

Amendment - 1st Reading/2nd House-blue - Requested by: Emma Kerr-Carpenter - (S)
Taxation

- 2025

69th Legislature 2025

Drafter: Jaret Coles,

HB0528.002.001

1 HOUSE BILL NO. 528

2 INTRODUCED BY E. BYRNE, S. KELLY, S. KLAKKEN, K. LOVE, T. SHARP, T. MILLETT, M. DUNWELL

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4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING PROPERTY TAX RATES; REVISING THE PROPERTY

5 TAX RATES FOR CLASS THREE AGRICULTURAL PROPERTY AND CLASS FOUR RESIDENTIAL AND

6 COMMERCIAL PROPERTY; PROVIDING THAT THE RATE REDUCTIONS MAY NOT REDUCE SCHOOL

7 EQUALIZATION OR UNIVERSITY REVENUE BY MORE THAN \$50 MILLION IN 2025; PROVIDING

8 LEGISLATIVE INTENT REGARDING LOCAL GOVERNMENT ADJUSTMENTS TO CERTAIN FIXED MILL

9 LEVIES; REQUIRING A LOCAL GOVERNMENT WITH A FIXED MILL LEVY TO SUPERSEDE A CHARTER

10 MILL LEVY LIMIT; AMENDING SECTIONS 7-1-114, 15-6-133, AND 15-6-134, 15-10-109, AND 15-10-420,

11 MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

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15 **Section 1.** Section 7-1-114, MCA, is amended to read:

16 **"7-1-114. Mandatory provisions.** (1) A local government with self-government powers is subject to

17 the following provisions:

18 (a) all state laws providing for the incorporation or disincorporation of cities and towns, for the

19 annexation, disannexation, or exclusion of territory from a city or town, for the creation, abandonment, or

20 boundary alteration of counties, and for city-county consolidation;

21 (b) Title 7, chapter 3, part 1;

22 (c) all laws establishing legislative procedures or requirements for units of local government;

23 (d) all laws regulating the election of local officials;

24 (e) all laws that require or regulate planning or zoning;

25 (f) any law directing or requiring a local government or any officer or employee of a local

26 government to carry out any function or provide any service;

27 (g) except as provided in subsection (3), any law regulating the budget, finance, or borrowing

procedures and powers of local governments;

(h) Title 70, chapters 30 and 31.

(2) These provisions are a prohibition on the self-government unit acting other than as provided.

(3) (a) Notwithstanding the provisions of subsection (1)(g) and except as provided in subsection (3)(b), self-governing local government units are not subject to the mill levy limits established by state law.

(b) The provisions of 15-10-420 apply to self-governing local government units, and expressly override any mill levy limits set forth in the charter."

Section 2. Section 15-6-133, MCA, is amended to read:

"15-6-133. Class three property -- description -- taxable percentage. (1) Class three property includes:

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

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

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

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

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

(c) parcels of land of 20 acres or more but less than 160 acres under one ownership that are not eligible for valuation, assessment, and taxation as agricultural land under 15-7-202(1), which are considered to be nonqualified agricultural land. Nonqualified agricultural land may not be devoted to a commercial or

(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."

NEW SECTION. Section 6. Legislative findings -- local government charters and fixed mill levy limits superseded. (1) (a) The legislature finds that most local governments have transitioned to mill levies that adjust downward when taxable value increases to comply with 15-10-420 revenue limitations. This floating mill levy concept lowers the number of mills levied when property values increase, which mitigates increases in property taxes. However, when mill levies are fixed and property values increase, property taxes are not mitigated for taxpayers that are levied based on a fixed mill levy. Consequently, fixed mill levies prevent the legislature from exercising the power to tax in a manner that is fair and consistent for all taxpayers in the state.

(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(1), 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 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 in a consistent manner, which can only be accomplished by this section and 15-10-420. These statutory provisions do not preempt, limit or otherwise modify city charter provisions establishing executive, legislative, or administrative structures in accordance with Article XI, section 5(3), of the Montana constitution.

(3) Commencing in fiscal year 2026, the provisions of 15-10-420 apply to and are controlling for all

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1 self-governing local government units, and any mill levy limits set forth in a self-governing local government's
2 charter are null and void.

3 (4) Local governments with a voted mill levy authorized as a specific number of mills prior to [the
4 effective date of this act] may, starting in fiscal year 2026, levy the number of mills each successive fiscal year
5 that will generate the amount of property taxes assessed in fiscal year 2025 for the voted mill levy until the
6 taxable value of the local government equals or exceeds the taxable value in fiscal year 2025, then levy the
7 specific number of mills approved by the voters.

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9 **NEW SECTION. Section 7. Codification instruction.** [Section 6] is intended to be codified as an
10 integral part of Title 15, chapter 10, part 4, and the provisions of Title 15, chapter 10, part 4, apply to [section 6].

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12 **NEW SECTION. Section 8. Effective date.** [This act] is effective on passage and approval.

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14 **NEW SECTION. Section 9. Retroactive applicability.** [This act] applies retroactively, within the
15 meaning of 1-2-109, to tax years beginning after December 31, 2024, and to the reappraisal cycle beginning
16 January 1, 2025.

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