

# PROPERTY TAX PRIMER

BOB STORY  
EXECUTIVE DIRECTOR

MONTANA TAXPAYERS ASSOCIATION

[rstory@montax.org](mailto:rstory@montax.org)



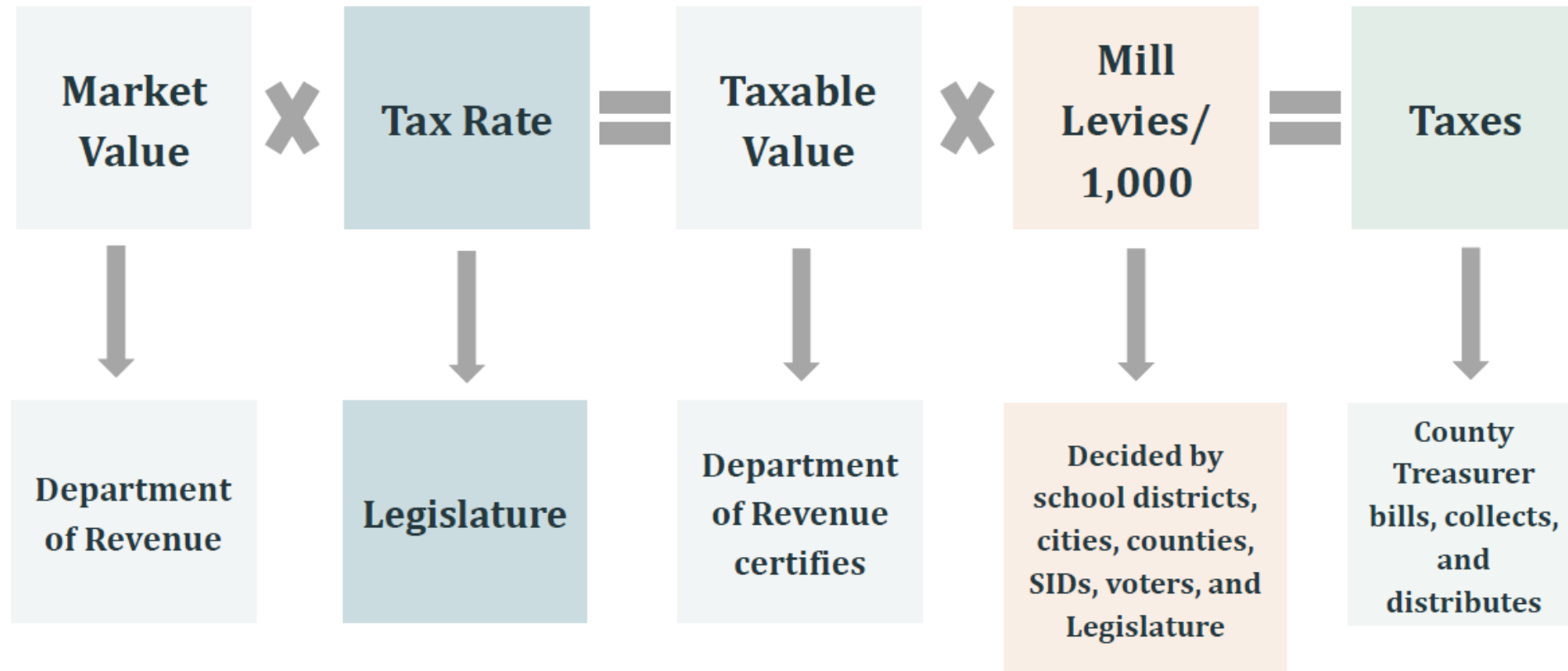
# PROPERTY TAXES



# CLASSIFIED PROPERTY TAX SYSTEM

- MONTANA HAS 16 PROPERTY TAX CLASSES
- A CLASSIFIED SYSTEM ALLOWS FOR
  - Different tax rates
  - Different appraisal methods
  - Apportionment of tax burden
  - Different appraisal cycles

