



## Revenue and Transportation Interim Committee

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### 61st Montana Legislature

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April 29, 2010

TO: Residential and Commercial Property Reappraisal Subcommittee

FROM: Lee Heiman, Staff Attorney

SUBJECT: Subcommittee discussion of residential property reappraisal

Listed below are some of the most common concerns regarding reappraisal expressed by the public in testimony to the subcommittee and in e-mail, letters, and phone calls. The subcommittee may wish to discuss and comment on these as well as other concerns:

#### I. Property taxes generally

- a. Accuracy of the taxpayer's own appraisal. Property owners have testified that for various factual reasons their property was overvalued. The subcommittee can't be an appeals body for valuation issues, but can disagreements on the valuation of individual pieces of property be a symptom of statewide problems? There is a conflict between the anecdotal information the committee received about an upward bias in appraisals and the evidence provided by the department on the accuracy of the appraisals.
- b. Nonresident purchasers. Taxpayers, particularly in the Flathead area, feel the valuation process is flawed because comparable property values used in appraisals were driven up by demand from wealthy nonresidents and that there should be a distinction between the value of property purchased by such nonresidents and properties under single-resident ownership for a considerable period of time.
- c. Amount of taxes to be paid. The valuation of the property was not contested, but property owners testified that the amount of taxes owed on the property is greater than their ability to pay.

#### II. Statutory property tax provisions

- a. Revenue implications. Property owners equate higher taxable value with an automatic increase in property taxes and thus increased revenue to government because they are unaware of the revenue cap of 15-10-420, MCA, on local taxing entities.

b. Mitigation. Property owners equate mitigation for changes in taxable value with a freeze on their own property taxes instead of a statewide goal of revenue neutrality. An increase or decrease in revenue in certain regions of the state translates to corresponding decreases and increases in the other regions of the state and not in static property taxes on individual properties.

c. Values after appraisal and phase-in. Taxpayers believe that appraisals are incorrect because property values may have fallen after the reappraisal date but, not understanding the 6-year cycle and phase-in, believe that the reappraisal value results in unfair property taxes.

### III. Individual subcommittee member concerns

Issues of concern of individual members. Issues that are susceptible to subcommittee action, either to avoid a similar problem next reappraisal cycle or a legislative solution.