

# 95 Mills Reappraisal Effects, Property Tax Relief Efforts, and Additional Requested Information on Property Taxes

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MARA Committee – August 1st, 2023

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## Residential Property Reappraisal

Residential property in Montana is appraised by the Department of Revenue (DOR) at its market value – the value at which property would change hands between a willing and informed buyer and a willing seller. The sale prices of comparable properties are utilized to establish the value of all properties that must be appraised.

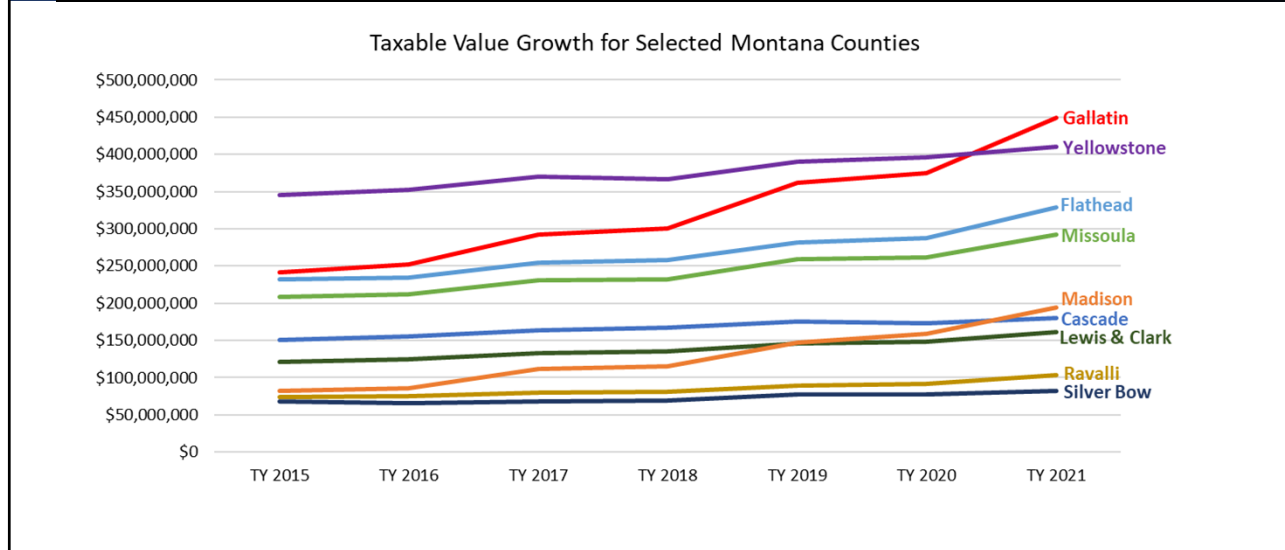
- Prior to TY 2015, residential property was reappraised every 6 years
- Beginning in TY 2015, residential property was switched to a two-year reappraisal cycle. New appraisal values are determined for January 1 of even-numbered tax years, and the new appraisal values are applied to tax bills the following odd-numbered year

The DOR is required to send out notices, which include the department's market value assessment of the property that will be used to determine property taxes owed for the next two tax years.

- The property tax reappraisal notices sent out in June of 2023 reflect an adjusted property tax value along with the prior year's millage rates. However, these notices are not tax bills, and the estimated taxes shown using last year's mills are potentially overstated