# How are property taxes calculated?



# County and City Levies Limited

- Limited to 1996 levels
- 15-10-420 allows inflationary adjustment, growth from newly taxable property
  - Tax shifting
- Voted levies
  - Impose new mill levy: dollars or mills
  - Increase a mill levy
  - Exceed 15-10-420 authority



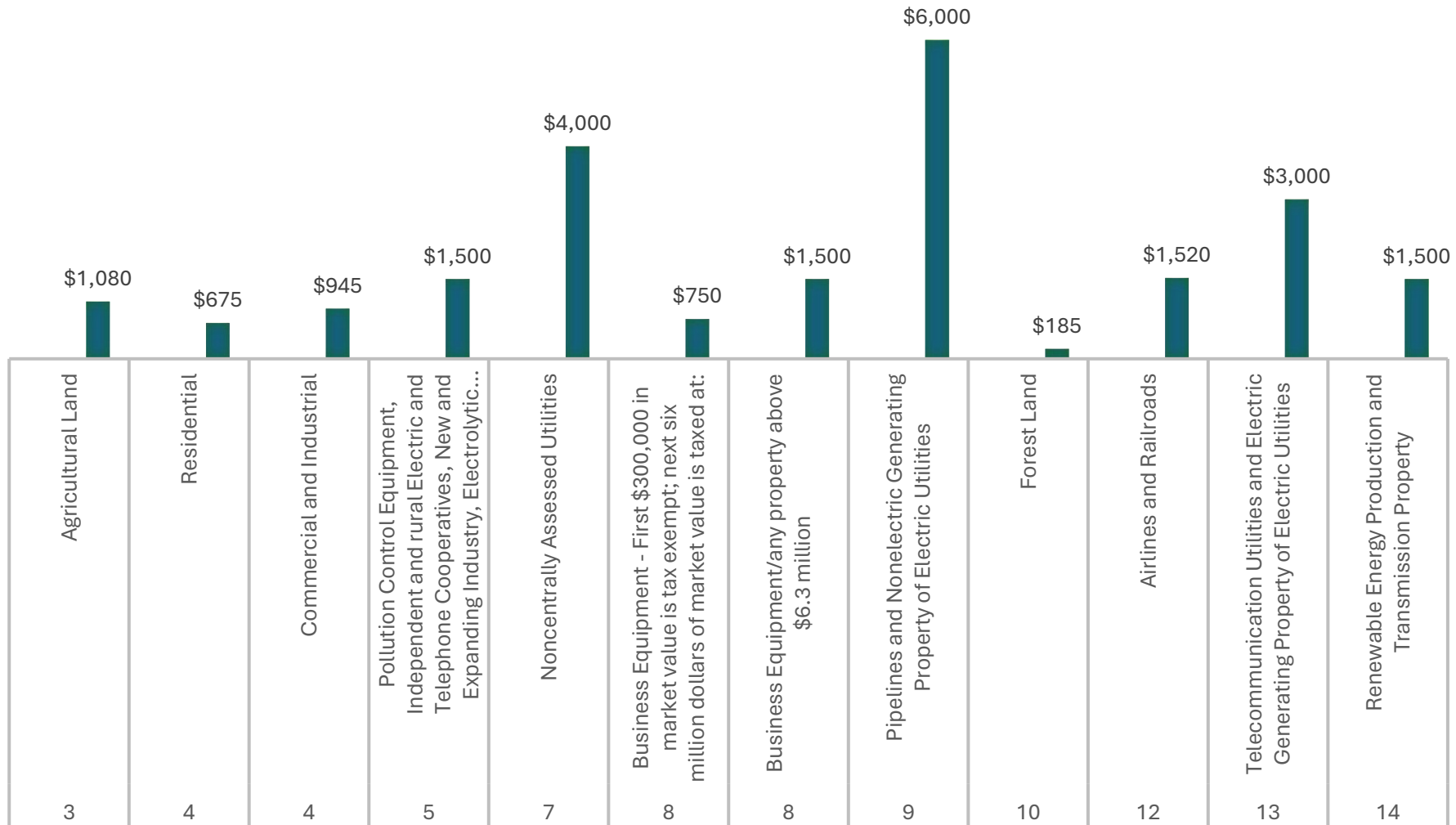
# Property Tax Classes

1. Net mining proceeds	100%
2. Gross metal mining proceeds	3.0%
3. Agriculture Land	2.16
4. Residential	1.35%
4. Commercial 1.4x 1.35%	1.89%
5. Co-ops and Pollution Control	3.0%
7. Qualifying Rural Electrics	8.0%
8. Business Equipment	1.5 to 3%
\$1,000,000 exempt	

# Property Tax Classes

9. Pipelines/Non-Electric Gen.	12.0%
10. Timber	0.37%
12. Railroads and Airlines	3.4%
13. Telecom and Electric Gen.	6.0%
