



SOME PROPERTY TAX BASICS



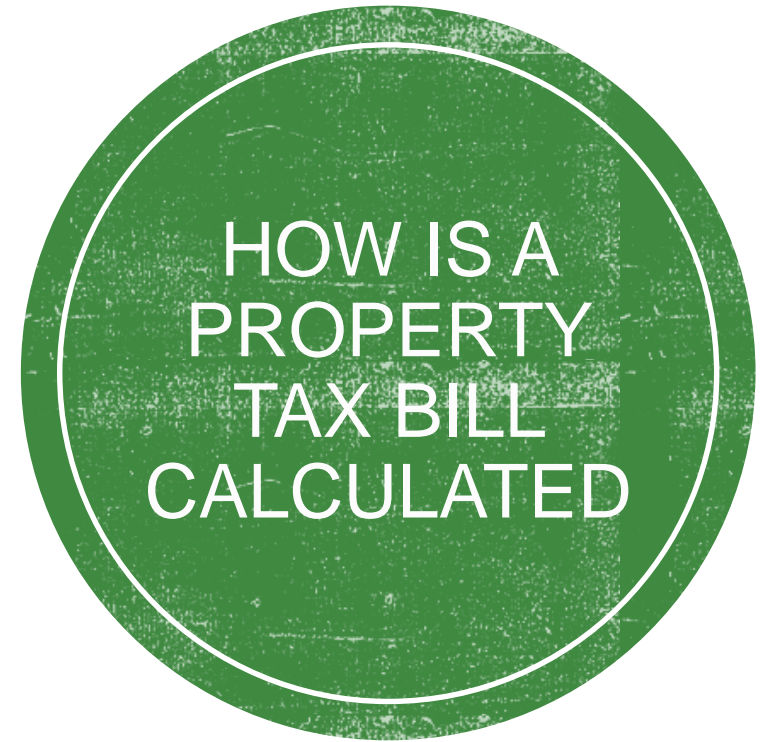
LEGISLATIVE FISCAL DIVISION

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The Legislative Fiscal Division provides non-partisan budget and data analysis to the Montana Legislature



There's a Formula



THE FORMULA



THE FORMULA

Market
Value



THE FORMULA

Market Value \times Tax Rate

The diagram illustrates a multiplication formula. It consists of two green rounded rectangular boxes. The left box contains the text "Market Value" and the right box contains the text "Tax Rate". A large, light green "X" symbol is positioned between the two boxes, indicating multiplication.



THE FORMULA



THE FORMULA



THE FORMULA



- Property taxes are based on property value and are assessed by the Montana Department of Revenue.
- Market value is used to determine property value in most instances.
- Market value is defined in Montana statute as the value at which property would change hands between a willing buyer and a willing seller. (15-8-111, MCA).

\$200,000 House Example



Market Value = \$200,000



THE FORMULA



- Set in statute by the legislature
- Tax rate is based on type of property, these types are called classes. Each class of property has a specific tax rate determined by the legislature that is applied to its market value .

\$200,000 House Example



Market Value = \$200,000



CLASSES OF PROPERTY

Class	Description	Valuation Standard	Valuation Cycle	TY 2020 Tax Rate
Class 1	Net Proceeds of Mines	Net Proceeds	Annual	100.00%
Class 2	Gross Proceeds of Metal Mines	Gross Proceeds	Annual	3.00%
Class 3	Agricultural Land	Productivity Value	2 Year	2.16%
Class 4	Residential, Commercial, and Industrial (land and improvements)	Market Value	2 Year	1.35%
Class 5	Pollution Control Equipment, Independent and Rural Electric and Telephone Cooperatives, New and Expanding Industry, Electrolytic Reduction Facilities, Research and Development Firms, and Gasohol Production Property	Market Value	Annual	3.00%
Class 7	Non-centrally Assessed Utilities	Market Value	Annual	8.00%
Class 8	Business Equipment	Market Value	Annual	1.50%*
Class 9	Pipelines and Nonelectric Generating Property of Electric Utilities	Market Value	Annual	12.00%
Class 10	Forest Land	Productivity Value	6 Year	0.37%
Class 12	Airlines and Railroads	Market Value	Annual	3.20%
Class 13	Telecommunication Utilities and Electric Generating Property of Electric Utilities	Market Value	Annual	6.00%
Class 14	Renewable Energy Production and Transmission Property	Market Value	Annual	3.00%
Class 15	Carbon Dioxide and Liquid Pipeline Property	Market Value	Annual	3.00%
Class 16	High-Voltage DC Converter Property	Market Value	Annual	2.25%
Class 17	Qualified Data Centers	Market Value	Annual	0.90%

