# SEPTEMBER 2026 NEWSLETTER

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**December 9, 2026**
**Montax Annual Meeting**

## MAJOR PROPERTY TAX CHANGES COMING IN NOVENBER

When property tax bills arrive in mailboxes in November, taxpayers will see some major changes. Legislation passed in the 2025 legislative session made several changes to Montana's property tax system. For some taxpayers these changes will result in slightly lower property tax bills than in 2025. For other taxpayers there could be significant increases. Here are the most important bills passed and the effect they could have.

### HB 231/SB 542

These two bills were the major property tax policy changes in the 2025 session. They changed how property taxes are calculated, and how property taxes are applied to residential and commercial properties.

Prior to 2025 all residential property value below $1.5 million had a tax rate of 1.35% applied to its market value. The value in excess of $1.5 million of any residential property had a tax rate of 1.89%. Commercial properties had a tax rate of 1.4 times the residential rate of 1.35% applied or 1.89%. The market value of a property is multiplied by the tax rate to get taxable value. Taxable value is the number multiplied by the total mill rate of all the taxing jurisdictions to get taxes owed.

Market Value x Tax rate x Mill levy = Taxes

In 2025 that system changed due to the implementation of the first year of HB 231/SB 542. Both residential properties and commercial properties now were taxed using a tiered rate system. The rates were applied to all residential properties, regardless of ownership or use, and all commercial properties. The rates in 2025 were as follows:

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RESIDENTIAL PROPERTY

*Tiered Tax Rate:*

- *Up to $400,000: 0.76%*
- *$400,000 to $1.5 million: 1.10%*
- *Over $1.5 million: 2.20%*

COMMERCIAL PROPERTY

*Tiered Tax Rate:*

- *Up to $400,000: 1.40%*
- *Over $400,000: 1.89%*

In 2026 the law changed to change the tiered rate systems for both types of property, but additionally for residential property, the use of the property also affected the tax rate. More tiers were added and properties that were not primary residences or long-term rentals were moved to the highest tax rate for their full value. The 2026 rates are:

RESIDENTIAL PROPERTY

***Primary Residence or long-term rental (SFR):***

- ≤ Median ($378,000): 0.76%
- Median to < 2x median: 0.90%
- 2-4x median: 1.10%
- ≥ 4x median: 1.90%

***Non-principal residence:*** Flat rate 1.90%

COMMERCIAL PROPERTY

***Tiered tax rate (Median = $379,000):***

- *< 6x median: 1.50%*
- *≥ 6x median: 1.90%*

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The consequences of the 2026 changes for many residential properties that are not a primary residence or a long-term rental are increasing the tax rate from .76% to 1.90% a multiple of 2.5 times. Ironically, high value properties that are not primary residences will see their tax rates decrease from 2.2% to 1.9%, a decrease of 15%. While Montanans with a modest second home or vacation property will see their taxable value rise by 250%, high value second homes could see their taxable value decrease.

The final effect on an individual's property taxes will depend a lot on the mix of property in their taxing jurisdictions. In areas with a significant number of modest second homes and short-term rentals, the increased taxes paid by these properties may lower the taxes paid by primary residences. In areas that are mostly high value second homes, taxes may increase on owner occupied properties due to the tax rate reduction on high valued homes.

The end result of the property taxes changes in HB 231/SB 542 is a more complicated property tax system that shifts taxes to many Montana owned second homes and short-term rentals.

The 2026 system also changes the mix of taxes paid by commercial properties. Small commercial properties will see their tax rate increase from 1.4% to 1.5%. Medium and large commercial properties will see a lower tax rate on more of their value as the 1.5% rate applies to about $2 million in value. The 1.4% rate applied to $400,000 in value in 2025 and all the rest of a commercial property's value had a 1.89% rate applied. Now the value above $2 million will receive a 1.90% rate. Taxable value of commercial property above $400,000 will decrease.

Small commercial properties below $400,000 will see their taxable value increase slightly as the rate increases from 1.4% to 1.5%. This is a taxable value increase of $400 which would convert to a tax increase of $200 if the mill levy was 500 mills.

## House Bill 156

House Bill 156 changed the way K-12 schools are funded. HB 156 creates a new county-wide school equalization property tax levy to fund the required BASE funding of all the schools in the county.

