

Property Tax Study

Part 1: Basics

Part 2: General Data

Part 3: Comparisons

Revenue Interim Committee

September 18-19, 2023

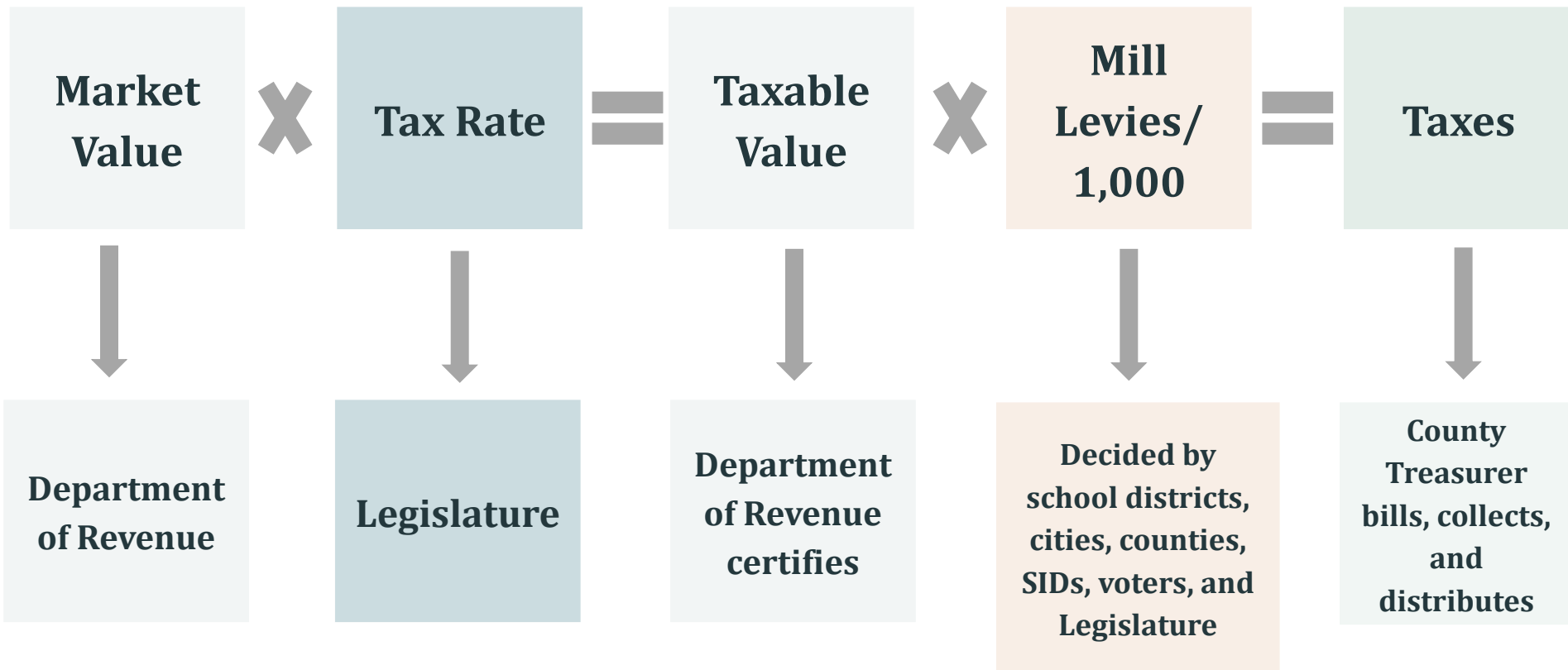
Prepared by Megan Moore



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

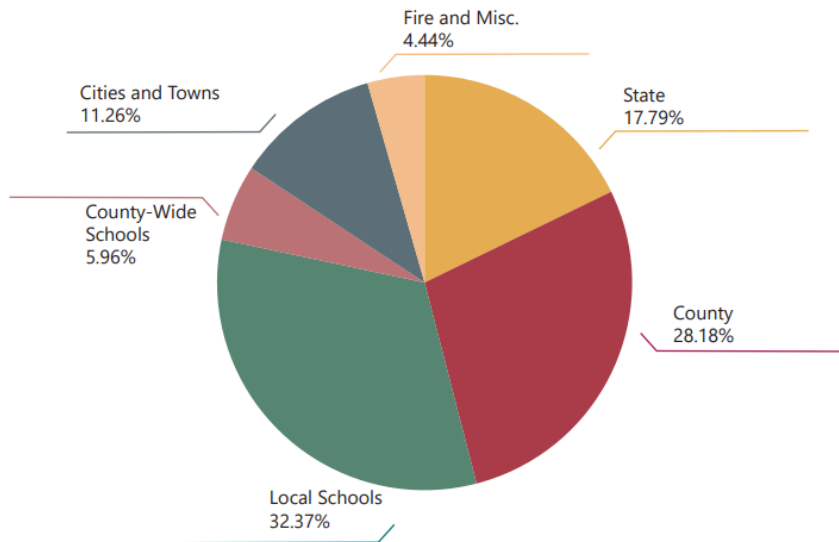
Part 2: General Data



Taxes Levied by Jurisdiction

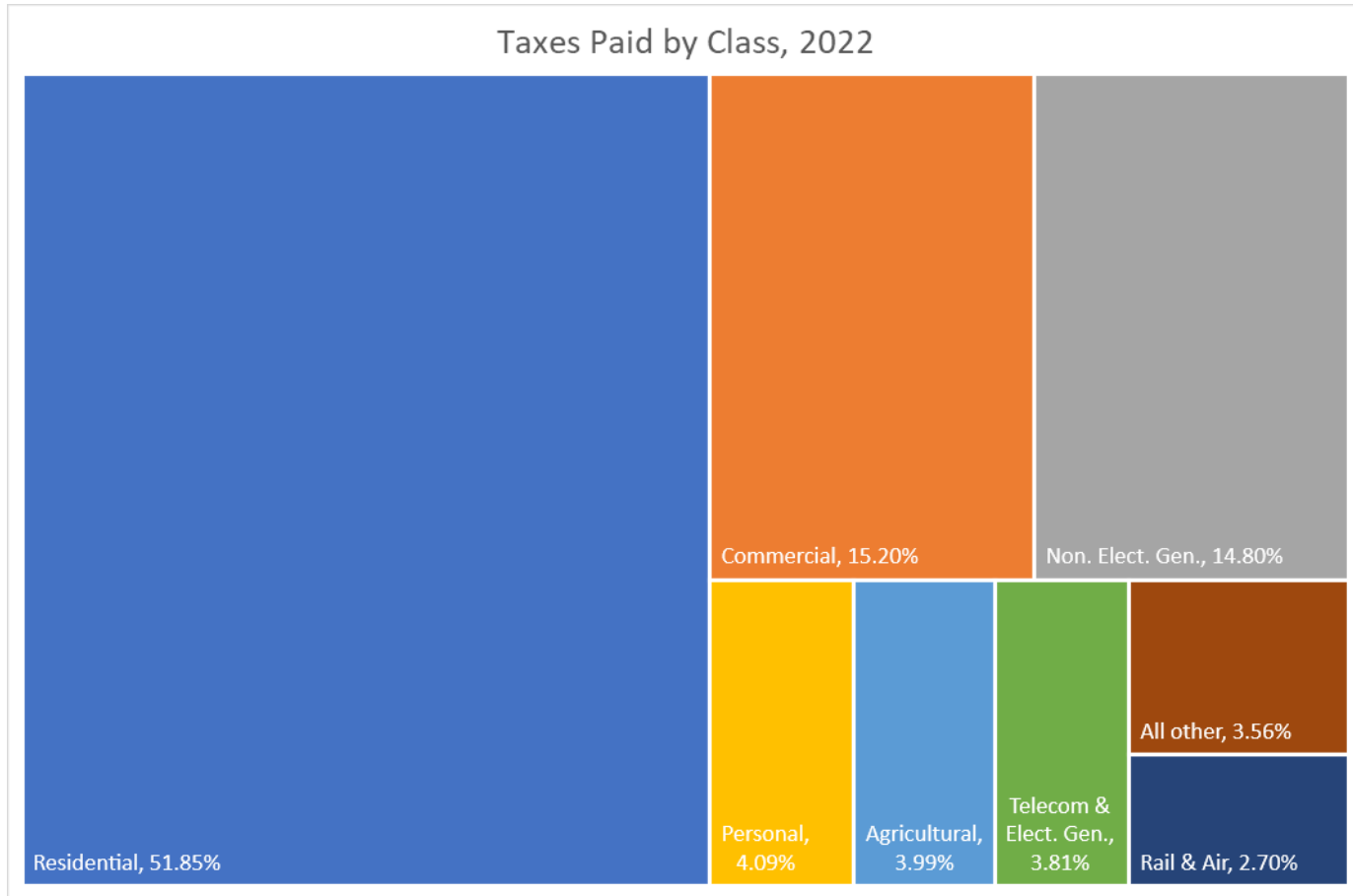
Taxing Jurisdiction	FY 2022		FY 2023	
	Tax Revenue	Percent of Total	Tax Revenue	Percent of Total
State	\$356,591,368	17.90%	\$371,026,095	17.79%
County	\$549,771,437	27.59%	\$587,697,349	28.18%
Local Schools	\$657,987,701	33.02%	\$675,085,981	32.37%
County-Wide Schools	\$129,563,295	6.50%	\$124,370,782	5.96%
Cities and Towns	\$209,355,673	10.51%	\$234,949,526	11.26%
Fire and Miscellaneous	\$89,350,291	4.48%	\$92,582,726	4.44%
Total	\$1,992,619,764	100.00%	\$2,085,712,459	100.00%