Source: MT Dept. of Revenue
Biennial Report July 1, 2018 – June
30, 2020

*Class 8 has a graduated tax rate. 0% of the first \$100,000; 1.5% for the next \$6 million; and 3% for all remaining Class 8 property.

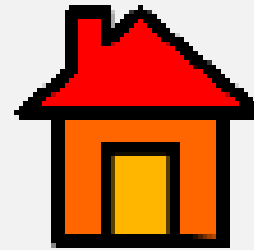


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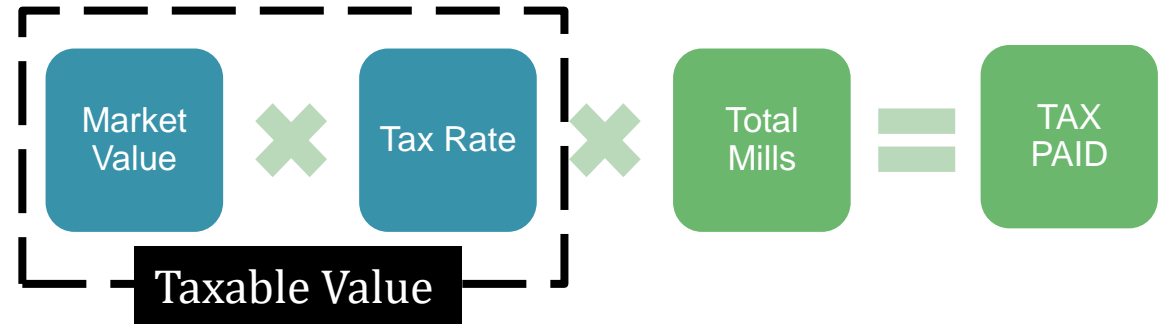
\$200,000 House Example



Market Value = \$200,000
Tax Rate = 1.35%

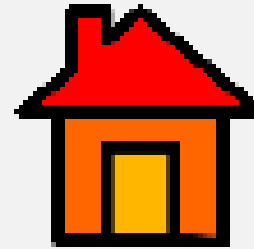


THE FORMULA



- Market value and tax rate are multiplied to get taxable value.
- Taxable value is a term used in statute to define the value to which mills are applied.

\$200,000 House Example



Market Value = \$200,000
Tax Rate = 1.35%
Taxable Value = \$2,700

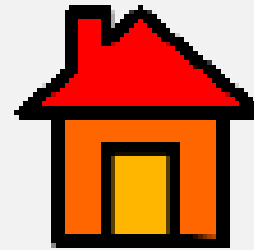


THE FORMULA



- The value of a mill is 1/1000 of taxable value.
- Various entities (counties, school districts, cities, and the state) each levy a set number of mills to fund services.
- The number of mills is based on individual property location.
- While most mills are determined at the local level, every property pays 95 mills to the state for K-12 school funding and 6 mills to fund the university system.

