

Property Tax 101

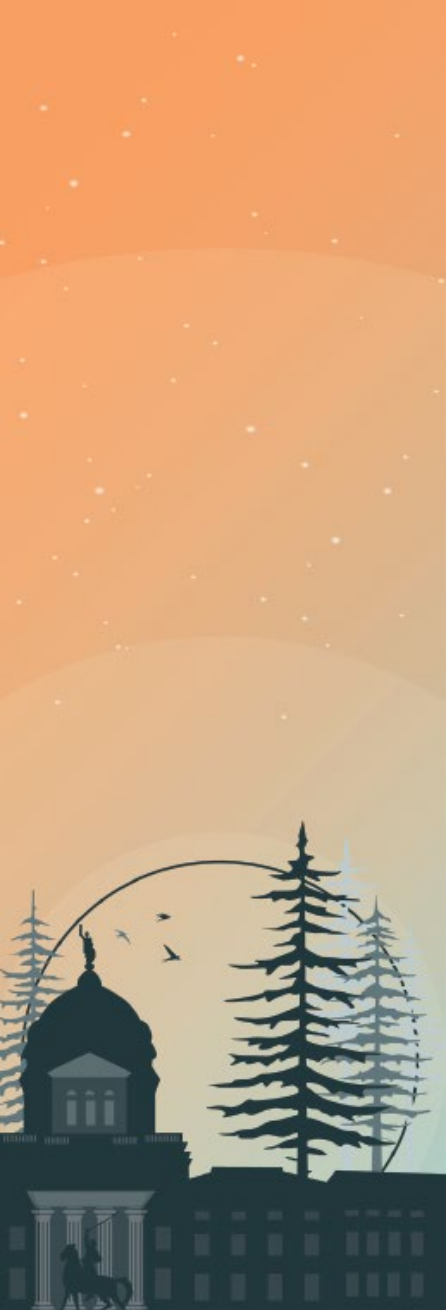
June 18-19, 2024

Legislative Days

