Rising Property Taxes: What You Should Know
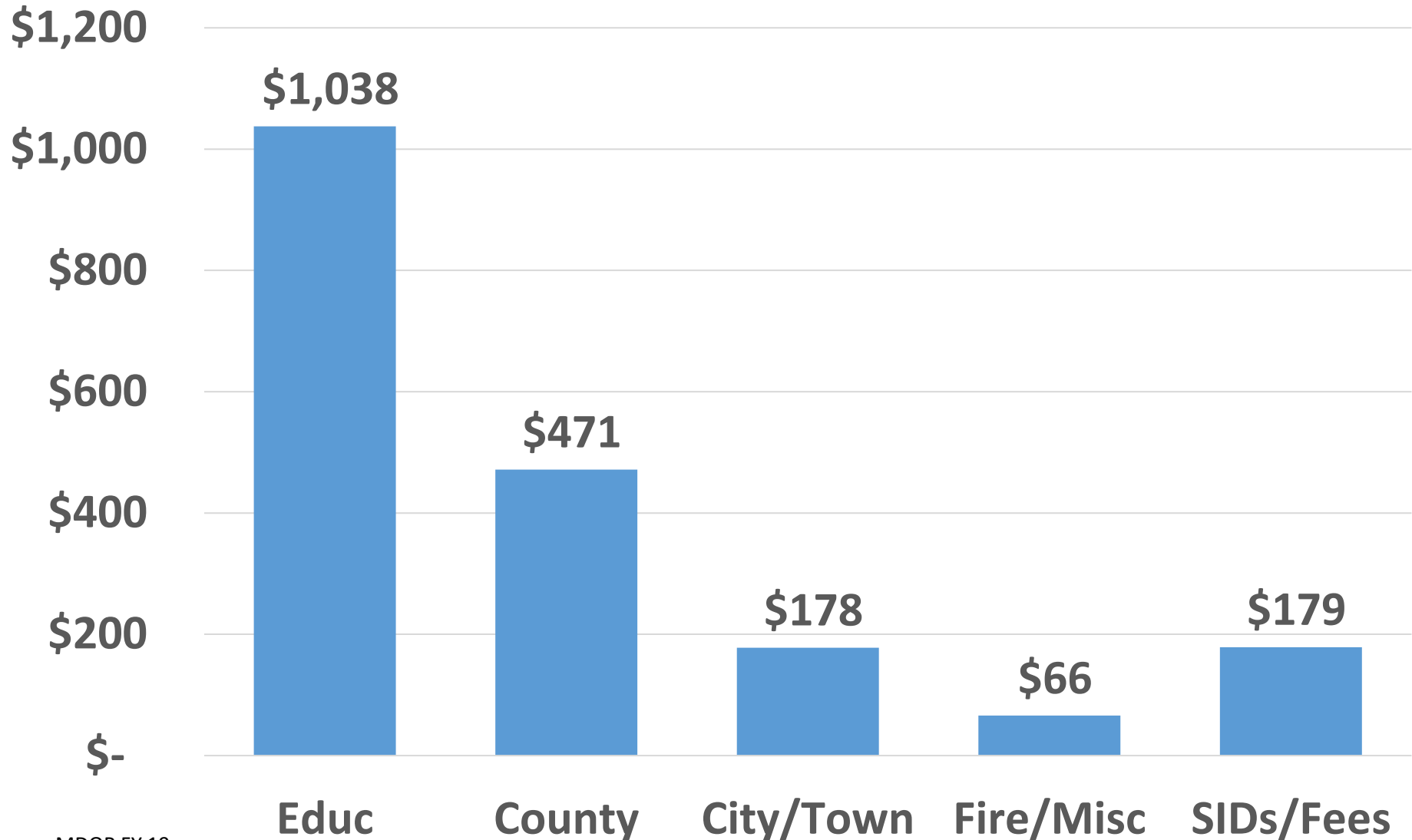
Douglas J Young

