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

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

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

*Assumes 3.0% budget growth for both schools and local governments.
Comparison of the Property Value Growth Rate vs. the Growth Rate in Property Taxes Paid on an Example Residential Property

FY 2024 Example

Growth in the Zillow Home Value Index for Example

Example Growth Rate of Taxes Paid on a Residential Property
Questions?