By law, schools are required to budget a minimum amount of money. This is called the BASE. The BASE is 80% of the maximum budget allowed by law for each school district. The BASE amount of funding is supplied by several sources including State direct aid, some programs that are funded entirely by the state, other revenue like oil and gas tax revenue, local property taxes, and state money to subsidize local property taxes. How much comes from each source depends partly on the district's tax wealth and the number of students in the district.

Due to the variation in tax wealth of a school district, some school districts levy low mill levies. Other districts must levy higher property taxes to fulfill the required amount of money to fund their budget. The amount of property taxes levied by districts varies within a county as well as across the state.

There are school districts that levy over 100 mills each year. Other districts may only levy a few mills because each mill brings in many thousands of dollars. Some school districts have sources of revenue like oil and gas money that they use instead of local property taxes.

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House Bill 156 requires a county-wide levy to be imposed to fund the BASE budgets of all the school districts in the county. There will be one equalization levy for elementary schools, and one for high schools if a county has more than one high school district.

The effect of this bill will be to increase the property taxes collected in some school districts in the county in order to lower the property tax collections in other districts in the county. In some cases, this mill levy increase may be in the range of 25-30 mills.

With the addition of the county equalization levy, local school district general fund levies will decrease. In some districts the increase in the county-wide levy will be more than the decrease in the local general fund levy. In other districts, the decrease in the local general fund levy will be greater than the increase in the county-wide levy. There will be a shift in taxes from low taxing school districts to high taxing school districts.

## House Bill 15

House Bill 15 implemented an inflation adjustment to the school funding formula for Fiscal Years 2026 and 2027. Each session of the Legislature schools are allowed an inflation adjustment to their budgets. The 2025 session allowed school budgets to grow by 3% each year. Because of the way school funding laws work, 80% of the 3% can be imposed without approval of the voters in the school district. The district must ask the voters to approve the inflation increase to the amount of their budget over the 80% BASE budget that is required. Because of this requirement, schools get a 2.4% increase and can get 3% if the voters approve. This increase could increase property taxes statewide by about $30 million.

## Senate Bill 117

Senate Bill 117 changed the inflation limits on local government property tax collections. Since 2001 local government property tax increases have been limited to ½ the rate of inflation for the 3 previous years plus taxes from new property.

Senate Bill 117 allows local governments to increase their property tax collections on existing properties by full inflation not to exceed 4% but they only get a portion of their new property as new revenue. Under SB 117 local governments get to use 75% of their new residential and commercial property value to generate new revenue. The other 25% of that value must be used to reduce mill levies on all existing properties. They can use up to 50% of their new property value in other classes of property to generate new revenue but the other 50% must be used for property tax reductions.

The effect of this bill on taxes will be dependent on what is happening in a taxing jurisdiction. All taxing jurisdictions will benefit from being able to grow their budgets by full inflation. This will raise property taxes on everyone if there is no new property in the jurisdiction.

Because the law requires taxing jurisdictions to use a portion of their new property for tax relief, that could overcome the inflation increases in those areas that have new property to tax. Whether SB 117 causes property tax increases from the previous law is dependent on new property.

# MONTANA DOR PROPOSES A 4-YEAR REAPPRAISAL

The Montana Department of Revenue asked the Revenue Interim Committee to approve the drafting of a bill for the 2027 legislative session to change the length of the reappraisal cycle for residential and commercial property, agricultural land, and timber land, from a 2-year cycle to a 4-year cycle. The reason for this proposed change is lack of staff to adequately perform a reappraisal of these properties under the current 2-year timeframe.

Montana had reappraised these properties on a 6-year cycle prior to 2015. In 2015 the Department asked to shorten the cycle to 2-years to keep values more current and to simplify the process. When the 6-year cycle was in place the increase in values of residential and commercial properties over the six years was significant enough that the Legislature felt it necessary to mitigate the increase in value by reducing the tax rate. During that time, the Legislature also implemented a 6-year phase in of values, a 6-year phase down of rates, and a 6-year phased increase in the value exemption of residential and commercial properties. This created a very complex system that affected taxpayers and taxing entities in varying degrees depending on how values locally had changed over the last six years.

