

# Property Tax Study

Part 1: Basics

Part 2: General Data

Local Government Interim Committee

November 9, 2023

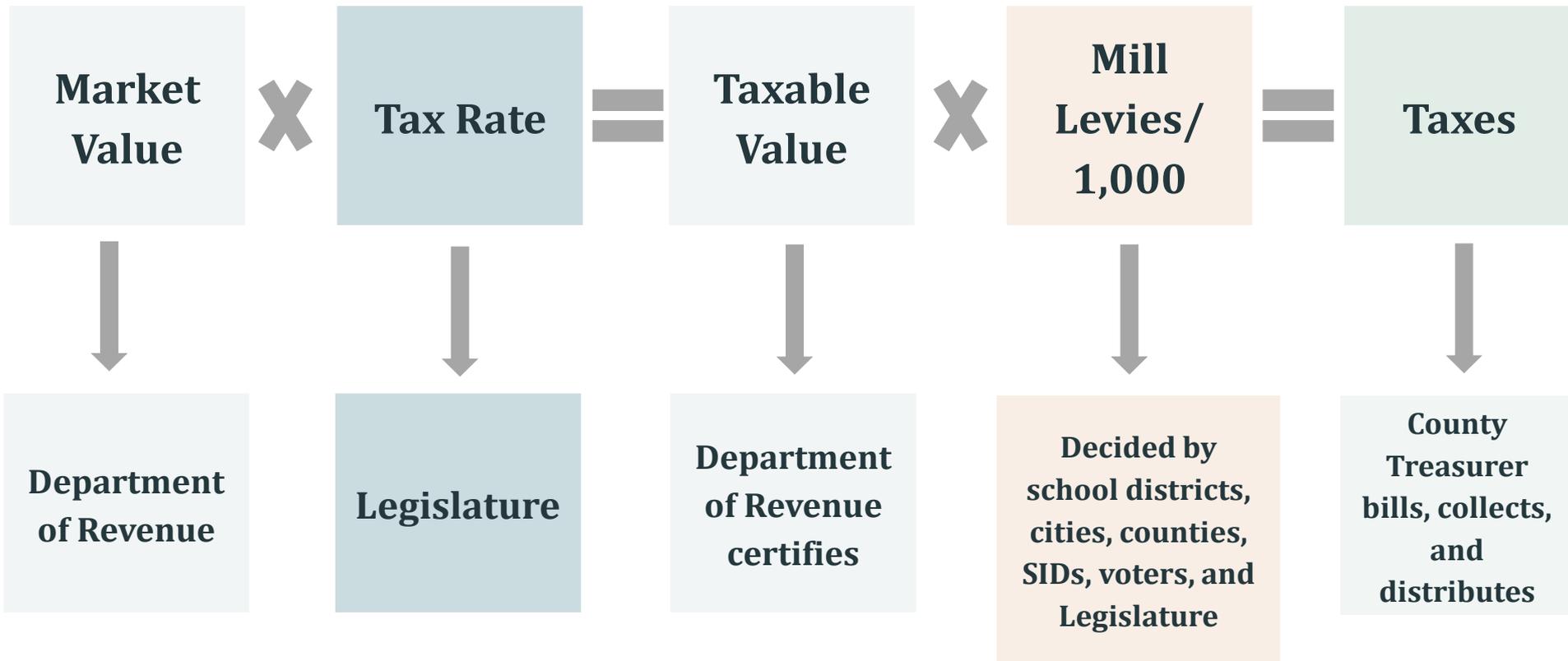
Prepared by Megan Moore



# Part 1: Basics



# How are property taxes calculated?



# DOR Values Property

## Montana Constitution

### Article VIII, Section 3:

The state shall appraise, assess, and equalize the valuation of all property which is to be taxed in the manner provided by law.

