



AN ACT GENERALLY REVISING PROPERTY TAXES; REVISING GOVERNMENTAL ENTITY LIMITS ON PROPERTY TAX INCREASES; INCREASING THE RATE OF INFLATION LIMITATION IMPOSED ON GOVERNMENTAL ENTITIES FOR CALCULATING PROPERTY TAX LEVIES; PROVIDING THAT A PORTION OF NEWLY TAXABLE PROPERTY IS SUBJECT TO THE MILL LEVY LIMITATION CALCULATION; PROVIDING A FIXED LIMIT ON MILL LEVY AUTHORITY; PROVIDING THAT A LOCAL GOVERNMENT MAY CREATE A LARGE TAXPAYER RESERVE ACCOUNT; AMENDING SECTION 15-10-420, MCA; AND PROVIDING AN APPLICABILITY DATE.”

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

**Section 1. Local government large taxpayer reserve account -- expenditure restrictions.** (1) The governing body of a city, county, or consolidated city-county may establish a large taxpayer reserve account.

(2) A city, county, or consolidated city-county that establishes an account pursuant to this section shall deposit annually 10% of revenue generated from newly taxable property in classes other than class four in the large taxpayer reserve account.

(3) A city, county, or consolidated city-county may use a portion of the revenue from newly taxable property generated under subsection (2) to offset any required payment to the department for technology enhancing the assessment of newly taxable property.

(4) Subject to a payment made pursuant to subsection (3), money deposited in the account by the city, county, or consolidated city-county must remain in the account and may not be appropriated by the governing body until a large taxpayer has permanently ceased operations or experienced a significant decrease in taxable value.

(5) If the circumstances described in subsection (4) occur, the governing body of the city, county, or consolidated city-county shall use the funds in the account to:

- (a) pay for outstanding capital project bonds or other expenses incurred prior to the cessation of operations or a significant decrease in taxable value;
  - (b) for up to 10 years, decrease mill levies of the city, county, or consolidated city-county that are directly impacted by the cessation of operations or a significant decrease in taxable value;
  - (c) attract new industry to the impact area;
  - (d) provide cash incentives for expanding the employment base of the area impacted by the cessation of operations or a significant decrease in taxable value; or
  - (e) invest in infrastructure directly related to new development or housing.
- (6) Except as provided in subsection (5)(b), money held in the account may not be considered as cash balance for the purpose of reducing mill levies.
- (7) (a) Except as provided in subsection (7)(b), money in the account must be invested as provided by law. Interest and income from the investment of funds in the account must be credited to the account.
- (b) The city, county, or consolidated city-county may use investment earnings on the account not subject to subsection (3) for the purposes provided in subsection (5).
- (8) As used in this section, the following definitions apply:
- (a) "Large taxpayer" means an individual or entity with taxable value for all property owned by the individual or entity within the city, county, or consolidated city-county that places the individual or entity among the 20% of taxpayers with the largest taxable value in the city, county, or consolidated city-county.
  - (b) "Significant decrease in taxable value" means a decrease in taxable value for property classes other than class four property that equals 25% or more of the prior year's taxable value.

**Section 2.** Section 15-10-420, MCA, is amended to read:

**"15-10-420. Procedure for calculating levy.** (1) (a) Subject to the provisions of this section, a governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount of property taxes actually assessed in the prior year plus ~~one-half of~~ the average rate of inflation for the prior 3 years, not to exceed 4%. ~~The~~ The maximum number of mills that a governmental entity may impose is established by calculating the number of mills required to generate the amount of property tax actually assessed in the governmental unit in the prior year based on the current year taxable value, ~~less~~ 75% of the

current year's newly taxable value from class four property and the applicable amount pursuant to subsection (1)(b) of newly taxable value from classes other than class one, class two, and class four, plus one-half of the average rate of inflation for the prior 3 years.

(b) For the purposes of subsection (1)(a), the governmental entity may include the following percentages of newly taxable value from classes other than class one, class two, and class four:

(i) 100% of the taxable value of class eight property that receives an abatement under 15-6-138(4)(b);

(ii) 100% of the taxable value of property that receives a new or expanding industry abatement under 15-24-1402 or a historic property abatement under 15-24-1603 from the time the abatement is granted through completion of construction; and

(iii) 50% if the governmental entity creates a large taxpayer reserve account and meets the deposit requirement of [section 1(2)]; or

(iv) 40% if the governmental entity does not create a large taxpayer reserve account or does not meet the deposit requirement of [section 1(2)].

(b)(c) A governmental entity that does not impose the maximum number of mills authorized under subsection (1)(a) may carry forward the authority to impose the number of mills equal to the difference between the actual number of mills imposed and the maximum number of mills authorized to be imposed. The mill authority carried forward may be imposed in a subsequent tax year.

(e)(d) For the purposes of subsection (1)(a), the department shall calculate ~~one-half of the~~ average rate of inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers, using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor.