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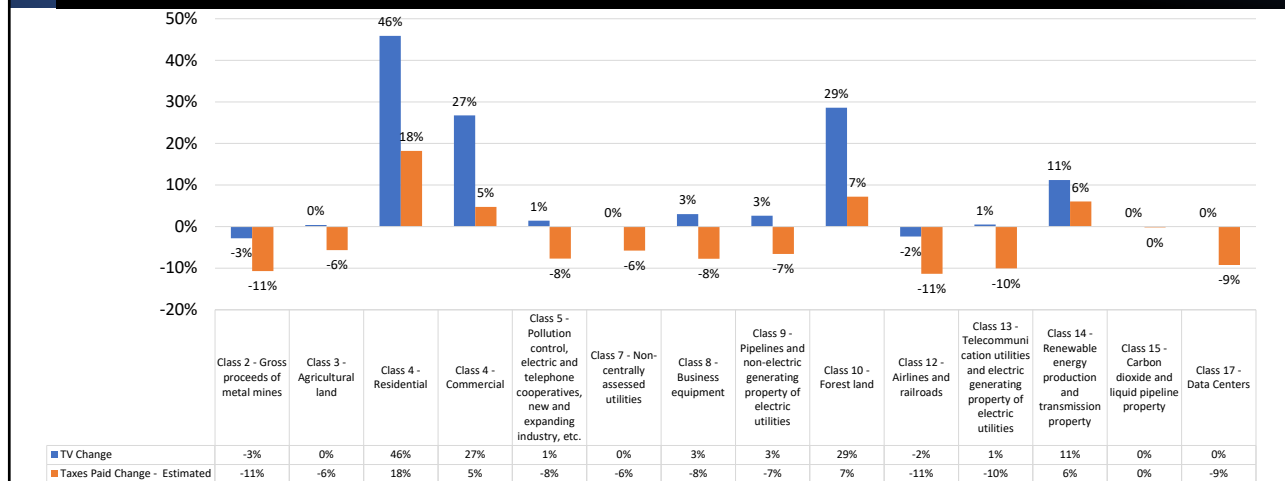
## Taxable Value Growth for Selected Counties Between TY 2015 and TY 2021



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

For additional information: [DOR-Reappraisal-Estimates.pdf](https://dor.mt.gov/Reappraisal-Estimates.pdf)



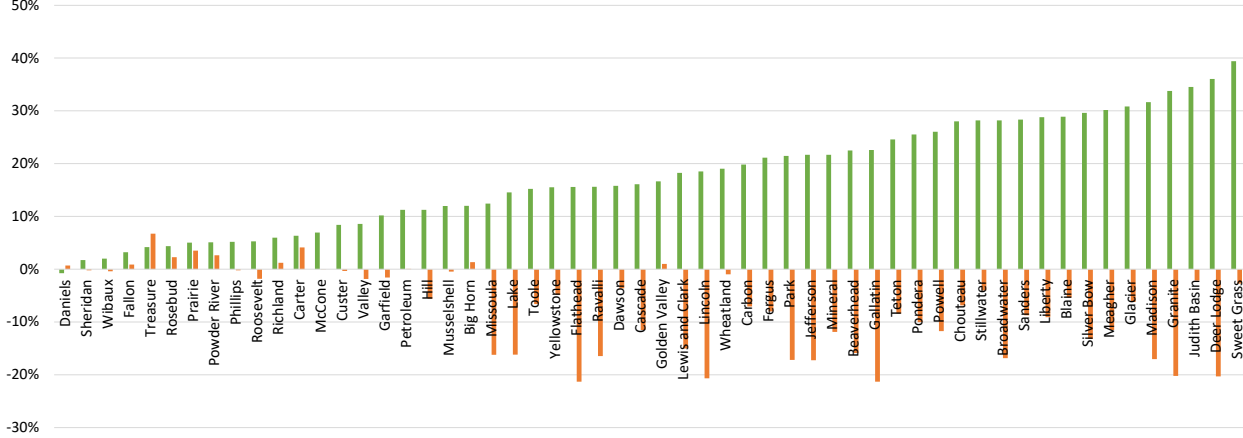
The growth rates for residential and commercial property are based on the reappraisal values, and the growth rates for agricultural and other classes of property are based on the HJ 2 growth rate estimates. The estimates also assume all taxing jurisdictions (besides the state mills) increased their budgets 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

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# Taxes Paid Growth – Residential Property and Ag Land Between TY 2022 and TY 2023