Professor Emeritus

MSU- Bozeman

REVISED MAY 2020
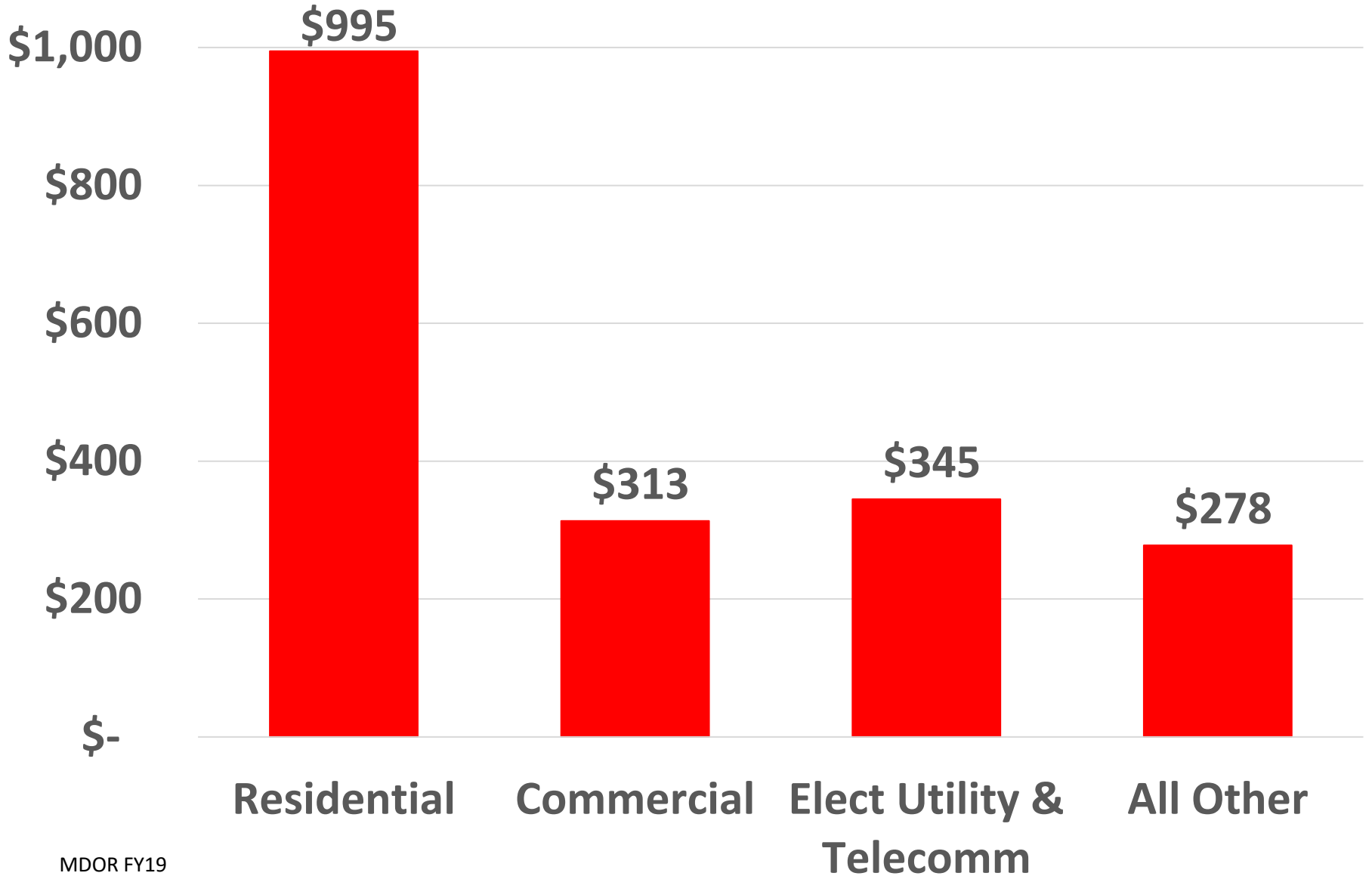
Where Property Taxes Go
Millions of Dollars

Educ	$1,038
County	$471
City/Town	$178
Fire/Misc	$66
SIDs/Fees	$179

MDOR FY 19

Where Property Taxes Come From
Millions of Dollars

Bar chart showing property tax sources in millions of dollars:
- Residential: $995
- Commercial: $313
- Elect Utility & Telecomm: $345
- All Other: $278

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How Property Taxes are Calculated – Three Steps

Step

1. Taxable Value = Market Value

x Tax Rate

Example

1. Taxable Value = $200,000

x 1.35% = $2,700

How Property Taxes are Calculated – Three Steps

Step

1. Taxable Value = Market Value

x Tax Rate

2. Tax = Taxable Value

x Mill Rate/1,000

Example

1. Taxable Value = $200,000

x 1.35% = $2,700

2. Tax = $2,700

x 633/1,000

= $1,710

Mill Rate Example: Helena
FY 2019

Function	Mills
Education	468
City	170
County	185
Special Districts	?
TOTAL	822

Mill Rate Example: Great Falls
FY 2019 REVISED

Function	Mills
Education	400
City	201
County	132
Special Districts	?
TOTAL	733

Mill Rate Example: Missoula
FY 2019

Function	Mills
Education	464
City	242
County	179
Special Districts	?
TOTAL	886

Mill Rate Example: Billings
FY 2019 REVISED

Function	Mills
Education	423
City	163
County	128
Special Districts	?
TOTAL	714

Mill Rate Example: Bozeman
FY 2019 REVISED

Function	Mills
Education	400
City	191
County	127
Special Districts	?
TOTAL	718

Mill Rate Example: Butte
FY 2019 **REVISED**

Function	Mills
Education	379
City + County	427
Special Districts	?
TOTAL	806

Mill Rate Example: Kalispell
FY 2019 REVISED

Function	Mills
Education	487
City	206
County	139
Special Districts	?
TOTAL	832

Mill Rate Example: Lewistown
FY 2019

Function	Mills
Education	469
City	243
County	146
Special Districts	?
TOTAL	857

Mill Rate Example: Havre
FY 2019 REVISED

Function	Mills
Education	410
City	230
County	142
Special Districts	?
TOTAL	782

How Property Taxes are Calculated – Three Steps

Step	Example
Step	**Example**
1. Taxable Value = Market Value	1. Taxable Value = $200,000
x Tax Rate	x 1.3% = $2,600
2. Tax = Taxable Value	2. Tax = $2,600
x Mill Rate/1000	x 606/1,000
	= $1,575.60
3. Add SIDs & Fees (if any)	**3. Add $0 - $1,000+**