## State Law

- Market value - except for agricultural, forest
- Approaches to value - sales comparison, cost, income
- Reappraisal cycles
  - 2 year: residential, commercial, agricultural, certain centrally assessed in 2024, forest in 2025
  - 1 year: all other property

# Classes of Property Determine Tax Rates

Class	Description	Rate
1	Net proceeds of mines	100%
2	Gross proceeds of metal mines	3%
3	Agricultural land/non-qualified agricultural land	2.16%/15.12%
4	Residential/commercial, industrial	1.35%/1.89%
5	Rural electric cooperatives not in class 7, rural telephone co-ops, pollution control/carbon capture equipment, property to furnish telecommunications in rural areas	3%
7	Rural electric cooperatives not included in class nine, noncentrally assessed utilities	8%
8	Business personal property	First \$300,000 exempt, next \$6M, 1.5%; above \$6M, 3%
9	Non-electric generating property of electric utilities, pipelines	12%
10	Forest land	0.29% in 2023 0.27% in 2024 0.37% after 2024
12	Railroad and airline property	3.06% in 2022
13	Electric generating property, telecommunications utilities	6%
14	Renewable energy production and transmission property	3%
15	Carbon dioxide and liquid pipeline property	3%, 1.5% for carbon sequestration equipment with an abatement
16	High voltage direct-current converter stations	2.25%
17	Certain qualified data centers, dedicated communications infrastructure for 15 years (class 13 after)	0.9%
18	Green hydrogen facility, pipeline, or storage system property with construction beginning after 6/1/21	1.5% for 15 years after construction or 15 years after additional investment of \$25 million, 3% after

# DOR Certifies Taxable Values

- Due by first Monday in August
- Used by local governments to calculate mill levies
- Available on DOR website:  
<https://svc.mt.gov/dor/property/cov>

# How are mill levies set?

## State

- Mills set in state law:
  - 95 mills for state equalization
  - 6 mills for university system
  - 1.5 mills for vo-tech (certain counties)

## City, County, Local School

- Authority in state law, mills set locally
  - Permissive vs. voted
  - Required or formulaic (schools)

# County and City Levies Limited

- Limited to 1996 levels
- 15-10-420 allows inflationary adjustment
- Voted levies
  - Exceed 15-10-420 authority
  - Increase levy requiring voter approval
  - Impose new mill levy

# Local School Levies Formula Driven

- Schools funded with federal, state, local revenue
- State and local revenue based on formula
  - Number of students
  - Amount of state aid
  - Availability of other revenue

# Countywide School Levies

- Fund school district employee retirement and part of pupil transportation
- State formulas determine expenditure amount and other revenues required to offset property tax
- Multi-county district levies prorated based on pupil residency

# Taxes Due in Nov. and May

- County treasurers bill, collect, distribute
- Half due Nov. 30 and May 31 (following year)
- Personal property not affixed to real property
  - Mobile homes: May 31 & Nov. 30 (current year)
  - Other personal property: 30 days from billing date
- 2024: Optional alternative payment schedule for primary residences

# Property Tax Assistance



## Property Tax Assistance Program

- Reduces taxable value on \$200,000 of market value (\$350,000 in 2024) to 20%, 50%, or 70% of value, based on income
- Maximum 2023 income: \$24,607 single/\$32,810 married or head of household
- Ownership and occupancy for 7 months of the year



## Disabled Veteran Program

- Reduces taxable value of 100% disabled veteran or surviving spouse to 0%, 20%, 30%, or 50% of value, based on income
- Maximum 2023 income of \$56,892 single/\$65,645 married or head of household/\$49,599 surviving spouse
- Ownership and occupancy for 7 months of the year

# Property Tax Assistance



## Intangible Land Value Exemption

- For up to 5 acres of land valued disproportionately higher than the primary residence located on the land
- Land value above 150% of the primary residence value is exempt (subject to the statewide average value of land)
- Requires ownership by applicant or family for 30 years



## Elderly Homeowner & Renter Credit

- Refundable income tax credit of up to \$1,150 for homeowners and renters age 62+
- Credit for property taxes or 15% of rent paid, based on income
- Maximum income of \$45,000
- Must reside in Montana for 9 months of the year

