

HOUSE BILL NO. 231

INTRODUCED BY L. JONES, B. LER, S. ESSMANN, R. MINER, W. MCKAMEY, D. FERN, J. KASSMIER, M. BERTOGLIO, C. SPRUNGER, S. MORIGEAU, G. HUNTER, C. COCHRAN, S. FITZPATRICK, M. NIKOLAKAKOS, G. HERTZ, C. SCHOMER, E. TILLEMAN, R. TEMPEL, J. DARLING, G. PARRY, K. WALSH, G. NIKOLAKAKOS, B. BARKER, M. CUFFE, T. MCGILLVRAY, B. GILLESPIE, D. BEDEY

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 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;

(b) that an owner can demonstrate was;

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 6. Rulemaking authority.** The department shall adopt rules that are necessary to implement and administer [sections 1 through 7 6].

**NEW SECTION. SECTION 7. LEGISLATIVE FINDINGS -- LOCAL GOVERNMENT CHARTERS AND FIXED MILL LEVY LIMITS SUPERSEDED -- definition.** (1) (A) THE LEGISLATURE FINDS THAT MOST LOCAL GOVERNMENTS SET MILL LEVIES THAT ADJUST DOWNWARD WHEN TAXABLE VALUE INCREASES UNDER 15-10-420.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) AFTER [THE EFFECTIVE DATE OF THIS SECTION], A LOCAL GOVERNMENT WITH A MILL LEVY LIMIT OF A SPECIFIC NUMBER OF MILLS THAT MAY BE IMPOSED, EITHER BY CHARTER OR BY VOTER APPROVAL MAY:~~

(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 levy the number of mills levied in fiscal year 2026.

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

(A) ELECT TO TRANSITION A VOTED MILL public safety LEVY TO A DOLLAR-BASED MILL LEVY EQUAL TO THE AMOUNT OF PROPERTY TAXES ASSESSED IN FISCAL YEAR 2025 AND THEREAFTER SUBJECT TO THE PROVISIONS OF 15-10-420(1)(A); OR

(B) LEVY THE NUMBER OF MILLS IN FISCAL YEAR 2026 THAT WILL GENERATE THE AMOUNT OF PROPERTY TAXES ASSESSED IN FISCAL YEAR 2025. IN FISCAL YEARS AFTER 2026, THE LOCAL GOVERNMENT SHALL LEVY THE NUMBER OF MILLS LEVIED IN FISCAL YEAR 2026.

(5) As used in this section, "public safety" means police, fire, and emergency medical services.

**NEW SECTION. SECTION 8. REIMBURSEMENT FOR LOSS OF REVENUE FROM CERTAIN FIXED MILL LEVIES -- definition.** (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 for public safety BEFORE [THE EFFECTIVE DATE OF THIS ~~SECTION~~ 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 THAT WOULD BE COLLECTED IN THE CURRENT FISCAL YEAR USING THE MILL LEVY THAT

**Amendment - 2nd Reading/2nd House-tan - Requested by: (S) Committee of the Whole**

- 2025

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Drafter: Jaret Coles,

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1 WOULD RAISE THE FISCAL YEAR 2025 TAX REVENUE USING THE FISCAL YEAR 2026 TAXABLE VALUE.

2 (b) A reimbursement pursuant to this section must include any fines, penalties, or damages  
3 resulting from a judgment levy against the taxing entity in levying property taxes in accordance with [section 7].

4 (3) A taxing entity eligible to receive a reimbursement under this section shall report the loss in  
5 revenue from the tax rate reductions in 15-6-134 as amended by [this act] and any amount reimbursable under  
6 subsection (2)(b) to the department of revenue.

7 (3)(4) A REIMBURSEMENT PROVIDED FOR IN THIS SECTION MAY ONLY BE MADE FOR 4 YEARS AFTER [THE  
8 EFFECTIVE DATE OF THIS SECTION].

9 (4)(5) THE DEPARTMENT SHALL DISTRIBUTE THE REIMBURSEMENTS WITH THE ENTITLEMENT SHARE  
10 PAYMENTS UNDER 15-1-121(7).

11 (6) As used in this section, "public safety" means police, fire, and emergency medical services.

12  
13 NEW SECTION. SECTION 9. DEFINITIONS. AS USED IN [SECTIONS 9 THROUGH 11], THE FOLLOWING  
14 DEFINITIONS APPLY:

15 (1) "MONTANA PROPERTY TAXES" MEANS THE AD VALOREM PROPERTY TAXES, SPECIAL ASSESSMENTS,  
16 AND OTHER FEES IMPOSED ON PROPERTY CLASSIFIED UNDER 15-6-134 THAT IS A SINGLE-FAMILY DWELLING UNIT, UNIT  
17 OF A MULTIPLE-UNIT DWELLING, TRAILER, MANUFACTURED HOME, OR MOBILE HOME AND AS MUCH OF THE SURROUNDING  
18 LAND, NOT EXCEEDING 1 ACRE, AS IS REASONABLY NECESSARY FOR ITS USE AS A DWELLING AND THAT WERE ASSESSED  
19 AND PAID BY THE TAXPAYER FOR TAX YEAR 2024. THE AMOUNT OF MONTANA PROPERTY TAXES ASSESSED AND PAID IS  
20 EQUAL TO THE TOTAL AMOUNT BILLED BY THE LOCAL GOVERNMENT FOR THE DWELLING AS SHOWN ON THE 2024  
21 PROPERTY TAX BILL RECEIVED BY THE TAXPAYER WITH A FIRST-HALF PAYMENT DUE IN OR AROUND NOVEMBER 2024 AND  
22 A SECOND-HALF PAYMENT DUE IN OR AROUND MAY 2025.

23 (2) "OWNED" INCLUDES PURCHASING UNDER A CONTRACT FOR DEED AND BEING THE GRANTOR OR  
24 GRANTORS UNDER A REVOCABLE TRUST INDENTURE.

25 (3) (A) "PRINCIPAL RESIDENCE" MEANS, SUBJECT TO THE PROVISIONS OF SUBSECTION (3)(B), A DWELLING:

26 (i) IN WHICH AN OWNER CAN DEMONSTRATE THE OWNER OWNED AND LIVED FOR AT LEAST 7 MONTHS OF  
27 THE YEAR FOR WHICH THE PROPERTY TAX REBATE IS CLAIMED;

28 (ii) THAT IS THE ONLY RESIDENCE FOR WHICH THE TAXPAYER CLAIMS THE PROPERTY TAX REBATE; AND