



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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**Director**  
AMY CARLSON

DATE: August 31, 2021  
TO: MARA Committee  
FROM: Legislative Fiscal Division  
RE: Summary of Property Tax Reports from the 2019-2020 Interim

### Property Tax

Property taxes at the state level are used to fund school equalization, universities, and vocational technology colleges. At the local level, property taxes fund district and countywide school funds, city and county services, and a variety of other services. The city and county portions of property taxes are primarily used to fund local services such as roads, bridges, district courts, public safety, and others. There are also a number of special districts in Montana, which may levy mills or charge fees for search and rescue, local parks, water and sewer, and a variety of other purposes. During the 2019-2020 Interim, the MARA committee conducted a study on property taxes (HB 715 from the 2019 Legislative Session). The Legislative Fiscal Division (LFD) delivered three major tax-related reports to the MARA committee: a general analysis of property tax data, a property taxes and schools report, and a property taxes and local government report.

A few major conclusions from the [January 2020 general property tax analysis](#) include:

- Since property tax levies are based on budgets that have already been set, a change in tax rate for a particular tax class or a change in market value does not necessarily increase or reduce property taxes collected. The number of mills levied will change to account for the shift in rate or market value, and may shift the tax burden between tax classes
- Total property tax collections in Montana have grown at about the same rate as the economy. Montana statute, [17-8-106](#), MCA, recommends using growth in personal income for comparison purposes. Personal income is a measure for growth in the economy.
  - Growth in property tax collections for local governments has outpaced growth in the economy
  - Growth in property tax collections for schools has grown faster than inflation but slower than the economy
  - Property tax collections at the state level have grown steadily just above the rate of inflation. Due to the slower growth at the state level, the state may increasingly rely on other sources of revenue such as income tax
- It is difficult to objectively compare property tax differences between two localities if one funds a particular service through property taxes and another locality instead charges a fee for that service.

Also, some communities are more willing than others to pay more in property taxes for a greater amount of services

- Property classes within a taxing jurisdiction affects the overall effective tax rate because different classes of property are taxed at different rates. This makes it difficult to compare effective tax rates between taxing jurisdictions

A few major conclusions from the [April 2020 property taxes and schools report](#) include:

- While schools are a constitutionally required service, there is significant variance in the number of mills paid across the state for this service
- A large increase in school district mills levied between TY 2016 and TY 2019 is partially due to the elimination of school district block grants (per HB 647 in the 2017 Legislative Session), which were replaced partially with GTB funding from the state and partially with increases in school district property taxes. These increases returned to previous averages in TY 2020. The other portion of the increase was due to large increases in non-general fund mills for major maintenance and new construction projects
- The measures implemented by the Montana legislature in [HB 647](#) (2017 session) may have helped to equalize the number of BASE school district mills levied for public education across the state
  - Between TY 2016 and TY 2019, the variability in the number of BASE school district general fund mills decreased substantially. As of TY 2019, the majority of school districts levied approximately 50-60 BASE mills, with a small number of outliers levying a number of mills outside those values
  - Other types of school mills were not affected by the elimination of school district block grants the same way as the BASE mills were. The number of over-BASE general fund mills did not change much between TY 2016 and TY 2019
  - Non-general fund school district mills even increased between TY 2016 and TY 2019, primarily due to increases in mills levied for new construction projects
- More schools were operating over their MAX budget in TY 2019 than in TY 1999. The percentage of difference between funding at the high end of the distribution of per-pupil funding compared to the low end increased over the past two decades, indicating there may be a growing disparity in per-pupil funding across the state of Montana

A few major conclusions from the [June 2020 property taxes and local government report](#) include:

- Local government property taxes grew at an overall rate of 6.2% per year on average between TY 2001 and TY 2018, which is higher than the growth of the economy over the same time period. The source of that growth can be analyzed from a few different perspectives, but without more detailed data, it is difficult to pinpoint exactly where this growth comes from
- County-wide property tax mill levies are broken out into categories (public safety, roads, bridges, etc.). Public safety, health & sanitation, and the “other” category had the largest compound annual growth rates for counties. However, these three categories had some apparent overlap between TY 2001 and TY 2018, making it impossible to determine, with the current data, which category was responsible for the most growth
- In order to analyze the trends in city property tax collections by category type (maintenance, lighting, health & sanitation, etc.), the LFD would need a breakdown of the different mill types from the cities in Montana. In order to make accurate comparisons between cities and to analyze cities and special

districts properly, the LFD would also need data for special districts that indicates which levy districts to which special mills and fees apply

During the 2019-2020 Interim, the Revenue Interim Committee (RIC) also conducted a study of property taxes (HJ 35 from the 2019 Legislative Session), which included the documents linked below:

- State Property Tax Authority and Limits <https://leg.mt.gov/content/Committees/Interim/2019-2020/Revenue/Meetings/May-2020/HJ-35/Property-Tax-Statutory-Authority.pdf>
- Property Tax History <https://leg.mt.gov/content/Committees/Interim/2019-2020/Revenue/Meetings/January-2020/property-tax-history.pdf>