Mills Levied FY 2019 REVISED

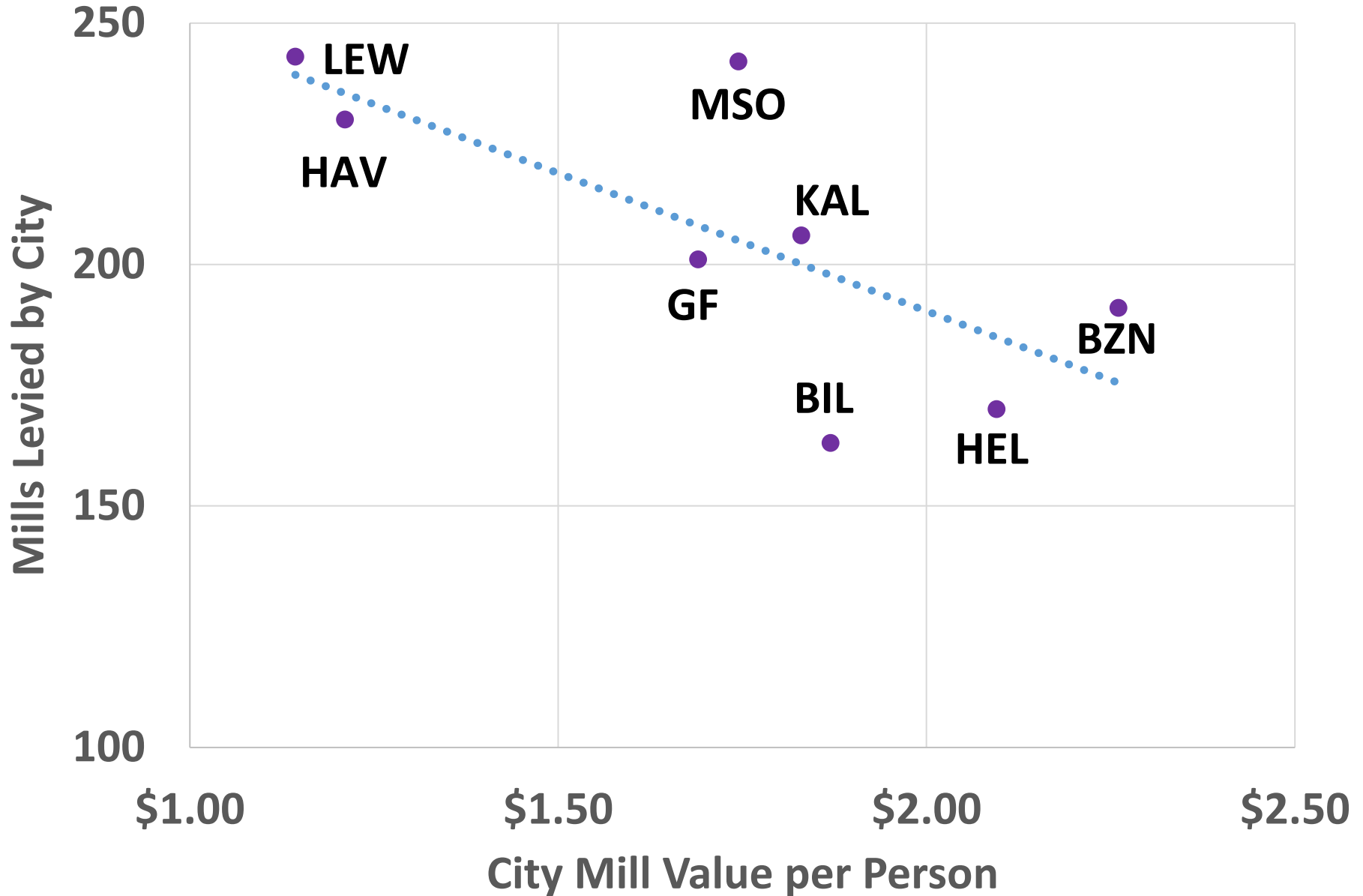| City	Mills
Billings	714
Bozeman	718
Butte	806
Great Falls	733
Havre	782
Helena	823
Kalispell	832
Lewistown	858
Missoula	885

MT Tax Foundation,
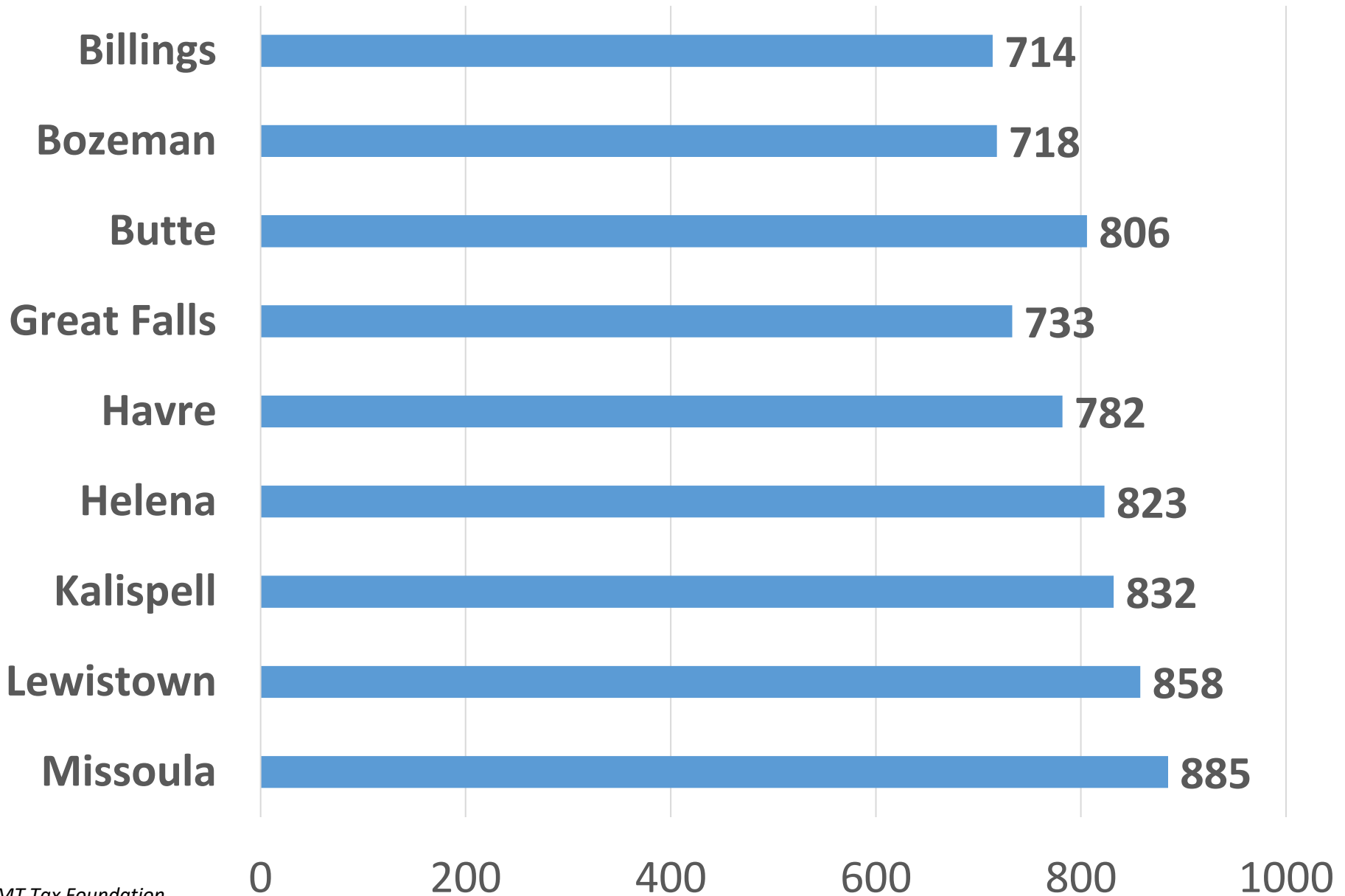
Why Do Mill Levies Vary?