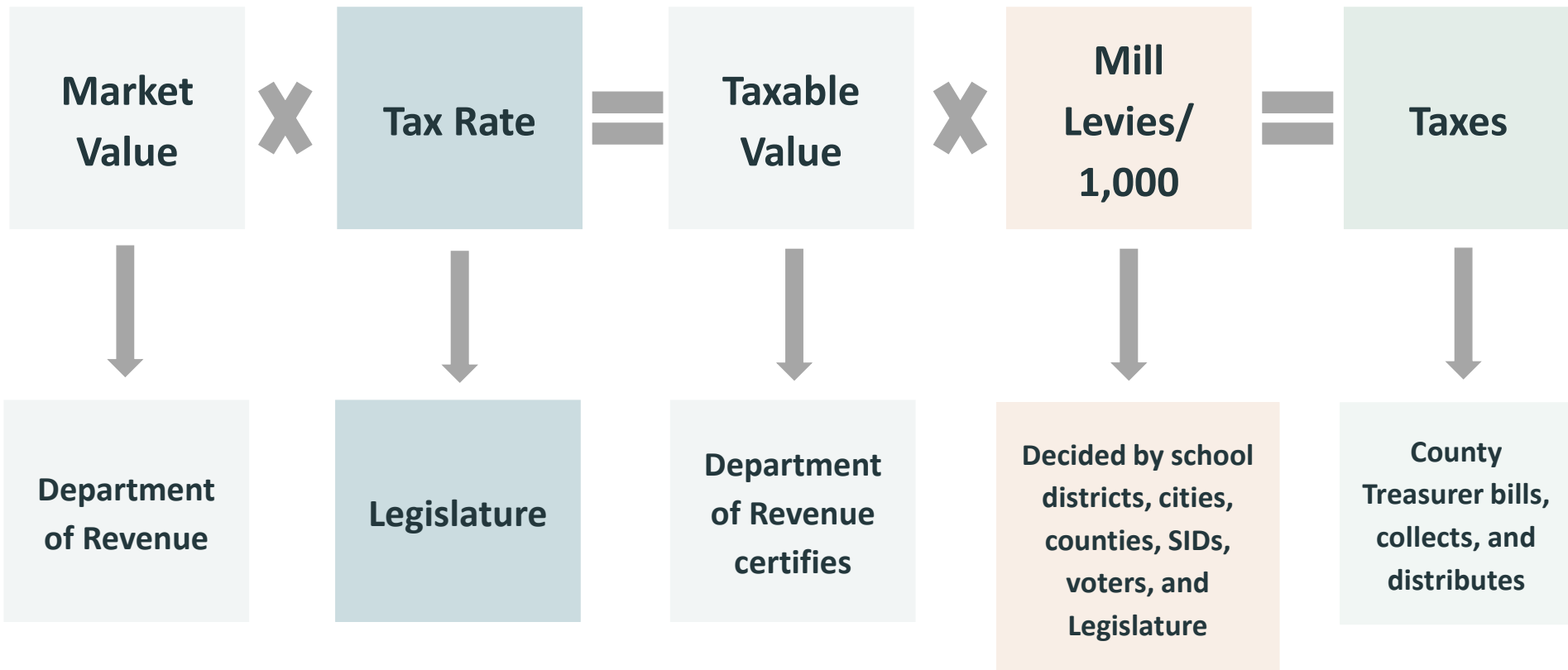
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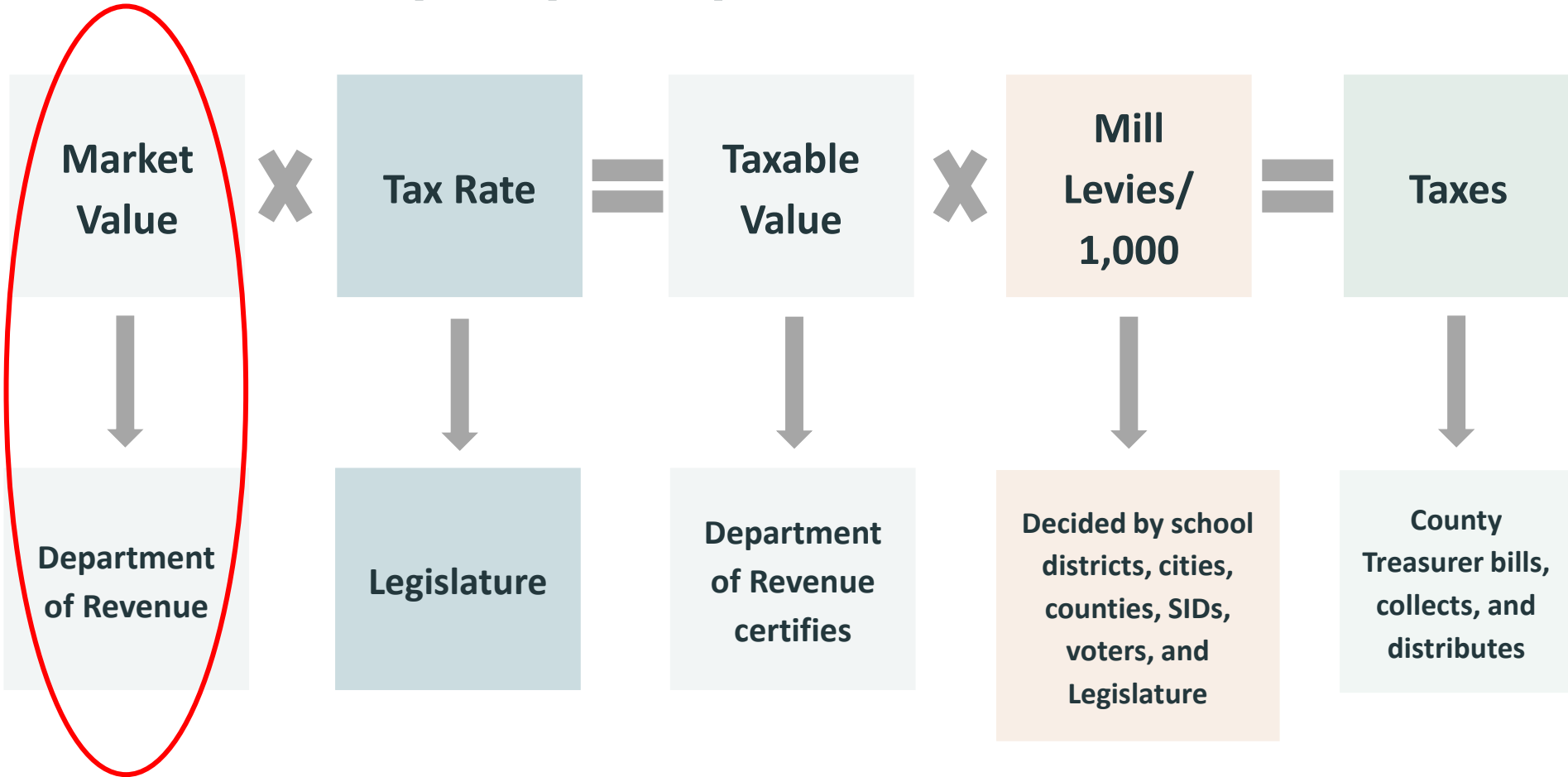
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How are property taxes calculated?