14. Renewable Energy	3.0%
15. Carbon Sequestration	3.0%
16. High Voltage Current Conv.	2.25%
17. Data Centers	.90%
18. Green Hydrogen Facilities	1.50%

**TAXES PAID PER \$100,000 OF PROPERTY  
BY CLASS @ 500 MILLS**

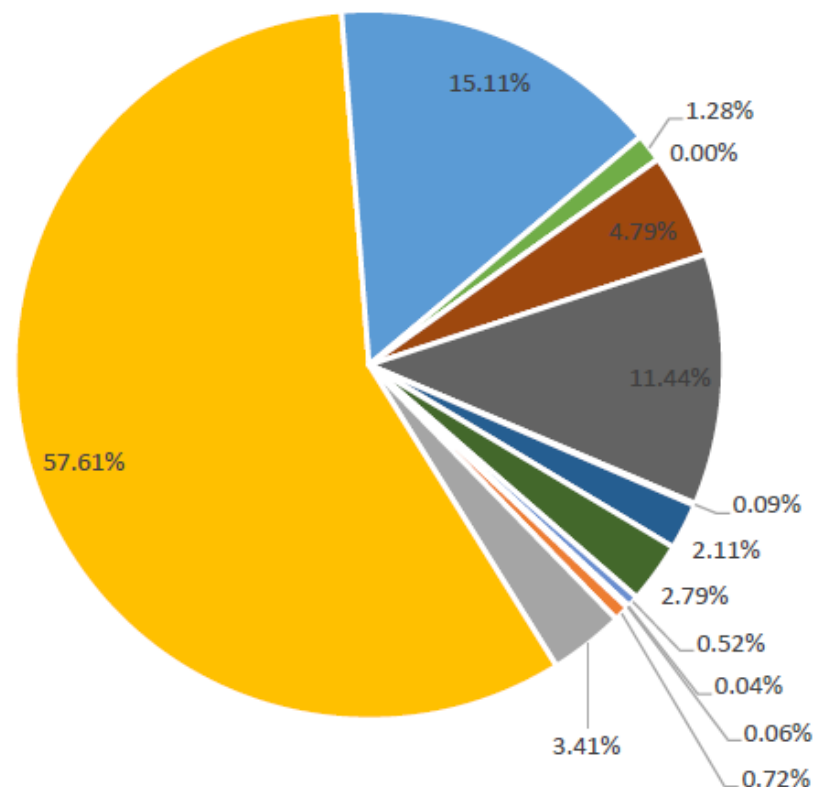




# Residential Pays Largest Share of Taxes

Percent of Property Taxes Paid by Class TY 2023

- Mine Net Proceeds
- Gross Proceeds Metal Mines
- Agricultural Land
- Residential
- Commercial
- Pollution Control Equipment
- Non-Centrally Assessed Public Util.
- Business Personal Property
- Non-Elect. Gen. Prop. Of Electrical Util.
- Forest Land
- Railroad and Airline Property
- Telecommunication & Electric Property
- Commercial Wind Generation Facilities
- Carbon Dioxide and Liquid Pipeline