Three Reasons why Mill Levies Vary are:

1. Tax Base (aka Mill Value: How many dollars are generated when one mill is levied?)

City Mills and Mill Value REVISED

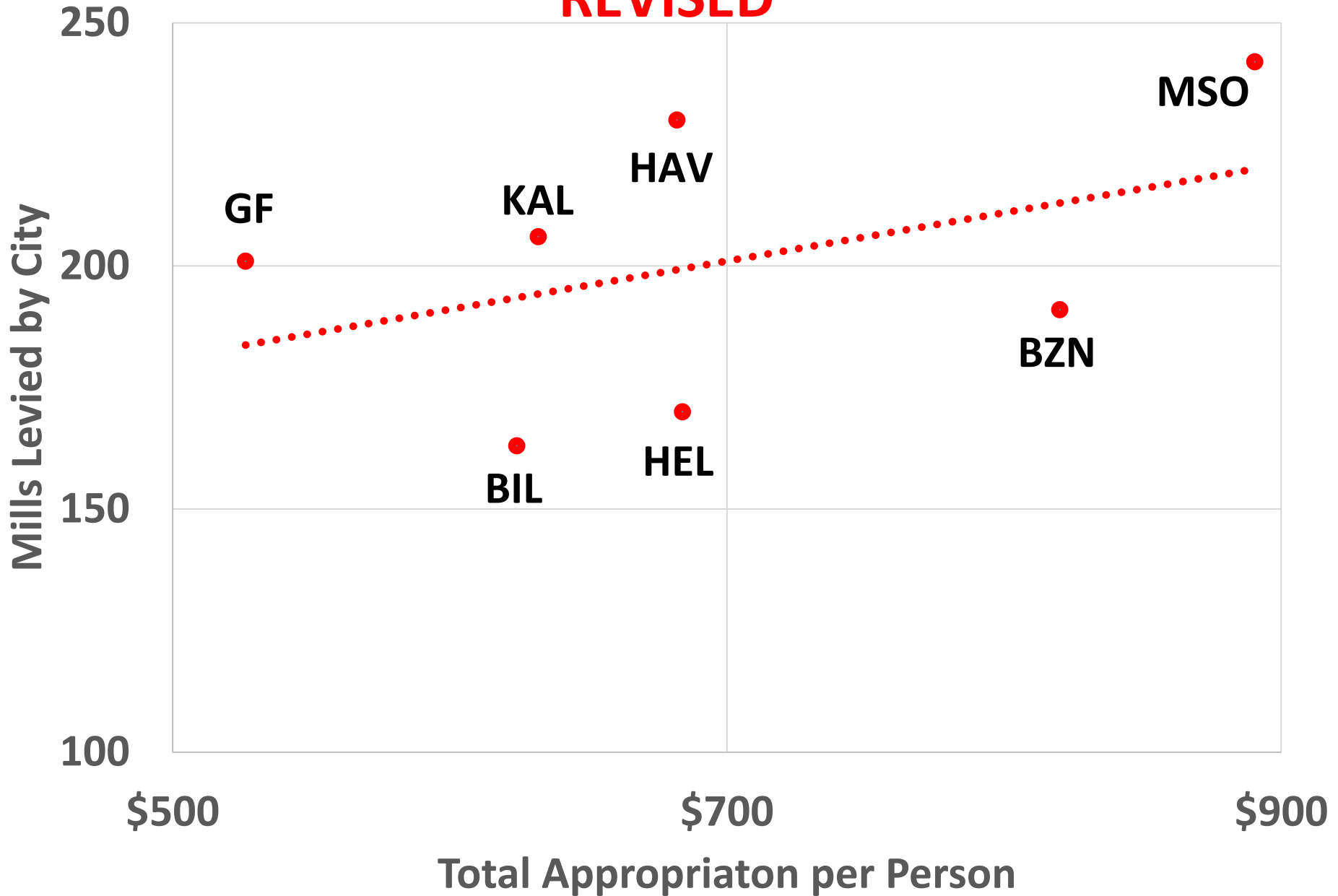Mills Levied by City

City Mill Value per Person

LEW
HAV
MSO
KAL
GF
BIL
BZN
HEL

250
200
150
100

$1.00
$1.50
$2.00
$2.50

Why Do Mill Levies Vary?

