MONTANA
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DEPARTMENT OF REVENUE

NOTICE OF PROPOSED RULEMAKING

MAR NOTICE NO. 2025-443.1

Summary

The proposed amendment of ARM 42.21.154, 42.21.155, 42.21.158, and 42.22.1311 pertaining to personal property depreciation schedules and trend tables; the department's implementation of House Bill 108 (2025); adjusting residual depreciation for industries; and a proposed revision to the personal property reporting deadline.

Hearing Date and Time

Monday, December 1, 2025, at 10:30 a.m.

Hearing Information

Third Floor Reception Area Conference Room of the Sam W. Mitchell Building, located at 125 North Roberts, Helena, Montana

Comments

Comments may be submitted using the contact information below. Comments must be received by Monday, December 8, 2025, at 5:00 p.m.

Accommodations

The agency will make reasonable accommodations for persons with disabilities who wish to participate in this rulemaking process or need an alternative accessible format of this notice. Requests must be made by Friday, November 14, 2025, at 5:00 p.m.

Contact

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Rulemaking Actions

AMEND

The rules proposed to be amended are as follows, stricken matter interlined, new matter underlined:

42.21.154 ANNUAL VALUATION OF PERSONAL PROPERTY

(1) Except as provided in (5) and (7), personal property is valued annually using the cost approach to market value. The market value is determined by multiplying a trended depreciation percentage times the installed original cost of the property. The department has established specific categories of personal property which are provided in ARM 42.21.155.

(2) Taxable supplies, defined in ARM 42.21.160, are valued at 100% of their acquired cost.

(3) Leased or rental equipment that is not exempt under 15-6-202 or 15-6-219, MCA, is taxable and is valued in the same manner as similar non-leased equipment. Property brought into the state that meets the requirements under 15-6-202, MCA, is not taxable unless it is sold or otherwise disposed of in the state.

(4) Rental videos that are not exempt under 15-6-202 or 15-6-219, MCA, are taxable and have a trended percent good of 25% in year one, 15% in year two, and 10% each year thereafter.

(5) Locally assessed television cable system transmission line is valued at $2,000 per mile; service drops are valued at $25 each.

(6) All downhole equipment installed in oil and gas wells, such as sucker rods, tubing, casing, and submersible pumps are exempt from taxation. Downhole equipment not installed in an oil or gas well as of the January 1 assessment date is taxable.

(7) For farm machinery and equipment and heavy equipment, the department will apply the valuation methods in descending order beginning with the method in (a) and proceeding, where necessary, through the method in ~~(d)~~<u>(c)</u> until a market value can be determined for the equipment.

(a) The market value will be the "average wholesale" or a comparable category of value as shown in the online version of the national agricultural and implement valuation guide known as Equipment Watch (Equipment Watch), as of September-October of the year prior to the year of assessment. Equipment Watch is adopted and incorporated by reference in accordance with 15-8-111, MCA, and may be reviewed in a department field office or purchased ~~from the publisher: Informa Business Media, Inc., 1166 Avenue of the Americas, 10th Floor, New York, NY 10036~~ through https://www.equipmentwatch.com.

~~(b) If market value cannot be determined under (a), the department will approximate average wholesale value of farm machinery and equipment through application of its Farm Machinery Manual dated January 1, 1998, which the department adopts and incorporates by reference into this rule. The purpose of the Farm Machinery Manual is to function as a resource to approximate average wholesale value of farm machinery and equipment. The Farm Machinery Manual may be reviewed in a department field office or a copy of the Manual may be requested from the Department of Revenue, Property Assessment Division, P.O. Box 8018, Helena, MT 59604-8018.~~

~~(c)~~(b) For all farm machinery and equipment, and heavy equipment that cannot be valued under (a) ~~and (b)~~, the department may determine a trended average wholesale value if an average wholesale value is available for the same make and model with a different year new. The trended average wholesale value will be determined by trending the average wholesale value as found in Equipment Watch, for the same make and model with a different year new.

~~(d)~~(c) If the valuation methods in (a) ~~through (c)~~and (b) cannot be used, the owner or applicant must certify to the department the year acquired and the acquired price. If the item was acquired through a means other than the open marketplace, the owner must provide a reasonable estimate of the item's value at the time of acquisition. The reported value will be trended and depreciated. If the owner fails to provide this required information or in the department's opinion the information provided does not accurately reflect the item's fair market value, the department may estimate the fair market value of the farm machinery and equipment, or heavy equipment item.

(8) Items of farm machinery and equipment valued below $100 are exempt from taxation.