Because the Legislature makes changes that affect the whole state, they tended to mitigate market value increase by lowering the tax rate so statewide taxable value would not increase for the properties on the 6-year reappraisal cycle. This causes very different local impacts. If a locality had market value increases lower than the state-wide average, mitigation took too much taxable value out of the jurisdiction causing mills to increase and shifting taxes to other classes of property.

If local values increased more than the statewide average, the statewide fix did not reduce residential property taxable value enough to neutralize the reappraisal. Even with required mill levy reductions residential properties paid more taxes and other types of properties got tax reductions.

Another drawback of the long reappraisal cycle was inequity in values among classes. Some properties were appraised annually so their values were current. Residential and commercial property values were always 6 years behind the current value.

The concern about going to a 4-year cycle is that many of the same problems will occur again. Value increases will be large enough that the Legislature will feel compelled to lower tax rates or exempt more value from taxes. That will shift new property taxes to other classes of property. Some of these classes already pay 8 to 16 times the taxes per dollar of value of residential property due to the disparity in tax rates applied to different classes of property.

A longer cycle will also create the situation where some types of property will have values updated annually or every two years and other types of property will only have values updated every four years.

## POSSIBLE GASOLINE TAX INCREASE

The Transportation Interim Committee will be analyzing bills for presentation to the 2027 legislative session. One of the bills they will consider forwarding during their September 11th meeting is a bill to increase the tax on gasoline. The bill proposes to increase the State gasoline tax from 33 cents to 38 cents in 2027. The tax would be increased to 43 cents in 2028. After 2028 the tax would be adjusted annually for inflation.

The committee will also be presented with a proposal to increase fees for overweight permits and to increase penalties for weight violations.

The Committee will meet at 8:30 on September 11th. The meeting will be held in room 154 in the Capital building. The agenda and meeting materials can be seen on the link below as well as information on how to participate by Zoom.

Transportation Interim Committee Link

## MONTANA TAXPAYERS ASSOCIATION ADOPTS NEW DUES STRUCTURE

The Montana Taxpayers Association (Montax) has spent the past year reviewing its dues structure and evaluating options for updating a system that has been in place for the past 25 years. A committee appointed by Chairman Ebzery led the effort to develop a simpler and more equitable approach to membership dues.

Montax's current dues structure includes numerous categories and levels. Some members pay flat fees, while dues for members with centrally assessed or industrial property are based on the market value of their properties. Dues for certain larger commercial properties and service businesses are based on sales or the number of employees. Over time, this structure has resulted in significant disparities in the dues paid by members with similar properties or business models.

The dues committee established three primary goals: **simplify the dues structure, create greater parity among similar businesses, and ensure dues adequately cover the cost of providing services to members.**

After studying several proposals, the committee recommended a new dues structure to the Board of Directors. The board suggested several modifications before advancing the proposal to the Executive Committee for consideration. The Executive Committee subsequently adopted the proposal, which became the new dues structure.

### A Simpler, More Consistent Approach

Under the new structure, dues will no longer be based on property value, sales, or number of employees. Instead, dues will be based on **flat, uniform rates determined by the type of membership or industry.**

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Basic dues for individuals and small businesses have increased modestly to better reflect the cost of providing services to those members. Dues for associations have been adjusted to account for inflation and the services Montax provides to their members. Dues for most businesses have also been increased to establish greater uniformity among similar businesses and to account for inflation over the past 25 years.

The Montana Taxpayers Association greatly appreciates all of its members and the support they provide through membership dues and event sponsorships. We hope our members recognize the value of the services Montax provides through advocacy, education, and opportunities to stay informed about Montana's tax and economic policy issues.

Montax is the only organization whose primary focus is Montana taxes. We advocate for business-friendly tax systems, educate policymakers and our members about Montana's tax structure and processes, and provide opportunities for members to learn about emerging economic and tax policy issues.

Members will be informed of their new dues assessment when their renewal notice is sent. As always, Montax staff will work with members to explain any changes in their dues and, when necessary, help members transition toward the recommended new dues rate.

We appreciate your continued membership and support of the Montana Taxpayers Association.

## COURT OVERTURNS ATTORNEY GENERAL TERM LIMIT OPINION

A district court in Helena overturned the recent Attorney General's opinion that would have prevented two legislators from appearing on the November ballot. In July Montana's Attorney General ruled that the constitutional language imposing term limits were improperly applied when Senate Bill 311, passed by the 2011 legislature, was implemented. The court's order in the case returned the term limit procedure back to the practice that has been in place since the 2012 election cycle.

