

HOUSE BILL NO. 231

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A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING PROPERTY TAX LAWS; PROVIDING FOR A PROPERTY TAX REBATE ON A PRINCIPAL RESIDENCE BASED ON A CERTAIN AMOUNT OF PROPERTY TAXES PAID FOR TAX YEAR 2024; TEMPORARILY REDUCING CLASS FOUR RESIDENTIAL PROPERTY TAX RATES; REVISING TAX RATES FOR CERTAIN CLASS FOUR RESIDENTIAL AND COMMERCIAL PROPERTY; PROVIDING A LOWER TAX RATE FOR CERTAIN OWNER-OCCUPIED RESIDENTIAL PROPERTY AND LONG-TERM RENTALS; PROVIDING A LOWER TAX RATE FOR A PORTION OF COMMERCIAL PROPERTY VALUE; PROVIDING ELIGIBILITY AND APPLICATION REQUIREMENTS; PROVIDING FOR AN APPEAL PROCESS; PROVIDING FOR THE ADJUSTMENT OF CERTAIN LOCAL GOVERNMENT FIXED MILL LEVIES; PROVIDING APPROPRIATIONS; PROVIDING DEFINITIONS; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTIONS 15-1-121, 15-6-134, 15-7-102, 15-15-101, 15-15-102, 15-15-103, 15-16-101, ~~AND 15-17-125~~, AND 15-30-2120, MCA; AND PROVIDING ~~AN IMMEDIATE EFFECTIVE DATE DATES~~, APPLICABILITY DATES, AND ~~A TERMINATION DATE DATES~~."

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

NEW SECTION. **Section 1. Definitions.** As used in [sections 1 through 7 6] and 15-6-134, the following definitions apply:

- (1) "Homestead reduced tax rate" means the tax rate provided for in 15-6-134(3)(b)(i).
- (2) "Long-term rental" means class four residential property:
  - (a) that is a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home, or mobile home and the parcel on which the long-term rental improvements are located but not including any contiguous or adjacent parcels;

**Amendment - 1st Reading-white - Requested by: Conference Committee on HB 231**

- 2025

69th Legislature 2025

Drafter: Megan Moore,

HB0231.005.006

(4) [SECTION 22] IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 15, CHAPTER 1, AND THE PROVISIONS OF TITLE 15, CHAPTER 1, APPLY TO [SECTION 22].

NEW SECTION. Section 24. Effective ~~date~~ DATES -- CONTINGENCY. (1) EXCEPT AS PROVIDED IN SUBSECTIONS (2) AND (3), ~~[This~~ THIS act] is effective on passage and approval.

(2) [SECTIONS 1 THROUGH 6, 13, AND 15 THROUGH 20] ARE EFFECTIVE JANUARY 1, 2026.

(3) [Sections 8 and 12] are effective on the date that the department of revenue certifies to the code commissioner that a court of final disposition finds that [section 7] is invalid. The department of revenue shall submit certification within 30 days of the occurrence of the contingency.

NEW SECTION. SECTION 25. TRANSFER OF FUNDS. THE STATE TREASURER SHALL TRANSFER \$90 MILLION FROM THE GENERAL FUND TO THE PROPERTY TAX ASSISTANCE ACCOUNT PROVIDED FOR IN [SECTION 22] BY JULY 1, 2025.

COORDINATION SECTION. SECTION 17. COORDINATION INSTRUCTION. IF HOUSE BILL NO. 154 IS NOT PASSED BY THE LEGISLATURE AND IF [THIS ACT] IS PASSED BY THE LEGISLATURE AND CONTAINS A SECTION THAT AMENDS 15-6-134, THEN SUBSECTION (3)(B)(i)(A) OF 15-6-134 IN [THIS ACT] MUST BE REPLACED WITH THE FOLLOWING

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"(A) 0.74% FOR THE MARKET VALUE THAT IS 2 TIMES THE MEDIAN RESIDENTIAL VALUE OR LESS;"

NEW SECTION. SECTION 26. SEVERABILITY. IF A PART OF [THIS ACT] IS INVALID, ALL VALID PARTS THAT ARE SEVERABLE FROM THE INVALID PART REMAIN IN EFFECT. IF A PART OF [THIS ACT] IS INVALID IN ONE OR MORE OF ITS APPLICATIONS, THE PART REMAINS IN EFFECT IN ALL VALID APPLICATIONS THAT ARE SEVERABLE FROM THE INVALID APPLICATIONS.