Authorizing statute(s): 15-1-201, 15-23-108, MCA

Implementing statute(s): 15-6-135, 15-6-138, 15-6-202, 15-6-207, 15-6-213, 15-6-219, 15-8-111, MCA

Reasonable Necessity Statement

The department proposes to amend ARM 42.21.154 by striking (7)(b) and renumbering (7)(c) and (d), which is necessary to align the rule with House Bill 108 (2025)(HB 108) amendments to 15-8-111, MCA, which removed the requirement for the department to use a supplemental farm machinery manual for equipment valuation.

HB 108 was enacted at the department's request because the farm machinery manual is obsolete in that it no longer captures the true value of contemporary agricultural equipment. The department now has access to agricultural equipment valuation resources that are better than the required manual and are more consistent with the valuation resources of other categories of personal property.

The department also proposes to update the Equipment Watch valuation publication's publisher information in (7)(a) because the physical address changes often, which is a burden for the department to update, but the publisher's website has remained the same for some time.

42.21.155 PERSONAL PROPERTY CATEGORIES AND TRENDED DEPRECIATION METHODOLOGIES

(1) The department has established eight categories of personal property for determination of trend factors and depreciation, and trended depreciation schedules of four, five, ten, fifteen, or twenty years have been assigned for each category based on its type and expected useful lifespan, as provided in (4). The equipment listings in (4) provide representative examples of property in a category and are not meant to be an exhaustive list.

(2) Each trended depreciation schedule contains a residual trended percent good, designated as "older" in the final row of each schedule, which is applied to an item of personal property that exceeds the typical lifespan because personal property remains taxable until its disposal. <u>The department may assign a lower residual trended percent good to reflect functional obsolescence for certain categories of equipment.</u> The purpose of trended depreciation is to bring the cost of equipment acquired in a previous year to an approximate current cost before depreciating it.

(3) Prior to January 1 of each year, the department will use cost index trends for equipment and depreciation percentages for furniture and fixtures from the previous July's edition of Marshall & Swift Valuation Service Guide (Marshall & Swift Guide) to calculate the trend factors and the trended percent good for the schedules in (4). The Marshall & Swift Guide is a widely recognized valuation authority which the department adopts and incorporates by reference. The

Marshall & Swift Guide may be reviewed at the department's central office or purchased ~~from the publisher:~~ through Corelogic~~, 40 Pacifica Street, Suite 900, Irvine, California 92618~~ at https://www.corelogic.com\marshallswift.

(a) The trends from the Marshall & Swift Guide represent industry-wide national average changes in equipment costs - customarily increases - from the base year, 1926. Trends are typically greater than a value of one, but may be less than one.

(b) For trended depreciation schedules, the department calculates the year one trend for each schedule as the average trend of the first three quarters of the current year. The trend for each successive year is the final trend for that year.

(i) Using year one as the base year, the department calculates the changes in equipment costs - the trend factors - for each schedule in (4), as the quotient of the year one trend and any following year's trend.

(ii) The department then uses the depreciation percentages from the Marshall & Swift Guide to calculate the "percent good" over the period of years that is typical for each property category. Trended percent good is then calculated as the product of the percent good and the trend factor for each year represented in a schedule.

(4) The department shall post its trended depreciation schedules for the upcoming tax year for the categories of personal property described below on the department's website located at ~~http://www.mtrevenue.gov~~ https://www.revenue.mt.gov. The department adopts and incorporates by reference its ~~2025~~2026 Personal Property Depreciation Schedules and Trend Tables publication, effective January 1, ~~2025~~2026. The Depreciation Schedules and Trend Tables publication contains the detailed schedules and tables the department uses for valuing personal property and industrial machinery and equipment. The personal property categories and trended depreciation methodologies that apply to the Depreciation Schedules and Trend Tables publication are as follows:

(a) Computerized Equipment - a four-year depreciation and a residual percentage will be applied to computerized equipment such as computers, peripheral equipment that cannot function independently of a computer, computerized medical equipment, and gaming machines. The four-year depreciation schedule was developed and implemented after consultation with industry representatives; the trend factors are calculated from the office equipment category of the Marshall & Swift Guide.

(b) Office and Commercial Equipment - a five-year depreciation and a residual percentage will be applied to non-computerized equipment such as office equipment and furnishings, specialized medical equipment, janitorial equipment, coin-operated washers and dryers, beauty and barber shop equipment, tanning beds, furnishings for hotels, motels, rental apartments, rental homes, nursing home and other care facilities, and locally assessed cable tv dishes. The trend factors are calculated from the office equipment category of the Marshall & Swift Guide.