For additional information:  
[DOR-Reappraisal-Estimates.pdf](#)

This graph shows the estimated residential and agricultural taxes paid change 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

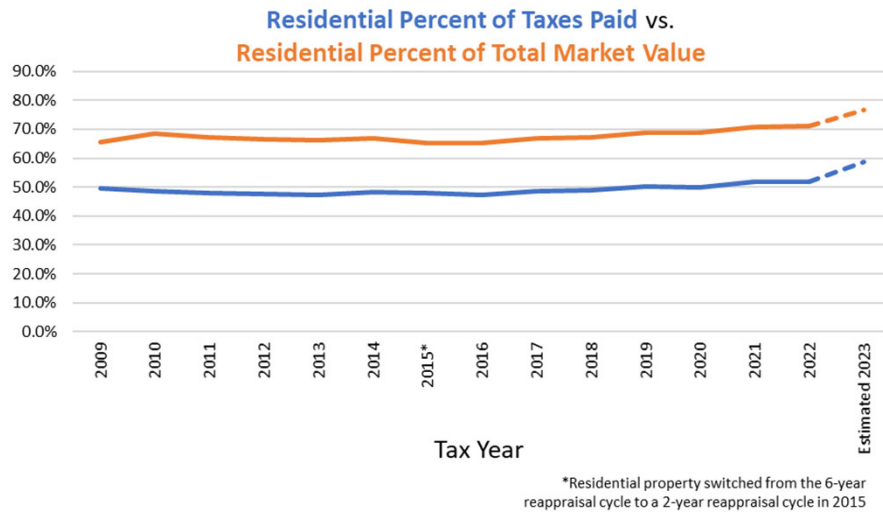
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# Estimated Property Taxes Paid by Property Class TY 2022 (FY 2023)

Tax Class	Description	Market Value	Taxable Value	Taxes Paid	Percent of Market Value	Percent of Taxes Paid
1	Mine Net Proceeds	\$4,379,892	\$4,379,892	\$1,594,457	0.00%	0.08%
2	Gross Proceeds Metal Mines	\$1,582,322,789	\$47,469,685	\$25,744,260	0.82%	1.23%
3	Agricultural Land	\$6,677,543,892	\$152,225,342	\$83,286,884	3.45%	3.99%
4.1	Residential Improvements	\$101,150,852,713	\$1,368,739,657	\$801,797,755	52.19%	38.44%
4.2	Residential Land	\$36,601,044,035	\$481,831,915	\$279,789,710	18.88%	13.41%
	<b>Residential Subtotal</b>	<b>\$137,751,896,748</b>	<b>\$1,850,571,572</b>	<b>\$1,081,587,465</b>	<b>71.07%</b>	<b>51.86%</b>
4.8	Commercial Improvements	\$17,462,606,332	\$327,242,603	\$218,309,947	9.01%	10.47%
4.9	Commercial Land	\$7,844,099,571	\$147,686,597	\$98,552,727	4.05%	4.73%
	<b>Commercial Subtotal</b>	<b>\$25,306,705,903</b>	<b>\$474,929,200</b>	<b>\$316,862,674</b>	<b>13.06%</b>	<b>15.19%</b>
<b>4</b>	<b>Total Class 4</b>	<b>\$163,058,602,651</b>	<b>\$2,325,500,772</b>	<b>\$1,398,450,139</b>	<b>84.12%</b>	<b>67.05%</b>
5	Pollution Control Equipment	\$2,256,215,041	\$54,500,311	\$30,875,752	1.16%	1.48%
7	Non-Centrally Assessed Public Util.	\$219,703	\$17,576	\$9,731	0.00%	0.00%
8	Business Personal Property	\$6,266,021,510	\$147,661,048	\$85,310,593	3.23%	4.09%
9	Non-Elect. Gen. Prop. Of Electrical Util.	\$5,216,762,075	\$618,477,027	\$308,587,994	2.69%	14.80%
10	Forest Land	\$1,526,654,816	\$4,732,957	\$2,387,636	0.79%	0.11%
12	Railroad and Airline Property	\$3,211,430,339	\$98,269,778	\$56,329,795	1.66%	2.70%
13	Telecommunication & Electric Property	\$2,462,747,229	\$147,729,647	\$79,440,353	1.27%	3.81%
14	Commercial Wind Generation Facilities	\$1,178,778,055	\$20,773,819	\$11,307,621	0.61%	0.54%
15	Carbon Dioxide and Liquid Pipeline	\$190,529,364	\$2,584,690	\$939,311	0.10%	0.05%
17	Data Centers	\$196,819,317	\$1,771,374	\$1,447,934	0.10%	0.07%
	<b>Total</b>	<b>\$193,829,026,673</b>	<b>\$3,626,093,918</b>	<b>\$2,085,712,459</b>		

