



MONTANA LEGISLATIVE BRANCH

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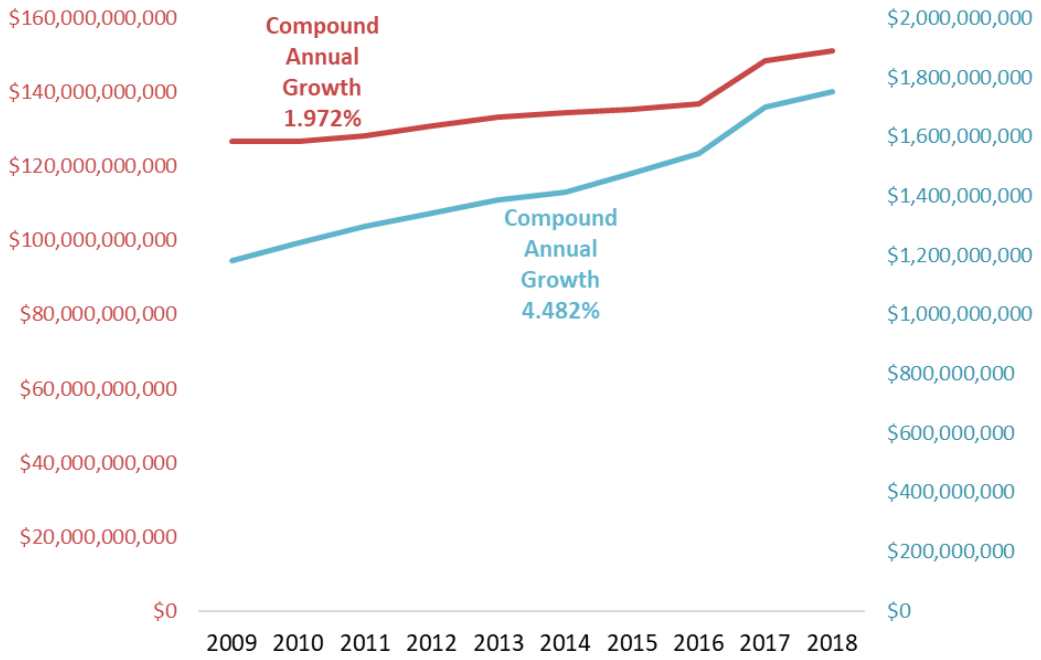
DATE: September 14, 2020
TO: MARA Study Committee
FROM: Julia Pattin, Fiscal Analyst
RE: Market Value vs. Property Taxes Paid in Montana

Market value of property is defined as “the value at which property would change hands between a willing buyer and a willing seller” (15-8-111 2(a), MCA). The market value of all residential, commercial, and industrial real property in Montana is assessed by the Montana Department of Revenue (DOR) every two years; the productivity value of all agricultural land value every two years; the productivity value of all forest land every six years; and the market value of all personal property (i.e. business equipment) every year.

The amount of property taxes collected in recent years has grown at a higher rate than the growth in market value of property. Growth in property taxes can come from several sources, depending on if the growth is related to schools or related to local governments. Unlike most other functions funded by the state of Montana, the public school system and its funding system are established in the Montana Constitution. Title X of the Montana Constitution states that “it is the goal of the people to establish a system of education which will develop the full educational potential of each person. Equality of educational opportunity is guaranteed to each person of the state... [The legislature] shall fund and distribute in an equitable manner to the school districts the state's share of the cost of the basic elementary and secondary school system.” There have been a number of court cases concerning the adequacy and equity of public education funding in Montana, which have helped to shape the current school funding model.

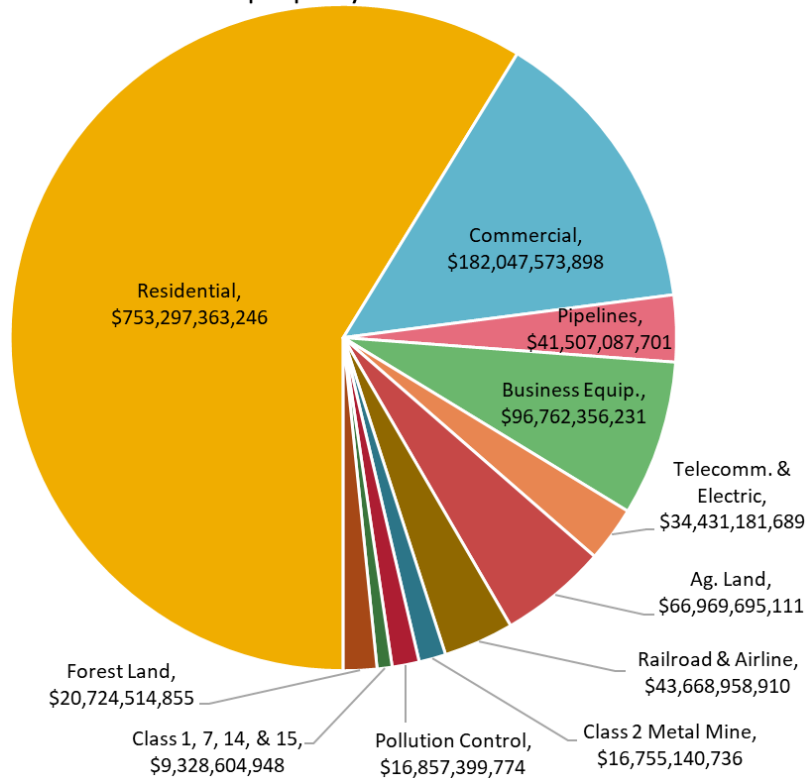
Growth in collections of property taxes for local government generally comes from one of the following sources—newly taxable property, voted mills, and allowable growth at half the rate of inflation per 15-10-420, MCA. However, it is difficult to determine how much of each of the three previous sources is responsible for growth in local government property taxes.

The **full market value of property** in Montana has grown at a lower rate than the amount of **property taxes collected** since TY 2009.



It is also interesting to compare market value of property in Montana to taxes paid by tax class. When making this comparison by tax class, it is important to take property classifications and their different statutory tax rates into account. For example, in Montana class 9 oil pipelines are taxed at 12.0% of market value, while class 4 residential property is taxed at 1.35% of market value. Thus, though residential property makes up more than half of the total market value in Montana, it makes up slightly less than half of all property taxes collected. Likewise, the higher statutory tax rate on pipelines results in pipelines making up a much larger percentage of taxes paid when compared to the percentage of market value they make up.

Residential Property made up more than half of the **full market value** of property in Montana in TY 2019.



Residential Property made up the largest portion of **property taxes paid** in Montana, which was slightly less than half the total amount paid in TY 2019.