(c) Furniture, Fixtures, and Miscellaneous Equipment - a ten-year depreciation and a residual percentage will be applied to all other commercial furniture and fixtures such as handheld and non-handheld shop and construction tools and equipment, medical and dental chairs and tables, theater equipment, survey equipment, billboards and signage, garbage bins, coin-operated pool and other game tables, gas pumps, bar and restaurant equipment and furnishings, bowling alleys and equipment, excepting auto-scorers which have a four-year depreciation, photo and developing equipment, mortuary equipment, safes, security systems, port-a-potties, locally assessed cable tv towers, ski lift equipment including aerial lifts, surface lifts, portable lifts and tows including the towers, cables, ropes, sheave assemblies, the conveying devices, power units, and all accessories. The trend factors are calculated from the average-of-all category of the Marshall & Swift Guide.

(d) Seismograph Units and Allied Equipment - a five-year depreciation and a residual percentage will be applied to seismograph units and allied equipment. An 80 percent wholesale factor is used for wheeled seismograph units. The trend factors are calculated from the chemical industry category of the Marshall & Swift Guide.

(e) Oil Drilling, Workover, and Service Rigs - a ten-year depreciation and a residual percentage will be applied to all oil drilling, workover, and service rigs. An 80 percent wholesale factor is applied to self-propelled wheeled workover and service rigs. The trend factors are calculated from the chemical industry category of the Marshall & Swift Guide.

(f) Oil and Gas Field Machinery and Equipment - a fifteen-year depreciation and a residual percentage will be applied to oil and gas field machinery and equipment. The trend factors are calculated from the chemical industry category of the Marshall & Swift Guide.

(g) Farm Machinery and Equipment - a twenty-year depreciation and a residual percentage will be applied to farm machinery and equipment. A 50 percent wholesale factor is applied. The trend factors are calculated from the average-of-all category of the Marshall & Swift Guide.

(h) Heavy Equipment - a twenty-year depreciation and a residual percentage will be applied to heavy equipment. A 50 percent wholesale factor is applied. The trend factors are calculated from the contractor's equipment category of the Marshall & Swift Guide.

Authorizing statute(s): 15-1-201, 15-23-108, MCA

Implementing statute(s): 15-6-135, 15-6-138, 15-6-202, 15-6-207, 15-6-213, 15-6-219, 15-8-111, MCA

Reasonable Necessity Statement

The department proposes to amend ARM 42.21.155 to update the web-based Personal Property Depreciation Schedules and Trend Tables publication (publication), adopted and incorporated by reference in the rules, to the 2026 version. The publication is updated annually, effective January 1, and is located within the department's website at https://revenue.mt.gov. The 2026 publication reflects changes in personal property and industrial machinery and equipment depreciation and trend factoring data in the department's valuation manuals and guides since last year. Both the 2025 publication and the proposed 2026 publication are available for review.

The department also proposes to amend (2) to address increased functional obsolescence due to changes in technology and economic conditions for equipment used by certain industries. The proposed amendment is in response to taxpayer feedback received by the department.

42.21.158 PERSONAL PROPERTY REPORTING REQUIREMENTS

(1) A taxpayer having property in the state of Montana on January 1 of each tax year, must complete the statement as provided in 15-8-301, MCA, by submitting a completed personal property reporting form.

(2) The statement must provide pertinent information about each item of personal property, including the year acquired, acquired cost, and installation cost. For any items acquired through a means other than the open marketplace, the owner must provide a reasonable estimate of the item's open market value at the time of acquisition. Multiple smaller items acquired in the same year can be reported as a group rather than itemized, such as hand-held tools.

(3) Personal property that is expensed or fully depreciated for other tax or accounting purposes remains taxable for property tax purposes and must be reported.

(4) For the purposes of this rule, the statewide aggregate market value of a taxpayer's personal property includes all property owned, claimed, possessed, controlled, or managed by an individual or business entity, either directly or indirectly through an affiliated entity or family member, unless that property is specifically exempted by law.

(5) As used in this rule, "affiliated entity" means:

(a) a member of a combined group of unitary corporations filing a Montana corporation license tax return;

(b) a member of an affiliated group of corporations filing a U.S. Consolidated Income Tax Return;

(c) any corporation if the individual or business entity directly or indirectly owns more than 50 percent of the stock value or voting power;

(d) any partnership if the individual or business entity directly or indirectly owns more than 50 percent of the capital interest in, or the profits of, the partnership;

(e) a corporation and a partnership if the same persons own:

(i) more than 50 percent in value of the corporation's stock; and

(ii) more than 50 percent of the capital interest in, or the profits of, the partnership;

(f) an S corporation and another S corporation, if the same individuals own more than 50 percent in value of the outstanding stock of each corporation;

(g) an S corporation and a C corporation, if:

(i) the same individuals own more than 50 percent in value of the outstanding stock of each corporation; and

(ii) any trust, if the individual or business entity is the grantor or a beneficiary.

