

Amendment - 1st Reading-white - Requested by: Mary Ann Dunwell - Conference Committee on SB 542

- 2025

69th Legislature 2025

Drafter: Jaret Coles,

SB0542.003.001

1 SENATE BILL NO. 542
2 INTRODUCED BY W. GALT
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING TAX LAWS; FREEZING CERTAIN
5 PROPERTY VALUES FOR PROPERTY TAX PURPOSES; PROVIDING THAT THE 2024 PROPERTY VALUE
6 IS USED FOR 2025 AND 2026 UNLESS THE DEPARTMENT OF REVENUE DETERMINES THE PROPERTY
7 VALUE HAS DECREASED; PROVIDING FOR A PROPERTY TAX REBATE ON A PRINCIPAL RESIDENCE
8 BASED ON A CERTAIN AMOUNT OF PROPERTY TAXES PAID FOR TAX YEAR 2024; REDUCING CLASS
9 THREE AGRICULTURAL PROPERTY TAX RATES; REVISING CLASS FOUR RESIDENTIAL AND
10 COMMERCIAL PROPERTY TAX RATES; PROVIDING A LOWER TAX RATE FOR CERTAIN OWNER-
11 OCCUPIED RESIDENTIAL PROPERTY AND LONG-TERM RENTALS; PROVIDING A LOWER TAX RATE
12 FOR A PORTION OF COMMERCIAL PROPERTY VALUE; PROVIDING ELIGIBILITY AND APPLICATION
13 REQUIREMENTS; PROVIDING FOR AN APPEAL PROCESS; PROVIDING A REFUND FOR FAILURE TO
14 CLAIM A HOMESTEAD REDUCED TAX RATE; PROVIDING STATUTORY APPROPRIATIONS; PROVIDING
15 DEFINITIONS; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTION 15-7-111 SECTIONS 15-1-
16 121, 15-6-133, 15-6-134, 15-7-102, 15-15-101, 15-15-102, 15-15-103, 15-16-101, 15-17-125, 15-30-2120, AND
17 17-7-502, MCA; AND PROVIDING AN IMMEDIATE-EFFECTIVE DATE DATES, A RETROACTIVE
18 APPLICABILITY DATE DATES, AND A TERMINATION DATE DATES."

19
20 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

21
22 (Refer to 1st Reading/Second Chamber (Blue) Bill)

23 Strike everything after the enacting clause and insert:

24
25 NEW SECTION. Section 1.—Definitions. As used in [sections 1 through 3], the following definitions
26 apply:

27 (1) "Montana property taxes" means the ad valorem property taxes, special assessments, and

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~~other fees imposed on property classified under 15-6-134 that is a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home, or mobile home and as much of the surrounding land, not exceeding 1 acre, as is reasonably necessary for its use as a dwelling and that were assessed and paid by the taxpayer for tax year 2024. The amount of Montana property taxes assessed and paid is equal to the total amount billed by the local government for the dwelling as shown on the 2024 property tax bill received by the taxpayer with a first-half payment due in or around November 2024 and a second-half payment due in or around May 2025.~~

~~(2) — "Owned" includes purchasing under a contract for deed and being the grantor or grantors under a revocable trust indenture.~~

~~(3) — (a) "Principal residence" means, subject to the provisions of subsection (3)(b), a dwelling:~~

~~(i) — in which an owner can demonstrate the owner owned and lived for at least 7 months of the year for which the property tax rebate is claimed;~~

~~(ii) — that is the only residence for which the taxpayer claims the property tax rebate; and~~

~~(iii) — for which the taxpayer made payment of the assessed Montana property taxes during tax year 2024.~~

~~(b) — A taxpayer who cannot meet the requirements of subsection (3)(a)(i) because the owner's principal residence changed during the tax year to another principal residence may still claim the property tax rebate if the taxpayer paid the Montana property taxes while residing in each principal residence for a total of at least 7 consecutive months for the 2024 tax year.~~

~~(4) — "Tax year 2024" means the period January 1, 2024, through December 31, 2024.~~

~~**NEW SECTION. Section 2. — Property tax rebate — penalty for false or fraudulent claim.** (1) Except as provided in subsection (2), if the department discovers that a rebate paid to a taxpayer exceeded the amount allowed by [sections 1 through 3], the department may, within 1 year from the date the rebate was transmitted to the taxpayer, assess the taxpayer for the difference. The assessment is subject to the uniform dispute review procedure established in 15-1-211.~~

~~(2) — A person who files a false or fraudulent claim for a property tax rebate under [sections 1 through 3] is subject to criminal prosecution under the provisions of 45-7-202. If a false or fraudulent claim has~~

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1 ~~been paid by the department, the amount paid may be recovered as any other tax owed the state, together with~~
2 ~~a penalty of 300% of the rebate claimed and interest on the amount of the rebate claimed plus penalty at the~~
3 ~~rate of 12% a year, until paid. If this rebate plus penalty becomes due and owing, the department may issue a~~
4 ~~warrant for distraint as provided in Title 15, chapter 1, part 7.~~

5
6 ~~NEW SECTION. Section 3. Property tax rebate -- manner of claiming -- limitations -- appeals --~~
7 ~~**statutory appropriation.** (1) Subject to the conditions provided for in [sections 1 through 3], there is a rebate of~~
8 ~~Montana property taxes in the amount of \$400 or the amount of total property taxes paid, whichever is less, for~~
9 ~~tax year 2024.~~

10 ~~(2) — The rebate provided for in subsection (1) is for Montana property taxes assessed to and paid~~
11 ~~by a taxpayer or taxpayers on property they owned and occupied as a principal residence during tax year 2024.~~

12 ~~(3) — The department shall mail a notice to potential claimants by June 30, 2025, for tax year 2024.~~
13 ~~Receipt of a notice does not establish that a taxpayer or property owner is eligible for a rebate, and a taxpayer~~
14 ~~who does not receive a notice may still be eligible to claim a rebate. All taxpayers, regardless of the receipt of~~
15 ~~notice, shall claim a rebate as provided in subsection (5).~~

16 ~~(4) — Except as provided in subsections (5)(c) and (5)(d), a single-family dwelling unit, unit of a~~
17 ~~multiple-unit dwelling, trailer, manufactured home, or mobile home and as much of the surrounding land, not~~
18 ~~exceeding 1 acre that is owned by an entity is not eligible to claim the rebate.~~

19 ~~(5) — (a) (i) All claims for this property tax rebate must be submitted to the department electronically~~
20 ~~or by mail.~~

21 ~~(ii) — Electronic claims must be submitted between August 15, 2025, and October 1, 2025, through~~
22 ~~the department's website.~~

23 ~~(iii) — Claims submitted by mail must be made on a form prescribed by the department and~~
24 ~~postmarked by October 1.~~

25 ~~(iv) — The department may grant an extension of time if the claimant establishes good cause for~~
26 ~~missing the October 1 deadline. The department's authority to consider an application terminates on December~~
27 ~~1, 2025, and any applications or requests for extension received after that date may not be processed.~~

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~~(b) — Subject to subsections (5)(c) and (5)(d), a claim for rebate must be submitted, under penalty of false swearing and the penalties provided in [section 2], on a form prescribed by the department and must contain:~~

~~(i) — an affirmation that the claimant owns and maintains the land and improvements as the principal residence as defined in [section 1];~~

~~(ii) — the geocode or other property identifier for the principal residence that the claimant is requesting the rebate on;~~

~~(iii) — the social security number of the claimant and the claimant's spouse; and~~

~~(iv) — any other information as required by the department that is relevant to the claimant's eligibility.~~

~~(c) — The personal representative of the estate of a deceased taxpayer may execute and file the claim for rebate on behalf of a deceased taxpayer who qualifies for the rebate.~~

~~(d) — The trustee of a grantor revocable trust may file a claim on behalf of the trust if the dwelling meets the definition of a principal residence for the grantor.~~

~~(6) — Only one rebate will be issued to a taxpayer for the Montana property taxes paid by the taxpayer for tax year 2024.~~

~~(7) — If a debt is due and owing to the state, the department may offset the rebate in this section as provided in sections 15-30-2629, 15-30-2630, 17-4-105, or as otherwise provided by law.~~

~~(8) — If a property tax rebate is denied by the department, the claimant is entitled to a written explanation why the application was denied. A claimant may make a written appeal of a denial to a management level employee of the department, who shall issue a final decision that is not appealable. Appeals occurring under this subsection (8) are not subject to the provisions contained in 15-1-211.~~

~~(9) — The payment of property tax rebates and administration costs related to paying property tax rebates under this section are statutorily appropriated, as provided in 17-7-502, from the general fund to the department of revenue for distribution to taxpayers and for related administration costs.~~

NEW SECTION. Section 1. Legislative findings -- local government charters and fixed mill levy limits superseded. (1) (a) The legislature finds that most local governments set mill levies that adjust

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1 downward when taxable value increases under 15-10-420. This floating mill levy concept automatically lowers
2 the number of mills levied against a taxpayer when property values increase, which mitigates increases in
3 property values. However, when mill levies are fixed, the opposite occurs when property values increase, and
4 property taxes are not automatically mitigated for taxpayers that are levied based on a fixed mill levy.

5 (b) The legislature finds further that it is prohibited under Article VIII, section 2, of the Montana
6 constitution, from suspending or contracting away the power to tax. The legislature also recognizes and
7 respects the power of local governments under Article XI, section 5, of the Montana constitution to adopt,
8 amend, revise, or abandon a charter.

9 (2) As a matter of policy, the legislature intends to supersede local government charters that fix mill
10 levy limits for the limited purpose of exercising the power to tax while also maintaining local government
11 revenue sources without raising taxes on residential taxpayers. Having considered all options on a statewide
12 basis, the legislature finds the statutory structure of the property tax has evolved significantly since the passage
13 of Initiative Measure No. 105 on November 4, 1986, and the enactment of 15-10-420 by the legislature in 1999.
14 Given the significant change in the structure of the property tax and the rising cost of residential property in the
15 last 5 years, there is a compelling interest to all the citizens of the state to lower residential property tax rates
16 for primary residences, which can only be accomplished by this section and 15-10-420.

17 (3) A local government with a charter form of government that includes a mill levy limit of a specific
18 number of mills that may be imposed in the charter shall levy the number of mills in fiscal year 2026 and
19 subsequent tax years that will generate the amount of property taxes assessed in fiscal year 2025, without
20 amending or revising the charter. In fiscal years after 2026, the local government shall levy the number of mills
21 levied in fiscal year 2026.

22 (4) A taxing entity with a local mill levy limit of a specific number of mills that may be imposed that
23 was authorized by the voters before [the effective date of this section], shall:

24 (a) elect to transition a voted mill levy to a dollar-based mill levy equal to the amount of property
25 taxes assessed in fiscal year 2025 and thereafter subject to the provisions of 15-10-420(1)(a); or

26 (b) levy the number of mills in fiscal year 2026 that will generate the amount of property taxes
27 assessed in fiscal year 2025. In fiscal years after 2026, the local government shall levy the number of mills

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1 levied in fiscal year 2026.

2

3 **NEW SECTION. Section 2. Definitions.** As used in [sections **5.2** through **10.7**] and 15-6-134, the
4 following definitions apply:

5 (1) "Homestead reduced tax rate" means the tax rate provided for in 15-6-134(3)(b)(i).