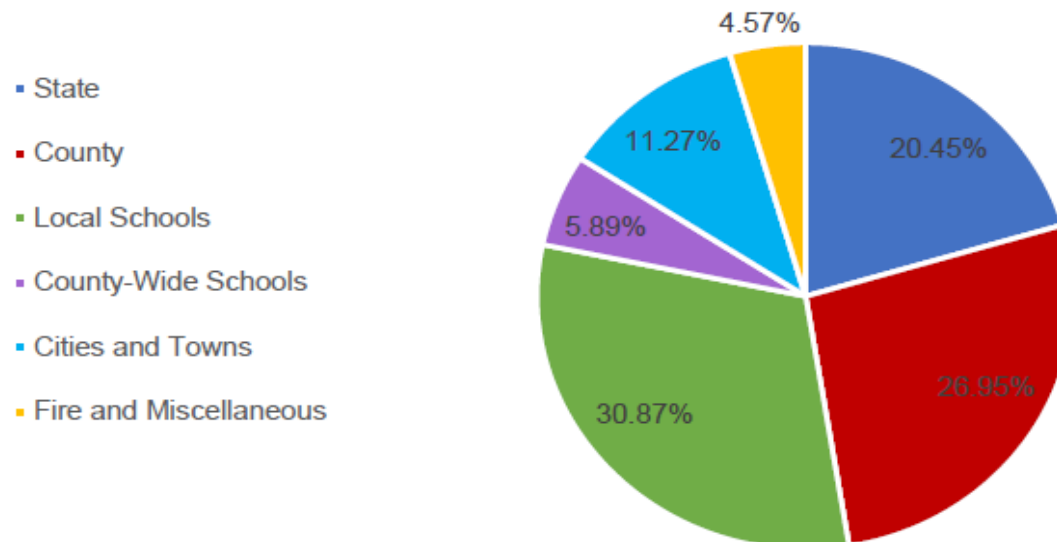
Source: Department of Revenue

# Taxes Levied by Jurisdiction

Taxes Levied by Jurisdiction Type

Taxing Jurisdiction	FY2023		FY2024	
	Tax Revenue	Percent of Total	Tax Revenue	Percent of Total
State	\$371,026,095	17.79%	\$478,934,871	20.45%
County	\$587,697,349	28.18%	\$631,311,895	26.95%
Local Schools	\$675,085,981	32.37%	\$722,954,804	30.87%
County-Wide Schools	\$124,370,782	5.96%	\$137,944,471	5.89%
Cities and Towns	\$234,949,526	11.26%	\$264,049,410	11.27%
Fire and Miscellaneous	\$92,582,726	4.44%	\$106,932,306	4.57%
	\$2,085,712,459	100.00%	\$2,342,127,756	100.00%