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## Residential Share of Market Value and Taxes Paid TY 2009 – TY 2023



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## Property Taxes and School Funding

Over half of all property taxes paid go to K-12 schools:

- The state 95 mill equalization levy
- County-wide education levies for retirement and transportation
- Local school district levies (voted and non-voted)

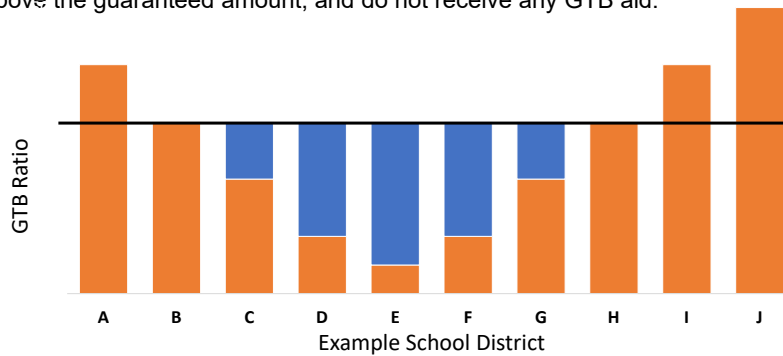
The state portion of property taxes is distributed to local school districts by the Office of Public Instruction (OPI), based on a variety of parameters such as enrollment. The Guaranteed Tax Base (GTB) aid payment is only a portion of the funding school districts receive from the state.

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## Guaranteed Tax Base (GTB) Aid

Guaranteed Tax Base (GTB) aid is a mechanism to equalize school districts' revenue-generating capacity by providing a per-mill subsidy for districts with less property tax wealth to bring their revenue-generating capacity to a guaranteed amount. A district's revenue-generating capacity is measured as a ratio of the district's taxable value to its local funding needs and costs. Districts that have more students supported by lower local taxable valuations receive proportionally larger amounts of GTB aid.

In the example below, the **revenue generating capacity** for districts C, D, E, F, and G is lower than the **guaranteed amount**, and those districts receive **GTB aid**. Districts A, B, H, I, and J have a revenue generating capacity at or above the guaranteed amount, and do not receive any GTB aid.



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## Guaranteed Tax Base (GTB) Aid Example

GTB effectively transfers money from high tax value and/or low student areas to low tax value and/or high student areas. When combined with the school funding formula, this promotes base level equal opportunities for students across Montana.

For example, Ennis K-12 and Superior K-12 school districts have relatively comparable enrollment (ANB), and Superior K-12 receives GTB aid while Ennis K-12 does not:

School District	ANB	Taxable Value	GTB	BASE Levy Revenue	Mill Value	Number of Mills
Ennis K-12	425	\$191.4M	\$0	\$1,217,878	\$191,381	6.36
Superior K-12	351	\$5.2M	\$791,827	\$1,041,797	\$5,196	48.08

This is due to the difference in tax bases for the districts.