How are property taxes calculated?



Montana Constitution: State Values Property

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: Methods

- Market value - except for agricultural, forest
- Reappraisal cycles
 - 2 year: residential, commercial, agricultural, certain centrally assessed in 2024, forest in 2025
 - 1 year: all other property

State Law: Approaches to Value

Sales Comparison

Residential, Commercial

Arm's length sales of like property with adjustments for property characteristics

Information from realty transfer certificates

Cost

Commercial, Industrial, Residential (if no sales data)

Original cost of the property less depreciation

Information from business records

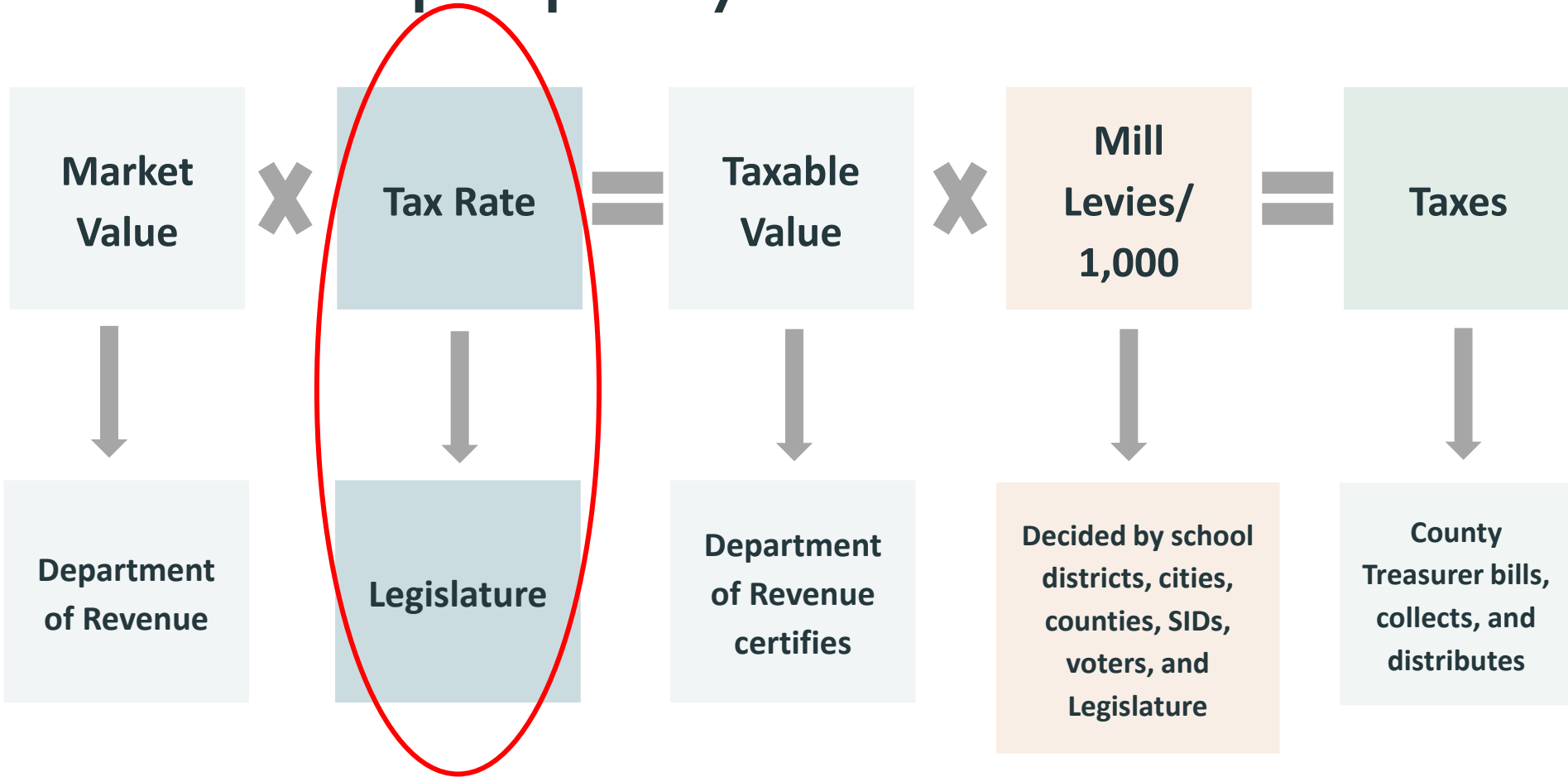
Income

Commercial, Industrial, modified for Agricultural and Forest

Income generated from property divided by the rate of return expected from investment property