6 (2) "Long-term rental" means class four residential property:

7 (a) that is a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home,
8 or mobile home and the parcel on which the long-term rental improvements are located but not including any
9 contiguous or adjacent parcels;

10 (b) that an owner can demonstrate was:

11 (i) rented for periods of 28 days or more for at least 7 months in each tax year for which the rental
12 property reduced tax rate is claimed; or

13 (ii) vacant for not more than 5 months to complete documented property repairs;

14 (c) that is occupied by tenants who use the dwelling as a residence during the year in which the
15 reduced tax rate is claimed; and

16 (d) for which the owner is current on payment of the assessed Montana property taxes when
17 claiming the reduced tax rate.

18 (3) "Owner" includes a purchaser under contract for deed as defined in 70-20-115, a grantor of a
19 trust indenture as defined in 71-1-303, and the trustee of a grantor trust that is revocable as defined in 72-38-
20 103.

21 (4) (a) "Principal residence" means class four residential property:

22 (i) that is a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home,
23 or mobile home and the parcel on which the principal residence improvements are located but not including any
24 contiguous or adjacent parcels;

25 (ii) in which an owner can demonstrate the owner owned and lived for at least 7 months of the
26 year for which the homestead reduced tax rate for a principal residence is claimed;

27 (iii) that is the only residence for which the owner claims the homestead reduced tax rate for that

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1 year; and

2 (iv) for which the owner made payment of the assessed Montana property taxes.

3 (b) An owner who cannot meet the requirements of subsection (4)(a)(ii) because the owner's
4 principal residence changed during the tax year to another principal residence may still qualify for the
5 homestead reduced tax rate if the owner paid the Montana property taxes while residing in each principal
6 residence for a total of at least 7 consecutive months for each tax year.

7 (5) "Rental property reduced tax rate" means the tax rate provided for in 15-6-134(3)(b).

8 (6) "Tax year ~~2026~~ 2027" means the period from January 1, ~~2026~~ 2027, through December 31,
9 ~~2026~~ 2027.

10
11 **NEW SECTION. Section 3. Homestead reduced tax rate -- application -- limitations.** (1) There is
12 a homestead reduced tax rate provided for in 15-6-134(3)(b)(i) for a principal residence as provided in this
13 section.

14 (2) (a) Beginning in tax year ~~2026~~ 2027, the owner of a principal residence may apply to the
15 department to receive the homestead reduced tax rate. The owner of a principal residence ~~who applied for and~~
16 ~~received the rebate provided for in [sections 1 through 3] for tax year 2024 automatically qualifies for the~~
17 ~~homestead reduced tax rate unless subsections (2)(c)(i) through (2)(c)(iii) apply to the principal residence for~~
18 ~~which the rebate was claimed. The owner of a principal residence who did not receive a rebate under [sections~~
19 ~~1 through 3], shall apply as provided in this section to receive the homestead reduced tax rate in tax year ~~2026~~~~
20 ~~2027~~.

21 (b) To receive the homestead reduced tax rate for the tax year in which the application is first
22 made, the owner shall apply electronically through the department's website or by mail on a form prescribed by
23 the department between December 1 of the immediately preceding year and March 1. Applications submitted
24 by mail must be postmarked by March 1. Approved applications received electronically or postmarked after
25 March 1 apply to the following tax year.

26 (c) Once approved, the homestead reduced tax rate remains effective until the end of the tax year
27 in which any of the following events occur:

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(i) there is a change in ownership of the property;

(ii) the owner no longer uses the dwelling as a principal residence; or

(iii) the owner applies for a homestead reduced tax rate for a different principal residence.

(d) If a homestead reduced tax rate is terminated pursuant to subsection (2)(c) or [section ~~8~~ 5], any remaining property taxes due for the year in which the homestead reduced tax rate is terminated must be based on the tax rate in effect on January 1 of the year in which the homestead reduced tax rate was terminated.

(e) An application for a homestead reduced tax rate must be submitted on a form prescribed by the department and must contain:

(i) a written declaration made under penalty of perjury that the applicant owns and maintains the land and improvements as the principal residence as defined in [section ~~5~~ 2]. The application must state the penalty provided for in [section ~~8~~ 5].

(ii) the geocode or other property identifier of the principal residence for which the applicant is requesting the homestead reduced tax rate;

(iii) the social security number of the applicant; and

(iv) any other information required by the department that is relevant to the applicant's eligibility.

(3) (a) Except as provided in subsection (3)(b), class four residential property owned by an entity is not eligible to receive the homestead reduced tax rate.

(b) The trustee of a grantor revocable trust may apply for a homestead reduced tax rate for a principal residence on behalf of the trust if the dwelling meets the definition of a principal residence for the grantor.

(4) The department shall notify the owner if the homestead reduced tax rate is applied to the property or if the application was denied.

NEW SECTION. Section 4. Rental property reduced tax rate -- application -- limitations. (1)

There is a rental property reduced tax rate provided for in 15-6-134(3)(b) for a long-term rental as provided in this section.

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(2) (a) Beginning in tax year ~~2026~~ 2027, the owner of a long-term rental may apply to the department to receive the rental property reduced tax rate. The application must be made by an individual owner or, for an entity owner, by an authorized representative of the entity.

(b) The department shall mail a notice to potential claimants by October 30, ~~2025~~ 2026, for tax year ~~2026~~ 2027. Receipt of a notice does not establish that a taxpayer or property owner is eligible to receive the rental property reduced tax rate, and a taxpayer who does not receive a notice may still be eligible to claim the rental property reduced tax rate. All taxpayers, regardless of the receipt of notice, shall apply for a reduced rate as provided in this subsection (2).

(c) To receive the rental property reduced tax rate for the tax year in which the application is first made, the owner or authorized representative shall apply electronically through the department's website or by mail on a form prescribed by the department between December 1 of the immediately preceding year and March 1. Applications received electronically or postmarked after March 1 apply to the following tax year.

(d) Once approved, the rental property reduced tax rate remains effective until the end of the tax year in which any of the following events occur:

(i) there is a change in ownership of the property;

(ii) the property is no longer rented to tenants as a dwelling;

(iii) the terms of the lease change and the property no longer qualifies as a long-term rental as defined in [section ~~5.2~~]; or

(iv) the owner fails to submit a reapplication to the department as required in subsection (4).

(e) If a rental property reduced tax rate is terminated pursuant to subsection (2)(d) or [section ~~8.5~~], any remaining property taxes due for the year in which the rental property reduced tax rate is terminated must be based on the tax rate in effect on January 1 of the year in which the rental property reduced tax rate was terminated.

(3) An application for a rental property reduced tax rate must be submitted on a form prescribed by the department and must contain:

(a) a written declaration made under penalty of perjury that the applicant owns and maintains the land and improvements as a long-term rental as defined in [section ~~5.2~~]. The application must state the penalty

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provided for in [section-8.5].

(b) the geocode or other property identifier for the long-term rental for which the applicant is requesting the rental property reduced tax rate;

(c) the social security number or taxpayer identification number of the applicant;

(d) the income and expense information for the long-term rental for the immediately preceding year, including the amount of rent charged each month; and

(e) any other information required by the department that is relevant to the applicant's eligibility.

(4) To continue receiving the rental property reduced tax rate, the owner of a qualifying long-term rental shall reapply as required by the department. Beginning in ~~2028~~ 2029, the department shall require reapplication of 20% of long-term rentals each year.

(5) Periods of short-term vacancy not exceeding 5 months in a 12-month period do not disqualify a long-term rental from receiving the rental property reduced tax rate.

(6) The department shall notify the owner if the rental property reduced tax rate is applied to the property or if the application was denied.

NEW SECTION. Section 5. Homestead and rental property reduced tax rates -- improper approval -- penalty for false or fraudulent application. (1) Except as provided in subsection (2), if the department determines that an application for a homestead reduced tax rate or a rental property reduced tax rate was improperly approved or that the property no longer qualifies for the reduced rate, the department shall revise the assessment for each year the homestead reduced tax rate or the rental property reduced tax rate was improperly granted subject to the assessment revision procedure established in 15-8-601.

(2) (a) A person who files a false or fraudulent application for a homestead reduced tax rate provided for in [section-6.3] or for a rental property reduced tax rate provided for in [section-7.4] is subject to criminal prosecution under the provisions of 45-7-202.

(3) (a) If a person is determined to have filed a false or fraudulent application, the department shall revise the assessment of the property subject to the assessment revision procedure established in this section and 15-8-601 and assess a penalty as provided in this subsection (3). The penalty is equal to three times the

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base penalty amount calculated under subsection (3)(b) plus interest at the rate provided in 15-16-102 calculated from the original due date of the taxes, until paid.

(b) The base penalty amount is equal to the property tax due for each year the homestead reduced tax rate or the rental property reduced tax rate was improperly received, determined using the tax rate provided for in 15-6-134(3)(a), the appraised value, and the mill levies in effect for the year, less the actual property taxes paid in the year.

(c) The revised assessment and penalty must be assessed against a person who filed a false or fraudulent application even if the person no longer owns the property.

(4) If the person who filed a false or fraudulent application no longer owns the property associated with the false or fraudulent application, the penalty plus interest provided for in subsection (3) may be recovered as any other tax owed the state. If the penalty plus interest becomes due and owing, the department may issue a warrant for distraint as provided in Title 15, chapter 1, part 7.

(5) Except as provided in subsection (4), if the department determines that a false or fraudulent application was made, the department shall send the revised assessment with the additional penalty amount as determined under subsection (3) to the county treasurer in the county where the property is located.

(6) The county treasurer shall distribute property taxes, penalty, and interest collected under this section proportionally to the affected taxing jurisdictions.

(7) A revised assessment made under this section must be made within 10 years after the end of the calendar year in which the original application was made.

NEW SECTION. Section 6. Appeal or denial of reduced tax rate. (1) (a) If the department denies

an application for a homestead reduced tax rate or a rental property reduced tax rate, the owner may request an informal review of the denial by submitting an objection on written or electronic forms provided by the department for that purpose in a manner prescribed by the department. The objection must be made no later than 30 days after the date of the denial notification sent pursuant to [section ~~6(4) or 7(6)~~ 3(4) or 4(6)].

(b) The property owner may request that the department consider extenuating circumstances to grant an application for the homestead reduced tax rate or the rental property reduced tax rate. Extenuating

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circumstances include but are not limited to extraordinary, unusual, or infrequent events that are material in nature and of a character different from the typical or customary, and that are not expected to recur.

(c) After the informal review, the department shall determine the correct status of the homestead reduced tax rate or the rental property reduced tax rate and notify the taxpayer of its determination by mail or electronically. In the notification, the department shall state its reasons for accepting or denying the application.

(2) If a property owner is aggrieved by the determination made by the department after the review provided for in subsection (1), the property owner has the right to first appeal to the county tax appeal board and then to the Montana tax appeal board, whose findings are final subject to the right of review in the courts. An appeal to the county tax appeal board, pursuant to 15-15-102, must be filed within 30 days from the date on the notice of the department's determination. If the county tax appeal board or the Montana tax appeal board determines that the homestead reduced tax rate or the rental property reduced tax rate should apply, the department shall adjust the taxable value of the property in accordance with the board's order.

NEW SECTION. Section 7. Rulemaking authority. The department shall adopt rules that are necessary to implement and administer [sections 5 2 through 10 7].

