

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

- 2025

69th Legislature 2025

Drafter: Jaret Coles,

HB0231.004.007

HOUSE BILL NO. 231

INTRODUCED BY L. JONES, B. LER, S. ESSMANN, R. MINER, W. MCKAMEY, D. FERN, J. KASSMIER, M.
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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 FOR A DIFFERENT RATE OF TAX FOR CERTAIN CHARTER
GOVERNMENT FIXED MILL LEVIES; 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

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1 nature and of a character different from the typical or customary, and that are not expected to recur.

2 (c) After the informal review, the department shall determine the correct status of the homestead
3 reduced tax rate or the rental property reduced tax rate and notify the taxpayer of its determination by mail or
4 electronically. In the notification, the department shall state its reasons for accepting or denying the application.

5 (2) If a property owner is aggrieved by the determination made by the department after the review
6 provided for in subsection (1), the property owner has the right to first appeal to the county tax appeal board
7 and then to the Montana tax appeal board, whose findings are final subject to the right of review in the courts.
8 An appeal to the county tax appeal board, pursuant to 15-15-102, must be filed within 30 days from the date on
9 the notice of the department's determination. If the county tax appeal board or the Montana tax appeal board
10 determines that the homestead reduced tax rate or the rental property reduced tax rate should apply, the
11 department shall adjust the taxable value of the property in accordance with the board's order.

12
13 NEW SECTION. Section 6. Rulemaking authority. The department shall adopt rules that are
14 necessary to implement and administer [sections 1 through 7 6].

15
16 NEW SECTION. SECTION 7. LEGISLATIVE FINDINGS -- LOCAL GOVERNMENT ~~CHARTERS AND FIXED MILL~~
17 LEVY LIMITS SUPERSEDED. (1) (A) THE LEGISLATURE FINDS THAT MOST LOCAL GOVERNMENTS SET MILL LEVIES THAT
18 ADJUST DOWNWARD WHEN TAXABLE VALUE INCREASES UNDER 15-10-420. THIS FLOATING MILL LEVY CONCEPT
19 AUTOMATICALLY LOWERS THE NUMBER OF MILLS LEVIED AGAINST A TAXPAYER WHEN PROPERTY VALUES INCREASE,
20 WHICH MITIGATES INCREASES IN PROPERTY VALUES. HOWEVER, WHEN MILL LEVIES ARE FIXED, THE OPPOSITE OCCURS
21 WHEN PROPERTY VALUES INCREASE, AND PROPERTY TAXES ARE NOT AUTOMATICALLY MITIGATED FOR TAXPAYERS THAT
22 ARE LEVIED BASED ON A FIXED MILL LEVY.

23 (B) THE LEGISLATURE FINDS FURTHER THAT IT IS PROHIBITED UNDER ARTICLE VIII, SECTION 2, OF THE
24 MONTANA CONSTITUTION, FROM SUSPENDING OR CONTRACTING AWAY THE POWER TO TAX. ~~THE LEGISLATURE ALSO~~
25 ~~RECOGNIZES AND RESPECTS THE POWER OF LOCAL GOVERNMENTS UNDER ARTICLE XI, SECTION 5, OF THE MONTANA~~
26 ~~CONSTITUTION TO ADOPT, AMEND, REVISE, OR ABANDON A CHARTER.~~

27 (2) AS A MATTER OF POLICY, THE LEGISLATURE INTENDS TO SUPERSEDE LOCAL GOVERNMENT ~~CHARTERS~~

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1 ~~THAT-FIX~~ MILL LEVY LIMITS FOR THE LIMITED PURPOSE OF EXERCISING THE POWER TO TAX WHILE ALSO MAINTAINING
2 LOCAL GOVERNMENT REVENUE SOURCES WITHOUT RAISING TAXES ON RESIDENTIAL TAXPAYERS. HAVING CONSIDERED
3 ALL OPTIONS ON A STATEWIDE BASIS, THE LEGISLATURE FINDS THE STATUTORY STRUCTURE OF THE PROPERTY TAX HAS
4 EVOLVED SIGNIFICANTLY SINCE THE PASSAGE OF INITIATIVE MEASURE NO. 105 ON NOVEMBER 4, 1986, AND THE
5 ENACTMENT OF 15-10-420 BY THE LEGISLATURE IN 1999. GIVEN THE SIGNIFICANT CHANGE IN THE STRUCTURE OF THE
6 PROPERTY TAX AND THE RISING COST OF RESIDENTIAL PROPERTY IN THE LAST 5 YEARS, THERE IS A COMPELLING
7 INTEREST TO ALL THE CITIZENS OF THE STATE TO LOWER RESIDENTIAL PROPERTY TAX RATES FOR PRIMARY RESIDENCES,
8 WHICH CAN ONLY BE ACCOMPLISHED BY THIS SECTION AND 15-10-420.