Information from income statements and financial markets

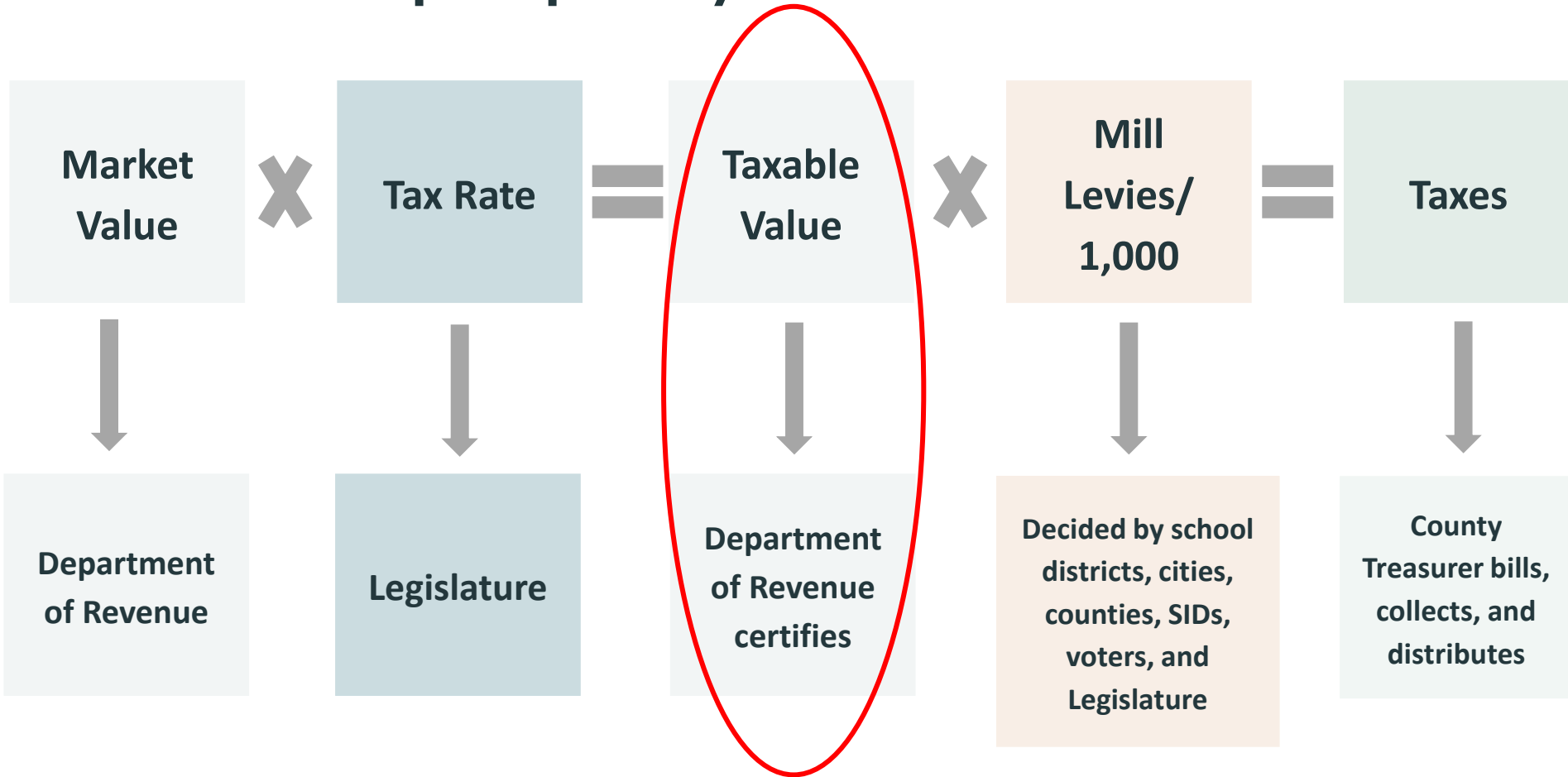
How are property taxes calculated?



Property Class Determines Tax Rate

Class	Description	Rate
3	Agricultural land	2.16%
	Non-qualified agricultural land	15.12%
4	Residential	1.35%
	Commercial	1.89%
8	Business personal property	First \$1M exempt Next \$6M, 1.5% Above \$6M, 3%
9	Non-electric generating property of electric utilities, pipelines	12%
12	Railroad and airline property	3.06% in 2023
13	Electric generating property, telecommunications utilities	6%