The number of mills it would take to raise \$1.0 million for those two districts WITHOUT GTB are calculated below:

School District	ANB	Taxable Value	GTB	Levy Revenue	Mill Value	Number of Mills
Ennis K-12	425	\$191.4M	\$0	\$1,000,000	\$191,381	5.23
Superior K-12	351	\$5.2M	\$0	\$1,000,000	\$5,196	192.46

It would take Superior K-12 192.46 mills to collect \$1.0 million, while Ennis K-12 would need only 5.23 mills to do the same. GTB aid helps equalizes the tax burden for education between different areas.

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## 95 Mill Growth Limitations & Banked Mills

15-10-420, MCA is a section of tax code that limits the growth of local government budgets to half the rate of inflation, excluding voted mill levies and newly taxable property from the calculation.

- If an entity budgets for less than the maximum growth allowed under 15-10-420, MCA, the difference in the levied mills and the calculated mills under the statute may be banked to use in the future
- The state school funding equalization mills are subject to 15-10-420, MCA but may not exceed 95 mills. When the calculation has yielded a calculated mill amount above 95, the DOR has banked the extra mills and spent them down in years when the calculation has yielded a calculated mill amount below 95

Tax Year	15-10-420, MCA Calculated Mills	Mill Cap	Difference	Total Banked Mills
2015	95.2	95.0	0.2	$30.7 + 0.2 = 30.9$
2016	97.0	95.0	2.0	$30.9 + 2.0 = 32.9$
2017	92.8	95.0	(2.2)	$32.9 - 2.2 = 30.7$
2018	98.0	95.0	3.0	$30.7 + 3.0 = 33.7$
2019	90.8	95.0	(4.2)	$33.7 - 4.2 = 29.5$
2020	96.3	95.0	1.3	$29.5 + 1.3 = 30.8$
2021	91.0	95.0	(4.0)	$30.8 - 4.0 = 26.8$
2022	97.3	95.0	2.3	$26.8 + 2.3 = 29.1$
2023	81.2	95.0	(13.8)	$29.1 - 13.8 = 15.3$

Source: DOR

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## 95 Mill Export vs. School Funding Import by County

FY 2025  
GTB Aid & HB 587

HB 587 (2023 Session) directed revenue from the state 95 mills into a newly established state special revenue account dedicated specifically to school funding. Previously, the 95 mill revenue was deposited into the state general fund.

The bill also mandates that 55.0% of any increase in collections from the 95 mills go to a GTB area to offset local mills. Per the HB 587 fiscal note, in addition to the GTB offset which will affect school budgets beginning in FY 2026, there will also be an estimated \$33.3 million cost to the state general fund in FY 2025 to increase the multiplier for retirement GTB aid.

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# School Funding Import vs. 95 Mill Export by County