(6) For purposes of applying (4) and (5):

(a) stock owned, directly or indirectly, by or for a corporation, partnership, estate, or trust is considered as being owned proportionately by or for its shareholders, partners, or beneficiaries; and

(b) an individual is considered as owning the stock, directly or indirectly, by the individual's spouse or minor child.

(7) As determined by the department, if the statewide aggregate market value of an individual's or business entity's class eight property is less than or equal to the exemption provided in 15-6-138, MCA, the individual's or business entity's class eight property is exempt from taxation. If the aggregate market value of an individual's or business entity's class eight property is greater than the exemption provided in 15-6-138, MCA, the market value of an individual's or business entity's class eight property that is greater than the exemption is subject to taxation.

(8) The department will apply the exemption and the applicable tax rates identified in (a) and (b) to an individual's or business entity's class eight property by adding together the statewide market value of class eight property owned by the individual or business entity to determine the aggregate market value. If the aggregate market value of class eight property is:

(a) less than or equal to the exemption provided in 15-6-138, MCA, the taxable market value of the property is zero; or

(b) greater than the exemption provided in 15-6-138, MCA, the department will apply the exemption proportionally among each property owned, apply the 1.5 percent taxable rate to the first $6,000,000 in excess of the exemption, and apply the 3 percent taxable rate to the remaining taxable market value.

(9) When the department requires a personal property statement/reporting form as provided in 15-8-301, MCA, the statement/reporting form shall advise the taxpayer that they are subject to penalty under the provisions of 15-1-303 and 15-8-309, MCA, or any other applicable statute, for refusing or neglecting to respond to the department's request for information. The taxpayer's completed personal property statement/reporting form must be returned to the department by electronic submission or postmarked no later than ~~March 1~~February 15.

(10) A taxpayer's completed statement/reporting form with an electronic date stamp or postmarked after ~~March 1~~February 15 will be subject to the penalties referenced in (9) unless the taxpayer provides:

(a) evidence of their inability to comply with the timeframes due to hospitalization, physical illness, infirmity, or mental illness; and

(b) evidence that this/these condition(s), while not necessarily continuous, existed at sufficient levels in the period of January 1 to ~~March 1~~ February 15 to prevent timely filing of the reporting form.

(11) Personal property owners whose aggregate class eight market value is less than or equal to the exemption provided in 15-6-138, MCA, as defined in (4), will have no further reporting obligation, except:

(a) if the property owner acquires new personal property, the value of which brings the aggregate market value of the personal property above the exemption provided in 15-6-138, MCA, the taxpayer must notify the department and complete a personal property statement/reporting form for the applicable tax year; or

(b) if the department requests the property owner to complete a personal property statement/reporting form as required by 15-8-301, MCA, or as a result of an audit and review of taxable value authorized by 15-8-104, MCA, and ARM 42.21.159.

(12) New businesses are not required to submit a personal property statement/reporting form if the entity's business equipment is valued at less than or equal to the exemption provided in 15-6-138, MCA, unless requested by the department in accordance with (11).

(13) Industrial and commercial property taxpayers shall provide documentation of the installed costs of intangible personal property included on the taxpayer's accounting records, or provide other alternative methodologies or information regarding market value for consideration by the department.

Authorizing statute(s): 15-1-201, 15-9-101, MCA

Implementing statute(s): 15-1-121, 15-1-123, 15-1-303, 15-6-138, 15-6-201,15-6-202, 15-6-203, 15-6-206, 15-6-213, 15-6-215, 15-6-217, 15-6-218, 15-6-219, 15-6-220, 15-6-225, 15-6-228, 15-8-104, 15-8-301, 15-8-303, 15-8-309, 15-9-101, MCA

Reasonable Necessity Statement

The department proposes to amend ARM 42.21.158(9) and (10) to change the annual personal property statement/reporting form due date from March 1 to February 15. The department understands that some taxpayers may view the shortened reporting deadline as an inconvenience, but due to current staffing levels and workloads at the department, department staff do not have adequate time to process the reports for the timely billing of personal property taxes. The department believes this to be a one-time adjustment and proposes the least burdensome adjustment that will allow for the completion of the department’s work.