NEW SECTION. Section 8. Reimbursement for loss of revenue from certain fixed mill levies. (1) The department shall reimburse each taxing entity as provided in this section for the revenue loss resulting from the tax rate reductions in 15-6-134 as amended by [this act] for the following levies:

(a) levies of a local government with a charter form of government that includes a mill levy limit of a specific number of mills that may be imposed in the charter; and

(b) levies stated as a specific mill levy authorized by voters before [~~the effective date of this section~~ passage and approval of this act].

(2) (A) For fiscal year 2026, the reimbursement must be equal to the difference between the property tax revenue collected from the levies provided for in subsection (1) and the property tax revenue collected in fiscal year 2025. After fiscal year 2026, the reimbursement must be equal to the difference between the property tax revenue collected from the levies provided for in subsection (1) and the property tax revenue

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that would be collected in the current fiscal year using the mill levy that would raise the fiscal year 2025 tax revenue using the fiscal year 2026 taxable value.

(B) A REIMBURSEMENT PURSUANT TO THIS SECTION MUST INCLUDE ANY FINES, PENALTIES, OR DAMAGES RESULTING FROM A JUDGMENT LEVY AGAINST THE TAXING ENTITY IN LEVYING PROPERTY TAXES IN ACCORDANCE WITH [SECTION 4 1].

(3) A taxing entity eligible to receive a reimbursement under this section shall report the loss in revenue from the tax rate reductions in 15-6-134 as amended by [this act] AND ANY AMOUNT REIMBURSABLE UNDER SUBSECTION (2)(B) to the department of revenue.

(4) A reimbursement provided for in this section may only be made for 4 years after [the effective date of this section].

(5) The department shall distribute the reimbursements with the entitlement share payments under 15-1-121(7).

Section 9. Section 15-1-121, MCA, is amended to read:

"15-1-121. Entitlement share payment -- purpose -- appropriation. (1) As described in 15-1-120(3), each local government is entitled to an annual amount that is the replacement for revenue received by local governments for diminishment of property tax base and various earmarked fees and other revenue that, pursuant to Chapter 574, Laws of 2001, amended by section 4, Chapter 13, Special Laws of August 2002, and later enactments, were consolidated to provide aggregation of certain reimbursements, fees, tax collections, and other revenue in the state treasury with each local government's share. The reimbursement under this section is provided by direct payment from the state treasury rather than the ad hoc system that offset certain state payments with local government collections due the state and reimbursements made by percentage splits, with a local government remitting a portion of collections to the state, retaining a portion, and in some cases sending a portion to other local governments.

(2) The sources of dedicated revenue that were relinquished by local governments in exchange for an entitlement share of the state general fund were:

(a) personal property tax reimbursements pursuant to sections 167(1) through (5) and 169(6),

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- 1 Chapter 584, Laws of 1999;
- 2 (b) vehicle, boat, and aircraft taxes and fees pursuant to:
- 3 (i) Title 23, chapter 2, part 5;
- 4 (ii) Title 23, chapter 2, part 6;
- 5 (iii) Title 23, chapter 2, part 8;
- 6 (iv) 61-3-317;
- 7 (v) 61-3-321;
- 8 (vi) Title 61, chapter 3, part 5, except for 61-3-509(3), as that subsection read prior to the
- 9 amendment of 61-3-509 in 2001;
- 10 (vii) Title 61, chapter 3, part 7;
- 11 (viii) 5% of the fees collected under 61-10-122;
- 12 (ix) 61-10-130;
- 13 (x) 61-10-148; and
- 14 (xi) 67-3-205;
- 15 (c) gaming revenue pursuant to Title 23, chapter 5, part 6, except for the permit fee in 23-5-
- 16 612(2)(a);
- 17 (d) district court fees pursuant to:
- 18 (i) 25-1-201, except those fees in 25-1-201(1)(d), (1)(g), and (1)(j);
- 19 (ii) 25-1-202;
- 20 (iii) 25-9-506; and
- 21 (iv) 27-9-103;
- 22 (e) certificate of title fees for manufactured homes pursuant to 15-1-116;
- 23 (f) financial institution taxes collected pursuant to the former provisions of Title 15, chapter 31, part
- 24 7;
- 25 (g) all beer, liquor, and wine taxes pursuant to:
- 26 (i) 16-1-404;
- 27 (ii) 16-1-406; and

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(iii) 16-1-411;

(h) late filing fees pursuant to 61-3-220;

(i) title and registration fees pursuant to 61-3-203;

(j) veterans' cemetery license plate fees pursuant to 61-3-459;

(k) county personalized license plate fees pursuant to 61-3-406;

(l) special mobile equipment fees pursuant to 61-3-431;

(m) single movement permit fees pursuant to 61-4-310;

(n) state aeronautics fees pursuant to 67-3-101; and

(o) department of natural resources and conservation payments in lieu of taxes pursuant to former

Title 77, chapter 1, part 5.

(3) Except as provided in subsection (7)(b), the total amount received by each local government in the prior fiscal year as an entitlement share payment under this section is the base component for the subsequent fiscal year distribution, and in each subsequent year the prior year entitlement share payment, including any reimbursement payments received pursuant to subsection (7), is each local government's base component. The sum of all local governments' base components is the fiscal year entitlement share pool.

(4) (a) Except as provided in subsections (4)(b)(iv) and (7)(b), the base entitlement share pool must be increased annually by an entitlement share growth rate as provided for in this subsection (4). The amount determined through the application of annual growth rates is the entitlement share pool for each fiscal year.

(b) By October 1 of each year, the department shall calculate the growth rate of the entitlement share pool for the next fiscal year in the following manner:

(i) The department shall calculate the entitlement share growth rate based on the ratio of two factors of state revenue sources for the first, second, and third most recently completed fiscal years as recorded on the statewide accounting, budgeting, and human resource system. The first factor is the sum of the revenue for the first and second previous completed fiscal years received from the sources referred to in subsections (2)(b), (2)(c), and (2)(g) divided by the sum of the revenue for the second and third previous completed fiscal years received from the same sources multiplied by 0.75. The second factor is the sum of the

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revenue for the first and second previous completed fiscal years received from individual income tax as provided in Title 15, chapter 30, and corporate income tax as provided in Title 15, chapter 31, divided by the sum of the revenue for the second and third previous completed fiscal years received from the same sources multiplied by 0.25.

(ii) Except as provided in subsections (4)(b)(iii) and (4)(b)(iv), the entitlement share growth rate is the lesser of:

(A) the sum of the first factor plus the second factor; or

(B) 1.03 for counties, 1.0325 for consolidated local governments, and 1.035 for cities and towns.

(iii) In no instance can the entitlement growth factor be less than 1. Subject to subsection (4)(b)(iv), the entitlement share growth rate is applied to the most recently completed fiscal year entitlement payment to determine the subsequent fiscal year payment.

(iv) The entitlement share growth rate, as described in this subsection (4), is:

(A) for fiscal year 2018, 1.005;

(B) for fiscal year 2019, 1.0187;

(C) for fiscal year 2020 and thereafter, determined as provided in subsection (4)(b)(ii). The rate must be applied to the entitlement payment for the previous fiscal year as if the payment had been calculated using entitlement share growth rates for fiscal years 2018 and 2019 as provided in subsection (4)(b)(ii).

(5) As used in this section, "local government" means a county, a consolidated local government, an incorporated city, and an incorporated town. A local government does not include a tax increment financing district provided for in subsection (8). The county or consolidated local government is responsible for making an allocation from the county's or consolidated local government's share of the entitlement share pool to each special district within the county or consolidated local government in a manner that reasonably reflects each special district's loss of revenue sources for which reimbursement is provided in this section. The allocation for each special district that existed in 2002 must be based on the relative proportion of the loss of revenue in 2002.

(6) (a) The entitlement share pools calculated in this section, the amounts distributed under 15-1-123(4) for local governments, the funding provided for in subsection (8) of this section, and the amounts

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distributed under 15-1-123(5) for tax increment financing districts are statutorily appropriated, as provided in 17-7-502, from the general fund to the department for distribution to local governments.

(b) (i) The growth amount is the difference between the entitlement share pool in the current fiscal year and the entitlement share pool in the previous fiscal year. The growth factor in the entitlement share must be calculated separately for:

(A) counties;

(B) consolidated local governments; and

(C) incorporated cities and towns.

(ii) In each fiscal year, the growth amount for counties must be allocated as follows:

(A) 50% of the growth amount must be allocated based upon each county's percentage of the prior fiscal year entitlement share pool for all counties; and

(B) 50% of the growth amount must be allocated based upon the percentage that each county's population bears to the state population not residing within consolidated local governments as determined by the latest interim year population estimates from the Montana department of commerce as supplied by the United States bureau of the census.

(iii) In each fiscal year, the growth amount for consolidated local governments must be allocated as follows:

(A) 50% of the growth amount must be allocated based upon each consolidated local government's percentage of the prior fiscal year entitlement share pool for all consolidated local governments; and

(B) 50% of the growth amount must be allocated based upon the percentage that each consolidated local government's population bears to the state's total population residing within consolidated local governments as determined by the latest interim year population estimates from the Montana department of commerce as supplied by the United States bureau of the census.

(iv) In each fiscal year, the growth amount for incorporated cities and towns must be allocated as follows:

(A) 50% of the growth amount must be allocated based upon each incorporated city's or town's

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percentage of the prior fiscal year entitlement share pool for all incorporated cities and towns; and

(B) 50% of the growth amount must be allocated based upon the percentage that each city's or town's population bears to the state's total population residing within incorporated cities and towns as determined by the latest interim year population estimates from the Montana department of commerce as supplied by the United States bureau of the census.

(v) In each fiscal year, the amount of the entitlement share pool before the growth amount or adjustments made under subsection (7) are applied is to be distributed to each local government in the same manner as the entitlement share pool was distributed in the prior fiscal year.

(7) (a) If the legislature enacts a reimbursement provision that is to be distributed pursuant to this section, the department shall determine the reimbursement amount as provided in the enactment and add the appropriate amount to the entitlement share distribution under this section. The total entitlement share distributions in a fiscal year, including distributions made pursuant to this subsection, equal the local fiscal year entitlement share pool. The ratio of each local government's distribution from the entitlement share pool must be recomputed to determine each local government's ratio to be used in the subsequent year's distribution determination under subsections (6)(b)(ii)(A), (6)(b)(iii)(A), and (6)(b)(iv)(A).

(b) For fiscal year 2018 and thereafter, the growth rate provided for in subsection (4) does not apply to the portion of the entitlement share pool attributable to the reimbursement provided for in 15-1-123(1) and (2). The department shall calculate the portion of the entitlement share pool attributable to the reimbursement in 15-1-123(1) and (2), including the application of the growth rate in previous fiscal years, for counties, consolidated local governments, and cities and, for fiscal year 2018 and thereafter, apply the growth rate for that portion of the entitlement share pool as provided in 15-1-123(3).

(c) The growth amount resulting from the application of the growth rate in 15-1-123(3) must be allocated as provided in subsections (6)(b)(ii)(A), (6)(b)(iii)(A), and (6)(b)(iv)(A) of this section.

(d) The growth rate provided for in subsection (4) does not apply to the portion of the entitlement share pool attributable to the reimbursement provided for in [section ~~11~~ 8].

