

# 2021-2022 Revenue Interim Committee Members



**CHAIR**  
Sen. Jill Cohenour (D)  
(406) 227-1144  
Jill.Cohenour@mtleg.gov



**VICE-CHAIR**  
Rep. Becky Beard (R)  
(406) 479-3048  
becky4hd80@blackfoot.net



Rep. Alice Buckley (D)  
(406) 404-0891  
Alice.Buckley@mtleg.gov



Sen. Greg Hertz (R)  
(406) 253-9505  
greg.hertz@mtleg.gov



Sen. Brian Hoven (R)  
(406) 761-8533  
Brian.Hoven@mtleg.gov



Rep. Connie Keogh (D)  
(406) 298-0985  
Connie.Keogh@mtleg.gov



Sen. Mike Lang (R)  
(406) 654-7357  
mike.lang@mtleg.gov



Sen. Edie McClafferty (D)  
(406) 490-5873  
edie.mcclafferty@mtleg.gov



Sen. Shannon O'Brien (D)  
(406) 274-3805  
shannon.obrien@mtleg.gov



Rep. Mark Thane (D)  
(406) 552-3957  
thanehd99@gmail.com



Rep. Jeremy Trebas (R)  
(406) 899-5445  
trebasformhouse@gmail.com



Rep. Tom Welch (R)  
(406) 660-2988  
tom.welch@mtleg.gov

**Committee Staff:**

Megan Moore, Lead Staff  
memoore@mt.gov

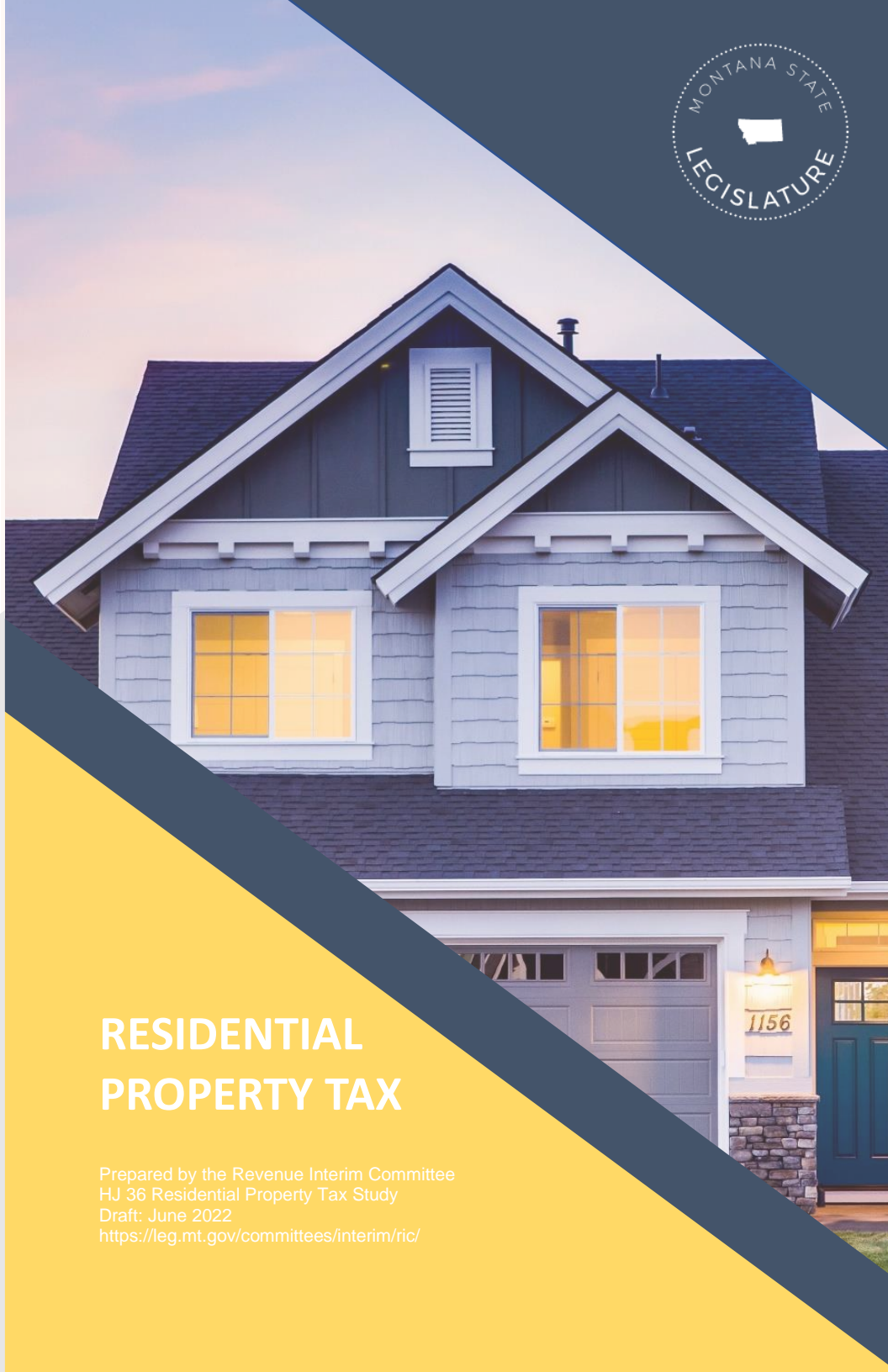
Jaret Coles, Attorney  
jcoles@mt.gov

Alexis Newcomer, Secretary  
alexis.newcomer@mt.gov

Brochure Design:  
Laura Sherley, Research Assistant

## RESIDENTIAL PROPERTY TAX

Prepared by the Revenue Interim Committee  
HJ 36 Residential Property Tax Study  
Draft: June 2022  
