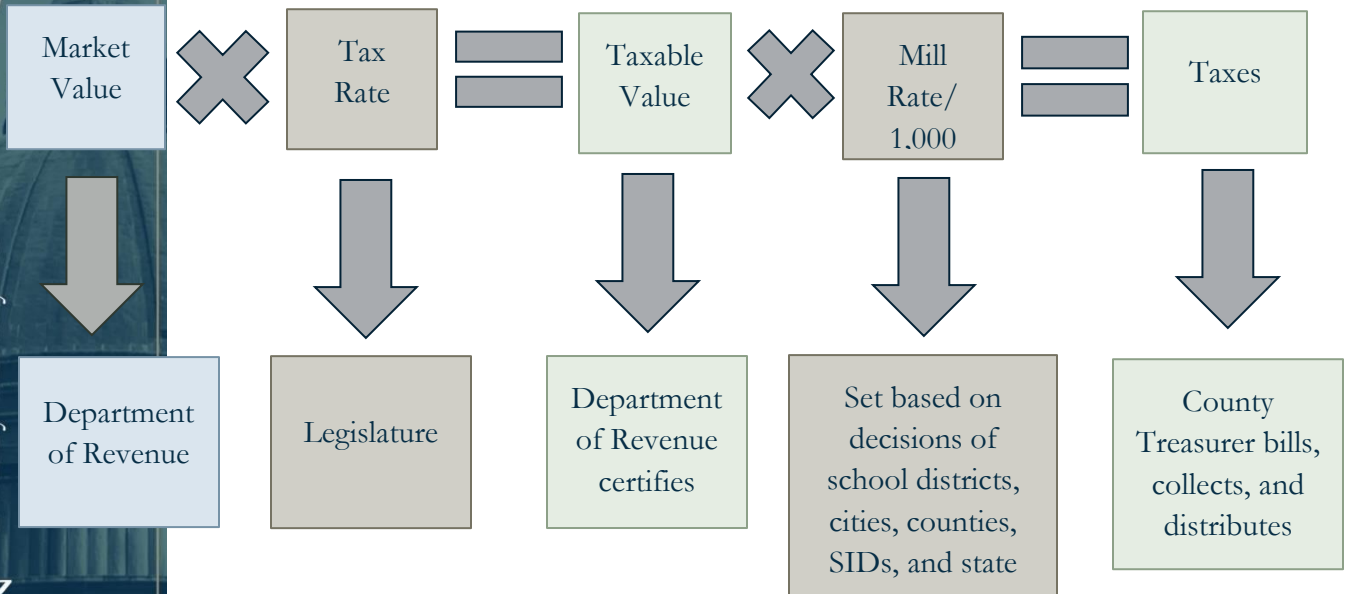


PROPERTY TAX OVERVIEW

PROPERTY TAX CALCULATION



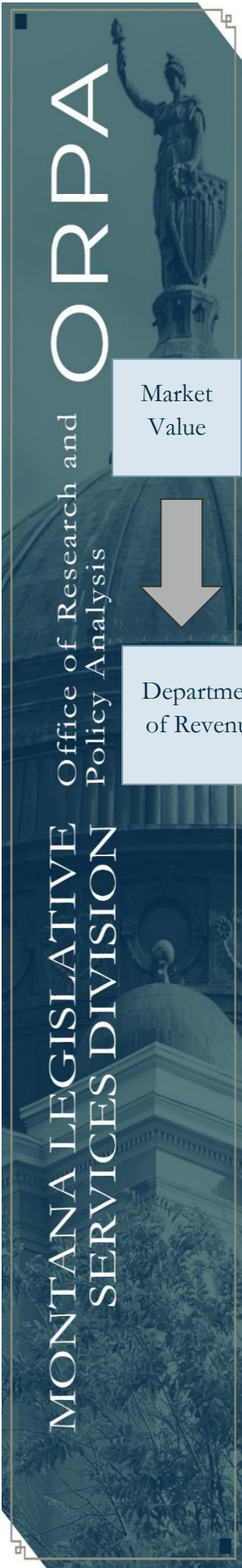
MILL LEVIES

Taxing jurisdictions in Montana set mill levies that are multiplied by taxable value to determine taxes due. The state levies property taxes for education as follows:

- the 95 mills: 33 mills for county elementary equalization, 22 mills for county high school equalization, and 40 mills for state equalization;
- 6 mills for the state university system; and
- 1.5 mills for vocational-technical education levied in Cascade, Lewis and Clark, Missoula, Silver Bow, and Yellowstone Counties.