The following pie chart presents the allocation of property tax usage by each type of taxing jurisdiction for Fiscal Year 2023.



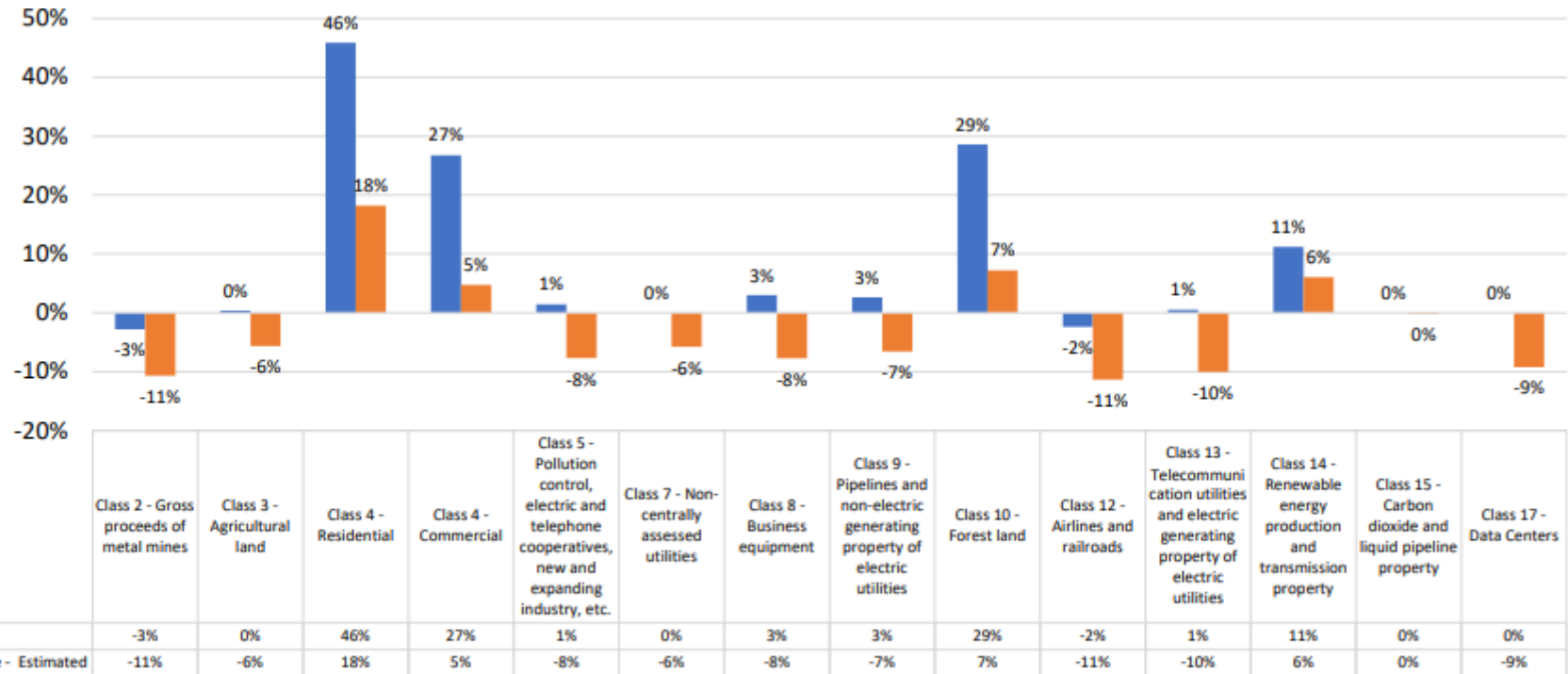
Source: 2020-2022 Biennial Report, p. 238