<https://leg.mt.gov/committees/interim/ric/>



# Residential Property Tax

## What are property taxes?

A property tax is a tax levied on the value of property. Property taxes are levied on land, buildings, and certain business property.

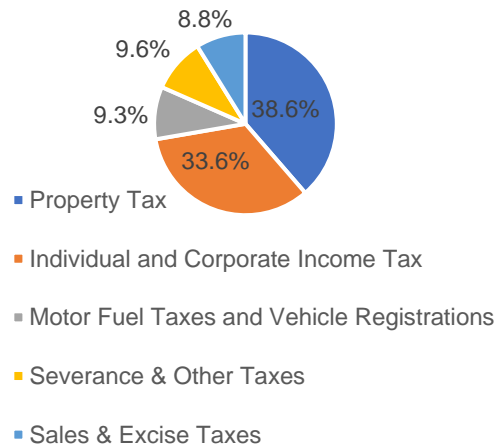
Residential property taxes are billed annually and due in two payments. Homeowners with a mortgage often pay property taxes monthly with their mortgage payment.

## Property Taxes Are Largest Source of State and Local Revenue

Property tax revenues totaled \$1.93 billion in FY 2019. Property taxes are the largest source of state and local tax revenue, accounting for about 39% of total state and local tax collections. Individual income and corporate income taxes account for about 34% of state and local tax revenue.

Under state law, the property tax is the only tax many cities and counties may levy. A limited number of localities are permitted to impose local option resort taxes and some counties levy marijuana taxes.

FY 2019 State and Local Tax Revenue in Montana



Source: Department of Revenue

## Property Tax Assistance and Appeals

Call your local Department of Revenue office to apply for a property tax assistance program or appeal your property value.

Montana has four property tax assistance programs.