(8) (a) Except for a tax increment financing district entitled to a reimbursement under 15-1-123(5), if a tax increment financing district was not in existence during the fiscal year ending June 30, 2000, then the

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1 tax increment financing district is not entitled to any funding. If a tax increment financing district referred to in
2 subsection (8)(b) terminates, then the funding for the district provided for in subsection (8)(b) terminates.

3 (b) One-half of the payments provided for in this subsection (8)(b) must be made by November 30
4 and the other half by May 31 of each year. Subject to subsection (8)(a), the entitlement share for tax increment
5 financing districts is as follows:

Flathead	Kalispell - District 2	\$4,638
Flathead	Kalispell - District 3	37,231
Flathead	Whitefish District	148,194
Gallatin	Bozeman - downtown	31,158
Missoula	Missoula - 1-1C	225,251
Missoula	Missoula - 4-1C	30,009

6 (9) The estimated fiscal year entitlement share pool and any subsequent entitlement share pool for
7 local governments do not include revenue received from tax increment financing districts.

8 (10) When there has been an underpayment of a local government's share of the entitlement share
9 pool, the department shall distribute the difference between the underpayment and the correct amount of the
10 entitlement share. When there has been an overpayment of a local government's entitlement share, the local
11 government shall remit the overpaid amount to the department.

12 (11) A local government may appeal the department's estimation of the base component, the
13 entitlement share growth rate, or a local government's allocation of the entitlement share pool, according to the
14 uniform dispute review procedure in 15-1-211.

15 (12) (a) Except as provided in 2-7-517, a payment required pursuant to this section may not be
16 offset by a debt owed to a state agency by a local government in accordance with Title 17, chapter 4, part 1.

17 (b) A payment required pursuant to this section must be withheld if a local government:

18 (i) fails to meet a deadline established in 2-7-503(1), 7-6-611(2), 7-6-4024(3), or 7-6-4036(1); and
19 (ii) fails to remit any amounts collected on behalf of the state as required by 15-1-504 or as
20 otherwise required by law within 45 days of the end of a month.

21 (c) A payment required pursuant to this section may be withheld if, for more than 90 days, a local

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1 government fails to:

2 (i) file a financial report required by 15-1-504;

3 (ii) remit any amounts collected on behalf of the state as required by 15-1-504; or

4 (iii) remit any other amounts owed to the state or another taxing jurisdiction."

5

6 **Section 10.** Section 15-6-133, MCA, is amended to read:

7 **"15-6-133. Class three property -- description -- taxable percentage.** (1) Class three property

8 includes:

9 (a) agricultural land as defined in 15-7-202;

10 (b) nonproductive patented mining claims outside the limits of an incorporated city or town held by
11 an owner for the ultimate purpose of developing the mineral interests on the property. For the purposes of this
12 subsection (1)(b), the following provisions apply:

13 (i) The claim may not include any property that is used for residential purposes, recreational
14 purposes as described in 70-16-301, or commercial purposes as defined in 15-1-101 or any property the
15 surface of which is being used for other than mining purposes or has a separate and independent value for
16 other purposes.

17 (ii) Improvements to the property that would not disqualify the parcel are taxed as otherwise
18 provided in this title, including that portion of the land upon which the improvements are located and that is
19 reasonably required for the use of the improvements.

20 (iii) Nonproductive patented mining claim property must be valued as if the land were devoted to
21 agricultural grazing use.

22 (c) parcels of land of 20 acres or more but less than 160 acres under one ownership that are not
23 eligible for valuation, assessment, and taxation as agricultural land under 15-7-202(1), which are considered to
24 be nonqualified agricultural land. Nonqualified agricultural land may not be devoted to a commercial or
25 industrial purpose. Nonqualified agricultural land is valued at the average productive capacity value of grazing
26 land.

27 (2) Subject to subsection (3), class three property is taxed at ~~2.46%~~ 2.05% of its productive

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1 capacity value.

2 (3) The taxable value of land described in subsection (1)(c) is computed by multiplying the value of
3 the land by seven times the taxable percentage rate for agricultural land."

4

5 **Section 11.** Section 15-6-134, MCA, is amended to read:

6 **"15-6-134. Class four property -- description -- taxable percentage -- definition.** (1) Class four
7 property includes:

8 (a) ~~subject to subsection (1)(e),~~ all land, except that specifically included in another class;

9 (b) ~~subject to subsection (1)(e):~~

10 (i) all improvements, including single-family residences, trailers, manufactured homes, or mobile
11 homes used as a residence, except those specifically included in another class;

12 (ii) appurtenant improvements to the residences, including the parcels of land upon which the
13 residences are located and any leasehold improvements;

14 (iii) vacant residential lots; and

15 (iv) rental multifamily dwelling units.

16 (c) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural
17 land under 15-7-202, including ;

18 (d) ~~_____ 1 acre of real property beneath residential improvements on land described in 15-6-133(1)(c)-~~

19 ~~The 1 acre must be valued at market value.~~

20 (d) ~~_____ and~~ 1 acre of real property beneath an improvement used as a residence on land eligible for
21 valuation, assessment, and taxation as forest land under 15-6-143. The 1 acre must be valued at market value.

22 (e) _____ real property beneath commercial improvements and as much of the surrounding land that is
23 reasonably required to support the commercial improvements on land described in 15-6-133(1)(c) and real
24 property beneath commercial improvements and as much of the surrounding land that is reasonably required to
25 support the commercial improvements on land eligible for valuation, assessment, and taxation as forest land
26 under 15-6-143. The land must be valued at market value.

27 (e) (f) all commercial and industrial property, as defined in 15-1-101, and including:

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(i) all commercial and industrial property that is used or owned by an individual, a business, a trade, a corporation, a limited liability company, or a partnership and that is used primarily for the production of income;

(ii) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least nine holes and not less than 700 lineal yards;

(iii) commercial buildings and parcels of land upon which the buildings are situated; and

(iv) vacant commercial lots.

(2) If a property includes both residential and commercial uses, the property is classified and appraised as follows:

(a) the land use with the highest percentage of total value is the use that is assigned to the property; and

(b) the improvements are apportioned according to the use of the improvements.

(3) (a) Except as provided in 15-24-1402, 15-24-1501, 15-24-1502, and subsection (3)(b), class four residential property described in subsections (1)(a) through (1)(d) of this section is taxed at 1.35% of market value. a graduated rate as follows:

<u>Market Value</u>	<u>Tax Rate</u>
<u>first \$50,000</u>	<u>0.76%</u>
<u>\$50,001 to \$500,000</u>	<u>0.95%</u>
<u>\$500,001 to \$750,000</u>	<u>1.15%</u>
<u>\$750,001 to \$1 million</u>	<u>1.2%</u>
<u>\$1,000,001 to \$1.5 million</u>	<u>1.4%</u>
<u>\$1,500,001 to \$2 million</u>	<u>1.89%</u>
<u>greater than \$2 million</u>	<u>2.2%</u>

~~(b) The tax rate for the portion of the market value of a single-family residential dwelling in excess of \$1.5 million is the residential property tax rate in subsection (3)(a) multiplied by 1.4.~~

(b) The maximum graduated rate for multifamily dwelling units described in subsection (1)(b)(iv)

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1 with a market value of greater than \$2 million is 1.89% if the dwelling units are leased at 150% or less of the
2 county fair market rent. The property owner must certify lease rates to the department of revenue.

3 ~~(e)(4)~~ The ~~(a)~~ Except as provided in subsection (4)(c), the tax rate for commercial and industrial
4 property is the residential property tax rate in subsection (3)(a) multiplied by 1.4 described in subsections (1)(e)
5 and (1)(f) in excess of \$400,000 is 1.89%.

6 (b) The tax rate for the first \$400,000 of market value for commercial and industrial property is
7 1.4%.

8 ~~(4)(c)~~ Property described in subsection ~~(1)(e)(ii)~~ ~~(1)(f)(ii)~~ is taxed at one-half the tax rate established
9 in subsection ~~(3)(e)~~ (4).

10 (5) As used in this section, "fair market rent" means the fair market rent based on the size of the
11 dwelling as published annually by the U.S. department of housing and urban development."

12
13 **Section 12.** Section 15-6-134, MCA, is amended to read:

14 **"15-6-134. Class four property -- description -- taxable percentage -- definitions.** (1) Class four
15 property includes:

16 (a) ~~subject to subsection (1)(e),~~ all land, except that specifically included in another class;

17 (b) ~~subject to subsection (1)(e):~~

18 (i) all improvements, including single-family residences, trailers, manufactured homes, or mobile
19 homes used as a residence, except those specifically included in another class;

20 (ii) appurtenant improvements to the residences, including the parcels of land upon which the
21 residences are located and any leasehold improvements;

22 (iii) vacant residential lots; and

23 (iv) rental multifamily dwelling units.

24 (c) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural
25 land under 15-7-202;

26 (d) ~~, including 1 acre of real property beneath residential improvements on land described in 15-6-~~
27 ~~133(1)(c). The 1 acre must be valued at market value.~~

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1 ~~(d)~~ and 1 acre of real property beneath an improvement used as a residence on land eligible for
2 valuation, assessment, and taxation as forest land under 15-6-143. The 1 acre must be valued at market value.

3 ~~(e)~~ real property beneath commercial improvements and as much of the surrounding land that is
4 reasonably required to support the commercial improvements on land described in 15-6-133(1)(c) and real
5 property beneath commercial improvements and as much of the surrounding land that is reasonably required to
6 support the commercial improvements on land eligible for valuation, assessment, and taxation as forest land
7 under 15-6-143. The land must be valued at market value.

8 ~~(e)(f)~~ all commercial and industrial property, as defined in 15-1-101, and including:

9 (i) all commercial and industrial property that is used or owned by an individual, a business, a
10 trade, a corporation, a limited liability company, or a partnership and that is used primarily for the production of
11 income;

12 (ii) all golf courses, including land and improvements actually and necessarily used for that
13 purpose, that consist of at least nine holes and not less than 700 lineal yards;

14 (iii) commercial buildings and parcels of land upon which the buildings are situated; and

15 (iv) vacant commercial lots.

16 (2) If a property includes both residential and commercial uses, the property is classified and
17 appraised as follows:

18 (a) the land use with the highest percentage of total value is the use that is assigned to the
19 property; and

20 (b) the improvements are apportioned according to the use of the improvements.

21 (3) ~~(a) Except as provided in Subject to 15-24-1402, 15-24-1501, and 15-24-1502, and subsection~~
22 class four property is taxed as follows:

23 ~~(a)~~ Except as provided in subsections (3)(b) and (3)(c), class four residential property described in
24 subsections (1)(a) through (1)(d) of this section is taxed at 1.35%-1.9% of market value.

25 ~~(b)~~ The tax rate for the portion of the market value of a single-family residential dwelling in excess
26 of \$1.5 million is the residential property tax rate in subsection (3)(a) multiplied by 1.4.

27 ~~(b)~~ (i) The tax rate for class four residential property described in subsections (1)(a), (1)(b)(i),

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(1)(b)(ii), and (1)(d) of this section that qualifies for the homestead reduced tax rate provided for in [section ~~6 3~~]
or the rental property reduced tax rate provided for in [section ~~7 4~~] is:

(A) 0.76% for the market value that is less than or equal to the median residential value;

(B) 0.9% for the market value that is greater than the median residential value and less than 2
times the median residential value;

(C) 1.1% for the market value that is 2 times the median residential value or greater and less than
4 times the median residential value; and

(D) 1.9% for the market value that is 4 times the median residential value or greater.