Residential Pays Largest Share of Taxes



Source: 2020-2022 Biennial Report

Estimated Growth in Taxes Paid vs. Growth in Taxable Value by Class Between TY 2022 and TY 2023



The growth rates for residential and commercial property are based on the reappraisal values, and the growth rates for agricultural and other classes of property are based on the HJ 2 growth rate estimates. The estimates also assume all taxing jurisdictions (besides the state mills) increased their budgets by the ten-year average population-adjusted inflation factor. These numbers show the isolated effects of reappraisal and do not include newly taxable property. Source: DOR

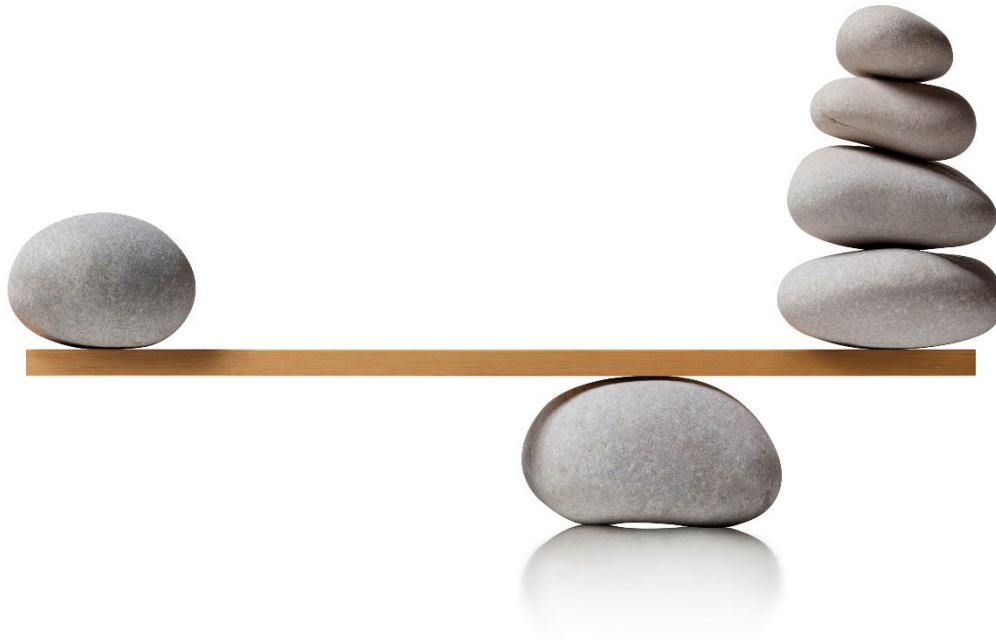
Graph by Julia Pattin, Legislative Fiscal Division