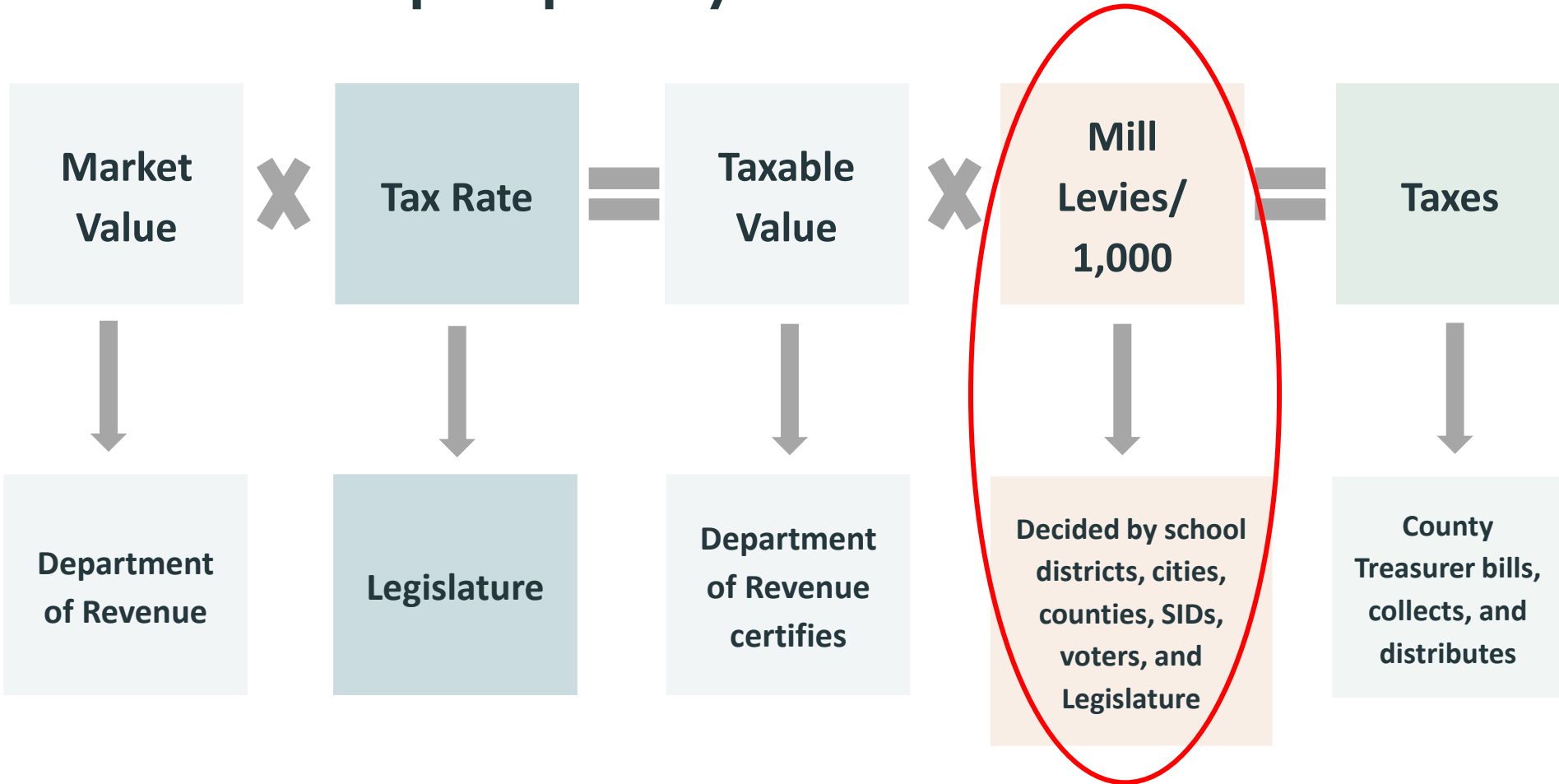
How are property taxes calculated?



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 property taxes calculated?



What is a mill?

- Unit of measuring property taxes owed
- Dollars owed per \$1,000 of taxable value
- $TV/1,000 = \text{dollars paid per mill}$
- Example for \$400,000 of market value
 - Taxable Value = $\$400,000 \times 1.35\% = \$5,4000$
 - $5400/1000 = \$5.40$
 - \$5.40 paid per mill

How are mill levies set?

State

- Mills set in state law:
 - Up to 95 mills for state equalization
 - 6 mills for university system
 - Up to 1.5 mills for vo-tech (certain counties)

Local

- 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, growth from newly taxable property
- Voted levies