42.22.1311 INDUSTRIAL MACHINERY AND EQUIPMENT TREND FACTORS

(1) Prior to January 1 of each year, the department calculates trend factors to value industrial machinery and equipment for ad valorem tax purposes pursuant to ARM 42.22.1306. The department uses annual cost indexes from the Marshall & Swift Guide described in ARM 42.21.155. The current index is divided by the annual index for each year to arrive at a trending factor. Each major industry has its own trend factor table containing industry descriptions with the applicable trend table number and life expectancy. Where no index exists in the Marshall & Swift Guide for an industry, that industry is grouped with other industries using similar equipment. Industrial machinery and equipment remain taxable at the level of the final year of life expectancy until its disposal.

(2) The department shall post its trend factor tables for industrial machinery and equipment for the upcoming tax year on the department's website located at ~~http://www.mtrevenue.gov~~ https://www.revenue.mt.gov. The department adopts and incorporates by reference its ~~2025~~ 2026 Personal Property Depreciation Schedules and Trend Tables publication, effective January 1, ~~2025~~2026. The Depreciation Schedules and Trend Tables publication contains the detailed schedules and tables the department uses for valuing personal property and industrial machinery and equipment.

(3) Mining machinery and equipment is engaged in the extraction, excavation, burrowing, or otherwise freeing raw material from the earth. Mobile mining equipment moves under its own power or on its own wheels and chassis, including any attachments used with or attached to such equipment, but does not include equipment that requires a foundation for the performance of the function for which it was designed and built. Mobile mining equipment used for extraction is valued by using the procedures established for heavy equipment found in ARM 42.21.154 and 42.21.155.

Authorizing statute(s): 15-1-201, MCA

Implementing statute(s): 15-6-135, 15-6-138, 15-8-111, MCA

Reasonable Necessity Statement

The department proposes to amend ARM 42.22.1311 for the primary reason expressed in the reasonable necessity statement for the proposed amendments to ARM 42.21.155 (update the authority of the web-based Personal Property Depreciation Schedules and Trend Tables publication (publication), adopted and incorporated by reference in the rule, to the 2026 version).

The 2025 and proposed 2026 publication information can be found in the first paragraph of the reasonable necessity statement for ARM 42.21.155.

Small Business Impact

With regard to the small business impact analysis requirements of 2-4-111, MCA, as amended by HB 592 (2025), the department has analyzed the proposed rule amendments and the group or class of businesses directly affected by this rulemaking, and concludes it is possible that small businesses may be impacted if they meet the definition of a small business under 2-4-102(13), MCA. For Tax Year 2025, there are 905 businesses paying property taxes on their class 8 personal property. While the department looked at estimating the number of employees of businesses based on the value of the personal property, any result would be unreliable because the efficiencies and asset intensity of businesses varies too widely.

- The department anticipates that taxpayers may see a nominal increase in personal property taxable value for 2026 based on the following analysis of the trend factors:
    - The 5-year average rate of increase in the trend factors for office equipment is 5.67 percent; the 2026 trend increased 2.50 percent.
    - The 10-year average rate of increase in the trend factors for miscellaneous furniture and fixtures is 4.05 percent; the 2026 trend increased 2.38 percent.
    - The 15-year average rate of increase in the trend factors for oil and gas field equipment is 3.45 percent; the 2026 trend increased 3.44 percent.
    - The 30-year average rate of increase in the trend factors for farm machinery and equipment is 2.87 percent; the 2026 trend increased 2.38 percent.
    - The 30-year average rate of increase in the trend factors for heavy equipment is 3.87 percent; the 2026 trend increased 2.74 percent.

As to the change in the reporting deadline, the department understands that some taxpayers may view the shortened reporting deadline as impactful, but current staffing levels and workloads at the department are affecting the timely billing of personal property taxes. The department believes the proposal reflects a mitigated approach for additional processing time that will allow for the completion of the department's work.

Bill Sponsor Notification

The primary bill sponsor of House Bill 108 was contacted by electronic mail on October 7, 2025. The department received no comments from the bill sponsor to incorporate into the proposal notice.

Interested Persons

The Department of Revenue maintains a list of interested persons who wish to receive notices of rulemaking actions proposed by this agency. Persons who wish to have their name added to the list shall make a written request, which includes the name and e-mail or mailing address of the person to receive notices and specifies that the person wishes to receive notice regarding particular subject matter or matters. Notices will be sent by e-mail unless a mailing preference is noted in the request. A written request may be mailed or delivered to the contact person in this notice or may be made by completing a request form at any rules hearing held by the Department of Revenue.

Rule Reviewer

Todd Olson

Approval

Scott Mendenhall, Deputy Director of Revenue