Other taxing jurisdictions such as counties, cities, school districts, and special improvement districts also set mill levies to fund local services and public schools.

Section [15-10-420](#), MCA, limits mill levies for most taxing jurisdictions other than school districts to a levy sufficient to raise the revenue raised in the previous year plus half the rate of inflation over the previous 3 years. The allowable mill levy is calculated using the current year taxable value of property in the taxing jurisdiction less the



taxable value of newly taxable property. Newly taxable property includes new construction, subdivided property, and transfer of property from tax-exempt to taxable status.

A taxing jurisdiction may exceed the mill levy calculated pursuant to 15-10-420, increase a mill levy that is required to be submitted to voters, or impose a new mill levy upon an affirmative vote of the voters in the jurisdiction. This authority is provided for in [15-10-425](#), MCA.

CLASSES OF PROPERTY

The table on the next page summarizes property by class. There are 16 classes of property. (Former class six and class eleven are no longer used.)

Class	Description	Tax Rate	Valuation Standard	Valuation Cycle
1	Net proceeds of mines	100%	Net proceeds	Annual
2	Gross proceeds of metal mines	3%	Gross proceeds	Annual
3	Agricultural land, nonqualified agricultural land, nonproductive patented mining claims	2.16%; nonqualified ag: 15.12%	Productivity	2 years
4	Residential, commercial, industrial	Residential: 1.35%; Commercial/industrial: 1.89%; Residence value over \$1.5 million: 1.89%; Golf course: 0.945%	Market	2 years
5	Rural electric cooperatives not in class 7, rural telephone co-ops, pollution control/carbon capture equipment, new industrial property, property to furnish telecommunications in rural areas	3%; (pollution control and carbon capture equipment placed into service after 1/1/14 is exempt)	Market	Annual
7	Rural electric cooperatives not included in class nine, noncentrally assessed utilities	8%	Market	Annual
8	Business equipment	First \$300,000 MV exempt; \$300,001 to \$6M: 1.5%; Above \$6M: 3%	Market	Annual
9	Nonelectric generating property of electric utilities, pipelines	12%	Market	Annual
10	Forest land	0.34% in TY 2021; 0.31% in TY 2022; 0.37% after TY 2022	Productivity	6 years
12	Railroad and airline property	Lesser of taxable value of commercial property divided by market value of commercial property or 12%; 2020 tax rate: 3.2%	Market	Annual
13	Electric generating property of electric utilities and telecommunications utilities	6%	Market	Annual
14	Renewable energy production and transmission property	3%	Market	Annual
15	Carbon dioxide and liquid pipeline property	3%; 1.5% carbon sequestration equipment with an abatement	Market	Annual
16	High voltage direct-current converter stations	2.25%	Market value	Annual
17	Certain qualified data centers, dedicated communications infrastructure for 15 years (after which it is class thirteen)	0.9%	Market value	Annual
18	<i>(TY 22 for construction commencing after 6/1/21)</i> Green hydrogen facility, pipeline, or storage system property	1.5% for first 15 years after construction or 15 years after an additional investment of \$25 million; 3% thereafter	Market value	Annual

APPROACHES TO VALUE

The Department of Revenue uses three approaches to determine the market value of a property.

SALES COMPARISON APPROACH

The sales comparison approach uses comparable sales of like property. Sales prices for arm's-length sales of similar properties are used with adjustments for property characteristics. The sales comparison approach is used for residential and commercial property.

COST APPROACH

The cost approach uses the original cost of the property less depreciation. Information comes from the balance sheet and other business records. The cost approach is used for commercial property and industrial property and may be used for residential property when sales data is not available.

INCOME APPROACH

The income approach uses the income generated from the property divided by a capitalization rate. The capitalization rate is the rate of return expected from investment property. The information comes from income statements and financial markets. The income approach is used to value commercial and industrial property.

A version of the income approach is also used to value agricultural property and forest property, which are valued based on their productivity.

CENTRALLY ASSESSED PROPERTY

Centrally assessed property is property operated as a single and continuous property, either because the property is physically connected or because the property is functionally operated as a single entity. Examples of centrally assessed property are railroads; scheduled airlines; telephone, electric power, or transmission lines; rate-regulated natural gas transmission or oil transmission pipelines; natural gas distribution utilities; gas-gathering facilities; and canals, ditches, and flumes. Centrally assessed property is included in class five, class nine, class twelve, class thirteen, class fourteen, and class fifteen.