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

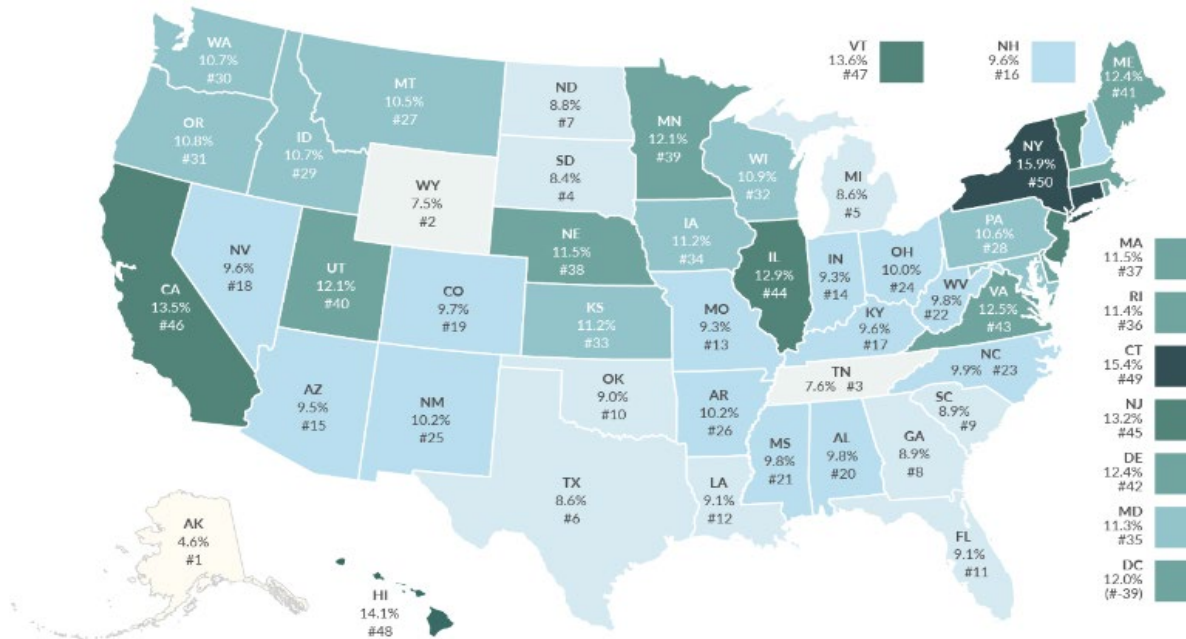
Source: 2020-2022 Biennial Report

Part 3: Comparisons



State-Local Tax Burden by State

State-Local Tax Burdens by State, Calendar Year 2022



- State and local taxes paid divided by state's share of net national product
- Accounts for taxes paid in other states

Note: D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included.

Source: Tax Foundation calculations.

State-Local Tax Burden by State, Calendar Year 2022



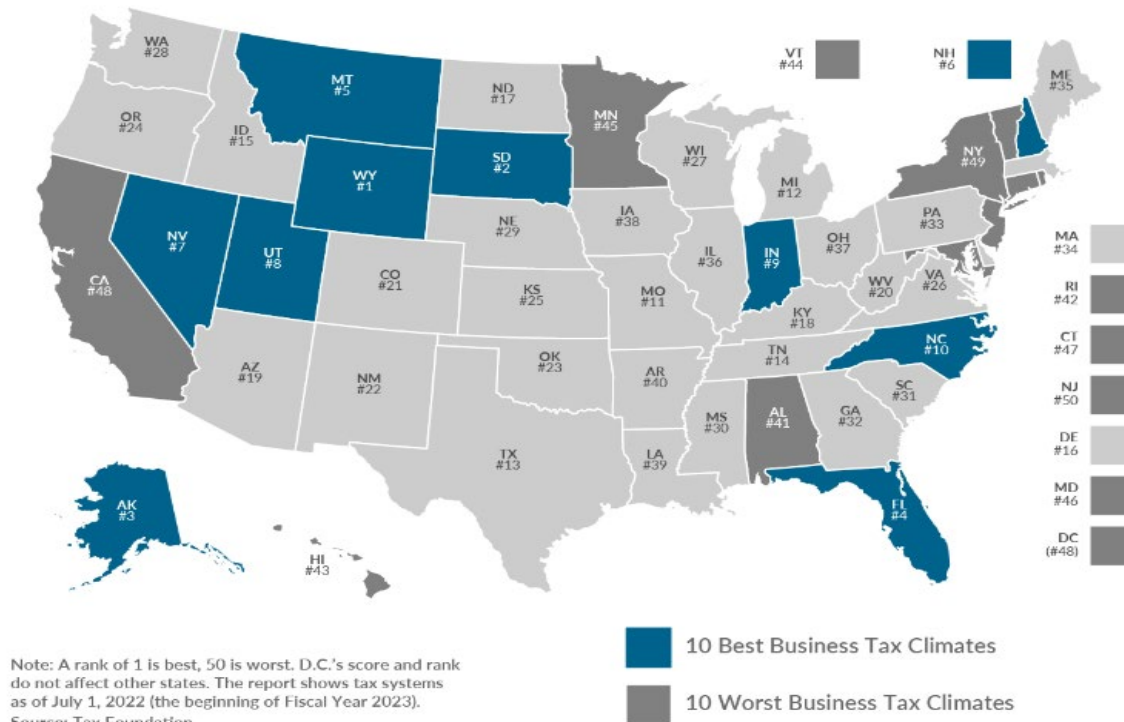
TAX FOUNDATION

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Source: <https://taxfoundation.org/data/all/state/tax-burden-by-state-2022/>

State Business Tax Climate

2023 State Business Tax Climate Index



Note: A rank of 1 is best, 50 is worst. D.C.'s score and rank do not affect other states. The report shows tax systems as of July 1, 2022 (the beginning of Fiscal Year 2023). Source: Tax Foundation.

