



Revenue Interim Committee

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68th Montana Legislature

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TO: Committee Members

FROM: Jaret Coles, Staff Attorney

RE: Administrative Rule Activity

DATE: June 20, 2024

Department of Revenue

Proposal and Adoption Notices are available on the Internet:

Department of Revenue notices can be found on the Secretary of State's website at <http://www.mtrules.org>. Under the Montana Administrative Register heading, type the number "42" in the "Search by Notice No." box and click on the "Go" icon.

Notice of Proposed Rules:

Property Taxation -- Valuation of Commercial Properties. [MAR 42-1078](#). A public hearing will be held on July 1, 2024, and the public comment period ends on July 8, 2024. The Department proposes to amend two rules and repeal one rule. The first proposed amendment provides that the Department uses the income approach to valuation for commercial property when there is sufficient information, followed by the cost approach. The proposal provides further that the Department does not develop sales comparison market models for commercial property.

The second proposed amendment provides how the Department develops the model for the income approach, including how information is gathered and the development of a capitalization rate. One of the income approaches is the development of a gross income multiplier to value an apartment complex with eight units or less. As part of the revision, specific details regarding procedures, formatting, and differentiating between certain commercial operations in the development of income models is proposed for deletion.

The proposed repeal moves material to the second proposed amendment and deletes what is referred to as unnecessary verbiage.

Staff Comment: Section [15-8-111](#), MCA, provides the statutory standard for the determination of market value. The statutory standard for commercial property is “information available from any source considered reliable”. Moreover, the Department is required to “conduct the appraisal following the appropriate uniform standards of professional appraisal practice for mass appraisal promulgated by the appraisal standards board of the appraisal foundation” (USPAP). The proposed amendments specifically provide for usage of the [USPAP standard](#).

Notice of Adopted Rules:

Housekeeping – Corporate Income -- Water's Edge Filing Requirements -- Senate Bill No. 246 (2023). [MAR 42-1077](#). Adopted June 11, 2024. A public hearing was held, and no oral or written comments were received. The Department amended one rule and repealed one rule to implement [Senate Bill No. 246](#), which in turn eliminated the list of countries that are considered tax havens from the income and apportionment factors. The proposal was necessary to comply with the statutory changes.

Montana Tax Appeal Board

Notice of Proposed Rules: None

Notice of Adopted Rules: None