The unit valuation method is used to value centrally assessed property. The Department values the property of the entire company and that value is allocated to the state of Montana and then to taxing jurisdictions within the state. Intangible personal property is exempt from taxation and must be removed from the unit value of centrally assessed property. Examples of intangible personal property include stocks, bonds, licenses, promissory notes, copyrights, patents, trademarks, contracts, software, franchises, and goodwill.

PROPERTY TAX COLLECTIONS

In fiscal year 2021, property tax revenue collections totaled \$1.9 billion. This section provides information on property tax collections by jurisdiction and by property class. The data is from "Montana Department of Revenue Biennial Report July 1, 2018 – June 30, 2020."¹

SCHOOLS ACCOUNT FOR LARGEST SHARE OF PROPERTY TAX REVENUE

Of the \$1.9 billion in property tax revenue collected in FY 2021, local schools received the largest share: more than 34% or \$652 million. This includes mill levies for elementary districts, high school districts, and K-12 districts, but does not include the state's 95 mills for school equalization, the 6-mill university levy, or the 1.5-mills for vocational-technical education levied in certain counties or county-wide mill levies for school transportation and teacher retirement. The state mills account for 17% of property tax collections and county-wide schools for 6.8%.

Counties and cities received the second- and fourth-largest shares of property taxes, or 27% and 10%, respectively. Fire and miscellaneous districts received the least property tax revenue: 4%.

The \$1.9 billion figure does not include special improvement districts and fees, which accounted for almost \$199 million more in property tax collections in FY 2021.

See pages 233 and 234 of the [Biennial Report](#) for complete data and a graphic representation of property taxes levied by jurisdiction.

HALF OF PROPERTY TAXES COLLECTED FROM RESIDENTIAL PROPERTY

In FY 2021, property taxes levied on residential property accounted for 50% of total property tax collections, or more than \$955 million. Commercial property paid 15% of property tax, the second-largest share. Taken together, class four property is responsible for 65% of property tax collections.

Just under 15% of revenue came from class nine property, which is non-electrical generating property of electrical utilities, and 5% is from class eight business equipment.

All other classes of property accounted for less than 5% each, with the following rounding out the classes that paid more than 1% but less than 5%: class three agricultural land, 4.4%; class thirteen telecommunication and electric property, 4.3%; class twelve railroad and airline property, 3%; and class five pollution control equipment, almost 1.5%.

¹ Available from: <https://mtrevenue.gov/publications/biennial-reports/>.

See pages 230 and 231 of the [Biennial Report](#) for complete data and a graphic representation of property taxes levied by class.

PROPERTY TAX ASSISTANCE

There are two property tax assistance programs that reduce the taxable value of eligible taxpayers and an income tax credit for property taxes paid by elderly homeowners and renters.

PROPERTY TAX ASSISTANCE PROGRAM

The property tax assistance program reduces the taxable value on the first \$200,000 of value of a taxpayer's primary residence. For tax year 2021, eligibility is set at federal adjusted gross income of \$23,385 or less for single taxpayers and \$31,181 or less for married taxpayers or heads of household. The taxpayer receives an exemption of 80%, 50%, or 30% based on income.

DISABLED VETERANS PROGRAM

A 100% disabled veteran or the spouse of a veteran killed on active duty or who died from a service-connected disability is eligible for an exemption on the primary residence of 50% to 100% based on income. For 2021, the federal adjusted income limit is \$54,067 for a single qualified veteran, \$62,385 for a married or head of household qualified veteran, and \$47,136 for an unmarried surviving spouse.

ELDERLY HOMEOWNER AND RENTER CREDIT

The elderly homeowner and renter income tax credit is available for homeowners and renters age 62 or older who reside in Montana at least 9 months of the tax year. The credit is based on the amount of property taxes or rent-equivalent tax paid (which is equal to 15% of gross rent). The amount of the credit varies based on income and is available to taxpayers with a gross household income of less than \$45,000. The maximum credit is \$1,000 in tax year 2021 and the credit is refundable. The credit may not be claimed by residents of property not subject to property taxes (such as certain nursing facilities), except for property rented from a county or municipal housing authority.

The 2021 Legislature enacted [HB 191](#), increasing the maximum credit to \$1,150 beginning in income tax year 2022. The bill also doubles the income that is excluded when calculating the credit. The [fiscal note](#) estimates that these two changes will increase credits claimed from \$7.2 million to \$10 million in tax year 2022.