

Recent legislation has reduced tax rates for most classes of property. As property tax rates decline, or property is exempted, the amount of property tax that must be raised from the remaining property tax owners increases. Table 3 shows statewide taxable values for 1998 and 2004, the percent of total taxable value in each property class, and the percent change in taxable value for each class.

Table 3 Property Taxable Values Tax Year 1998 and 2004 Change in Share of Property Tax Base								
Tax Class	Description	Tax Year 1998			Tax Year 2004			% Change Taxable Value
		Tax Rate	Taxable Value	Share of Base	Tax Rate	Taxable Value	Share of Base	
1	Mine Net Proceeds	100.000%	7,625,083	0.4%	100.000%	8,032,414	0.5%	5.3%
2	Gross Proceeds Metal Mines	3.000%	8,780,907	0.5%	3.000%	10,428,300	0.6%	18.8%
3	Agricultural Land	3.816%	143,007,340	7.4%	3.300%	139,901,823	7.9%	-2.2%
4 Res	Residential Real Property	3.816%	704,132,657	36.3%	3.300%	792,062,821	44.5%	12.5%
4 Com	Commercial Real Property	3.816%	247,920,400	12.8%	3.300%	284,921,721	16.0%	14.9%
Sub 4	Subtotal Class 4	3.816%	952,053,057	49.0%	3.300%	1,076,984,542	60.5%	13.1%
5	Pollution Control Equipment	3.000%	34,074,765	1.8%	3.000%	34,024,275	1.9%	-0.1%
6	Livestock	4.000%	23,833,179	1.2%	0.000%	-	0.0%	-100.0%
7	Non-Centrally Assessed Utilities	8.000%	1,783,935	0.1%	8.000%	974,316	0.1%	-45.4%
8	Business Personal Property	6.000%	203,383,266	10.5%	3.000%	117,240,984	6.6%	-42.4%
10	Forest Land	0.790%	7,677,880	0.4%	0.350%	6,791,382	0.4%	-11.5%
12	Railroad and Airline Property	6.170%	65,266,087	3.4%	3.810%	45,074,061	2.5%	-30.9%
9 & 13	Telecom. & Electric Property	12.000%	494,534,742	25.5%	12% & 6%	340,477,889	19.1%	-31.2%
Totals			1,942,020,241			1,779,929,986		-8.3%

Total taxable value decreased 8.3% from tax year 1998 to tax year 2004. This is primarily attributable to legislation that reduced the tax rates on specific property classes and exempted some types of property from taxation. Total statewide taxable value is expected to increase in 2005 and 2006. All the expected increase is due to new property in class 4, residential and commercial real property, and class 8, business equipment. The total taxable value of all other property classes combined is projected to decline.

The class 4 share of the tax base increased from 49% in 1998 to over 60% in 2004. The percent share of the tax base in class 4 is expected to continue to increase in the future. Under the current property tax structure, class 4 pays the majority of any property tax increases.

Class 8 taxable value declined from 1998 to 2004 because the tax rate was reduced from 6% to 3%. The value of class 8 property is projected to increase through 2007. However, 15-6-138, MCA, provides for a conditional phase-out of tax, referred to as the class 8 trigger, on class 8 property. When inflation-adjusted Montana wage and salary income shows an increase of at least 2.85%, the phase-out of the class 8 property tax is triggered. Beginning three years after the trigger is hit, the tax rate for class 8 property is reduced by 1% each year until it reaches zero. The next trigger test will be based on 2004 data in October of 2005. If the trigger is met, the reduction will begin January 1, 2007. The tax rate for class 8 property would be reduced by 1% each year until it reaches zero.