Three Reasons why Mill Levies Vary are:

1. Tax Base
2. Government Spending

City Mills v City Appropriation
REVISED

Mills Levied by City

250

GF · 201

KAL · 206

HAV · 228

MSO · 242

200

BZN · 190

HEL · 169

BIL · 162

150

100

$500 $700 $900

Total Appropriaton per Person
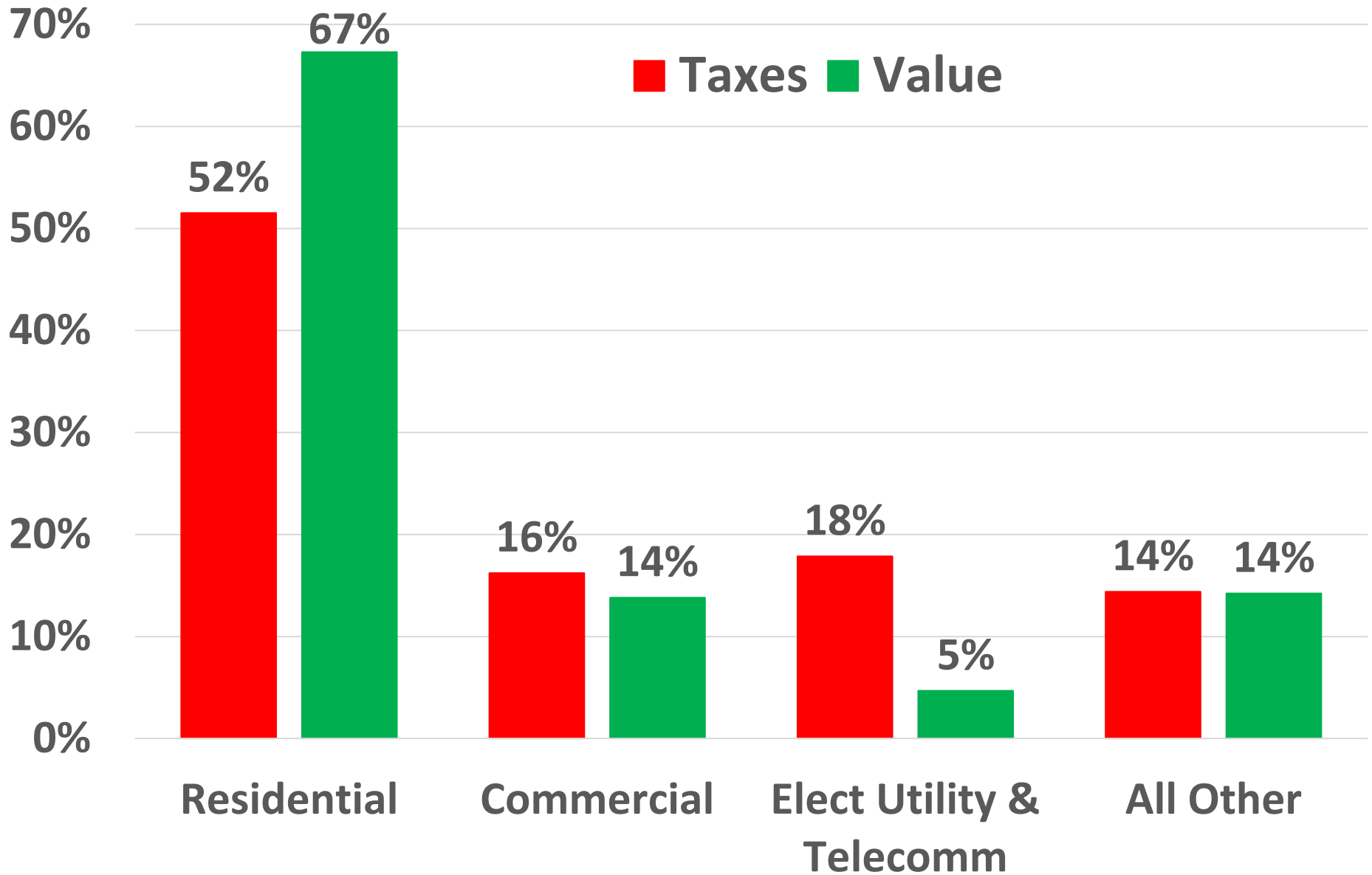
Why Do Mill Levies Vary?