(2) A governmental entity may apply the levy calculated pursuant to subsection (1)(a) plus any additional levies authorized by the voters, as provided in 15-10-425, to all property in the governmental unit, including ~~newly taxable~~ property.

(3) (a) For the purposes of this section, newly taxable property includes:

(i) annexation of real property and improvements into a taxing unit;

- (ii) construction, expansion, or remodeling of improvements;
- (iii) transfer of property into a taxing unit;
- (iv) subdivision of real property; and
- (v) transfer of property from tax-exempt to taxable status.

(b) Newly taxable property does not include an increase in value that arises because of an increase in the incremental value within a tax increment financing district.

(4) (a) For the purposes of subsection (1), the taxable value of newly taxable property includes the release of taxable value from the incremental taxable value of a tax increment financing district because of:

- (i) a change in the boundary of a tax increment financing district;
- (ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or
- (iii) the termination of a tax increment financing district.

(b) If a tax increment financing district terminates prior to the certification of taxable values as required in 15-10-202, the increment value is reported as newly taxable property in the year in which the tax increment financing district terminates. If a tax increment financing district terminates after the certification of taxable values as required in 15-10-202, the increment value is reported as newly taxable property in the following tax year.

(c) For the ~~purpose~~ purposes of subsection (3)(a)(ii), the value of newly taxable class four property that was constructed, expanded, or remodeled property since the completion of the last reappraisal cycle is the current year market value of that property less the previous year market value of that property.

(d) For the ~~purpose~~ purposes of subsection (3)(a)(iv), the subdivision of real property includes the first sale of real property that results in the property being taxable as class four property under 15-6-134 or as nonqualified agricultural land as described in 15-6-133(1)(c).

(5) Subject to subsection (8), subsection (1)(a) does not apply to:

- (a) school district levies established in Title 20; or
- (b) a mill levy imposed for a newly created regional resource authority.

(6) For the purposes of subsection (1)(a), taxes imposed do not include net or gross proceeds taxes received under 15-6-131 and 15-6-132.

(7) In determining the maximum number of mills in subsection (1)(a), the governmental entity:

(a) may increase the number of mills to account for a decrease in reimbursements; and

(b) may not increase the number of mills to account for a loss of tax base because of legislative action that is reimbursed under the provisions of 15-1-121(7).

(8) The department shall calculate, on a statewide basis, the number of mills to be imposed for the purposes of 15-10-109, 20-9-331, 20-9-333, 20-9-360, and 20-25-439. However, the number of mills calculated by the department may not exceed the mill levy limits established in those sections. The mill calculation must be established in tenths of mills. If the mill levy calculation does not result in an even tenth of a mill, then the calculation must be rounded up to the nearest tenth of a mill.

(9) (a) The provisions of subsection (1) do not prevent or restrict:

(i) a judgment levy under 2-9-316, 7-6-4015, or 7-7-2202;

(ii) a levy to repay taxes paid under protest as provided in 15-1-402;

(iii) an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326;

(iv) a levy for the support of a study commission under 7-3-184;

(v) a levy for the support of a newly established regional resource authority;

(vi) the portion that is the amount in excess of the base contribution of a governmental entity's property tax levy for contributions for group benefits excluded under 2-9-212 or 2-18-703;

(vii) a levy for reimbursing a county for costs incurred in transferring property records to an adjoining county under 7-2-2807 upon relocation of a county boundary;

(viii) a levy used to fund the sheriffs' retirement system under 19-7-404(3)(b); or

(ix) a governmental entity from levying mills for the support of an airport authority in existence prior to May 7, 2019, regardless of the amount of the levy imposed for the support of the airport authority in the past. The levy under this subsection (9)(a)(ix) is limited to the amount in the resolution creating the authority.

(b) A levy authorized under subsection (9)(a) may not be included in the amount of property taxes actually assessed in a subsequent year.

(10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402, 67-11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport authority in either of the previous 2 years and the airport or airport authority has not been appropriated operating funds by a county or municipality during that time.

(11) The department may adopt rules to implement this section. The rules may include a method for calculating the percentage of change in valuation for purposes of determining the elimination of property, new improvements, or newly taxable value in a governmental unit."

**Section 3. Codification instruction.** [Section 1] is intended to be codified as an integral part of Title 7, chapter 6, part 6, and the provisions of Title 7, chapter 6, part 6, apply to [section 1].

**Section 4. Applicability.** [This act] applies to property tax years beginning after December 31, 2025.

- END -

I hereby certify that the within bill,  
SB 117, originated in the Senate.

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Secretary of the Senate

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President of the Senate

Signed this \_\_\_\_\_ day  
of \_\_\_\_\_, 2025.

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Speaker of the House

Signed this \_\_\_\_\_ day  
of \_\_\_\_\_, 2025.

SENATE BILL NO. 117

INTRODUCED BY D. ZOLNIKOV

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