(ii) The tax rate for a rental multifamily dwelling unit described in subsection (1)(b)(iv) that qualifies
for the rental property reduced tax rate is 1.1%.

(c) The tax rate for property described in subsection (1)(c) that does not qualify for the homestead
reduced tax rate or the rental property reduced tax rate is 1.35%.

(e)(d) The tax rate for commercial and industrial property is the residential property tax rate in
subsection (3)(a) multiplied by 1.4 described in subsections (1)(e) and (1)(f), except property described in
subsection (1)(f)(ii), is:-

(i) for the market value less than 6 times the median commercial and industrial value, 1.5%; and

(ii) for the market value 6 times the median commercial and industrial value or greater, 1.9%.

(4)(e) Property described in subsection (1)(e)(ii) (1)(f)(ii) is taxed at one-half the tax rate established
in subsection (3)(e) (3)(d).

(4) The department shall calculate the median residential value and median commercial and
industrial value every 2 years as part of the periodic reappraisal provided for in 15-7-111.

(5) As used in this section, the following definitions apply:

(a) "Median commercial and industrial value" means the median value of class four commercial
and industrial property located in the state of Montana rounded to the nearest thousand dollars.

(b) "Median residential value" means the median value of a single-family residence located in the
state of Montana rounded to the nearest thousand dollars."

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Section 13. Section 15-7-102, MCA, is amended to read:

"15-7-102. Notice of classification, market value, and taxable value to owners -- appeals. (1) (a)

Except as provided in 15-7-138, the department shall mail or provide electronically to each owner or purchaser under contract for deed a notice that includes the land classification, market value, and taxable value of the land and improvements owned or being purchased. A notice must be mailed or, with property owner consent, provided electronically to the owner only if one or more of the following changes pertaining to the land or improvements have been made since the last notice:

- (i) change in ownership;
- (ii) change in classification;
- (iii) change in valuation; or
- (iv) addition or subtraction of personal property affixed to the land.

(b) The notice must include the following for the taxpayer's informational and informal classification and appraisal review purposes:

(i) a notice of the availability of all the property tax assistance programs available to property taxpayers, including the intangible land value assistance program provided for in 15-6-240, the property tax assistance programs provided for in Title 15, chapter 6, part 3, the homestead reduced tax rate provided for in [section 6 3], the rental property reduced tax rate provided for in [section 7 4], and the residential property tax credit for the elderly provided for in 15-30-2337 through 15-30-2341;

(ii) the total amount of mills levied against the property in the prior year;

(iii) the market value for the prior reappraisal cycle;

(iv) if the market value has increased by more than 10%, an explanation for the increase in valuation;

(v) a statement that the notice is not a tax bill; and

(vi) a taxpayer option to request an informal classification and appraisal review by checking a box on the notice and returning it to the department.

(c) When the department uses an appraisal method that values land and improvements as a unit, including the sales comparison approach for residential condominiums or the income approach for commercial

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1 property, the notice must contain a combined appraised value of land and improvements.

2 (d) Any misinformation provided in the information required by subsection (1)(b) does not affect the
3 validity of the notice and may not be used as a basis for a challenge of the legality of the notice.

4 (2) (a) Except as provided in subsection (2)(c), the department shall assign each classification and
5 appraisal to the correct owner or purchaser under contract for deed and mail or provide electronically the notice
6 in written or electronic form, adopted by the department, containing sufficient information in a comprehensible
7 manner designed to fully inform the taxpayer as to the classification and appraisal of the property and of
8 changes over the prior tax year.

9 (b) The notice must advise the taxpayer that in order to be eligible for a refund of taxes from an
10 appeal of the classification or appraisal, the taxpayer is required to pay the taxes under protest as provided in
11 15-1-402.

12 (c) The department is not required to mail or provide electronically the notice to a new owner or
13 purchaser under contract for deed unless the department has received the realty transfer certificate from the
14 clerk and recorder as provided in 15-7-304 and has processed the certificate before the notices required by
15 subsection (2)(a) are mailed or provided electronically. The department shall notify the county tax appeal board
16 of the date of the mailing or the date when the taxpayer is informed the information is available electronically.

17 (3) (a) If the owner of any land and improvements is dissatisfied with the appraisal as it reflects the
18 market value of the property as determined by the department or with the classification of the land or
19 improvements, the owner may request an informal classification and appraisal review by submitting an
20 objection on written or electronic forms provided by the department for that purpose or by checking a box on the
21 notice and returning it to the department in a manner prescribed by the department.

22 (i) For property other than class three property described in 15-6-133, class four property
23 described in 15-6-134, class ten property described in 15-6-143, and centrally assessed property described in
24 15-23-101, the objection must be submitted within 30 days from the date on the notice.

25 (ii) For class three property described in 15-6-133, class four property described in 15-6-134, and
26 class ten property described in 15-6-143, the objection may be made only once each valuation cycle. An
27 objection must be made in writing or by checking a box on the notice within 30 days from the date on the

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1 classification and appraisal notice for a reduction in the appraised value to be considered for both years of the
2 2-year valuation cycle. An objection made more than 30 days from the date of the classification and appraisal
3 notice will be applicable only for the second year of the 2-year valuation cycle. For an objection to apply to the
4 second year of the valuation cycle, the taxpayer shall make the objection in writing or by checking a box on the
5 notice no later than June 1 of the second year of the valuation cycle or, if a classification and appraisal notice is
6 received in the second year of the valuation cycle, within 30 days from the date on the notice.

7 (iii) For centrally assessed property described in 15-23-101(2)(a), the objection must be submitted
8 within 20 days from the date on the notice. A taxpayer may submit an objection up to 10 days after this deadline
9 on request to the department.

10 (iv) (A) For centrally assessed property described in 15-23-101(2)(b) and (2)(c), an objection to the
11 valuation or classification may be made only once each valuation cycle. An objection must be made in writing
12 within the time period specified in subsection (3)(a)(iii) for a reduction in the appraised value to be considered
13 for both years of the 2-year valuation cycle. An objection made after the deadline specified in subsection
14 (3)(a)(iii) will be applicable only for the second year of the 2-year valuation cycle. For an objection to apply to
15 the second year of the valuation cycle, the taxpayer shall make the objection in writing no later than June 1 of
16 the second year of the valuation cycle or, if a classification and appraisal notice is received in the second year
17 of the valuation cycle, within the time period specified in subsection (3)(a)(iii).

18 (B) If a property owner has exhausted the right to object to a valuation, as provided for in
19 subsection (3)(a)(iv)(A), the property owner may ask the department to consider extenuating circumstances to
20 adjust the value of property described in 15-23-101(2)(b) or (2)(c). Occurrences that may result in an
21 adjustment to the value include but are not limited to extraordinary, unusual, or infrequent events that are
22 material in nature and of a character different from the typical or customary business operations, that are not
23 expected to recur frequently, and that are not normally considered in the evaluation of the operating results of a
24 business, including bankruptcies, acquisitions, sales of assets, or mergers.

25 (b) If the objection relates to residential or commercial property and the objector agrees to the
26 confidentiality requirements, the department shall provide to the objector, by posted mail or electronically, within
27 8 weeks of submission of the objection, the following information:

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(i) the methodology and sources of data used by the department in the valuation of the property;

and

(ii) if the department uses a blend of evaluations developed from various sources, the reasons that the methodology was used.

(c) At the request of the objector or a representative of the objector, and only if the objector or representative signs a written or electronic confidentiality agreement, the department shall provide in written or electronic form:

(i) comparable sales data used by the department to value the property;

(ii) sales data used by the department to value residential property in the property taxpayer's market model area; and

(iii) if the cost approach was used by the department to value residential property, the documentation required in 15-8-111(3) regarding why the comparable sales approach was not reliable.

(d) For properties valued using the income approach as one approximation of market value, notice must be provided that the taxpayer will be given a form to acknowledge confidentiality requirements for the receipt of all aggregate model output that the department used in the valuation model for the property.

(e) The review must be conducted informally and is not subject to the contested case procedures of the Montana Administrative Procedure Act. As a part of the review, the department may consider the actual selling price of the property and other relevant information presented by the taxpayer in support of the taxpayer's opinion as to the market value of the property. The department shall consider an independent appraisal provided by the taxpayer if the appraisal meets standards set by the Montana board of real estate appraisers and the appraisal was completed within 6 months of the valuation date pursuant to 15-8-201. If the department does not use the appraisal provided by the taxpayer in conducting the appeal, the department shall provide to the taxpayer the reason for not using the appraisal. The department shall give reasonable notice to the taxpayer of the time and place of the review.

(f) After the review, the department shall determine the correct appraisal and classification of the land or improvements and notify the taxpayer of its determination by mail or electronically. The department may not determine an appraised value that is higher than the value that was the subject of the objection unless the

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1 reason for an increase was the result of a physical change in the property or caused by an error in the
2 description of the property or data available for the property that is kept by the department and used for
3 calculating the appraised value. In the notification, the department shall state its reasons for revising the
4 classification or appraisal. When the proper appraisal and classification have been determined, the land must
5 be classified and the improvements appraised in the manner ordered by the department.

6 (4) Whether a review as provided in subsection (3) is held or not, the department may not adjust
7 an appraisal or classification upon the taxpayer's objection unless:

8 (a) the taxpayer has submitted an objection on written or electronic forms provided by the
9 department or by checking a box on the notice; and

10 (b) the department has provided to the objector by mail or electronically its stated reason in writing
11 for making the adjustment.

12 (5) A taxpayer's written objection or objection made by checking a box on the notice and
13 supplemental information provided by a taxpayer that elects to check a box on the notice to a classification or
14 appraisal and the department's notification to the taxpayer of its determination and the reason for that
15 determination are public records. The department shall make the records available for inspection during regular
16 office hours.

17 (6) Except as provided in 15-2-302 and 15-23-102, if a property owner feels aggrieved by the
18 classification or appraisal made by the department after the review provided for in subsection (3), the property
19 owner has the right to first appeal to the county tax appeal board and then to the Montana tax appeal board,
20 whose findings are final subject to the right of review in the courts. The appeal to the county tax appeal board,
21 pursuant to 15-15-102, must be filed within 30 days from the date on the notice of the department's
22 determination. A county tax appeal board or the Montana tax appeal board may consider the actual selling price
23 of the property, independent appraisals of the property, negative property features that differentiate the subject
24 property from the department's comparable sales, and other relevant information presented by the taxpayer as
25 evidence of the market value of the property. If the county tax appeal board or the Montana tax appeal board
26 determines that an adjustment should be made, the department shall adjust the base value of the property in
27 accordance with the board's order."

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1

2 **Section 14.** Section 15-15-101, MCA, is amended to read:

3 **"15-15-101. County tax appeal board -- meetings and compensation.** (1) The board of county
4 commissioners of each county shall appoint a county tax appeal board, with a minimum of three members and
5 with the members to serve staggered terms of 3 years each. The members of each county tax appeal board
6 must be residents of the county in which they serve. A person may not be a member of a county tax appeal
7 board if the person was an employee of the department less than 36 months before the date of appointment.