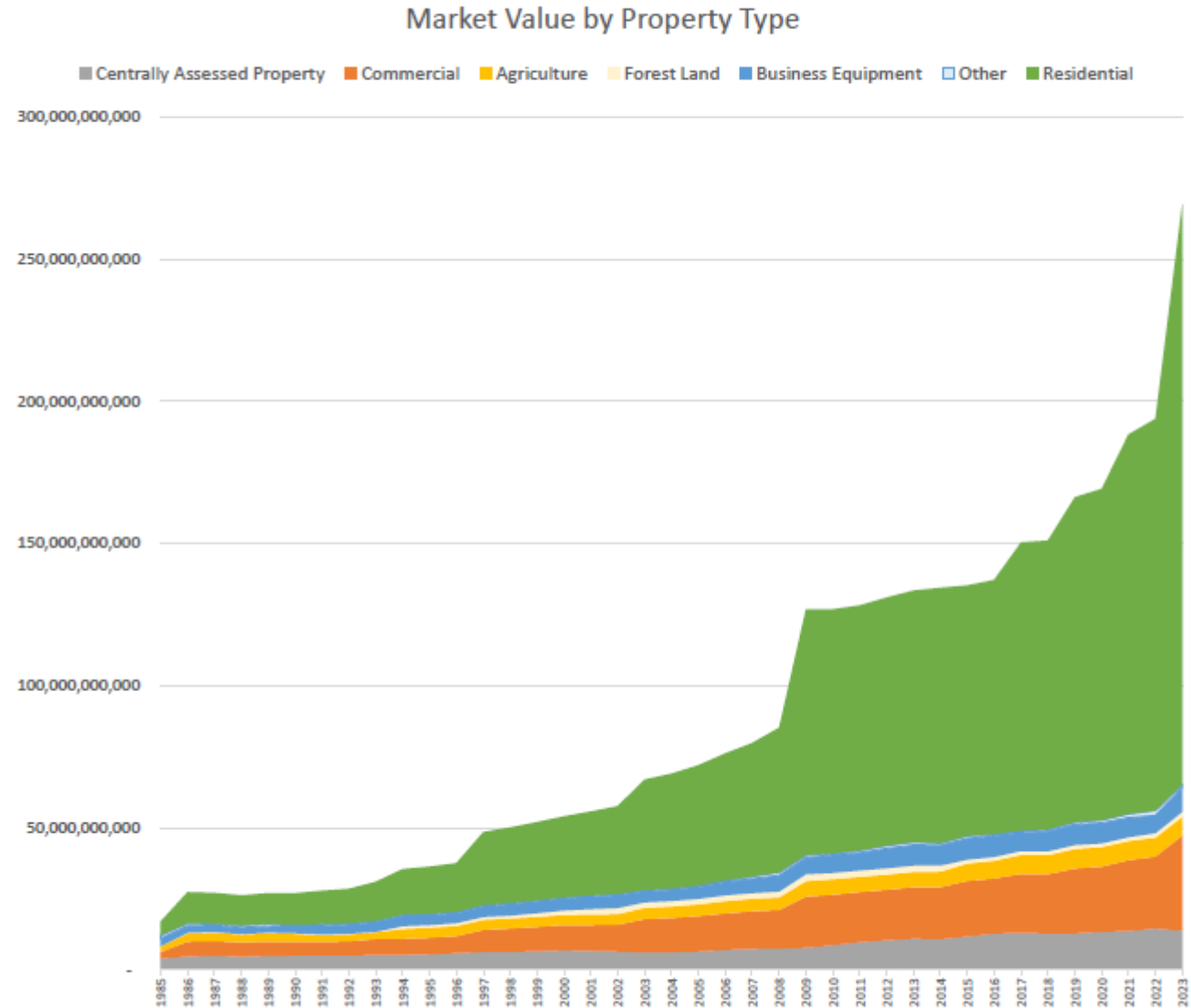
Allocation of Property Taxes by Taxing Jurisdiction Type in FY 2024



# Market Value

Property Type	1985	1995	2005	2015	2023
Centrally Assessed Property	\$3,918	\$5,442	\$6,378	\$11,750	\$13,723
Residential	\$4,888	\$16,562	\$42,398	\$88,145	\$203,927
Commercial	\$2,297	\$5,809	\$12,489	\$19,428	\$33,450
Agriculture	\$2,053	\$3,602	\$4,138	\$6,263	\$6,719
Forest Land	\$21	\$832	\$1,941	\$1,330	\$1,642
Business Equipment	\$2,681	\$3,657	\$4,185	\$7,401	\$8,467
Other	\$1,093	\$333	\$449	\$903	\$1,225