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

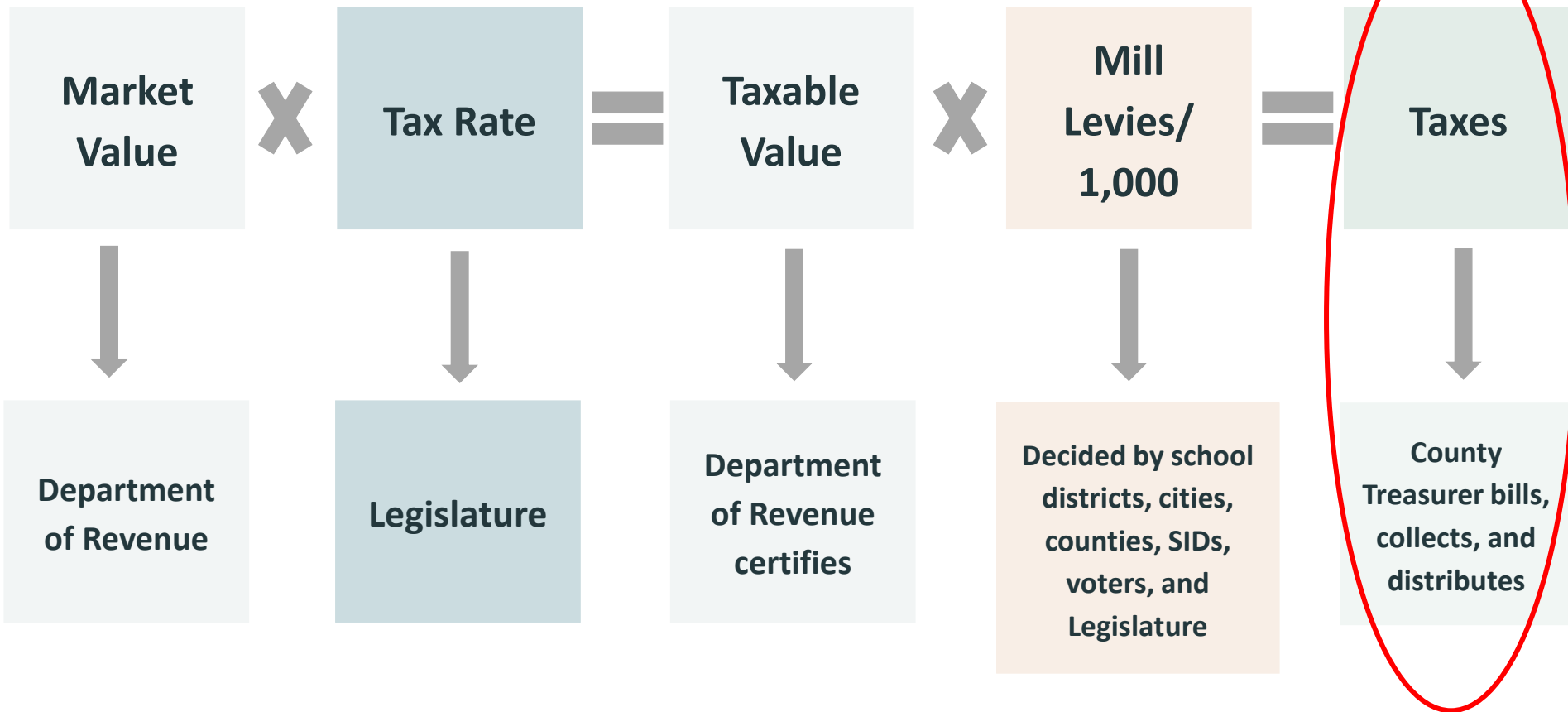


Countywide School Levies

- Fund school district employee retirement and part of pupil transportation
- State formulas determine expenditure amount and other revenues required to offset property tax



How are property taxes calculated?



Taxes Due in Nov. and May

- County treasurers bill, collect, distribute
- Half due Nov. 30 and May 31
- Personal property not affixed to real property
 - Mobile homes: May 31 & Nov. 30
 - 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 \$350,000 of market value to 20%, 50%, or 70% of value, based on income
- Maximum 2024 income: \$27,621 single/\$37,019 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 2024 income of \$59,554 single/\$68,705 married or head of household/\$51,911 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

Property Tax Assistance

Program	Participants	Loss in State Revenue	Tax Shift	Total Benefit to Participants	Average Benefit
Property Tax Assistance Program (2023)	20,500	\$3,290,398	\$14,879,598	\$18,169,996	\$886
Elderly Homeowner & Renter Credit (2022)	16,273	\$10,594,909	-	\$10,594,909	\$651
Disabled Veteran Program (2023)	3,243	\$972,630	\$6,137,639	\$7,577,813	\$2,337
Intangible Land Value Exemption (2023)	197	\$147,903	\$448,612	\$596,515	\$3,028

