

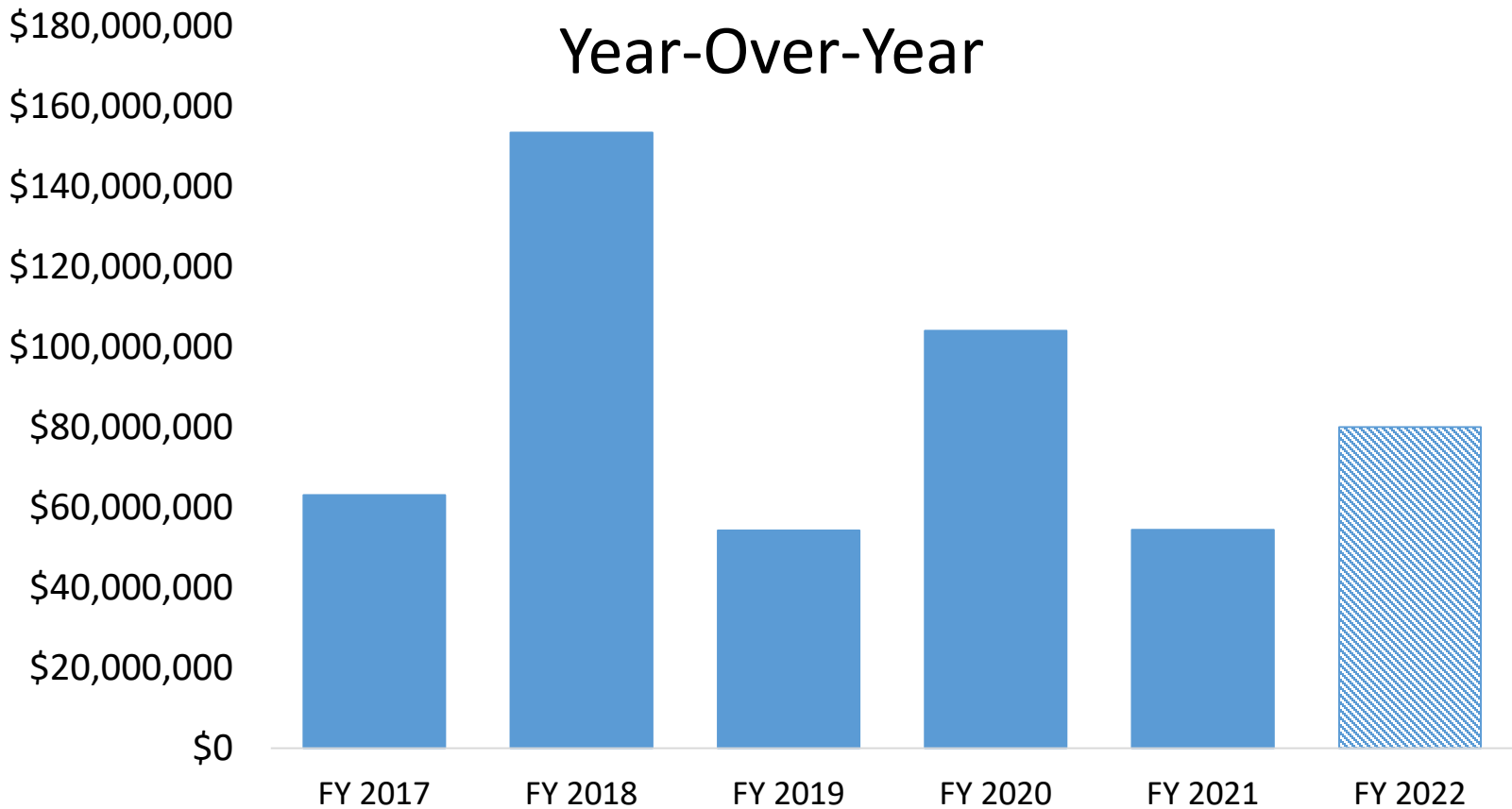
# Property Tax Update

How have higher property values impacted taxes owed in FY 2022 and what may happen in FY 2024?

