

HOUSE BILL NO. 412

INTRODUCED BY J. GILLETTE

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR AN EXEMPTION FOR CERTAIN MODIFICATIONS TO CLASS FOUR RESIDENTIAL PROPERTY; PROVIDING THAT THE EXEMPTION IS THE LESSER OF THE AMOUNT BY WHICH THE MODIFICATION INCREASES THE MARKET VALUE OR 15% OF THE MARKET VALUE IN THE PRIOR YEAR; PROVIDING A DEFINITION; AND PROVIDING AN APPLICABILITY DATE."

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

**NEW SECTION. Section 1. Exemption for modifications to residential property.** (1) There is an exemption for modifying class four residential property to add living space to an existing residential structure as provided in this section. A modification may include increasing the finished area of a building or altering the structure or form of an existing space.

(2) (a) Except as provided in subsections (2)(b) through (2)(d), the exemption in each year is equal to the lesser of the amount by which the modification increases the market value of the property in the year in which the market value first includes the modification or 15% of the market value in the year before the modification is included in the market value of the property.

(b) An exemption is not allowed:

(i) for a modification made within 3 years of construction of a new class four residential property;

or

(ii) if the purpose of the modification is to use the living space for a short-term rental. The exemption terminates if the modification is used as a short-term rental.

(c) Only one exemption for modification may be granted within a 6-year period.

(d) The exemption under this section terminates on sale of the property.

(3) The department shall automatically grant the exemption provided for in this section beginning in the first tax year that the market value includes the modification of the property. The exemption may not be

# Amendment - 1st Reading-white - Requested by: Jane Gillette - (H) Taxation

- 2025

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Drafter: Megan Moore,

HB0412.001.001

1 granted for a year before the department includes the modification in the market value of the property.

2 (4) As used in this section, "short-term rental" has the same meaning as provided in 15-68-101.

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4 NEW SECTION. Section 2. Administer within existing resources. The department of revenue  
5 shall administer the exemption provided for in [section 1] within existing resources.

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7 NEW SECTION. Section 3. Codification instruction. [Section 1] is intended to be codified as an  
8 integral part of Title 15, chapter 6, part 2, and the provisions of Title 15, chapter 6, part 2, apply to [section 1].

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10 NEW SECTION. Section 4. Applicability. [This act] applies to property tax years beginning after  
11 December 31, 2025.

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