

# Montana Annotation of Table 1.3 Potential Problems with the Property Tax and Promising Solutions

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**Potential Problems with the Property Tax and Promising Solutions**

Potential Problems	Promising Solutions	Policies to Avoid
<b>Fiscal disparities:</b> Poorer jurisdictions may struggle to provide adequate services at affordable tax rates	<b>State aid</b> Circuit breakers	Tax limits Tax swaps
<b>Perceived regressivity:</b> Belief that lower-income households pay a higher share of income in property taxes	<b>Circuit breakers</b> Income-based homestead credits Homestead exemptions and credits	Tax limits Classification
<b>Liquidity constraints:</b> Some homeowners are housing-rich, but income-poor	<b>Deferrals</b> <b>Circuit breakers</b>	Assessment limits
<b>Volatility:</b> Potentially sharp year-to-year increases in taxes, especially after reassessment	<b>Regular revaluations</b> Phase-ins Truth in Taxation Circuit breakers Deferrals	Assessment limits
<b>Inaccurate assessments:</b> Estimated property value is inaccurate or contested	<b>Quality assessment practices</b> <b>Regular revaluations</b>	Tax limits
<b>Salience:</b> Property tax is highly visible and paid in large lump sums	<b>Monthly payment options</b>	Tax limits
<b>Tax levels:</b> Property taxes for the <i>average</i> homeowner are too high, not just for <i>individual</i> homeowners	<b>State aid (well designed)</b> <b>Homestead exemptions and credits</b> <b>Increases in local government efficiency</b> <b>Truth in Taxation</b> Levy limits Local revenue diversification	State aid (poorly designed) Classification Decreases in local government services Assessment limits

Note: For each potential problem, the most promising solutions are in bold.

### Promising Solutions used in Montana:

- State aid: State aid equitably distributed through [school funding formula](#)
- Circuit breakers: Elderly homeowner and renter credit ([15-30-2340](#))
- Income-based homestead credits: Property tax assistance program ([15-6-305](#)) and disabled veteran program ([15-6-311](#))
- Quality assessment practices: State-level assessment, [Measuring the Quality of Reappraisal](#) report, informal and local appeals
- Regular revaluations: Annual or biennial revaluation for all property (except forest land)
- Levy limit ([15-10-420](#))

### Promising Solutions not used in Montana:

- Homestead exemptions and credits
- Deferrals
- Truth in Taxation
- Monthly payment options
- Local revenue diversification

### Policies to Avoid used or proposed in Montana:

- Tax limits: Levy limit ([15-10-420](#)), rate limit for 95 mills ([20-9-331](#), [20-9-333](#), [20-9-360](#))
- Tax swaps: Marijuana revenue to replace GTB and reduce property taxes ([HB 663](#))
- Classification: 16 classes of property with rates ranging from 0.34% to 100%
- Assessment limits: Proposed by [Ballot Issue 9](#)