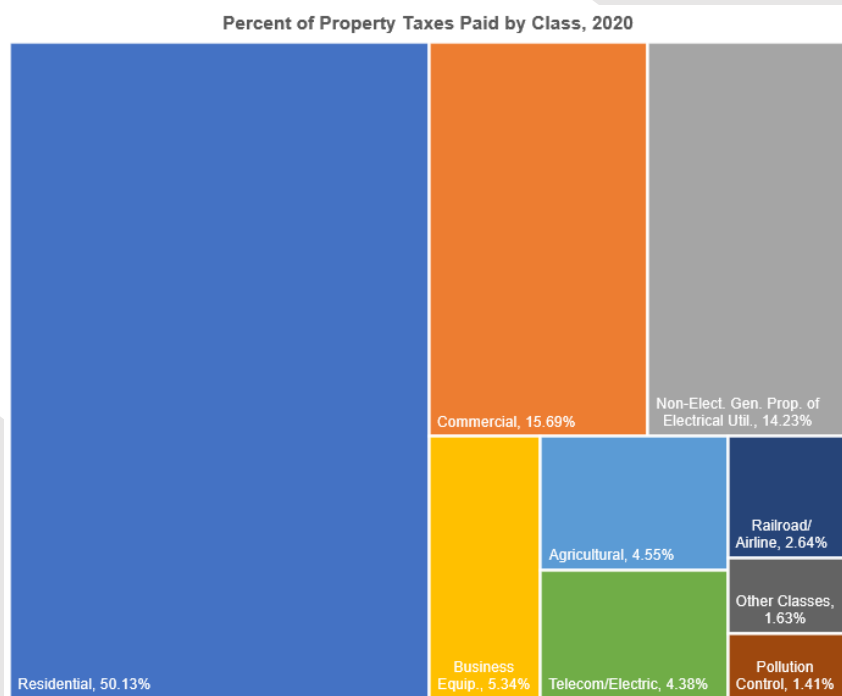
- **Property Tax Assistance Program:** Reduces the tax rate on the first \$200,000 of market value for a primary residence owned by a single person with income below \$23,385 or a married person or head of household with income below \$31,181.
- **Elderly Homeowner and Renter Tax Credit:** Income tax credit for homeowners or renters age 62 or older with household income of less than \$45,000. Refundable credit of up to \$1,150 based on property taxes or rent paid in the prior year on a primary residence.
- **Disabled Veteran Program:** Reduces the tax rate on the primary residence of a disabled veteran or surviving spouse with income below \$54,067 for a single disabled veteran, \$62,385 for a married or head of household disabled veteran, or \$47,136 for an unmarried surviving spouse.
- **Intangible Land Value Property Exemption:** Exempts the appraised land value that exceeds 150% of the appraised value of the primary residence and improvements for property owned by a family for at least 30 years.

The Department of Revenue mails notices of residential property values in the summer of odd-numbered years. Property owners may appeal the property value by following the instructions on the notification letter.

# Residential Property Tax

## Residential Property Pays Largest Share of Property Taxes

There are 16 classes of property in Montana with tax rates that vary by class and range from 0.9% of market value to 100% of net proceeds of mines. In 2020, taxes levied on residential property accounted for 50% of the property taxes collected in the state. Taxes on commercial property and non-electrical generating property of electric utilities each added another 15%.



Source: Department of Revenue

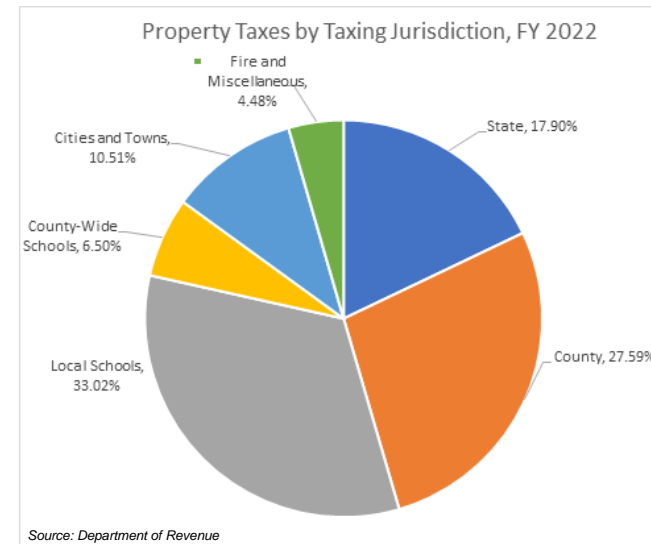
Residential, commercial, and agricultural property are revalued every 2 years and forest property is revalued every 6 years. All other property is valued annually.