\*table in millions

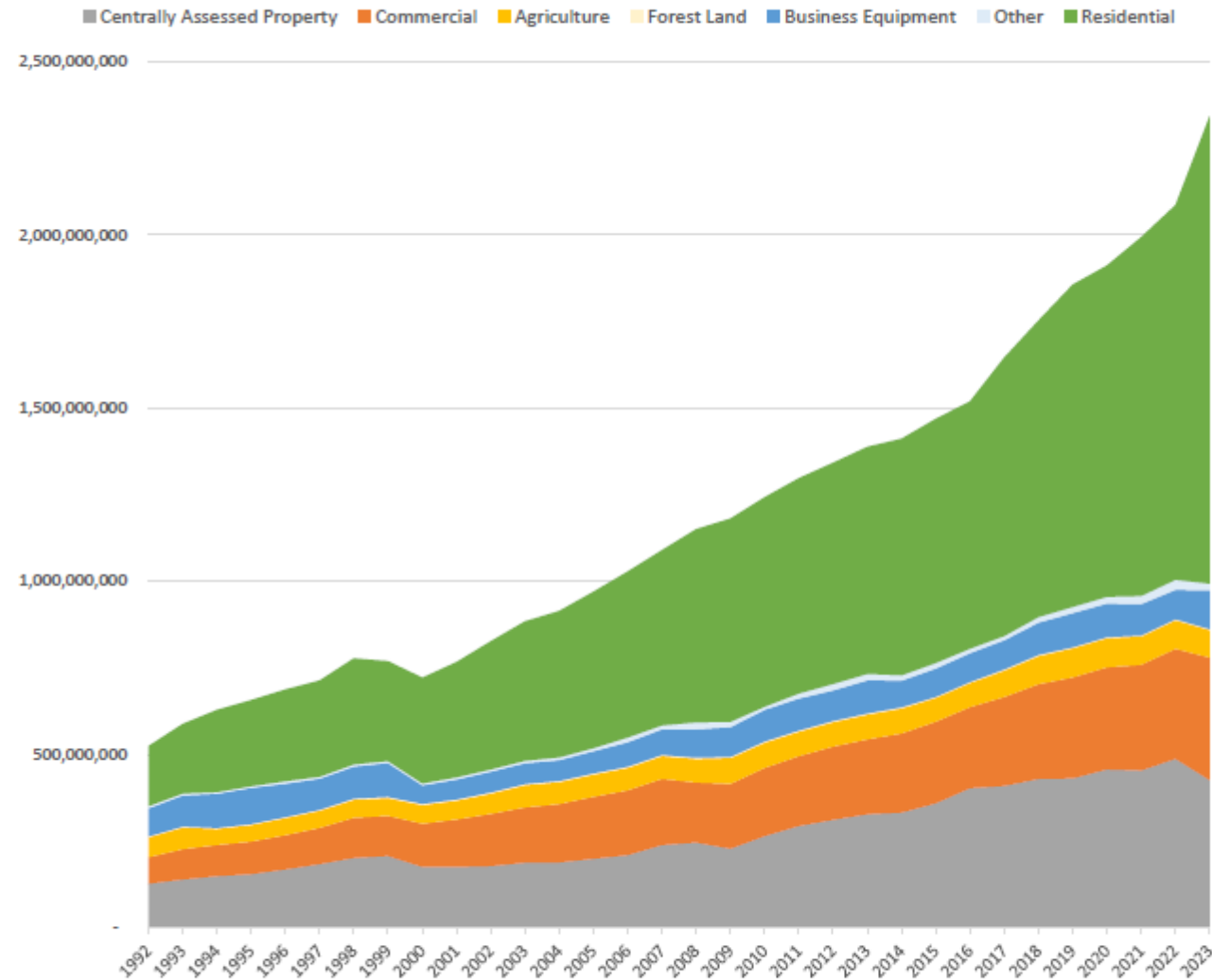


# Taxes Paid

Property Type	1992	2002	2012	2023
Centrally Assessed Property	\$127	\$177	\$311	\$426
Residential	\$173	\$370	\$638	\$1,349
Commercial	\$76	\$150	\$211	\$354
Agriculture	\$58	\$60	\$71	\$80
Forest Land	\$2	\$3	\$3	\$2
Business Equipment	\$81	\$59	\$88	\$112
Other	\$6	\$7	\$19	\$19

