

Recommendation #1:

September 18, 2023
LEGISLATIVE AUDIT DIV.

We recommend the Department of Revenue implement periodic quality control testing and review of exempt real property.

1. Department Concur
2. Responsible party-Tiffany Pouliot-Harris
3. Plan for implementation:
 - a. Numerous additional Quality Assurance reports have been established and will be routinely ran. The department has developed multiple reports to identify quality control testing noted amongst the audit report. The quality assurance reports will identify and review property types, property flags, class codes, on-site reviews, coding of partially exempt properties, termination dates, and review of properties with recent ownership transfers on exempt real property data.
4. Target date for the implementation
 - a. Completed - June 2023
5. Subsequent documentation demonstrating successful implementation of corrective measures
 - a. Reports established include the following:
 - i. Non-Exempt Property Type coded with Exempt Class Codes
 - ii. Parcels coded as Exempt Property, with non-exempt class codes
 - iii. Charitable, Non-profit Health Care, and Religious Exemptions, needing a On-Site Review
 - iv. Parcels coded Partially Exempt with Zero Taxable Value
 - v. Parcels coded Partially Exempt with an exemption flag
 - vi. Parcels coded as Exempt Property(EP or E Flag), with no Exemption Application (excludes Govt'l)
 - vii. Parcels with Denied Application and Exempt Coding (property flag=E)
 - viii. Total Pending Exemptions (includes prior ad hoc years)
 - ix. Total Partially Exempt Parcels
 - x. Granted Exemption Applicant and Current Owner different
 - xi. Exemption Ownership Change Flag - Granted Status Only (Includes Tribal and Govt'l)
 - xii. Exemptions with a Flagged Ownership Transfer
 - xiii. Property Type NV, NVS, EP ownership transfers from previous month
 - xiv. Identifying all Fish, Wildlife, & Parks properties

Recommendation #2:

We recommend the Department of Revenue establish and implement a process to improve the accuracy and usefulness of data to enhance reporting on exempt real properties.

1. Department Conditionally Concur
2. Responsible party-Tiffany Pouliot-Harris
3. Plan for implementation:

- a. The department has established reoccurring quality assurance reports to identify and review exempt real property data. The reports include data on properties flagged due to termination dates, review and verification of governmental properties for correctly assigned exemption type, and review of property type description fields. The department will create additional exemption types as exemption applications are submitted, for any categories the department does not currently have. With the termination of HB389 in December of 2021, the department is no longer required to provide a public facing listing of exempt real property. However, for transparency, we will continue to provide this listing. Regarding the partial exemptions, the department is working on enhancing the current information that is listed. Improved guidance, including specific instructions on verifying, processing, and coding of exempt properties is being developed for department staff to improve training and prevent errors with a target date of March 2024.
4. Target date for the implementation
 - a. Completion of improved Exemption Guidebook for staff-March 2024
 - b. Enhancing the current information provided in the public listing for partial exemptions-August 2024

Recommendation #3:

We recommend the Department of Revenue consistently conduct and document site visits as part of the exemption application review process.

1. Department Conditionally Concur
2. Responsible party-Tiffany Pouliot-Harris
3. Plan for implementation:
 - a. Current applications are all receiving site reviews. Quality assurance is actively occurring.
4. Target date for the implementation
 - a. Completed – June 2023
5. Subsequent documentation demonstrating successful implementation of corrective measures
 - a. Current quality assurance report, Charitable, Non-profit Health Care, and Religious Exemptions, needing an On-Site Review, is current with pending applications indicating completed applications have had an on-site review conducted.

Recommendation #4:

We recommend the Department of Revenue update practices and as necessary, seek legislation to make statute and practices related to determining and recording the taxable status or payment in lieu of taxes amount of Department of Fish, Wildlife & Parks property, consistent.

1. Department Concur
2. Responsible party-Tiffany Pouliot-Harris
3. Plan for implementation:
 - a. The Department of Revenue is coordinating with Montana Fish, Wildlife, & Parks to identify, verify and update all property owned by FWP. All pertinent information is being updated amongst both parties. The department will not be able to verify all information

prior to tax billing in October of 2023. This information will be communicated with the Treasurer's and FWP as we work together on a solution for all parties.

4. Target date for the implementation
 - a. 2025 pending a 2025 Legislative Session change

Recommendation #5:

We recommend the Department of Revenue develop effective identification and tracking of government property leased out to private entities for their beneficial use and pursue legislation that requires governmental entities to report beneficial use and exclusive use.

1. Department Conditionally Concur
2. Responsible party-Tiffany Pouliot-Harris
3. Plan for implementation:
 - a. Exempt parcels with known beneficial use are cyclically reviewed and taxable information is updated. Improved exemption guidelines for staff will elaborate on how to identify beneficial use and ensure known parcels are receiving an accurate determination. With a 2025 legislative change, the department can start identifying and reviewing beneficial use in 2026.
4. Target date for the implementation
 - a. 2026 pending a 2025 Legislative Session change

Recommendation #6:

We recommend the Montana Legislature require a periodic reapplication and review of exempt real property.

1. No response required, recommendation to the Montana Legislature.

Recommendation #7:

We recommend the Department of Revenue provide the required information related to real property tax exemptions, as available, in the biennial report to better inform legislative decision-making.

1. Please see information from TPR

Recommendation #8:

We recommend the Montana Legislature require new real property tax exemptions include policy goals and evaluation metrics and assign responsibility for evaluation and review of real property tax exemptions.

2. No response required, recommendation to the Montana Legislature.