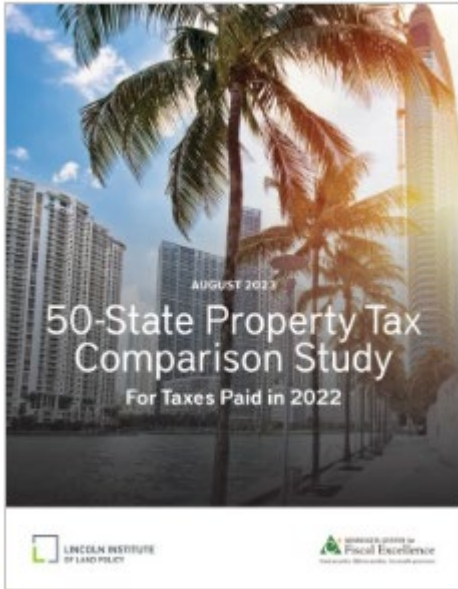
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- Montana ranks 5th
- Lack of general sales tax drives high ranking
- Rankings:
 - Corporate: 22
 - Individual: 24
 - Sales: 3
 - Property: 21
 - Unemployment Insurance: 18
- Doesn't include SB 399 changes (2024)

Source: <https://taxfoundation.org/research/all/state/2023-state-business-tax-climate-index/>

50-State Property Tax Comparison Study



- Data for 74 large U.S. cities and rural municipalities in each state
- Four property types: homestead, commercial, industrial, apartment
- Tax bills and effective tax rates

<https://www.lincolnst.edu/publications/other/50-state-property-tax-comparison-study-2022>

50-State Comparison: Montana

Property Type	Billings			Glasgow		
	Effective Tax Rate	Tax Bill	Rank	Effective Tax Rate	Tax Bill	Rank
Homestead - Median	0.93%	\$2,704	34	1.14%	\$1,887	21
Apartment - \$600,000	0.89%	\$5,594	44	1.09%	\$6,850	30
Commercial - \$1 Million	1.09%	\$13,130	46	1.51%	\$18,117	27
Industrial - \$1 Million	0.81%	\$16,105	41	1.09%	\$21,843	22

50-State Comparison: Why Tax Rates Vary

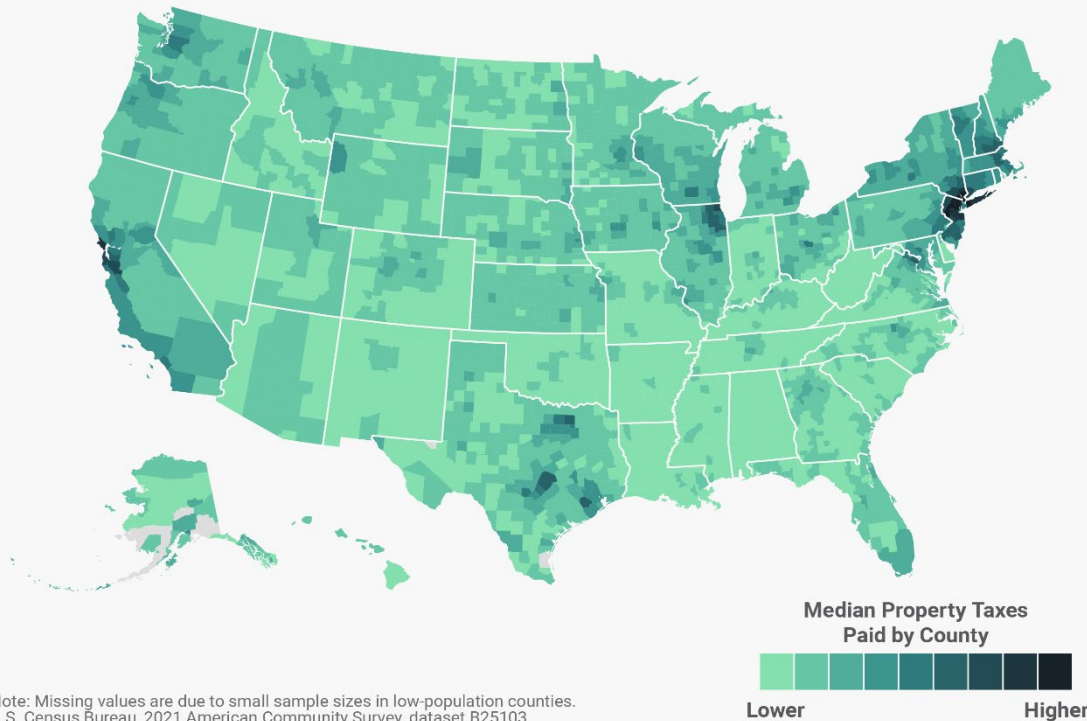
	Homestead	Commercial
Tax Rate	0.93%	1.09%
Tax Rate Rank	39	66
Property Tax Reliance	0.18%	0.17%
Property Tax Reliance Rank	20	20
Median Home Value	0.01%	0.02%
Median Home Value Rank	39	39
Local Spending	-0.23%	-0.34%
Local Spending Rank	69	69
Classification Ratio	0.09%	-0.11%
Classification Ratio Rank	36	36