MARA Committee – January 27, 2022

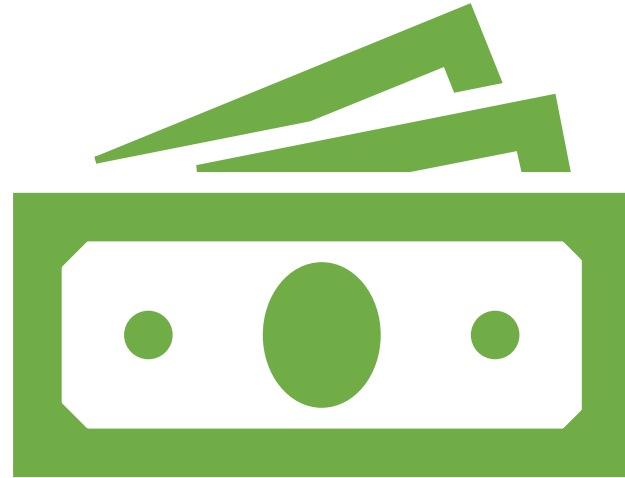
# FY 2022 Projections

## Estimated Levied Property Taxes Year-Over-Year



DATA: FY 2017 – FY 2021 from the DOR Biennial Report  
FY 2022 LFD Calculated & includes newly taxable property

It's more  
challenging to  
predict what will  
happen in FY  
2024.

