCL 10-4-19.) Failure to file such a statement shall cause the county director of equalization to review the status of the property. The director may recommend to the county board of equalization that the status of the property be changed.

Every 5 years, the director of equalization shall review the status of all tax-exempt property and request each entity to file an updated "long form." The director will then report any change recommendations to the County Board of Equalization. (SDCL 10-4-21) If any tax-exempt status changes occur, the Board must notify the LIDC per the requirements of SDCL 10-11-26.1.

Once any application is approved, the director of equalization will proceed to apply the exemption appropriately. The exemption shall be applied to all property owned by a LIDC, up to \$2,500,000.

*\*Please note, the applications are currently closed for submissions but will reopen July 1.*

**Are there any circumstances that prohibit a LIDC from qualifying for the exemption?**

A LIDC will not be able to receive any valuation exemption if it is located within the boundaries of a Tax Increment Financing district. (SDCL 10-4-8.1)

If any portion of the real property that is owned by the LIDC is leased to a non-exempt entity, that portion will not qualify for the exemption. (New language in SB 120)

Thanks,

**Wendy Semmler**

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