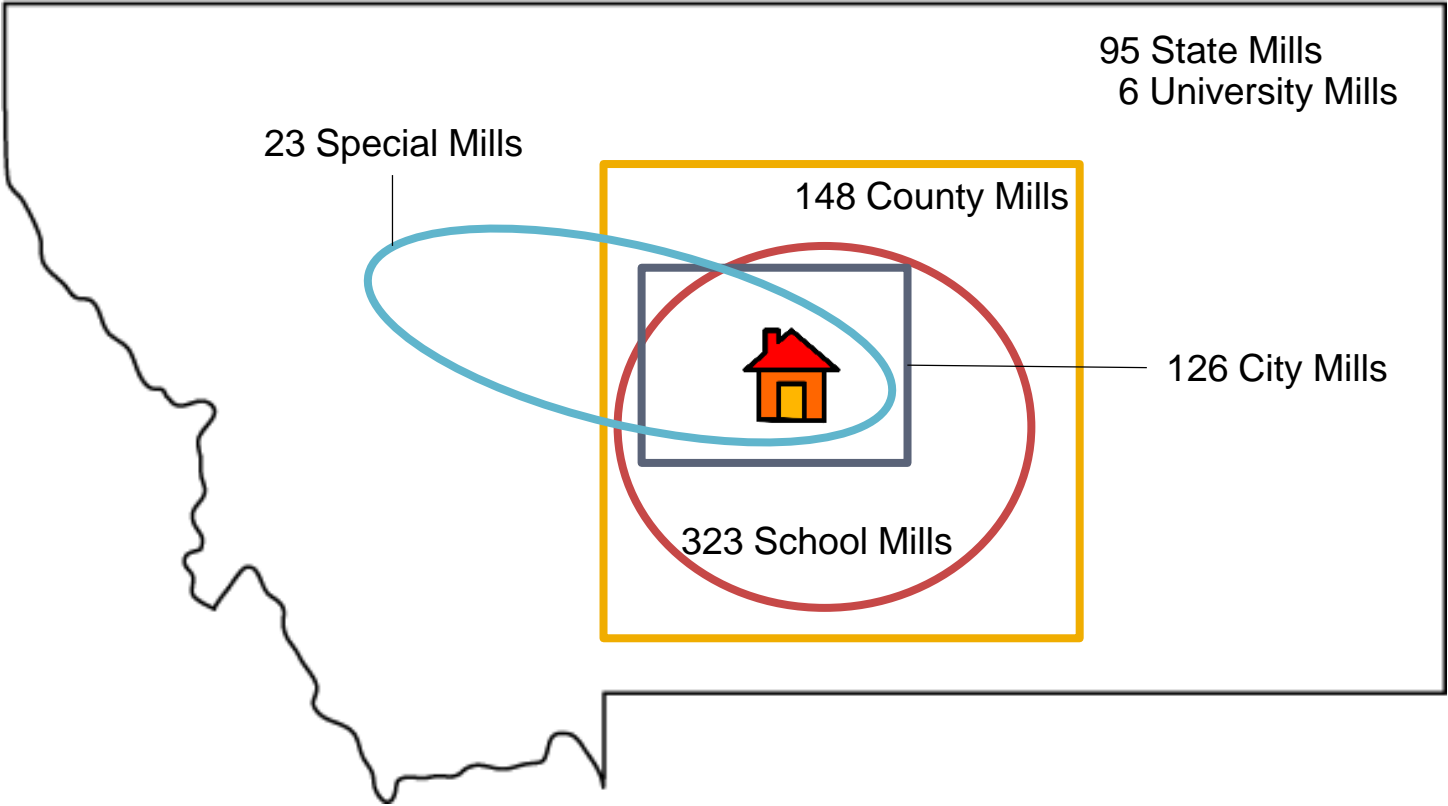
\$200,000 House Example



Market Value = \$200,000
Tax Rate = 1.35%
Taxable Value = \$2,700
1 mill = \$2.70



