



GOVERNOR GREG GIANFORTE
DIRECTOR BRENDAN BEATTY

MEMORANDUM

To: Revenue Interim Committee
From: Property Assessment Division
Date: September 19, 2023
Subject: Real Property Tax Exemptions Performance Audit

Real Property Tax Exemptions Action Plan

Recommendation #1:

We recommend the Department of Revenue implement periodic quality control testing and review of exempt real property.

1. Department Concur
2. Responsible party-Tiffany Pouliot-Harris
3. Plan for implementation:
 - a. Numerous additional Quality Assurance reports have been established and will be routinely ran. The department has developed multiple reports to identify quality control testing noted amongst the audit report. The quality assurance reports will identify and review property types, property flags, class codes, on-site reviews, coding of partially exempt properties, termination dates, and review of properties with recent ownership transfers on exempt real property data.
4. Target date for the implementation
 - a. Completed - June 2023. The department has 14 established quality assurance reports that are routinely ran to identify and review exempt real property data.

Recommendation #2:

We recommend the Department of Revenue establish and implement a process to improve the accuracy and usefulness of data to enhance reporting on exempt real properties.

1. Department Conditionally Concur
2. Responsible party-Tiffany Pouliot-Harris
3. Plan for implementation:
 - a. The department has established reoccurring quality assurance reports to identify and review exempt real property data. The reports include data on properties flagged due to termination dates, review and verification of governmental properties for correctly assigned exemption type, and review of property type description fields. The department will create additional exemption types as exemption applications are submitted, for any categories the department does not currently have. With the termination of HB389 in December of 2021, the department is no longer required to provide a public facing listing of exempt real property. However, for transparency, we will continue to provide this listing. Regarding the partial exemptions, the department is working on enhancing the current information that is listed. Improved guidance, including specific instructions on verifying, processing, and coding of exempt properties is being developed for department staff to improve training and prevent errors with a target date of March 2024.
4. Target date for the implementation
 - a. Completion of improved Exemption Guidebook for staff-March 2024
 - b. Enhancing the current information provided in the public listing for partial exemptions-August 2024

Recommendation #3:

We recommend the Department of Revenue consistently conduct and document site visits as part of the exemption application review process.

1. Department Conditionally Concur
2. Responsible party-Tiffany Pouliot-Harris
3. Plan for implementation:
 - a. Current applications are all receiving site reviews. Quality assurance is actively occurring.
4. Target date for the implementation
 - a. Completed – June 2023
5. Subsequent documentation demonstrating successful implementation of corrective measures
 - a. Current quality assurance report identifying active applications needing an On-Site Review, is current with pending applications, indicating completed applications have had an on-site review conducted.

Recommendation #4:

We recommend the Department of Revenue update practices and as necessary, seek legislation to make statute and practices related to determining and recording the taxable status or payment in lieu of taxes amount of Department of Fish, Wildlife & Parks property, consistent.

1. Department Concur
2. Responsible party-Tiffany Pouliot-Harris
3. Plan for implementation:
 - a. The Department of Revenue is coordinating with Montana Fish, Wildlife, & Parks to identify, verify and update all property owned by FWP. All pertinent information is being updated amongst both parties. The department will not be able to verify all information prior to tax billing in October of 2023. This information will be communicated with the Treasurer's and FWP as we work together on a solution for all parties.
4. Target date for the implementation
 - a. 2025 pending a 2025 Legislative Session change

Recommendation #5:

We recommend the Department of Revenue develop effective identification and tracking of government property leased out to private entities for their beneficial use and pursue legislation that requires governmental entities to report beneficial use and exclusive use.

1. Department Conditionally Concur
2. Responsible party-Tiffany Pouliot-Harris
3. Plan for implementation:
 - a. Exempt parcels with known beneficial use are cyclically reviewed and taxable information is updated. Improved exemption guidelines for staff will elaborate on how to identify beneficial use and ensure known parcels are receiving an accurate determination. With a 2025 legislative change, the department can start identifying and reviewing beneficial use in 2026.
4. Target date for the implementation
 - a. 2026 pending a 2025 Legislative Session change

Recommendation #6:

We recommend the Montana Legislature require a periodic reapplication and review of exempt real property.

1. Recommendation to the Montana Legislature.

Recommendation #7:

We recommend the Department of Revenue provide the required information related to real property tax exemptions, as available, in the biennial report to better inform legislative decision-making.

1. Department Concur
2. Responsible party – Eric Dale, Tax Policy & Research
3. Plan for implementation:
 - a. The department agrees that more information can and should be provided in the biennial report related to tax expenditures for real property exemptions. As discussed in the audit report, the property tax data is continually improving. As data improvements continue to be implemented, the department will continue to improve the biennial report. With regard to the specific audit recommendations, future biennial reports will include specific statutes and the year of enactment for each of the individual exemption. Additionally, to the extent possible, the statutorily defined purposes of specific exemptions will be included in future biennial reports. However, very few tax expenditures contain statutorily defined purposes, as mentioned in the report, and the biennial report is only able to report the purpose of an tax expenditure when it is clearly defined in statute in order to continue to present useful and unbiased information to the legislature and the public. In addition to the audit recommendations, future biennial reports will attempt to better identify real property tax expenditures requiring an application.
4. Target date for implementation
 - a. December 2024

Recommendation #8:

We recommend the Montana Legislature require new real property tax exemptions include policy goals and evaluation metrics and assign responsibility for evaluation and review of real property tax exemptions.

5. Recommendation to the Montana Legislature.