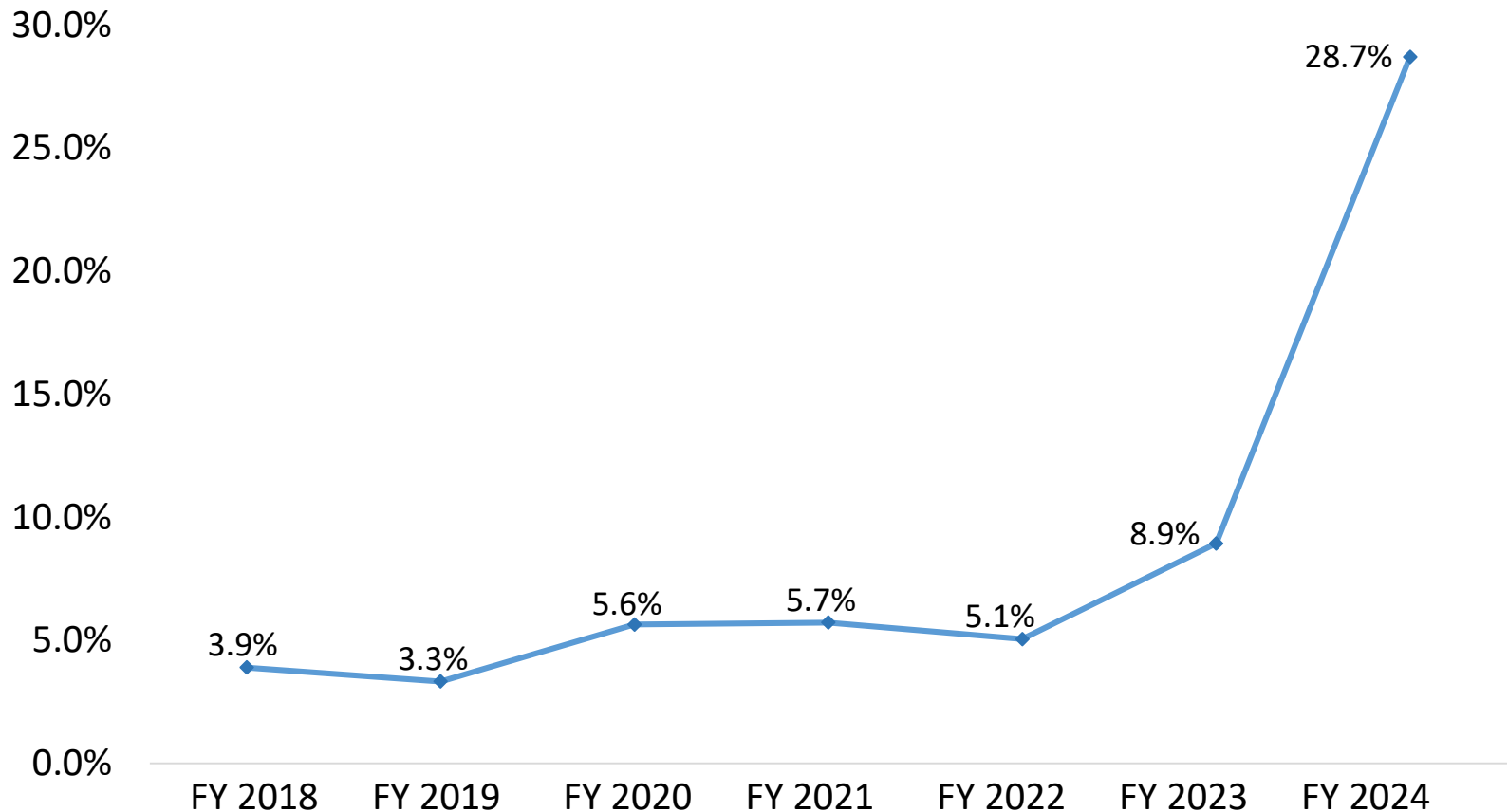


# Factors to Consider for FY 2024

- Local government and school mills can float up and down to meet the respective budgets in a levy district
- Voted mills can increase property taxes independent of property value increases
- Unknown amount of newly taxable property on the tax rolls
- Potential shifts of the tax burden between tax classes
- DOR market valuations of properties don't always match the valuation of those properties on the real estate market

# Property Values in Montana

## Montana Property Value Growth



DATA: Zillow Home Value Index (specific to Montana)



An increase in property values in 2022 will be reassessed by DOR in the 2023 reappraisal cycle and will affect taxes paid in FY 2024.

There is a delay in property valuations affecting property tax bills.

However, an increase in property values does not necessarily result in the same degree of increase in property taxes.

$$\text{Property Taxes Paid} = \text{Market Value} \times \text{Tax Rate} \times \text{Mills}$$

**Market Value** – this is where increases in property values affects property taxes

**Tax Rate** – fixed in statute and can only be changed by the Legislature; 1.35% for class 4 residential property

**Mills** – certain mills float up and down to meet the budgets of local governments and schools; other mills are fixed (such as the state 95 mills for education & the 6 mill university levy)

# FY 2024 Example

Let's look at the growth in property value and property taxes for an example residential home valued at \$300,000 in FY 2016