8 (2) (a) The members receive compensation as provided in subsection (2)(b) and travel expenses,
9 as provided for in 2-18-501 through 2-18-503, only when the county tax appeal board meets to hear taxpayers'
10 appeals from property tax assessments or when they are attending meetings called by the Montana tax appeal
11 board. Travel expenses and compensation must be paid from the appropriation to the Montana tax appeal
12 board.

13 (b) (i) The daily compensation for a member is as follows:

14 (A) \$45 for 4 hours of work or less; and

15 (B) \$90 for more than 4 hours of work.

16 (ii) For the purpose of calculating work hours in this subsection (2)(b), work includes hearing tax
17 appeals, deliberating with other board members, and attending meetings called by the Montana tax appeal
18 board.

19 (3) Office space and equipment for the county tax appeal boards must be furnished by the county.

20 All other incidental expenses must be paid from the appropriation of the Montana tax appeal board.

21 (4) The county tax appeal board shall hold an organizational meeting each year on the date of its
22 first scheduled hearing, immediately before conducting the business for which the hearing was otherwise
23 scheduled. At the organizational meeting, the members shall choose one member as the presiding officer of the
24 board. The county tax appeal board shall continue in session from July 1 of the current tax year until December
25 31 of the current tax year to hear protests concerning assessments made by the department until the business
26 of hearing protests is disposed of and may meet after December 31 to hear an appeal at the discretion of the
27 county tax appeal board.

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(5) In counties that have appointed more than three members to the county tax appeal board, only three members shall hear each appeal. The presiding officer shall select the three members hearing each appeal.

(6) In connection with an appeal, the county tax appeal board may change any assessment or fix the assessment at some other level and determine eligibility for the homestead reduced tax rate provided for in [section-6 3] or the rental property reduced tax rate provided for in [section-7 4]. Upon notification by the county tax appeal board, the county clerk and recorder shall publish a notice to taxpayers, giving the time the county tax appeal board will be in session to hear scheduled protests concerning assessments and the latest date the county tax appeal board may take applications for the hearings. The notice must be published in a newspaper if any is printed in the county or, if none, then in the manner that the county tax appeal board directs. The notice must be published by May 15 of the current tax year.

(7) Challenges to a department rule governing the assessment of property or to an assessment procedure apply only to the taxpayer bringing the challenge and may not apply to all similarly situated taxpayers unless an action is brought in the district court as provided in 15-1-406."

Section 15. Section 15-15-102, MCA, is amended to read:

"15-15-102. Application for reduction in valuation -- reduced tax rate. (1) The county tax appeal board may not reduce the valuation of property may not be reduced by the county tax appeal board or review eligibility for the homestead reduced tax rate provided for in [section-6 3] or the rental property reduced tax rate provided for in [section-7 4] unless either the taxpayer or the taxpayer's agent makes and files a written application for reduction with the county tax appeal board.

(2) The application for reduction may be obtained at the local appraisal office or from the county tax appeal board. The completed application must be submitted to the county clerk and recorder. The date of receipt is the date stamped on the appeal form by the county clerk and recorder upon receipt of the form. The county tax appeal board is responsible for obtaining the applications from the county clerk and recorder.

(3) One application for reduction may be submitted during each valuation cycle. The application must be submitted within the time periods provided for in 15-7-102(3)(a) and [section-9 6].

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(4) A taxpayer who receives an informal review by the department of revenue as provided in 15-7-102(3)(a)(i) and (3)(a)(ii) or [section 9 6] may appeal the decision of the department of revenue to the county tax appeal board as provided in 15-7-102(6). The taxpayer may not file a subsequent application for reduction for the same property with the county tax appeal board during the same valuation cycle.

(5) If the department's determination after review is not made in time to allow the county tax appeal board to review the matter during the current tax year, the appeal must be reviewed during the next tax year, but the decision by the county tax appeal board is effective for the year in which the request for review was filed with the department. The application must state the post-office address of the applicant, specifically describe the property involved, and state the facts upon which it is claimed the reduction should be made."

Section 16. Section 15-15-103, MCA, is amended to read:

"15-15-103. Examination of applicant -- failure to hear application. (1) Before the county tax appeal board grants any application or makes any reduction applied for, it shall examine on oath the person or agent making the application with regard to the value of the property of the person or eligibility for the homestead reduced tax rate provided for in [section 6 3] or the rental property reduced tax rate provided for in [section 7 4]. A reduction may not be made unless the applicant makes an application, as provided in 15-15-102, and attends the county board hearing. An appeal of the county board's decision may not be made to the Montana tax appeal board unless the person or the person's agent has exhausted the remedies available through the county board. In order to exhaust the remedies, the person or the person's agent shall attend the county board hearing. On written request by the person or the person's agent and on the written concurrence of the department, the county board may waive the requirement that the person or the person's agent attend the hearing. The testimony of all witnesses at the hearing and the deliberation of the county tax appeal board in rendering a decision must be electronically recorded and preserved for 1 year. If the decision of the county board is appealed, the record of the proceedings, including the electronic recording of all testimony and the deliberation of the county tax appeal board, must be forwarded, together with all exhibits, to the Montana board. The date of the hearing, the proceedings before the county board, and the decision must be entered upon the minutes of the county board, and the county board shall notify the applicant of its decision by mail within 3 days.

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1 A copy of the minutes of the county board must be transmitted to the Montana board no later than 3 days after
2 the county board holds its final hearing of the year.

3 (2) (a) Except as provided in 15-15-201, if a county board refuses or fails to hear a taxpayer's
4 timely application for a reduction in valuation of property or eligibility for a reduced tax rate, the taxpayer's
5 application is considered to be granted on the day following the county board's final meeting for that year. The
6 department shall enter the appraisal, ~~or~~ classification, or tax rate sought in the application in the property tax
7 record. An application is not automatically granted for the following appeals:

8 (i) those listed in 15-2-302(1); and

9 (ii) if a taxpayer's appeal from the department's determination of classification or appraisal made
10 pursuant to 15-7-102 was not received in time, as provided for in 15-15-102, to be considered by the county
11 board during its current session.

12 (b) The county board shall provide written notification of each application that was automatically
13 granted pursuant to subsection (2)(a) to the department, the Montana board, and any affected municipal
14 corporation. The notice must include the name of the taxpayer and a description of the subject property.

15 (3) The county tax appeal board shall consider an independent appraisal provided by the taxpayer
16 if the appraisal meets standards set by the Montana board of real estate appraisers and the appraisal was
17 conducted within 6 months of the valuation date. If the county tax appeal board does not use the appraisal
18 provided by the taxpayer in conducting the appeal, the county board shall provide to the taxpayer the reason for
19 not using the appraisal."
20

21 **Section 17.** Section 15-16-101, MCA, is amended to read:

22 **"15-16-101. Treasurer to publish notice -- manner of publication.** (1) Within 10 days after the
23 receipt of the property tax record, the county treasurer shall publish a notice specifying:

24 (a) that one-half of all taxes levied and assessed will be due and payable before 5 p.m. on the next
25 November 30 or within 30 days after the notice is postmarked and that unless paid prior to that time the amount
26 then due will be delinquent and will draw interest at the rate of 5/6 of 1% a month from the time of delinquency
27 until paid and 2% will be added to the delinquent taxes as a penalty;

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(b) that one-half of all taxes levied and assessed will be due and payable on or before 5 p.m. on the next May 31 and that unless paid prior to that time the taxes will be delinquent and will draw interest at the rate of 5/6 of 1% a month from the time of delinquency until paid and 2% will be added to the delinquent taxes as a penalty; and

(c) the time and place at which payment of taxes may be made.

(2) (a) The county treasurer shall send to the last-known address of each taxpayer a written notice, postage prepaid, showing the amount of taxes and assessments due for the current year and the amount due and delinquent for other years. The written notice must include:

(i) the taxable value of the property;

(ii) the total mill levy applied to that taxable value;

(iii) itemized city services and special improvement district assessments collected by the county;

(iv) the number of the school district in which the property is located;

(v) the amount of the total tax due itemized by mill levy that is levied as city tax, county tax, state tax, school district tax, and other tax;

(vi) an indication of which mill levies are voted levies, including voted levies to impose a new mill levy, to increase a mill levy that is required to be submitted to the electors, or to exceed the mill levy limit provided for in 15-10-420;

(vii) except as provided in subsection (2)(c), an itemization of the taxes due for each mill levy and a comparison to the amount due for each mill levy in the prior year; and

(viii) a notice of the availability of all the property tax assistance programs available to property taxpayers, including the intangible land value assistance program provided for in 15-6-240, the property tax assistance programs under Title 15, chapter 6, part 3, the homestead reduced tax rate provided for in [section-6 3], the rental property reduced tax rate provided for in [section-7 4], and the residential property tax credit for the elderly under 15-30-2337 through 15-30-2341.

(b) If a tax lien is attached to the property, the notice must also include, in a manner calculated to draw attention, a statement that a tax lien is attached to the property, that failure to respond will result in loss of property, and that the taxpayer may contact the county treasurer for complete information.

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(c) The information required in subsection (2)(a)(vii) may be posted on the county treasurer's website instead of being included on the written notice.

(3) The municipality shall, upon request of the county treasurer, provide the information to be included under subsection (2)(a)(iii) ready for mailing.

(4) The notice in every case must be given as provided in 7-1-2121. Failure to publish or post notices does not relieve the taxpayer from any tax liability. Any failure to give notice of the tax due for the current year or of delinquent tax will not affect the legality of the tax.

(5) If the department revises an assessment that results in an additional tax of \$5 or less, an additional tax is not owed and a new tax bill does not need to be prepared."

Section 18. Section 15-17-125, MCA, is amended to read:

"15-17-125. Attachment of tax lien and preparation of tax lien certificate. (1) (a) The county treasurer shall attach a tax lien no later than the first working day in August to properties on which the taxes are delinquent and for which proper notification was given as provided in 15-17-122 and subsection (4) of this section. Upon attachment of a tax lien, the county is the possessor of the tax lien unless the tax lien is assigned pursuant to 15-17-323.

(b) The county treasurer may not attach a tax lien to a property on which taxes are delinquent but for which proper notice was not given.

(2) After attaching a tax lien, the county treasurer shall prepare a tax lien certificate that must contain:

(a) the date on which the property taxes became delinquent;

(b) the date on which a property tax lien was attached to the property;

(c) the name and address of record of the person to whom the taxes were assessed;

(d) a description of the property on which the taxes were assessed;

(e) a separate listing of the amount of the delinquent taxes, penalties, interest, and costs;

(f) a statement that the tax lien certificate represents a lien on the property that may lead to the issuance of a tax deed for the property;

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(g) a statement specifying the date on which the county or an assignee will be entitled to a tax deed; and

(h) an identification number corresponding to the tax lien certificate.

(3) The tax lien certificate must be signed by the county treasurer. A copy of the tax lien certificate must be filed by the treasurer in the office of the county clerk. A copy of the tax lien certificate must also be mailed to the person to whom the taxes were assessed, at the address of record, together with a notice that the person may contact the county treasurer for further information on property tax liens.

(4) Prior to attaching a tax lien to the property, the county treasurer shall send notice of the pending attachment of a tax lien to the person to whom the property was assessed. The notice must include the information listed in subsection (2), state that the tax lien may be assigned to a third party, and provide notice of the availability of all the property tax assistance programs available to property taxpayers, including the property tax assistance programs under Title 15, chapter 6, part 3, the homestead reduced tax rate provided for in [section 6 3], the rental property reduced tax rate provided for in [section 7 4], and the residential property tax credit for the elderly under 15-30-2337 through 15-30-2341. The notice must have been mailed at least 2 weeks prior to the date on which the county treasurer attaches the tax lien.