In 1992, voters passed a constitutional amendment to limit state-wide elected officials, legislators, and members of congress to serve 8 years in a 16-year period. Since congressional offices are controlled by the U.S. constitution, limits on those offices could not be imposed by a state constitution. Montana's U.S. Senate and Congressional terms were removed from the term limit language.

In 1997, the Montana Attorney General was asked for a formal opinion on how the term limit language should be implemented. That opinion clarified two issues. The first and most important determination was that candidates for statewide and legislative offices could not file to return to a previously held office until they had been out of that office for 8 years. That effectively meant that a person seeking to return to a previously held office would have to sit out 10 years for a House seat and, in most cases, 12 years for a Senate seat. They would also have to sit out 12 years for any statewide office. The second part of the opinion clarified that time served as an appointee to an office did not count toward the 8-year term limit.

In 2011, the Legislature passed Senate Bill 311. SB 311 defined what a year was regarding state elected offices and also allowed candidates to file to return to a previously held office if, at the time they were sworn into office, they had been out of office for 8 years. This law allowed candidates to file for office during the 7th year out of office. If they won the election, by the time they were sworn into the office they would have been out of office for 8 years.

A new Attorney General's opinion was requested by the Secretary of State as to how SB 311 should be implemented. The Attorney General's opinion stated that as long as a candidate had an 8-year break in service they could file for office and, if elected, serve. That has been the practice of implementing term limits since 2012.

In July of 2026, a new request for the Attorney General to issue an opinion on the implementation of the constitutional language on term limits. That request was submitted by the Montana Senate President and asked if the constitutional language allowed one specific legislative candidate to be placed on the ballot. The Attorney General did not answer that request but withdrew the 2012 Attorney General opinion clarifying SB 311 and reinstated the practice implemented by the 1997 Attorney General opinion which prevented access to the ballot by candidates until they had been out of office for at least 10 years.

This opinion was issued in August, days before the November ballots had to be constructed. The change in interpretation of the term-limit language affected two candidates for the legislature this coming election. Due to the short time to deal with the new opinion a scramble occurred on two fronts. First, the affected candidates file suit in district court to overturn the opinion. Second, local central committees had to meet and select replacement candidates to appear on the November ballot in case the court case was not resolved prior to the deadline for the Secretary of State to certify the ballots.

The district court in Helena held a hearing on the issue on Tuesday August 18th. The court issued a decision the next day. The decision ruled the 2026 Attorney General opinion void. It also prevented the Attorney General from withdrawing the 2012 Attorney General opinion. The ruling returned election administration term limits to the procedure in place in elections since 2012. That ruling was appealed to the Montana Supreme Court. Wednesday evening the Montana Supreme Court denied the Attorney General's request to intervene in the case. This upholds the district court ruling that returns the access to the ballot practice for candidates to the 2012 procedure where a candidate can file and serve as long as they have had an 8-year break in service.

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# UPCOMING MEETINGS

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| ♦ September 11 | Transportation Interim Committee |
| ♦ September 14-15 | Education Interim Committee |
| ♦ September 15-16 | Education Interim Budget Committee<br>Health and Human Services Interim Budget Committee<br>Long Range Planning Interim Budget Committee<br>General Government Interim Budget Committee<br>Natural Resources Interim Budget Committee<br>Public Safety Interim Budget Committee |
| ♦ September 17 | Legislative Finance Committee<br>Local Government Interim Committee |
| ♦ September 17-18 | Legislative Audit Committee |
| ♦ October 1 | Legislative Consumer Committee |
| ♦ October 13-14 | Modernization and Risk Analysis Committee |
| ♦ October 27 | State Administration and Veteran's Affairs |
| ♦ November 11-14 | Legislator Orientation |
| ♦ November 16 | Revenue Interim Committee |
| ♦ December 9 | Montax Annual Meeting |
| ♦ December 15-16 | Education Interim Budget Committee<br>Health and Human Services Interim Budget Committee<br>Long Range Planning Interim Budget Committee<br>General Government Interim Budget Committee<br>Natural Resources Interim Budget Committee<br>Public Safety Interim Budget Committee |
| ♦ December 17 | Legislative Finance Committee |

Make sure you check out our website:
Montax.org for information and previous publications.