\*table in millions

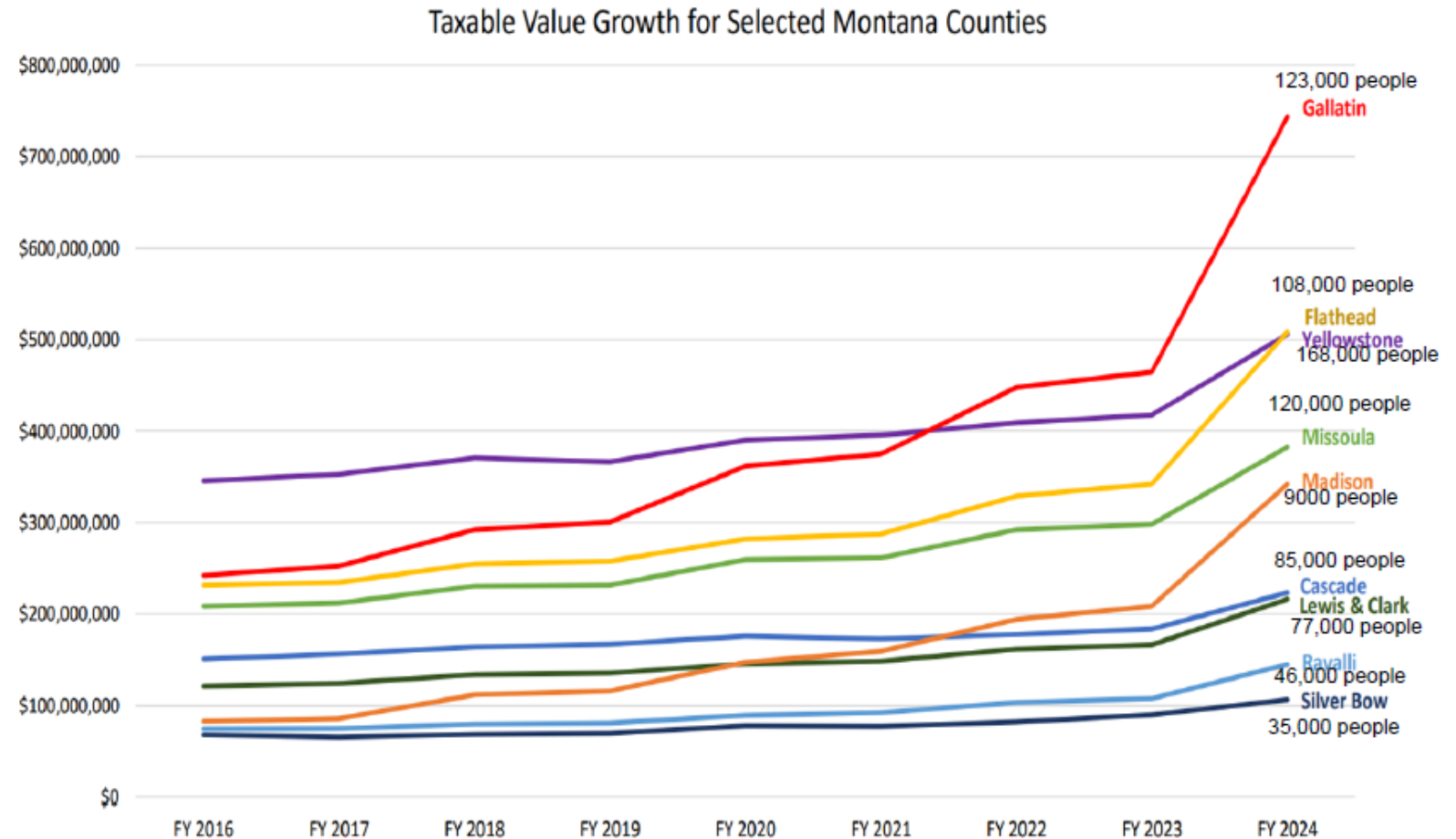
Taxes Paid by Property Type



Montana is increasingly a “scenery state” impacted by move ins, expensive vacation homes, and short-term rentals. Thus, we see some significant changes in where the market value wealth is held in Montana.

**Contrast: Yellowstone County** is known for its vast natural resources, including coal, oil, and natural gas. The Energy Capital initiative seeks to leverage these resources to attract energy-related businesses and investments to the area. It had the largest taxable value for decades. **Gallatin County** is known for its stunning natural beauty, high tech, and scenic attractions.

