

Property Tax Basics



**PROPERTY
ASSESSMENT
DIVISION**

MONTANA

Basic Property Tax Information

1972 Constitution-
State is responsible
for valuing all
property

Montana is one of
two states
responsible for
valuing property

The Montana Constitution

ARTICLE VIII REVENUE AND FINANCE

Section 3. PROPERTY TAX ADMINISTRATION.

The state shall appraise, assess, and equalize the valuation of all property which is to be taxed in the manner provided by law.

Section 4. EQUAL VALUATION.

All taxing jurisdictions shall use the assessed valuation of property established by the state.

Section 5. Property tax exemptions.

(1) The legislature may exempt from taxation:

- (a) Property of the United States, the state, counties, cities, towns, school districts, municipal corporations, and public libraries, but any private interest in such property may be taxed separately.
- (b) Institutions of purely public charity, hospitals and places of burial not used or held for private or corporate profit, places for actual religious worship, and property used exclusively for educational purposes.
- (c) Any other classes of property.

Property Assessment Division

What We Do

We Value
Property

At 100% market value as directed by the Montana State Legislature.

Determine
Taxable
Value

Market Value x Tax Rate =
Taxable Value

What We Don't Do

Set Mill
Rates

Taxing jurisdictions set mill rates to cover budgets.
Floated mills/voted mills

Tax
Property

Local government agencies calculate, bill and collect property taxes.

Property Tax Basics

Property taxes are an *ad valorem* tax.

Tax is levied in proportion to property value.

Assessed Value x Tax Rate = Taxable Value

Taxable Value x Mill Levy = General Property Tax

Legislative decisions govern the three components of property taxes:

1. The **Department of Revenue** determines the assessed value .
2. The **Legislature** determines the tax rates and exemptions.
3. **Local government** determines mill rates, special fees and charges.



The department's
assessed value is
100% of market
value.




Market Value is...

“The value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts.”

15-8-111, MCA



The Montana Legislature sets the tax rates

- Currently there are 16 property tax classes.
 - The legislature assigns a tax rate to each tax class. Rates range from .29% to 15.12%
 - Tax rates may be adjusted for certain tax benefits
 - Exemptions
 - Tax Abatements
 - Tax Assistance Programs
 - A complete list of tax classes and tax rates are available on our website:
mtrevenue.gov
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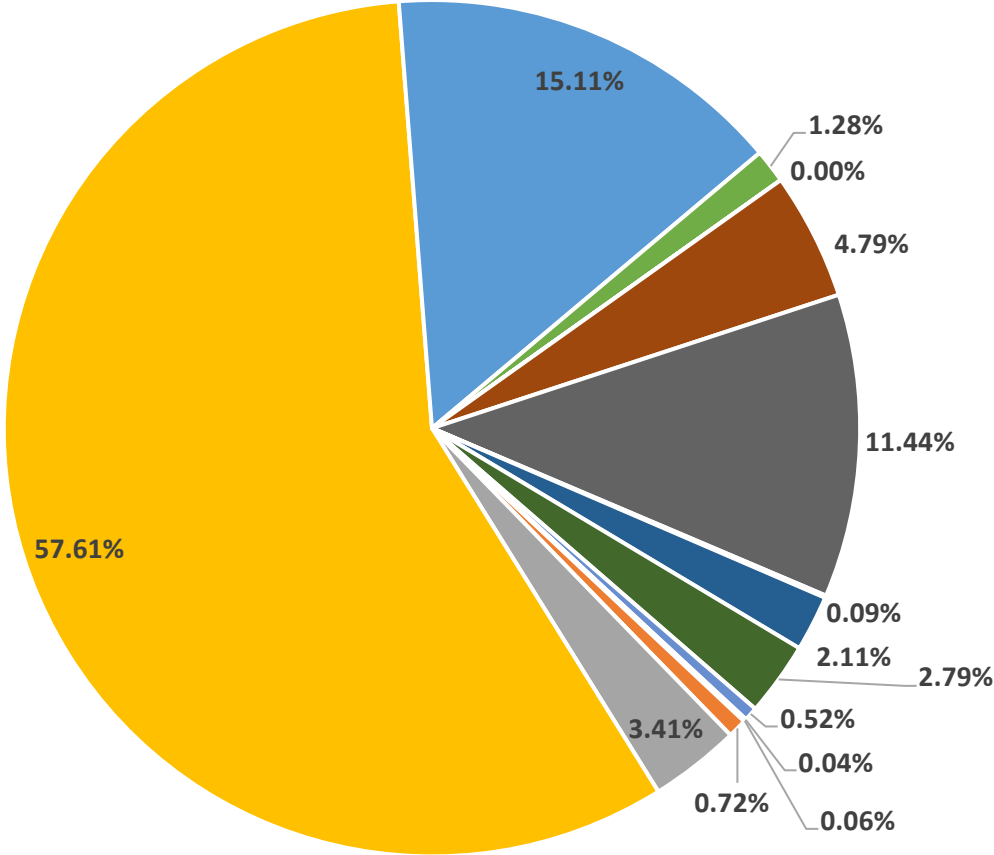
Estimated Property Taxes Paid By Property Class