Three Reasons why Mill Levies Vary are:
1. **Tax Base**
2. **Government Spending**
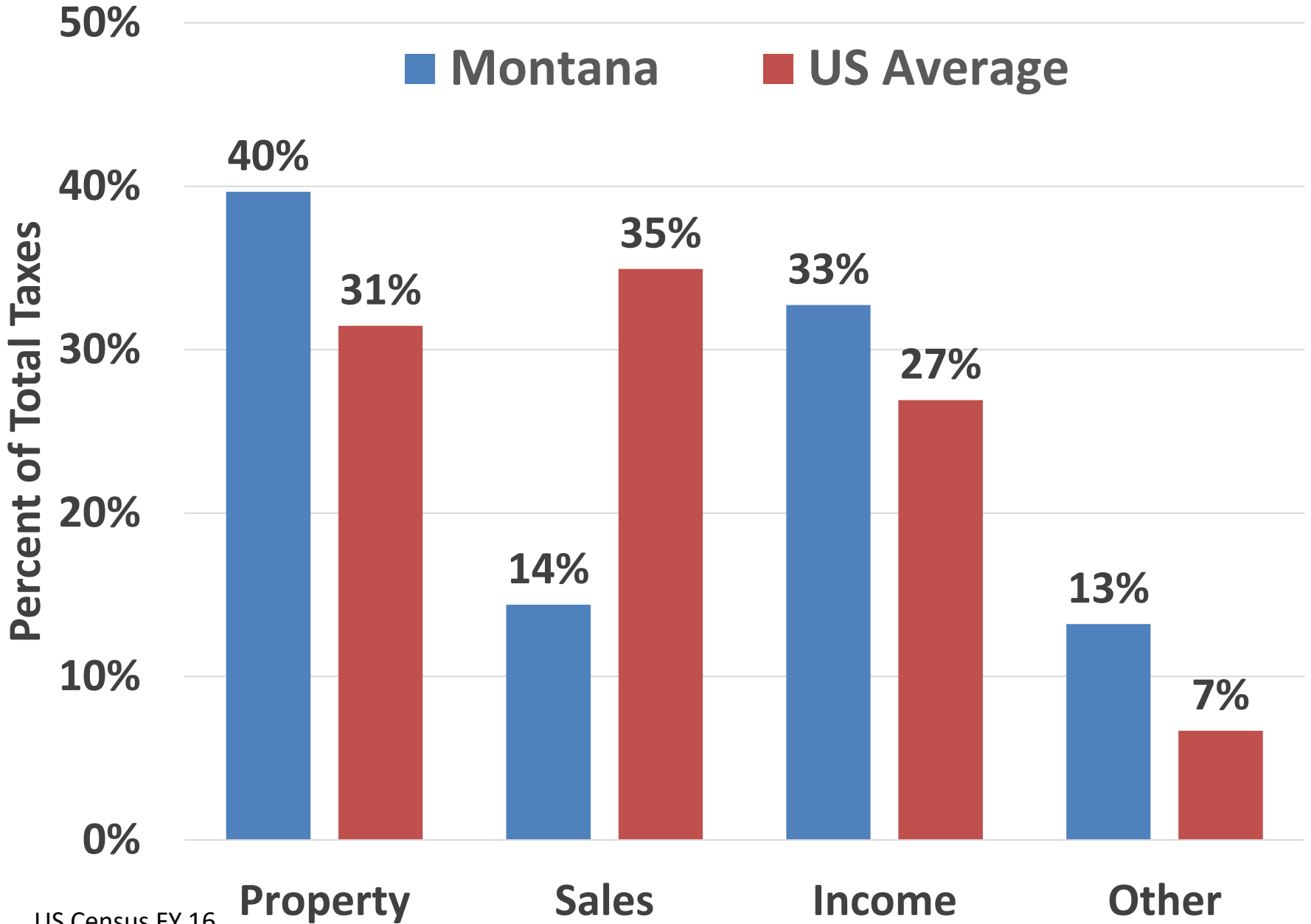3. **Other Revenue Sources**

Classification System

- **14 Classes of Property**
- **12 Different Tax Rates**
    - **from 0.37% on Forest Land**
    - **to 12.0% on Non-Electrical Generating Property of Electric Utilities**
    - **to 100% of Net Proceeds of (Some) Mines**
- **Average: 1.92%**

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Shares of Taxes and Market Value