# Part 2: General Data

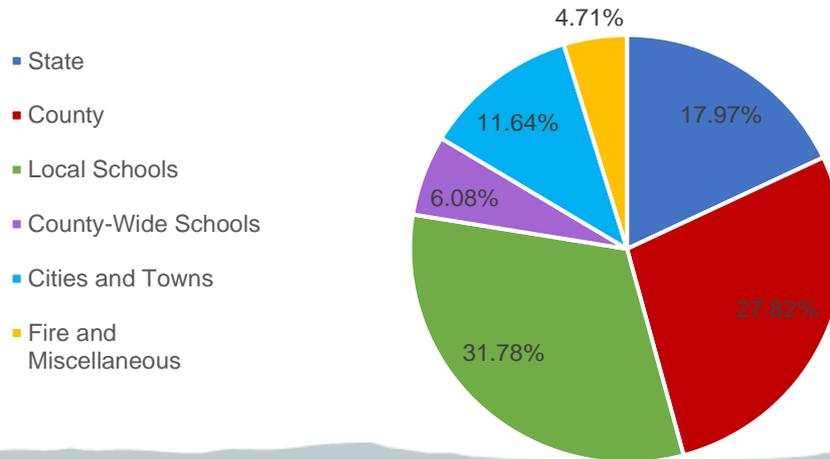


# Taxes Levied by Jurisdiction

## Taxes Levied by Jurisdiction Type

Taxing Jurisdiction	FY2023		FY2024	
	Tax Revenue	Percent of Total	Tax Revenue	Percent of Total
State	\$371,026,095	17.79%	\$407,821,408	17.97%
County	\$587,697,349	28.18%	\$631,275,491	27.82%
Local Schools	\$675,085,981	32.37%	\$721,090,680	31.78%
County-Wide Schools	\$124,370,782	5.96%	\$137,944,425	6.08%
Cities and Towns	\$234,949,526	11.26%	\$264,049,410	11.64%
Fire and Miscellaneous	\$92,582,726	4.44%	\$106,932,306	4.71%
	<b>\$2,085,712,459</b>	<b>100.00%</b>	<b>\$2,269,113,719</b>	<b>100.00%</b>