- How factor affects tax rate relative to scenario with average value for that variable, OR
- If had average for all other characteristics, rate would be X% points higher/lower

Property Tax Comparison

Where Do People Pay the Most in Property Taxes?

Median Property Taxes Paid by County, 2021 (5-year Estimate)



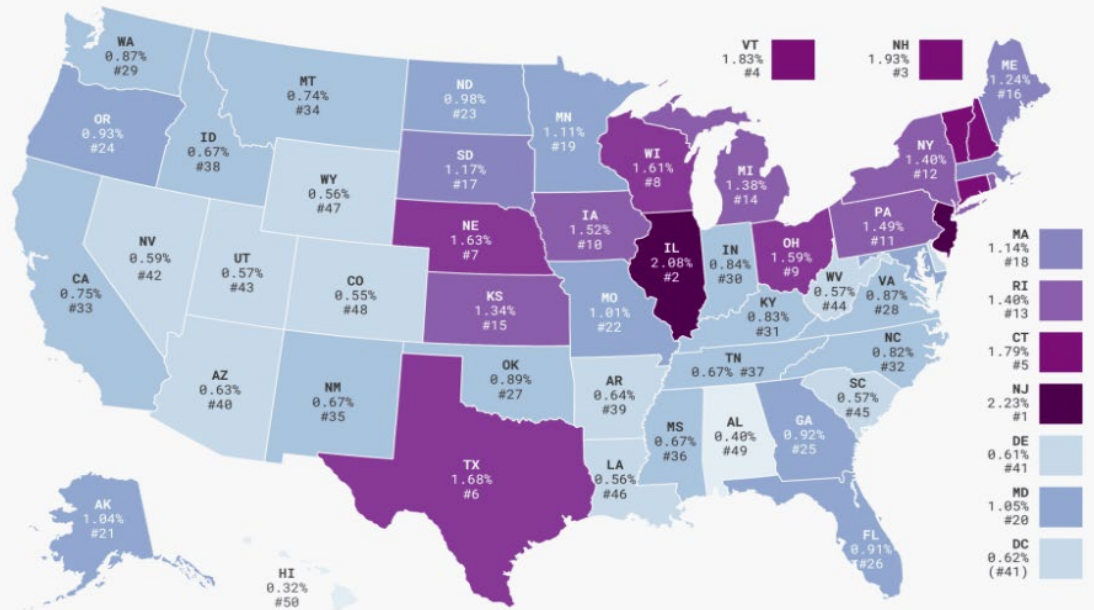
Note: Missing values are due to small sample sizes in low-population counties.
U.S. Census Bureau, 2021 American Community Survey, dataset B25103

Interactive map: <https://s3.amazonaws.com/static.taxfoundation.org/median-property-tax-collections-2021/index.html>

Property Tax Comparison

How High Are Property Taxes in Your State?

Property Taxes Paid as a Percentage of Owner-Occupied Housing Value, 2021



Note: The figures in this table are mean effective property tax rates on owner-occupied housing (total real taxes paid/total home value). As a result, the data exclude property taxes paid by businesses, renters, and others. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included.

Sources: U.S. Census Bureau, "2021 American Community Survey"; Tax Foundation calculations.



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Source: <https://taxfoundation.org/data/all/state/property-taxes-by-state-county-2023/>