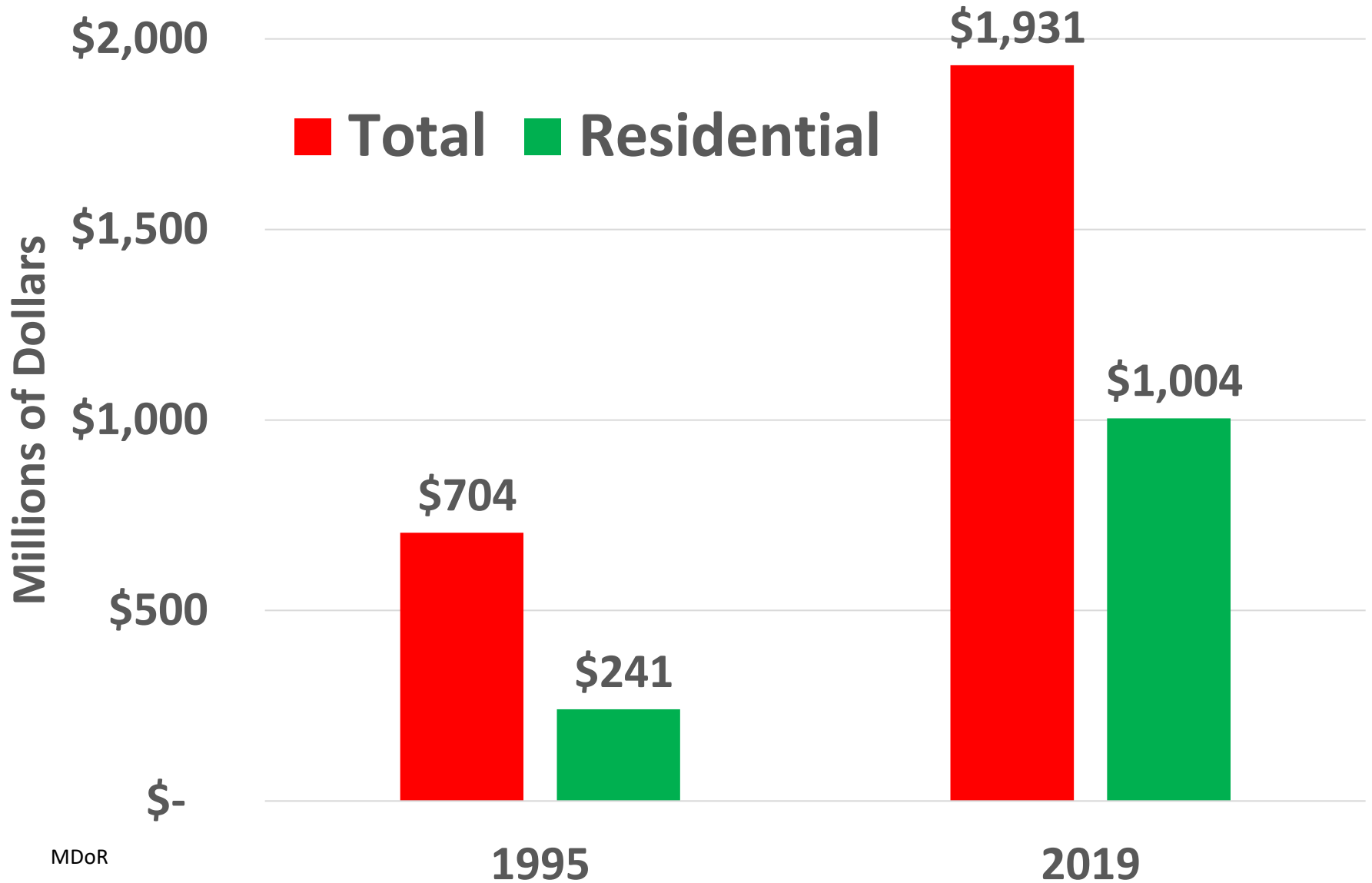Legend: ■ Taxes ■ Value

	Residential	Commercial	Elect Utility & Telecomm	All Other
Taxes	52%	16%	18%	14%
Value	67%	14%	5%	14%

MDOR FY19

Too Much Property Tax?

US Census FY 16

Residential Property Taxes

	Tax Foundation		Minnesota Center for Fiscal Excellence		
	Rate	Rank	City	Rate	Rank
Montana	0.73%	33	Billings	0.94%	40
Idaho	0.72%	34	Boise	0.85%	43
N Dakota	0.90%	24	Fargo	1.07%	36
S Dakota	1.18%	17	Sioux Falls	1.53%	19
Wyoming	0.58%	44	Cheyenne	0.64%	49
US Average	1.05%			1.45%	

Property Taxes and Income
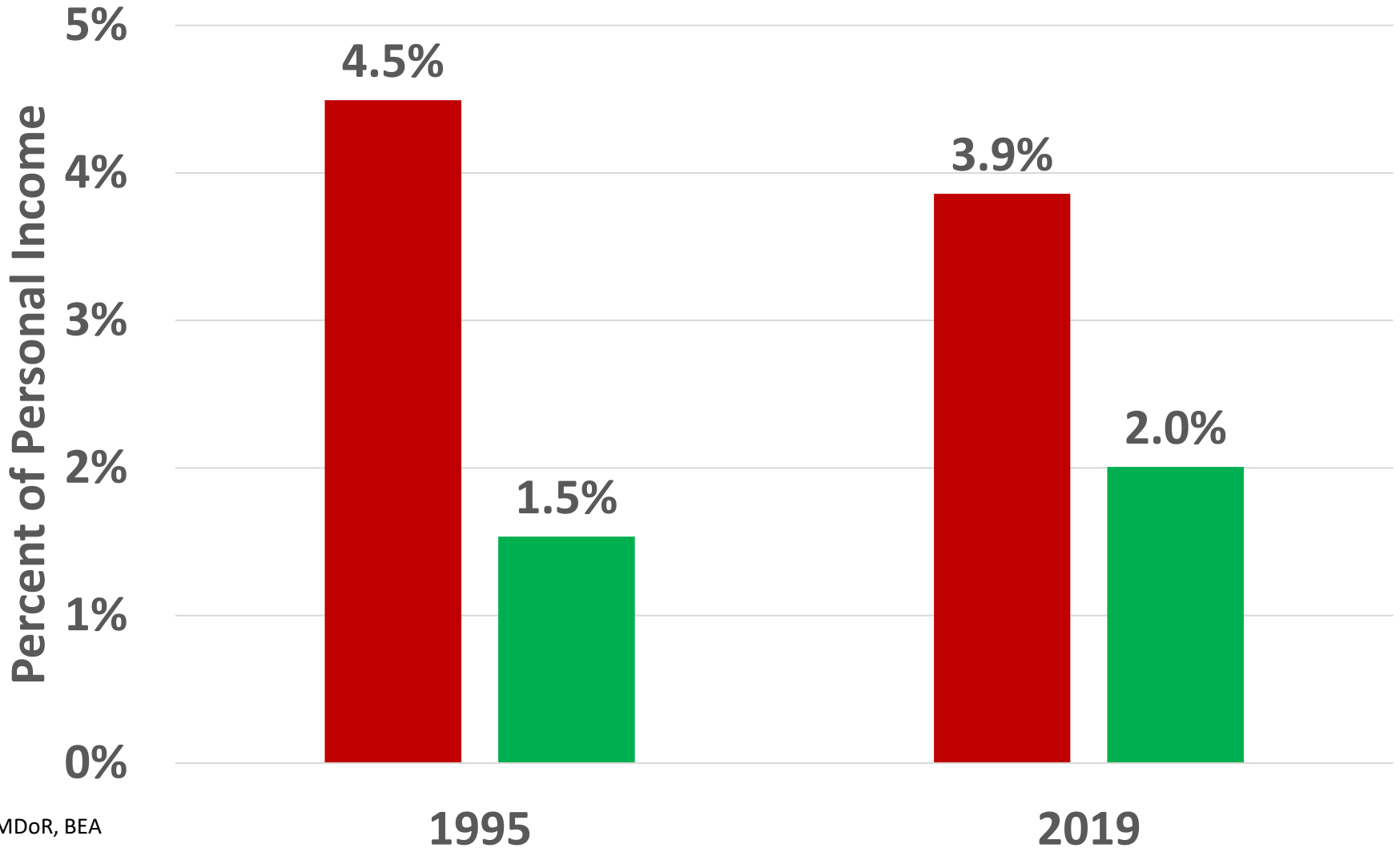
Market Value of Property