COORDINATION SECTION. Section 27. Coordination instruction. If both Senate Bill No. 542 and [this act] are passed and approved, then [sections 1 through 23 and 25, 33, and 34 of this act] are void and

[section 14 of Senate Bill No. 542] must be amended as follows:

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

- (a) ~~subject to subsection (1)(e),~~ all land, except that specifically included in another class;
- (b) ~~subject to subsection (1)(e):~~
- (i) all improvements, including single-family residences, trailers, manufactured homes, or mobile homes used as a residence, except those specifically included in another class;
- (ii) appurtenant improvements to the residences, including the parcels of land upon which the residences are located and any leasehold improvements;
- (iii) vacant residential lots; and
- (iv) rental multifamily dwelling units.
- (c) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202, ~~including:~~
  - (d) 1 acre of real property beneath residential improvements on land described in 15-6-133(1)(c). ~~The 1 acre must be valued at market value.~~
  - ~~(d) — and~~ 1 acre of real property beneath an improvement used as a residence on land eligible for valuation, assessment, and taxation as forest land under 15-6-143. The 1 acre must be valued at market value.
  - (e) real property beneath commercial improvements and as much of the surrounding land that is reasonably required to support the commercial improvements on land described in 15-6-133(1)(c) and real property beneath commercial improvements and as much of the surrounding land that is reasonably required to support the commercial improvements on land eligible for valuation, assessment, and taxation as forest land under 15-6-143. The land must be valued at market value.
- ~~(e)(f)~~ all commercial and industrial property, as defined in 15-1-101, and including:
  - (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 ~~4.35% of market value~~ a graduated rate as follows:

(i) 0.76% for the first \$400,000 of market value;

(ii) 1.1% for the market value that is greater than \$400,000 and up to \$1.5 million; and

(iii) 2.2% for the market value that is greater than \$1.5 million.

~~(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) with a market value of greater than \$2 million is 1.89%.~~

~~(c)(4) (a) The Except as provided in subsection (4)(c), 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) in excess of \$400,000 is 1.89%.~~

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

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

COORDINATION SECTION. **Section 28. Coordination instruction.** If Senate Bill No. 542, House Bill No. 863, and [this act] are passed and approved, then the section in House Bill No. 863 that coordinates

with [this act] is void.

COORDINATION SECTION. **Section 29. Coordination instruction.** If both Senate Bill No. 542 and [this act] are passed and approved, then [sections 1 through 23 and 25 of this act] are void and [section 4 of Senate Bill No. 542] must be amended as follows:

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

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

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

(3) 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 shall levy the number of mills in fiscal year 2026 and subsequent tax years that will generate the amount of property taxes assessed in fiscal year 2025, without amending or revising the charter. In fiscal years after 2026, the local government ~~shall~~ may levy an amount not

1 to exceed the number of mills levied in fiscal year 2026.

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

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

6 (b) levy the number of mills in fiscal year 2026 that will generate the amount of property taxes  
7 assessed in fiscal year 2025. In fiscal years after 2026, the local government ~~shall~~ may levy an amount not to  
8 exceed the number of mills levied in fiscal year 2026."

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11 **NEW SECTION. Section 30. Appropriation.** (1) There is appropriated \$500,000 from the general  
12 fund to the department of revenue for the fiscal year ending June 30, 2025, to implement [this act]. The  
13 legislature intends this to be an addition to the "Property Tax Revision Implementation" appropriation in House  
14 Bill No. 2.

15 (2) There is appropriated \$3.5 million from the general fund to the department of revenue for the  
16 fiscal year ending June 30, 2026, to implement [this act]. The legislature intends this to be an addition to the  
17 "Property Tax Revision Implementation" appropriation in House Bill No. 2.

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19 **COORDINATION SECTION. Section 31. Coordination instruction.** If Senate Bill No. 542 and [this  
20 act] are both passed and approved, then [sections 1 through 23, 25, and 30 of this act] are void and Senate Bill  
21 No. 542 must be amended to include a new section that reads:

22 **"NEW SECTION. Section 32. Appropriation.** (1) There is appropriated \$500,000 from the general  
23 fund to the department of revenue for the fiscal year ending June 30, 2025, to implement [this act]. The  
24 legislature intends this to be an addition to the "Property Tax Revision Implementation" appropriation in House  
25 Bill No. 2.

26 (2) There is appropriated \$3.5 million from the general fund to the department of revenue for the  
27 fiscal year ending June 30, 2026, to implement [this act]. The legislature intends this to be an addition to the  
28 "Property Tax Revision Implementation" appropriation in House Bill No. 2."