MILL LEVIES



THE FORMULA



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\$200,000 House Example



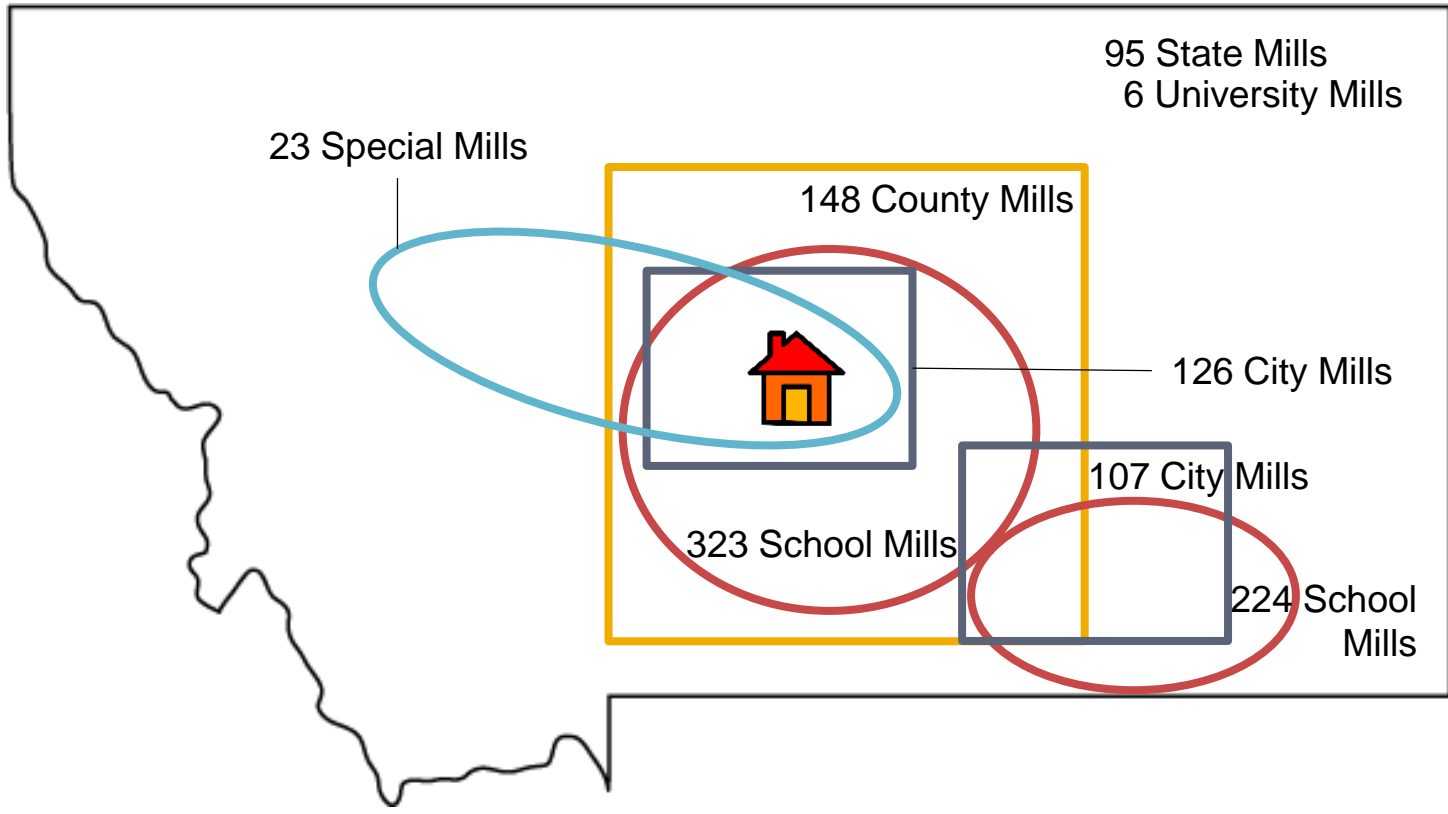
Market Value = \$200,000
Tax Rate = 1.35%
Taxable Value = \$2,700
1 mill = \$2.70
Total mills = 721
Tax paid = \$1,947



Situation 1:
721 Mills
Taxes Paid = \$1,947

Situation 2:
580 Mills
Taxes Paid = \$1,566

MILL LEVIES



QUESTIONS

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