## FY 2025 GTB Aid & HB 587

County	FY 2025 Estimated Equity GTB	FY 2025 Estimated Retirement GTB Base	FY 2025 Estimated Retirement GTB HB 587 Increase	FY 2025 Estimated Other State K-12 Funding*	FY 2025 Estimated Total State K-12 Funding	FY 2025 Estimated 95 Mills Taxes Paid (HJ 2)
Beaverhead	2,606,124	329,054	366,386	5,785,690	9,087,255	3,237,064
Big Horn	5,753,823	724,504	93,669	11,543,299	18,115,294	2,210,522
Blaine	3,920,007	1,432,542	239,941	7,484,909	13,077,399	1,629,924
Broadwater	1,254,800	380,524	185,935	3,111,479	4,932,738	2,786,731
Carbon	2,592,777	-	609,601	7,567,720	10,770,099	6,563,450
Carter	-	-	-	981,098	981,098	7,851,996
Cascade	23,805,989	6,439,797	2,310,603	48,196,208	80,752,597	20,603,670
Chouteau	1,633,704	-	326,148	4,187,121	6,146,974	3,157,424
Custer	3,646,455	925,635	260,445	7,009,893	11,842,427	2,349,485
Daniels	703,225	227,673	52,231	1,436,120	2,419,249	658,912
Dawson	2,784,527	565,444	292,288	5,809,985	9,452,243	2,684,970
Deer Lodge	2,011,214	329,077	337,917	4,781,748	7,459,957	1,983,859
Fallon	-	-	-	2,931,010	2,931,010	6,544,007
Fergus	4,041,141	99,374	701,437	8,789,329	13,631,282	5,108,737
Flathead	24,731,020	1,960,142	5,396,633	63,189,580	95,277,375	43,323,153
Gallatin	16,487,064	-	2,035,687	60,573,769	79,096,521	66,463,022
Garfield	528,357	-	67,549	1,267,550	1,863,455	793,851
Glacier	6,494,545	2,828,085	463,691	12,595,964	22,382,285	3,208,915
Golden Valley	429,626	-	-	1,103,314	1,532,940	778,532
Granite	638,652	-	60,410	2,197,790	2,896,852	2,137,812
Hill	7,001,949	2,107,602	557,418	13,656,369	23,323,337	4,587,040
Jefferson	3,842,918	485,421	363,461	8,335,977	13,027,777	4,018,878
Judith Basin	492,081	-	-	1,985,887	2,477,969	2,425,193
Lake	9,862,100	2,462,736	952,530	20,608,852	33,886,218	10,281,128
Lewis & Clark	19,352,214	5,067,137	2,378,411	41,649,609	68,447,370	20,263,036
Liberty	684,505	-	73,101	1,678,574	2,436,180	1,025,054
Lincoln	5,218,872	1,093,585	455,433	11,167,594	17,935,484	5,599,183
Madison	1,361,591	-	-	5,133,499	6,495,090	32,889,282
McCone	550,780	19,183	115,822	1,285,806	1,971,590	787,996
Meagher	247,740	-	76,726	1,080,076	1,404,543	1,275,728
Mineral	1,758,199	391,335	201,986	3,731,376	6,082,896	1,460,558

Chart continues on the following slide...

