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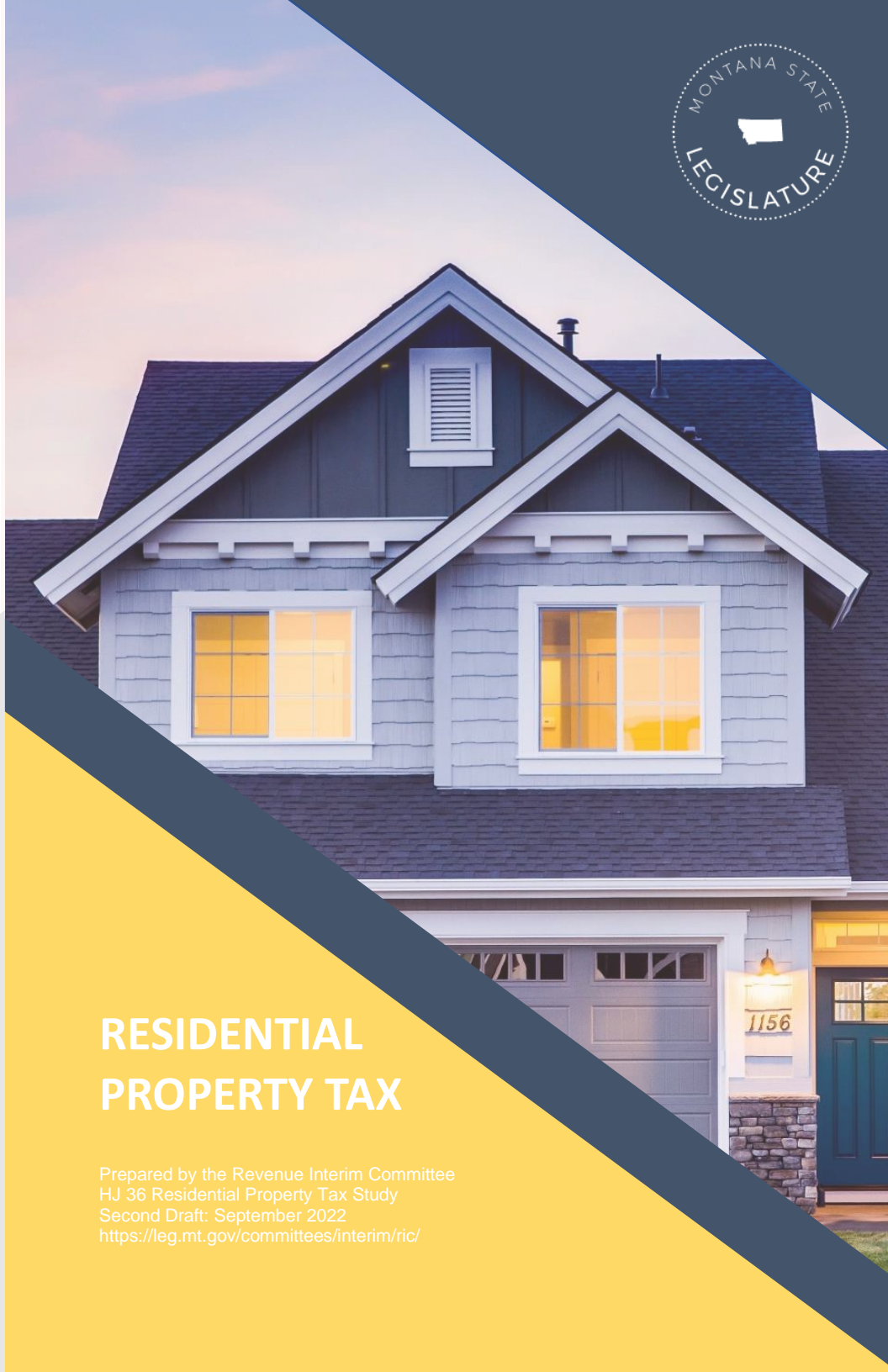
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RESIDENTIAL PROPERTY TAX

Prepared by the Revenue Interim Committee
HJ 36 Residential Property Tax Study
Second Draft: September 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.

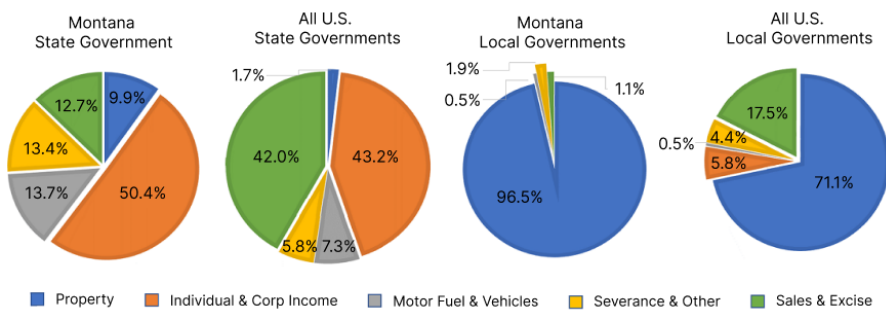
Residential property is valued in odd-numbered years. Taxes are billed annually and due in two payments on Nov. 30 and May 31. Homeowners with a mortgage often pay property taxes with their mortgage payments.