Source: Department of Revenue

Rebates Issued in 2023 & 2024

Criteria & Amount

- Owned/occupied residence for 7 months of the tax year
- Assessed and paid taxes on residence
- Lower of \$675 or total taxes paid

2023 Rebate Data

- 216,419 rebates
- \$142.5 million

Taxable Value Neutral Report

15-7-111(4)

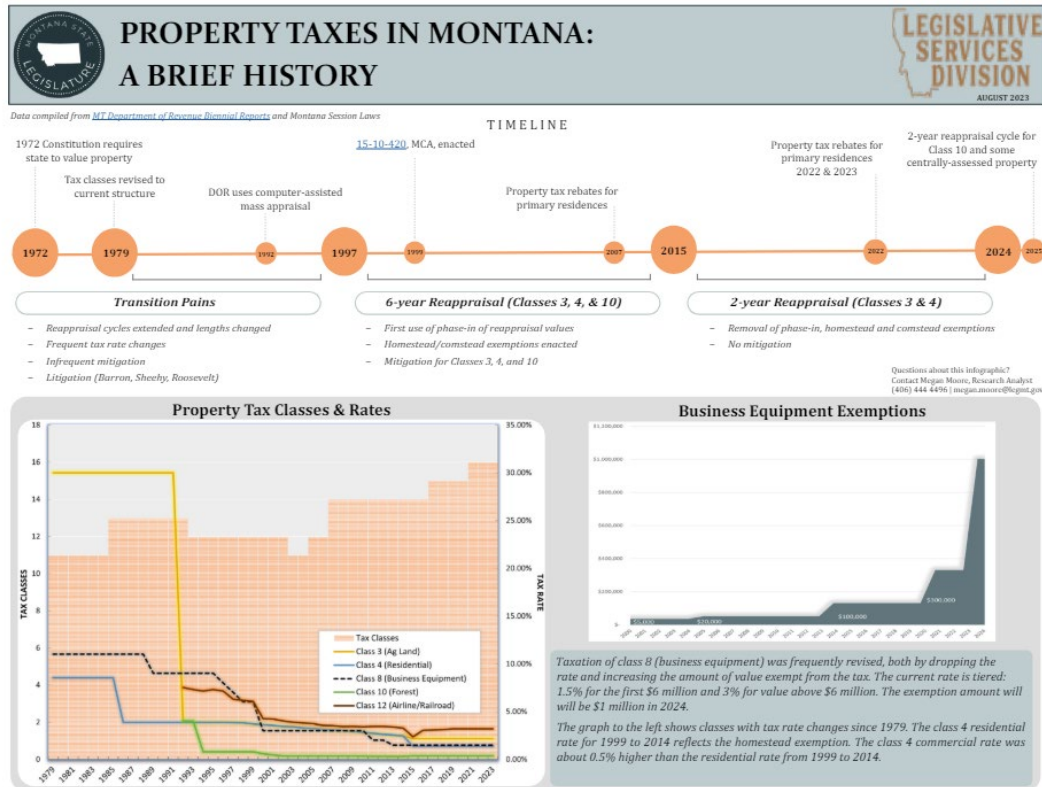
- Required report from DOR to RIC
- Tax rates that will result in taxable value neutrality
- Not a recommendation

November 2022 report

Estimated Taxable Value Neutral Tax Rates		
Property Type	Current Rates	TV Neutral Rates
Residential	1.35%	0.94%
Commercial	1.89%	1.62%
Agricultural	2.16%	2.15%

Property Tax History

- Property Taxes in Montana: A Brief History



Property Tax Studies

Revenue Interim Committee

- 15-10-420
- School equalization mills
- Voted levies
- Tax increment financing
- Property tax assistance

Property Tax Advisory Committee

- 3 subcommittees: Local Government, Tax Fairness, Education
- Similar property tax topics
 - Homestead and comstead exemption
- Recommendations: Aug. 15

Questions?