# Taxable Value Growth for Selected Counties Between FY 2016 (TY 2015) and FY 2024 (TY 2023)



# Governor Gianforte's Property Tax Task Force





# Governor's Property Tax Advisory Council

## • Report of the Local Government Subcommittee

- The subcommittee met on March 5, 2024. All subcommittee members were in attendance online. The discussion was wide ranging, and the committee worked through the problems/possible solutions matrix identified by the full Council on February 14<sup>th</sup>. The considerations when evaluating policy options were reviewed.
- The subcommittee received presentations from
  - DOR on current property tax assistance programs
  - DOA (LGSB) on the repository of local government budgets, annual financial reports, and audits
- Following extended discussions, the issues identified for coverage at the next subcommittee meeting are as follows:
  - ☐ **The scale of local non-levy revenues and how they are integrated into budgets.**
  - ☐ **A review of the timing considerations for mill levies elections.**
  - ☐ **Mechanisms for controlling property tax growth, such as:**
    - Improvements to 15-10-420, MCA,
    - Concepts like to those explored in SB 511 (2023)
    - **How limitations might work with Tax Increment Financing Districts, Special Improvement Districts and bonded debt limits**
  - ☐ **The property tax assistance discussion led to interest in:**
    - Income and property valuation thresholds, and the tenure/ residency requirements of the programs.
    - The idea of means-testing arose for targeting programs.
  - ☐ **Local option sales taxes that include regional revenue sharing mechanisms.**
  - ☐ **California Proposition 13-type mechanisms** and recent Montana property tax limitation ideas such as SB 542 (2023) and BI #2.
  - ☐ **Ways to “smooth” the impact of rapid assessment growth, including tying mill levies to dollars of revenue plus inflation.**

# Governor's Property Tax Advisory Council

## Report of the Tax Fairness/Equity Subcommittee

Issues from the March 4<sup>th</sup> Subcommittee meeting agenda

- Major economic shifts in Montana that appear ongoing.
- COVID-linked economic events that appear to be returning to trend.
- Current temporary response to property tax spike associated with COVID
- Metrics to consider when looking at potential options.
- Homestead exemption - LFD discussion of Model being created, and Income tax shift model
- "Comstead" exemption discussion/explanation and possible changes
- Discussion about % discount on businesses up to a capped amount (e.g., set rate at 2%)
- Discussion of seasonal bed tax increase directed to buy down property tax in areas impacted by tourism.
- Discussion of seasonal gas tax discussion that is direct to buy down property tax in areas impacted by tourism.
- Discussion of local option tax on bigger towns with an area share.
- Discussion regarding inclusion of current tax-exempt property in paying for certain services such as Fire and Police
- Tax equity challenges created by the variety among 397 school districts



# Governor's Property Tax Advisory Council

## Report of the Education Subcommittee

The subcommittee met on February 28, 2024.

The subcommittee explored State and K-12 education revenue sources; school budgeting; the history of the 95-mill state equalization levies; key school funding and property tax statutes; major school funding lawsuits; the 15-10-420, MCA, maximum mill levy calculation; and the issue of “banked” mills. This was followed by a walk-through of the considerations when evaluating policy options.

After that review, the subcommittee settled on three issue areas that the committee would like to explore in more depth.

- ☐ **Changing school election dates to promote more voter participation.**
- ☐ **Examining the impact of tax increment financing (TIF) on state, county, and district school levies.**
- ☐ **Projecting into the future the effects of various options regarding the statewide equalization levy, e.g.,**
  - making no change to current law but incorporating the impact of the School Equalization and Property Tax Reduction Act (SEPTR),
  - adjusting current equalization statutes (e.g., the HB 587 “dials”) to reduce local school levies,
  - reducing the levy to and “floating” it with or without mill banking, and
  - increasing the state levy while providing reductions in local school levies.

The subcommittee will next meet on April 3, 2024.