Property Taxes Are Larger Share of State & Local Revenue in Montana than in U.S.

Property taxes in Montana account for 10% of state taxes compared with 2% for all states combined. At the local level, Montana property taxes make up 97% of local taxes, considerably more than the 71% share for all states.

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 and U.S.



Source: U.S. Census Bureau, Montana 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.

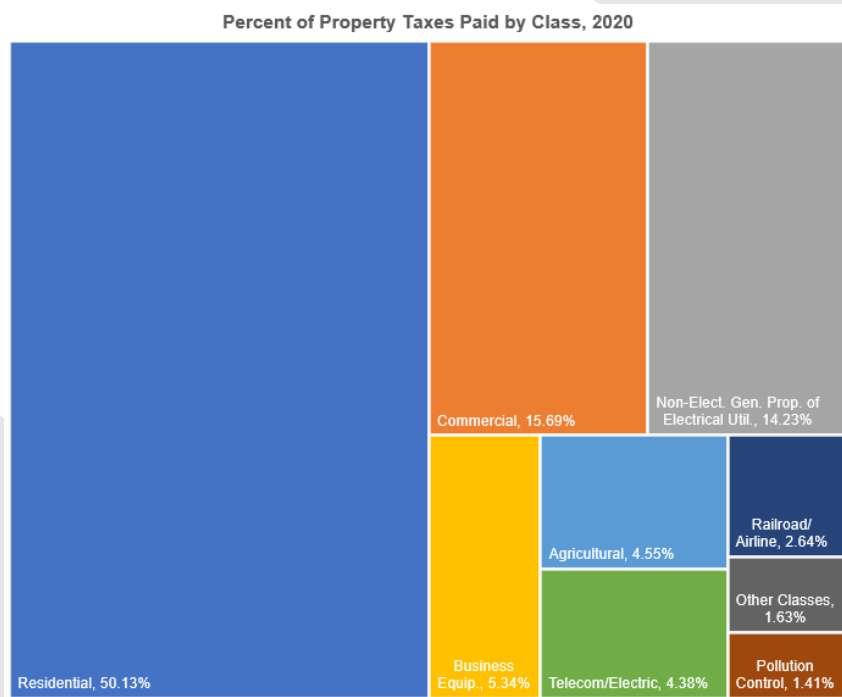
- Property Tax Assistance Program:** Reduces the tax rate on the first \$200,000 of market value for a primary residence owned by a single person with income below \$23,385 or a married person or head of household with income below \$31,181.
- Elderly Homeowner and Renter Tax Credit:** Income tax credit 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

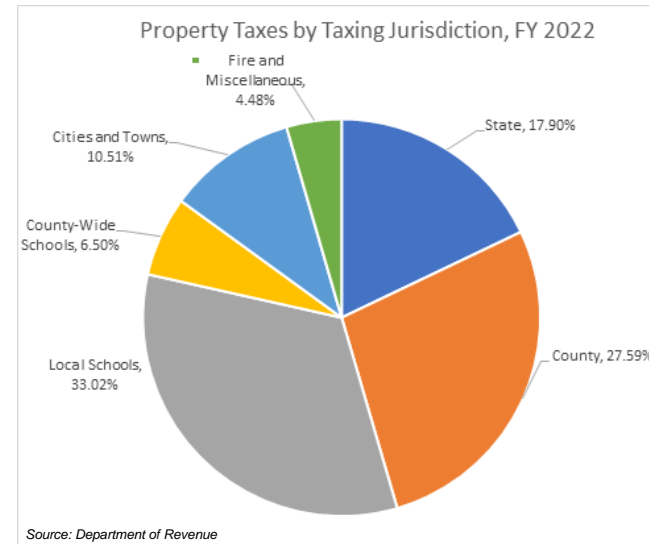
Residential, commercial, and agricultural property are revalued every 2 years and forest property is revalued every 6 years. All other property is valued annually.

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%
	\$1,992,619,764	100.00%

Source: Department of Revenue

State Laws Limit Property Taxes

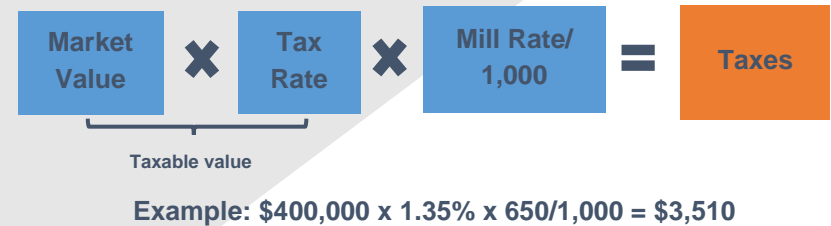
Cities and counties are permitted to levy mills to collect the amount of revenue raised in the prior year plus an inflation factor. **The maximum mill levy is calculated using the current year's taxable value. The application of the approved mill levy to new property may result in revenue growth.** The total taxable value varies based on the mix of property types, property values, and the amount of exempt property in the taxing jurisdiction.

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.