

TO: Revenue Interim Committee

FROM: Department of Revenue, Property Assessment Division

DATE: November 2, 2021

RE: Determination of Newly Taxable Property

The following is a high-level overview of the calculation of newly taxable property.

15-10-420 subsections (3) and (4) identify what property is to be included in the department's determination of newly taxable property which is certified annually to each taxing jurisdiction.

Newly taxable property is commonly associated with newly constructed Class 4 residential and commercial property but includes taxable value from other property as well, such as:

- The transfer or annexation of existing property into a taxing jurisdiction.
- The subdivision of real property.
- The release of incremental taxable value of a Tax Increment Financing (TIF) district from its termination, a boundary adjustment, or an increase in base value pursuant to 7-15-4287, MCA.

Newly taxable value does not include the increase in taxable value of an existing property that resulted from the departments biennial reappraisal. It also does not include any new construction that occurs within a TIF district and is included in the incremental value calculation of the TIF district.

In addition to Class 4 property, newly taxable value includes any increase in taxable value that has occurred from the prior year for Class 5, 7, 8, 9, 12, 13, 14, 15, 16 and 17 properties.

The total newly taxable value for a taxing jurisdiction is calculated by each tax class with no one class of property negatively impacting another class of property. Any negative value amongst a tax class would be considered having a zero newly taxable value for the purposes of calculating a taxing jurisdictions total newly taxable value.

The following example illustrates how newly taxable value would be calculated for a city/municipality taxing jurisdiction.

Class 4 Newly Taxable

- \$400,000 residential/commercial new construction
- \$100,000 property annexed into the city
- \$50,000 subdivision of existing property
- \$50,000 incremental value from expiration of a TIF district

Tax Class	Change in TV	Newly Taxable
4	\$2,600,000	\$600,000
8	\$75,000	\$75,000
9	(\$50,000)	\$0
12	\$10,000	\$10,000
13	\$100,000	\$100,000
14	(\$200,000)	\$0
Total	\$2,535,000	\$785,000