Allocation of Property Taxes by Taxing Jurisdiction Type in FY 2024

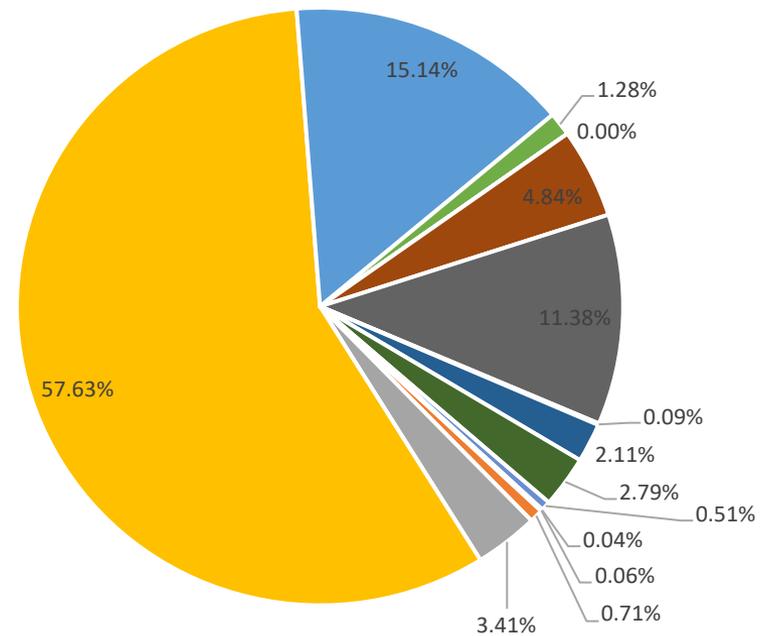


Source: Department of Revenue

# Residential Pays Largest Share of Taxes

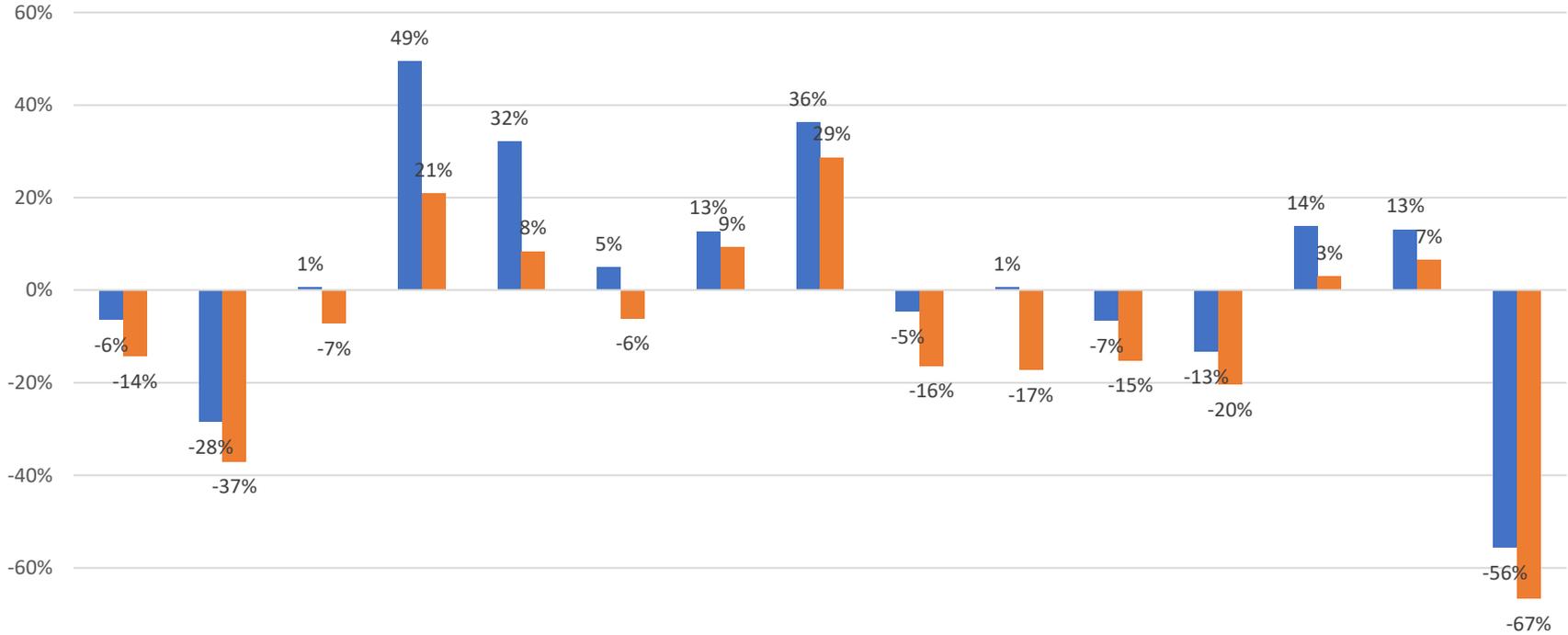
Percent of Property Taxes Paid by Class TY 2023

- Mine Net Proceeds
- Gross Proceeds Metal Mines
- Agricultural Land
- Residential
- Commercial
- Pollution Control Equipment
- Non-Centrally Assessed Public Util.
- Business Personal Property
- Non-Elect. Gen. Prop. Of Electrical Util.
- Forest Land
- Railroad and Airline Property
- Telecommunication & Electric Property
- Commercial Wind Generation Facilities
- Carbon Dioxide and Liquid Pipeline



Source: Department of Revenue

# Change in Taxable Value & Taxes Paid: TY 2022 to TY 2023



	Mine Net Proceeds	Gross Proceeds Metal Mines	Ag Land	Res.	Com.	Pollution Control Eq.	Non-Centrally Assessed Public Util.	Business Personal Property	Non-Elect. Gen. Prop. Of Electrical Util.	Forest Land	Railroad and Airline Property	Telecom. & Electric Property	Com. Wind Gen. Facilities	Carbon Dioxide and Liquid Pipeline	Data Centers
■ Taxable Value Change	-6%	-28%	1%	49%	32%	5%	13%	36%	-5%	1%	-7%	-13%	14%	13%	-56%
■ Taxes Paid Change	-14%	-37%	-7%	21%	8%	-6%	9%	29%	-16%	-17%	-15%	-20%	3%	7%	-67%

■ Taxable Value Change   ■ Taxes Paid Change

Source: Department of Revenue data

# Property Tax Assistance

Program	Participants	Loss in State Revenue	Tax Shift	Total Benefit to Participants	Average Benefit
Property Tax Assistance Program	21,527	\$2,845,918	\$15,292,524	\$18,138,442	\$843
Elderly Homeowner & Renter Credit	13,071	\$7,049,440	-	\$7,049,440	\$539
Disabled Veteran Program	3,028	\$972,630	\$4,970,760	\$5,943,390	\$1,963
Intangible Land Value Exemption	166	\$71,092	\$294,711	\$365,803	\$2,204

Source: 2020-2022 Biennial Report