## More than Half of Montana Property Taxes Fund Schools

Of the \$1.99 billion in property tax revenue collected in FY 2022, \$1.12 billion funds K-12 education.

- Local school district property taxes totaled \$658 million, or one-third of collections.
- County-wide school levies make up another 6.5%, or \$130 million.
- Of state property tax collections, \$334 million is deposited in the general fund. Though not directly earmarked for K-12 funding, the revenue accounts for less than half of the \$881 million in general fund revenue budgeted for schools in FY 2022.

The remaining 44% of property taxes are distributed as follows: 27.6% to counties, 10.5% to cities and towns, 4.5% to fire and miscellaneous districts, and 1.1% to higher education.



Source: Department of Revenue

MONTANA LEGISLATIVE SERVICES DIVISION  
Revenue Interim Committee

# Residential Property Tax

Taxes Levied by Jurisdiction Type, FY 2022		
Taxing Jurisdiction	Tax Revenue	Percent of Total
Local Schools	\$657,987,701	33.02%
County	\$549,771,437	27.59%
State	\$356,591,368	17.90%
Cities and Towns	\$209,355,673	10.51%
County-Wide Schools	\$129,563,295	6.50%
Fire and Miscellaneous	\$89,350,291	4.48%
	<b>\$1,992,619,764</b>	<b>100.00%</b>

Source: Department of Revenue

## State Laws Limit Property Taxes

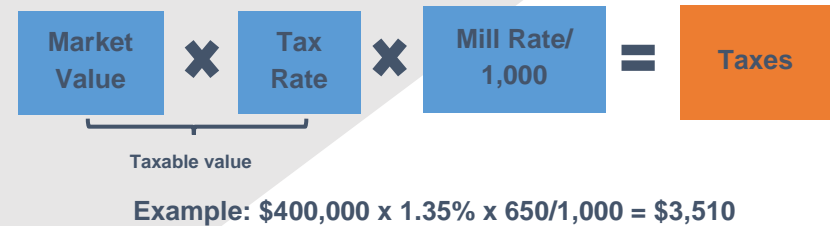
Cities and counties are permitted to levy mills to collect the amount of revenue raised in the prior year plus an inflation factor. The allowable revenue is calculated using the total taxable value of the city or county. The total taxable value varies based on the mix of property types, property values, and the amount of exempt property.

School districts use property taxes to fund multiple budgets based on school funding formulas adopted by the state and based on local preferences. The main budget for the district's general fund must meet a minimum level of required funding and is subject to a maximum budget limit.

## Voters May Approve Property Taxes Above State Limits

State law allows cities, counties, school districts, and special districts to ask voters to collect property taxes higher than those authorized in state law and to levy property taxes to pay for bonds. These levy elections or bond issue questions appear on school, city, or county election ballots.

## Legislative, Local Government Decisions Affect Tax Bills



Property taxes are equal to market value times tax rate, known as taxable value, times mill levies. One mill generates \$1 for each \$1,000 in taxable value. State and local entities play a role in making property tax policy, adopting budgets, and administering the tax.

**State Legislature** - The state legislature establishes property tax policy for the state, including property classes, tax rates, valuation methods, reappraisal cycles, property tax limits, appeal procedures, and property tax assistance programs.

**Taxing Jurisdictions** – School districts, cities, counties, and special districts collect property taxes by setting budgets and mill levies. The state levies 95 mills for K-12 education and 6 mills for the state university system.

**Department of Revenue** – The Department of Revenue administers property tax policies adopted by the Legislature. This includes classifying property, appraising property, and providing taxable values to property owners.

**County Treasurers** – County treasurers bill and collect property taxes and distribute revenue to taxing jurisdictions.