$120,000

$100,000

$80,000

$60,000

$40,000

$20,000

$0

$ Millions

■ 1995   ■ 2019

$101,609

$15,950

$20,864

$5,602

$13,834

$28,549

Residential   Commercial   All Other

MDoR
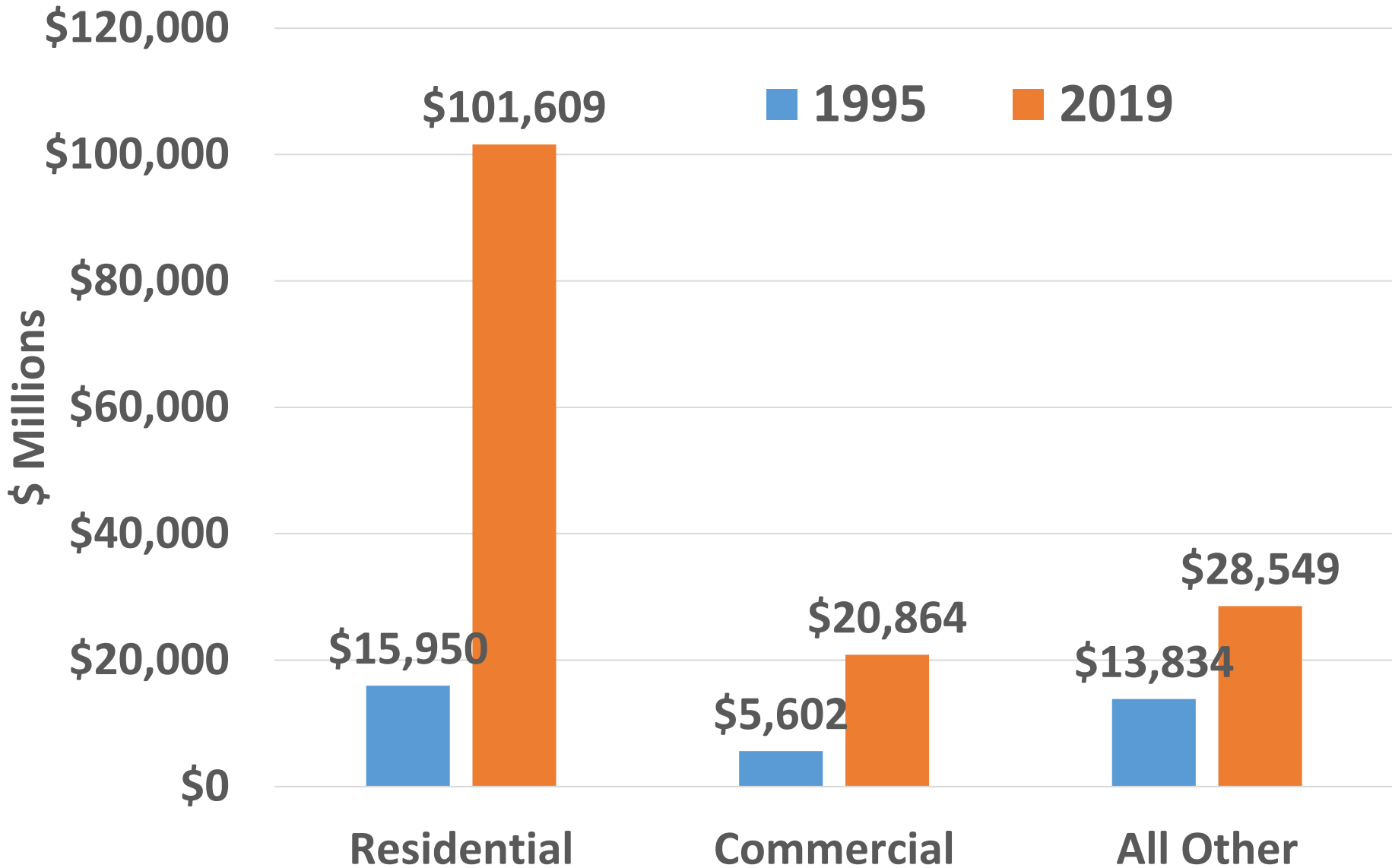
Future/Continuing Issues

1. Growth in SIDs and Fees, OR…
2. How to Finance How Much Local Government, including Schools
3. Classification System
4. Transparency of Property Tax Bill
5. Elderly Renter/Homeowner Tax Credit
6. Reappraisal
7. Tax Increment Financing Districts
8. …

Questions?

This presentation is available at the HB35 website.