(5) The county treasurer shall file the tax lien certificate with the county clerk and recorder."

Section 22. Section 15-30-2120, MCA, is amended to read:

~~"15-30-2120. Adjustments to federal taxable income to determine Montana taxable income. (1)~~

~~The items in subsection (2) are added to and the items in subsection (3) are subtracted from federal taxable income to determine Montana taxable income.~~

~~(2) The following are added to federal taxable income:~~

~~(a) to the extent that it is not exempt from taxation by Montana under federal law, interest from obligations of a territory or another state or any political subdivision of a territory or another state and exempt interest dividends attributable to that interest except to the extent already included in federal taxable income;~~

~~(b) that portion of a shareholder's income under subchapter S. of Chapter 1 of the Internal Revenue Code that has been reduced by any federal taxes paid by the subchapter S. corporation on the~~

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1 ~~income;~~

2 ~~(c) — depreciation or amortization taken on a title plant as defined in 33-25-105;~~

3 ~~(d) — the recovery during the tax year of an amount deducted in any prior tax year to the extent that~~
4 ~~the amount recovered reduced the taxpayer's Montana income tax in the year deducted;~~

5 ~~(e) — an item of income, deduction, or expense to the extent that it was used to calculate federal~~
6 ~~taxable income if the item was also used to calculate a credit against a Montana income tax liability;~~

7 ~~(f) — a deduction for an income distribution from an estate or trust to a beneficiary that was included~~
8 ~~in the federal taxable income of an estate or trust in accordance with sections 651 and 661 of the Internal~~
9 ~~Revenue Code, 26 U.S.C. 651 and 661;~~

10 ~~(g) — a withdrawal from a medical care savings account provided for in Title 15, chapter 61, used for~~
11 ~~a purpose other than an eligible medical expense or long term care of the employee or account holder or a~~
12 ~~dependent of the employee or account holder;~~

13 ~~(h) — a withdrawal from a first-time home buyer savings account provided for in Title 15, chapter 63,~~
14 ~~used for a purpose other than for eligible costs for the purchase of a single-family residence;~~

15 ~~(i) — for a taxpayer that deducts the qualified business income deduction pursuant to section 199A~~
16 ~~of the Internal Revenue Code, 26 U.S.C. 199A, an amount equal to the qualified business income deduction~~
17 ~~claimed;~~

18 ~~(j) — for an individual taxpayer that deducts state income taxes pursuant to section 164(a)(3) of the~~
19 ~~Internal Revenue Code, 26 U.S.C. 164(a)(3), an additional amount equal to the state income tax deduction~~
20 ~~claimed, not to exceed the amount required to reduce the federal itemized amount computed under section 161~~
21 ~~of the Internal Revenue Code, 26 U.S.C. 161, to the amount of the federal standard deduction allowable under~~
22 ~~section 63(c) of the Internal Revenue Code, 26 U.S.C. 63(c); and~~

23 ~~(k) — for a pass-through entity, estate, or trust, the amount of state income taxes deducted pursuant~~
24 ~~to section 164(a)(3) of the Internal Revenue Code, 26 U.S.C. 164(a)(3).~~

25 ~~(3) — To the extent they are included as income or gain or not already excluded as a deduction or~~
26 ~~expense in determining federal taxable income, the following are subtracted from federal taxable income:~~

27 ~~(a) — a deduction for an income distribution from an estate or trust to a beneficiary in accordance~~

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~~with sections 651 and 661 of the Internal Revenue Code, 26 U.S.C. 651 and 661, recalculated according to the additions and subtractions in subsections (2) and (3)(b) through (3)(o) (3)(p);~~

~~(b) — if exempt from taxation by Montana under federal law:~~

~~(i) — interest from obligations of the United States government and exempt interest dividends attributable to that interest; and~~

~~(ii) — railroad retirement benefits;~~

~~(c) — (i) salary received from the armed forces by residents of Montana who are serving on active duty in the regular armed forces and who entered into active duty from Montana;~~

~~(ii) — the salary received by residents of Montana for active duty in the national guard. For the purposes of this subsection (3)(c)(ii), "active duty" means duty performed under an order issued to a national guard member pursuant to:~~

~~(A) — Title 10, U.S.C.; or~~

~~(B) — Title 32, U.S.C., for a homeland defense activity, as defined in 32 U.S.C. 901, or a contingency operation, as defined in 10 U.S.C. 101, and the person was a member of a unit engaged in a homeland defense activity or contingency operation.~~

~~(iii) — the amount received by a beneficiary pursuant to 10-1-1201; and~~

~~(iv) — all payments made under the World War I bonus law, the Korean bonus law, and the veterans' bonus law. Any income tax that has been or may be paid on income received from the World War I bonus law, Korean bonus law, and the veterans' bonus law is considered an overpayment and must be refunded upon the filing of an amended return and a verified claim for refund on forms prescribed by the department in the same manner as other income tax refund claims are paid.~~

~~(d) — annual contributions and income in a medical care savings account provided for in Title 15, chapter 61, and any withdrawal for payment of eligible medical expenses or for the long-term care of the employee or account holder or a dependent of the employee or account holder;~~

~~(e) — contributions or earnings withdrawn from a family education savings account provided for in Title 15, chapter 62, or from a qualified tuition program established and maintained by another state as provided in section 529(b)(1)(A)(ii) of the Internal Revenue Code, 26 U.S.C. 529(b)(1)(A)(ii), for qualified~~

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~~education expenses, as defined in 15-62-103, of a designated beneficiary;~~

~~(f) interest and other income related to contributions that were made prior to January 1, 2024, that are retained in a first-time home buyer savings account provided for in Title 15, chapter 63, and any withdrawal for payment of eligible costs for the first-time purchase of a single-family residence;~~

~~(g) for each taxpayer that has attained the age of 65, an additional subtraction of \$5,500;~~

~~(h) the amount of a scholarship to an eligible student by a student scholarship organization pursuant to 15-30-3104;~~

~~(i) a payment received by a private landowner for providing public access to public land pursuant to Title 76, chapter 17, part 1;~~

~~(j) the amount of any refund or credit for overpayment of income taxes imposed by this state or any other taxing jurisdiction to the extent included in gross income for federal income tax purposes but not previously allowed as a deduction for Montana income tax purposes;~~

~~(k) the recovery during the tax year of any amount deducted in any prior tax year to the extent that the recovered amount did not reduce the taxpayer's Montana income tax in the year deducted;~~

~~(l) the amount of the gain recognized from the sale or exchange of a mobile home park as provided in 15-31-163;~~

~~(m) payments from the Montana end of watch trust as provided in 2-15-2041;~~

~~(n) (i) subject to subsection (9), a portion of military pensions or military retirement income as calculated pursuant to subsection (8) that is received by a retired member of:~~

~~(A) the armed forces of the United States, as defined in 10 U.S.C. 101;~~

~~(B) the Montana army national guard or the army national guard of other states;~~

~~(C) the Montana air national guard or the air national guard of other states; or~~

~~(D) a reserve component, as defined in 38 U.S.C. 101, of the United States armed forces; and~~

~~(ii) subject to subsection (9), up to 50% of all income received as survivor benefits for military service provided for in subsection (3)(n)(i)(A) through (3)(n)(i)(D); and~~

~~(o) the amount of the property tax rebate received under 15-1-2302; and~~

~~(p) the amount of the property tax rebate received under [section 3].~~

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1 ~~(4) — (a) A taxpayer who, in determining federal taxable income, has reduced the taxpayer's~~
2 ~~business deductions:~~

3 ~~(i) — by an amount for wages and salaries for which a federal tax credit was elected under sections~~
4 ~~38 and 51(a) of the Internal Revenue Code, 26 U.S.C. 38 and 51(a), is allowed to deduct the amount of the~~
5 ~~wages and salaries paid regardless of the credit taken; or~~

6 ~~(ii) — for which a federal tax credit was elected under the Internal Revenue Code is allowed to~~
7 ~~deduct the amount of the business expense paid when there is no corresponding state income tax credit or~~
8 ~~deduction, regardless of the credit taken.~~

9 ~~(b) — The deductions in subsection (4)(a) must be made in the year that the wages, salaries, or~~
10 ~~business expenses were used to compute the credit. In the case of a partnership or small business corporation,~~
11 ~~the deductions in subsection (4)(a) must be made to determine the amount of income or loss of the partnership~~
12 ~~or small business corporation.~~

13 ~~(5) — (a) An individual who contributes to one or more accounts established under the Montana~~
14 ~~family education savings program or to a qualified tuition program established and maintained by another state~~
15 ~~as provided in section 529(b)(1)(A)(ii) of the Internal Revenue Code, 26 U.S.C. 529(b)(1)(A)(ii), may reduce~~
16 ~~taxable income by the lesser of \$3,000 or the amount of the contribution. In the case of married taxpayers, each~~
17 ~~spouse is entitled to a reduction, not in excess of \$3,000, for the spouses' contributions to the accounts.~~
18 ~~Spouses may jointly elect to treat half of the total contributions made by the spouses as being made by each~~
19 ~~spouse. The reduction in taxable income under this subsection (5)(a) applies only with respect to contributions~~
20 ~~to an account of which the account owner is the taxpayer, the taxpayer's spouse, or the taxpayer's child or~~
21 ~~stepchild if the taxpayer's child or stepchild is a Montana resident. The provisions of subsection (2)(d) do not~~
22 ~~apply with respect to withdrawals of contributions that reduced federal taxable income.~~

23 ~~(b) — Contributions made pursuant to this subsection (5) are subject to the recapture tax provided for~~
24 ~~in 15-62-208.~~

25 ~~(6) — (a) An individual who contributes to one or more accounts established under the Montana~~
26 ~~achieving a better life experience program or to a qualified program established and maintained by another~~
27 ~~state may reduce taxable income by the lesser of \$3,000 or the amount of the contribution. In the case of~~

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~~married taxpayers, each spouse is entitled to a reduction, not to exceed \$3,000, for the spouses' contributions to the accounts. Spouses may jointly elect to treat one-half of the total contributions made by the spouses as being made by each spouse. The reduction in taxable income under this subsection (6)(a) applies only with respect to contributions to an account for which the account owner is the taxpayer, the taxpayer's spouse, or the taxpayer's child or stepchild if the taxpayer's child or stepchild is a Montana resident. The provisions of subsection (2)(d) do not apply with respect to withdrawals of contributions that reduced taxable income.~~

~~(b) Contributions made pursuant to this subsection (6) are subject to the recapture tax provided in 53-25-118.~~

~~(7) By November 1 of each year, the department shall multiply the subtraction from federal taxable income for a taxpayer that has attained the age of 65 contained in subsection (3)(g) by the inflation factor for that tax year, rounding the result to the nearest \$10. The resulting amount is effective for that tax year and must be used as the basis for the subtraction from federal taxable income determined under subsection (3)(g).~~

~~(8) (a) Subject to subsection (9), the subtraction in subsection (3)(n)(i) is equal to the lesser of:~~

~~(i) the amount of Montana source wage income on the return; or~~

~~(ii) 50% of the taxpayer's military pension or military retirement income.~~

~~(b) For the purposes of subsection (8)(a)(i), "Montana source wage income" means:~~

~~(i) wages, salary, tips, and other compensation for services performed in the state;~~

~~(ii) net income from a trade, business, profession, or occupation carried on in the state; and~~

~~(iii) net income from farming activities carried on in the state.~~

~~(9) The subtractions in subsection (3)(n):~~

~~(a) may only be claimed by a person who:~~

~~(i) becomes a resident of the state after June 30, 2023; or~~

~~(ii) was a resident of the state before receiving military pension or military retirement income and remained a resident after receiving military pension or military retirement income;~~

~~(b) may only be claimed for 5 consecutive years after satisfying the provisions of subsection (9)(a);~~

~~and~~

~~(c) are not available if a taxpayer claimed the exemption before becoming a nonresident.~~

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~~(Subsection (3)(o) terminates June 30, 2025—sec. 10, Ch. 47, L. 2023; subsections (3)(n), (8), and (9) terminate December 31, 2033—sec. 4, Ch. 650, L. 2023.)"~~

Section 19. Section 17-7-502, MCA, is amended to read:

"17-7-502. Statutory appropriations -- definition -- requisites for validity. (1) A statutory

appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the need for a biennial legislative appropriation or budget amendment.