Tax Year 2023 (Fiscal Year 2024)

| <u>Tax Class</u> | <u>Description</u> | <u>Market Value</u> | <u>Taxable Value</u> | <u>Taxes Paid by Tax Class</u> | <u>Percent of Total Taxes</u> |
|------------------|---|---------------------|----------------------|--------------------------------|-------------------------------|
| 1 | Mine Net Proceeds | \$4,101,335 | \$4,101,335 | \$1,382,990 | 0.06% |
| 2 | Gross Proceeds Metal Mines | \$1,133,348,198 | \$34,000,446 | \$16,796,220 | 0.72% |
| 3 | Agricultural Land | \$6,719,380,504 | \$153,138,556 | \$79,915,943 | 3.41% |
| 4.1 | Residential Improvements | \$146,685,516,870 | \$2,011,624,613 | \$995,789,648 | 42.52% |
| 4.2 | Residential Land | \$57,241,029,219 | \$754,869,265 | \$353,622,460 | 15.10% |
| 4.8 | Commercial Improvements | \$22,511,885,817 | \$421,715,275 | \$240,393,654 | 10.26% |
| 4.9 | Commercial Land | \$10,938,494,914 | \$206,052,791 | \$113,560,344 | 4.85% |
| | Subtotal Class 4 | \$237,376,926,820 | \$3,394,261,944 | \$1,703,366,106 | 72.73% |
| 5 | Pollution Control Equipment | \$2,037,597,560 | \$57,243,610 | \$30,009,144 | 1.28% |
| 7 | Non-Centrally Assessed Public Util. | \$247,669 | \$19,814 | \$10,631 | 0.00% |
| 8 | Business Personal Property | \$8,466,826,566 | \$201,297,829 | \$112,300,048 | 4.79% |
| 9 | Non-Elect. Gen. Prop. Of Electrical Util. | \$4,965,295,189 | \$589,690,206 | \$267,916,205 | 11.44% |
| 10 | Forest Land | \$1,642,404,732 | \$4,763,283 | \$2,052,323 | 0.09% |
| 12 | Railroad and Airline Property | \$2,997,643,632 | \$91,727,926 | \$49,323,857 | 2.11% |
| 13 | Telecommunication & Electric Property | \$2,143,467,501 | \$128,005,099 | \$65,285,541 | 2.79% |
| 14 | Commercial Wind Generation Facilities | \$1,362,542,726 | \$23,634,527 | \$12,221,758 | 0.52% |
| 15 | Carbon Dioxide and Liquid Pipeline | \$216,065,715 | \$2,924,252 | \$1,050,893 | 0.04% |
| 17 | Data Centers | \$87,197,455 | \$784,777 | \$496,097 | 0.02% |
| | Total | \$269,153,045,602 | \$4,685,593,604 | \$2,342,127,756 | |

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



Local Governments Set Budgets and Mill Levies

- The department annually provides taxing jurisdictions with the total taxable value of property located in each jurisdiction within a county by the first Monday in August.
- Using this tax base, local taxing jurisdictions determine how many mills they need to meet their budget.

1 mill = $1/10^{\text{th}}$ of one cent

- The state also levies mills on taxable property.
 - 95 school equalization mills
 - 6 university mills
 - 1.5 mills in locations with technical or vocational schools

Local Budgets and Mill Levy Restrictions

- Local budgets and mill levy increases are restricted by the legislature in 15-10-420, MCA
 - Limits increase to local budgets
 - Equal to previous years property tax revenue plus $\frac{1}{2}$ of the average rate of inflation for the prior 3 years plus newly taxable value
 - If the jurisdiction doesn't levy the maximum amount of mills in a given year, they can be carried over to a subsequent tax year
 - Total mills also include any voted on levies
 - School bond levies or public safety levies
 - These are not restricted, because they are approved by the voters
 - Special Assessments and Fees
 - Set up by local government to pay for services specific to an area or service type
 - fire districts, storm sewer, lighting districts, fire hydrants, etc.

Where Do Property Tax Dollars Go?

Fiscal Year 2023