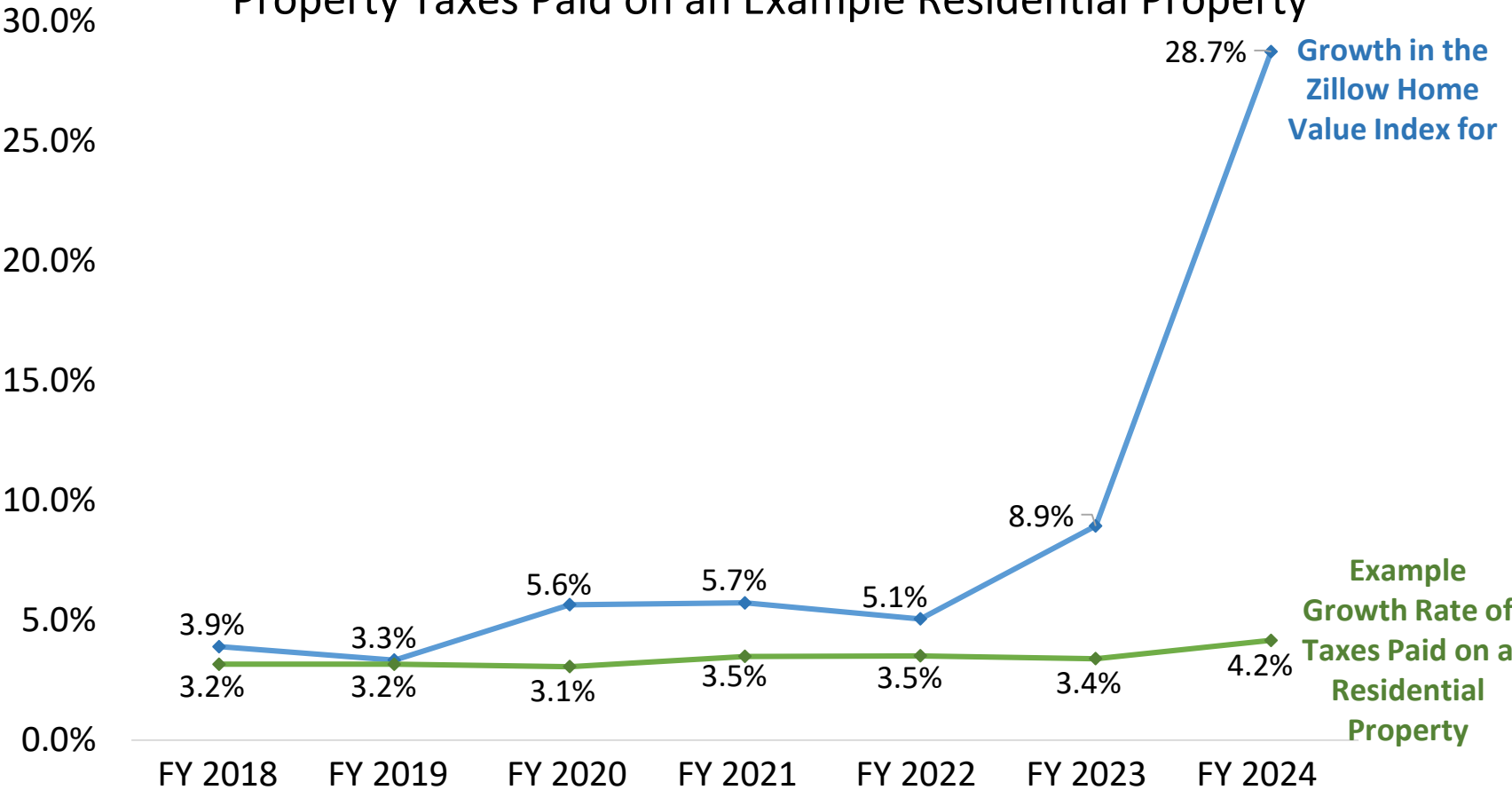
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Home Value	\$300,000	\$311,688	\$323,832	\$334,626	\$353,517	\$373,756	\$392,646	\$427,728
<b>Zillow MT Growth Rate</b>		<b>3.9%</b>	<b>3.3%</b>	<b>5.6%</b>	<b>5.7%</b>	<b>5.1%</b>	<b>8.9%</b>	<b>28.7%</b>
State Mills	101	101	101	101	101	101	101	101
School Mills*	10	10	10	10	10	10	10	10
Local Gov Mills*	250	248	246	245	239	233	228	216
Other Fixed Mills	250	248	246	245	239	233	228	216
Newly Voted Mills	0	0	0	0	0	0	0	0
Total Mills	611	607	602	601	589	576	567	542
Property Taxes Paid	\$2,475	\$2,553	\$2,634	\$2,714	\$2,809	\$2,908	\$3,006	\$3,131
<b>Tax Growth</b>		<b>3.2%</b>	<b>3.2%</b>	<b>3.1%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.4%</b>	<b>4.2%</b>

\*Assumes 3.0% budget growth for both schools and local governments.



# FY 2024 Example

Comparison of the Property Value Growth Rate vs. the Growth Rate in Property Taxes Paid on an Example Residential Property



Questions?