(2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both of the following provisions:

(a) The law containing the statutory authority must be listed in subsection (3).

(b) The law or portion of the law making a statutory appropriation must specifically state that a statutory appropriation is made as provided in this section.

(3) The following laws are the only laws containing statutory appropriations: 2-17-105; 5-11-120; 5-11-407; 5-13-403; 5-13-404; 7-4-2502; 7-4-2924; 7-32-236; 10-1-108; 10-1-1202; 10-1-1303; 10-2-603; 10-2-807; 10-3-203; 10-3-310; 10-3-312; 10-3-314; 10-3-316; 10-3-802; 10-3-1304; 10-4-304; 10-4-310; 15-1-121; 15-1-142; 15-1-143; 15-1-218; 15-1-2302; ~~[section 3];~~ [section 24 20]; 15-31-165; 15-31-1004; 15-31-1005; 15-35-108; 15-36-332; 15-37-117; 15-39-110; 15-65-121; 15-70-128; 15-70-131; 15-70-132; 15-70-433; 16-11-119; 16-11-509; 17-3-106; 17-3-212; 17-3-222; 17-3-241; 17-6-101; 17-6-214; 17-7-133; 17-7-215; 18-11-112; 19-3-319; 19-3-320; 19-6-410; 19-9-702; 19-13-604; 19-17-301; 19-18-512; 19-19-305; 19-19-506; 19-20-604; 19-20-607; 19-21-203; 20-3-369; 20-7-1709; 20-8-107; 20-9-250; 20-9-534; 20-9-622; [20-15-328]; 20-26-617; 20-26-1503; 22-1-327; 22-3-116; 22-3-117; [22-3-1004]; 23-4-105; 23-5-306; 23-5-409; 23-5-612; 23-7-301; 23-7-402; 30-10-1004; 37-43-204; 37-50-209; 37-54-113; 39-71-503; 41-5-2011; 42-2-105; 44-4-1101; 44-4-1506; 44-12-213; 44-13-102; 50-1-115; 53-1-109; 53-6-148; 53-9-113; 53-24-108; 53-24-206; 60-5-530; 60-11-115; 61-3-321; 61-3-415; 67-1-309; 69-3-870; 69-4-527; 75-1-1101; 75-5-1108; 75-6-214; 75-11-313; 75-26-308; 76-13-150; 76-13-151; 76-13-417; 76-17-103; 77-1-108; 77-2-362; 80-2-222; 80-4-416; 80-11-518; 80-11-1006; 81-1-112; 81-1-113; 81-2-203; 81-7-106; 81-7-123; 81-10-103; 82-11-161; 85-20-1504; 85-20-1505; [85-25-102]; 87-1-603; 87-5-909; 90-1-115; 90-1-205; 90-1-504; 90-6-331; and 90-9-306.

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1 (4) There is a statutory appropriation to pay the principal, interest, premiums, and any costs or fees
2 associated with issuing, paying, securing, redeeming, or defeasing all bonds, notes, or other obligations, as due
3 in the ordinary course or when earlier called for redemption or defeased, that have been authorized and issued
4 pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of
5 Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined
6 by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have
7 statutory appropriation authority for the payments. (In subsection (3): pursuant to sec. 10, Ch. 360, L. 1999, the
8 inclusion of 19-20-604 terminates contingently when the amortization period for the teachers' retirement
9 system's unfunded liability is 10 years or less; pursuant to sec. 73, Ch. 44, L. 2007, the inclusion of 19-6-410
10 terminates contingently upon the death of the last recipient eligible under 19-6-709(2) for the supplemental
11 benefit provided by 19-6-709; pursuant to sec. 5, Ch. 383, L. 2015, the inclusion of 85-25-102 is effective on
12 occurrence of contingency; pursuant to sec. 6, Ch. 423, L. 2015, the inclusion of 22-3-116 and 22-3-117
13 terminates June 30, 2025; pursuant to sec. 4, Ch. 122, L. 2017, the inclusion of 10-3-1304 terminates
14 September 30, 2025; pursuant to sec. 1, Ch. 213, L. 2017, the inclusion of 90-6-331 terminates June 30, 2027;
15 pursuant to sec. 10, Ch. 374, L. 2017, the inclusion of 76-17-103 terminates June 30, 2027; pursuant to secs.
16 11, 12, and 14, Ch. 343, L. 2019, the inclusion of 15-35-108 terminates June 30, 2027; pursuant to sec. 1, Ch.
17 408, L. 2019, the inclusion of 17-7-215 terminates June 30, 2029; pursuant to secs. 1, 2, 3, Ch. 139, L. 2021,
18 the inclusion of 53-9-113 terminates June 30, 2027; pursuant to sec. 8, Ch. 200, L. 2021, the inclusion of 10-4-
19 310 terminates July 1, 2031; pursuant to secs. 3, 4, Ch. 404, L. 2021, the inclusion of 30-10-1004 terminates
20 June 30, 2027; pursuant to sec. 5, Ch. 548, L. 2021, the inclusion of 50-1-115 terminates June 30, 2025;
21 pursuant to secs. 5 and 12, Ch. 563, L. 2021, the inclusion of 22-3-1004 is effective July 1, 2027; pursuant to
22 sec. 1, Ch. 20, L. 2023, sec. 2, Ch. 20, L. 2023, and sec. 3, Ch. 20, L. 2023, the inclusion of 81-1-112, 81-1-
23 113, and 81-7-106 terminates June 30, 2029; pursuant to sec. 9, Ch. 44, L. 2023, the inclusion of 15-1-142
24 terminates December 31, 2025; pursuant to sec. 10, Ch. 47, L. 2023, the inclusion of 15-1-2302 terminates
25 June 30, 2025; pursuant to sec. 2, Ch. 374, L. 2023, the inclusion of 10-3-802 terminates June 30, 2031;
26 pursuant to sec. 12, Ch. 558, L. 2023, the inclusion of 20-9-250 terminates December 31, 2029; pursuant to
27 sec. 4, Ch. 621, L. 2023, the inclusion of 22-1-327 terminates July 1, 2029; pursuant to sec. 24, Ch. 722, L.

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2023, the inclusion of 17-7-133 terminates June 30, 2027; pursuant to sec. 10, Ch. 758, L. 2023, the inclusion of 44-4-1506 terminates June 30, 2027; and pursuant to sec. 10, Ch. 764, L. 2023, the inclusion of 15-1-143 terminates December 31, 2025.)"

NEW SECTION. Section 20. Refund for failure to claim homestead reduced tax rate -- statutory appropriation. (1) A property owner who was eligible for the homestead reduced tax rate provided for in [section-6.3], but who failed to file an application to claim the homestead reduced tax rate may receive a refund as provided in this section.

(2) To claim a refund under this section, a property owner shall file an informal appeal with the department of revenue by May 31 of the year after the property owner did not receive the homestead reduced tax rate. The refund may only be claimed for 1 year.

(3) If the department determines the property owner is eligible for a refund under this section, the department shall calculate the difference between property taxes paid and property taxes that would have been due if the property owner received the homestead reduced tax rate in the prior year.

(4) The department shall issue a refund to the property owner of the amount calculated pursuant to subsection (3).

(5) The payment of property tax refunds under this section is statutorily appropriated, as provided in 17-7-502, from the general fund to the department of revenue for distribution to taxpayers.

NEW SECTION. Section 21. Codification instruction. ~~(1) [Sections 1 through 3] are intended to be codified as an integral part of Title 15, chapter 1, and the provisions of Title 15, chapter 1, apply to [sections 1 through 3].~~

~~(2)(1)~~ [Sections 4.1 through 10.7 and 24.20] are intended to be codified as an integral part of Title 15, chapter 6, and the provisions of Title 15, chapter 6, apply to [sections 4.1 through 10.7 and 24.20].

~~(3)(2)~~ [Section 11.8] is intended to be codified as an integral part of Title 15, chapter 1, part 1, and the provisions of Title 15, chapter 1, part 1, apply to [section 11.8].

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1 NEW SECTION. Section 22. Severability. If a part of [this act] is invalid, all valid parts that are
2 severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications,
3 the part remains in effect in all valid applications that are severable from the invalid applications.

4
5 NEW SECTION. Section 23. Effective dates -- contingency. (1) Except as provided in subsections
6 (2) and (3), [this act] is effective on passage and approval

7 (2) [Sections ~~5 2~~ through ~~10 7~~, ~~15 12~~ through ~~21 18~~, and ~~24 20~~] are effective January 1, ~~2026~~
8 ~~2027~~.

9 (3) [Sections ~~14 8~~ and ~~12 9~~] are effective on the date that the department of revenue certifies to
10 the code commissioner that a court of final disposition finds that [section ~~4 1~~] is invalid. The department of
11 revenue shall submit certification within 30 days of the occurrence of the contingency.

12
13 NEW SECTION. Section 24. Applicability -- retroactive applicability. (1) Except as provided in
14 subsection (2), [this act] applies retroactively, within the meaning of 1-2-109, to the property tax year beginning
15 after December 31, 2024.

16 (2) [Sections ~~5 2~~ through ~~10 7~~, ~~15 12~~ through ~~21 18~~, and ~~24 20~~] apply to property tax years
17 beginning after December 31, ~~2025 2026~~.

18
19 NEW SECTION. Section 25. Termination. ~~(1)~~ [Section ~~14 11~~] terminates December 31, ~~2025 2026~~.
20 ~~(2)~~ — [Sections ~~1~~ through ~~3~~ and ~~22~~] and the inclusion of "[section ~~3~~]" in [section ~~23~~] terminate June
21 ~~30, 2026~~.

22
23 COORDINATION SECTION. Section 26. Coordination instruction. If House Bill No. 528 and [this
24 act] are both passed and approved, then House Bill No. 528 is void.

25
26 NEW SECTION. Section 27. Contingent termination. [Sections ~~14 8~~ and ~~12 9~~] terminate on the
27 date that the department of revenue certifies to the code commissioner that the reimbursements authorized

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- 1 pursuant to [section ~~11.8~~] have been completed. The department of revenue shall submit certification within 30
- 2 days of the occurrence of the contingency.

3 - END -