Source: OPI

# School Funding Import vs. 95 Mill Export by County

## FY 2025 GTB Aid & HB 587

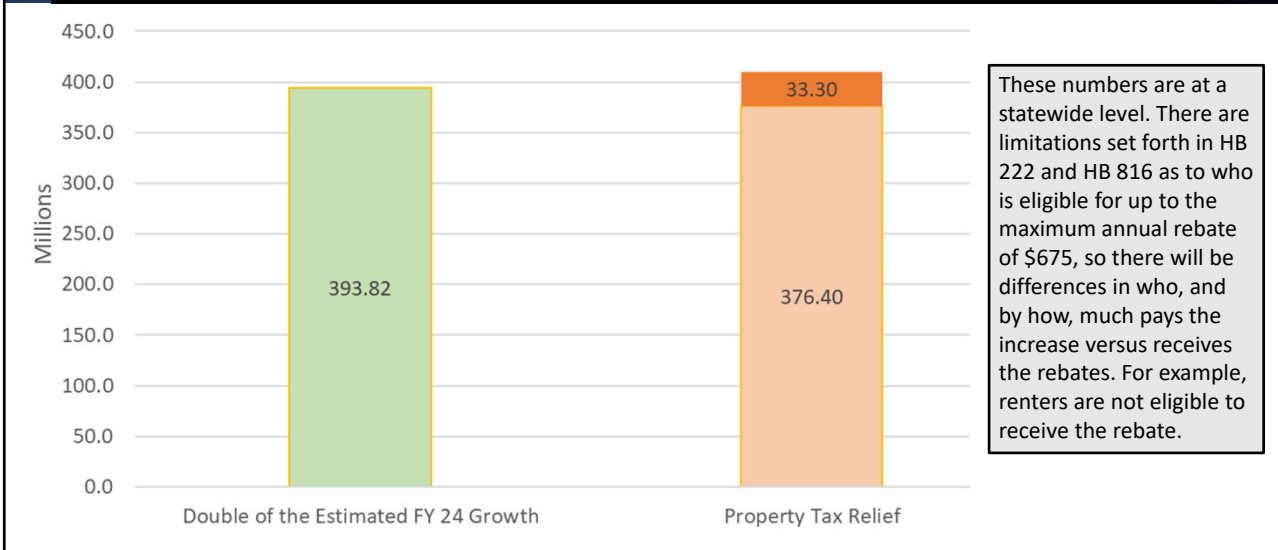
County	FY 2025 Estimated Equity GTB	FY 2025 Estimated Retirement GTB Base	FY 2025 Estimated Retirement GTB HB 587 Increase	FY 2025 Estimated Other State K-12 Funding*	FY 2025 Estimated Total State K-12 Funding	FY 2025 Estimated 95 Mills Taxes Paid (HJ 2)
Missoula	25,989,862	4,647,002	3,725,755	60,734,149	95,096,768	33,694,285
Musselshell	1,310,824	96,603	37,991	3,225,035	4,670,453	1,294,003
Park	2,122,872	-	221,298	8,244,950	10,589,119	8,961,139
Petroleum	267,163	79,102	29,369	561,471	937,106	178,457
Phillips	1,998,648	548,985	151,457	4,088,253	6,787,342	1,571,413
Pondera	2,468,978	543,675	147,366	4,841,210	8,001,228	1,966,949
Powder River	350,934	-	-	1,353,901	1,704,835	1,153,380
Powell	1,280,142	5,801	207,050	3,365,562	4,858,556	2,392,915
Prairie	376,896	-	52,801	871,172	1,300,870	538,046
Ravalli	10,924,584	2,551,670	1,061,569	24,799,437	39,337,260	13,836,277
Richland	2,988,321	-	-	8,723,497	11,711,818	5,782,527
Roosevelt	6,327,621	1,182,778	231,056	12,716,985	20,458,441	3,208,738
Rosebud	2,788,088	-	488,491	9,584,455	12,861,034	6,540,131
Sanders	2,822,806	189,009	506,317	7,286,645	10,804,777	5,299,262
Sheridan	1,368,607	410,781	203,735	2,979,596	4,962,719	1,420,995
Silver Bow	7,981,007	1,679,998	1,182,370	17,962,382	28,805,757	9,129,033
Stillwater	2,069,160	-	113,863	7,126,035	9,309,058	7,074,512
Sweet Grass	465,797	-	-	2,510,711	2,976,507	3,533,856
Teton	2,675,064	325,082	351,598	5,836,615	9,188,359	2,484,625
Toole	1,275,239	-	267,094	3,338,869	4,881,202	2,429,080
Treasure	161,971	-	-	586,548	748,518	522,725
Valley	2,684,652	776,539	339,048	6,230,783	10,031,023	3,032,112
Wheatland	417,487	-	-	1,718,430	2,135,917	1,882,368
Wibaux	-	-	-	903,590	903,590	3,519,972
Yellowstone	48,345,493	11,659,048	5,033,060	102,486,152	167,523,753	45,393,088
<b>TOTAL</b>	<b>\$283,898,218</b>	<b>\$52,564,923</b>	<b>\$33,326,743</b>	<b>\$672,933,631</b>	<b>\$1,042,723,514</b>	<b>\$435,529,000</b>

\*K-12 BASE Aid (Direct State Aid and the five fully state funded components – Quality Educator Payment, At Risk Payment, Indian Education for All, Achievement Gap Payment, and Data for Achievement Payment), Special Education, Block Grants, Major Maintenance Aid, Transformational Learning, and Advanced Opportunities

Source: OPI

➤ GTB aid directly offsets local property taxes because school budgets are capped

## Legislatively Requested Comparison: Double of the Estimated FY 2024 Residential Property Tax Growth vs. Two-Year Property Tax Relief



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# Questions?

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