9 (3) AFTER [THE EFFECTIVE DATE OF THIS SECTION], A LOCAL GOVERNMENT WITH A MILL LEVY LIMIT OF A
10 SPECIFIC NUMBER OF MILLS THAT MAY BE IMPOSED, ~~EITHER BY CHARTER OR~~ BY VOTER APPROVAL MAY:

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

13 OR

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

17 (4) This section does not apply to a charter mill levy that is provided for pursuant to 15-6-134.
18

19 NEW SECTION. SECTION 8. REIMBURSEMENT FOR LOSS OF REVENUE FROM CERTAIN FIXED MILL LEVIES.

20 (1) THE DEPARTMENT SHALL REIMBURSE EACH TAXING ENTITY AS PROVIDED IN THIS SECTION FOR THE REVENUE LOSS
21 RESULTING FROM THE TAX RATE REDUCTIONS IN 15-6-134 AS AMENDED BY [THIS ACT] FOR ~~THE FOLLOWING LEVIES:~~

22 (A) LEVIES OF A LOCAL GOVERNMENT WITH A CHARTER FORM OF GOVERNMENT THAT INCLUDES A MILL
23 LEVY LIMIT OF A SPECIFIC NUMBER OF MILLS THAT MAY BE IMPOSED IN THE CHARTER; AND

24 (B) LEVIES STATED AS A SPECIFIC MILL LEVY AUTHORIZED BY VOTERS BEFORE ~~[THE EFFECTIVE DATE OF~~
25 THIS SECTION passage and approval of this act].

26 (2) FOR FISCAL YEAR 2026, THE REIMBURSEMENT MUST BE EQUAL TO THE DIFFERENCE BETWEEN THE
27 PROPERTY TAX REVENUE COLLECTED FROM THE LEVIES PROVIDED FOR IN SUBSECTION (1) AND THE PROPERTY TAX

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

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

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

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

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

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

(3) (A) "PRINCIPAL RESIDENCE" MEANS, SUBJECT TO THE PROVISIONS OF SUBSECTION (3)(B), A DWELLING: (I) IN WHICH AN OWNER CAN DEMONSTRATE THE OWNER OWNED AND LIVED FOR AT LEAST 7 MONTHS OF THE YEAR FOR WHICH THE PROPERTY TAX REBATE IS CLAIMED;

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

(III) FOR WHICH THE TAXPAYER MADE PAYMENT OF THE ASSESSED MONTANA PROPERTY TAXES DURING TAX YEAR 2024.

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- 1 (i) file a financial report required by 15-1-504;
- 2 (ii) remit any amounts collected on behalf of the state as required by 15-1-504; or
- 3 (iii) remit any other amounts owed to the state or another taxing jurisdiction."

4

5 **Section 13.** Section 15-6-134, MCA, is amended to read:

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

7 property includes:

- 8 (a) ~~subject to subsection (1)(e),~~ all land, except that specifically included in another class;
- 9 (b) ~~subject to subsection (1)(e):~~
 - 10 (i) all improvements, including single-family residences, trailers, manufactured homes, or mobile
 - 11 homes used as a residence, except those specifically included in another class;
 - 12 (ii) appurtenant improvements to the residences, including the parcels of land upon which the
 - 13 residences are located and any leasehold improvements;
 - 14 (iii) vacant residential lots; and
 - 15 (iv) rental multifamily dwelling units.
- 16 (c) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural
- 17 land under 15-7-202;
- 18 ~~(d) _____, including 1 acre of real property beneath residential improvements on land described in 15-6-~~
- 19 ~~133(1)(c). The 1 acre must be valued at market value.~~
- 20 ~~(d) _____ and 1 acre of real property beneath an improvement used as a residence on land eligible for~~
- 21 ~~valuation, assessment, and taxation as forest land under 15-6-143. The 1 acre must be valued at market value.~~
- 22 (e) _____ real property beneath commercial improvements and as much of the surrounding land that is
- 23 reasonably required to support the commercial improvements on land described in 15-6-133(1)(c) and real
- 24 property beneath commercial improvements and as much of the surrounding land that is reasonably required to
- 25 support the commercial improvements on land eligible for valuation, assessment, and taxation as forest land
- 26 under 15-6-143. The land must be valued at market value.
- 27 ~~(e)(f)~~ all commercial and industrial property, as defined in 15-1-101, and including:

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(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~~ Subject Except as provided in subsection (5) and subject to 15-24-1402, 15-24-1501, and 15-24-1502, and subsection class four property is taxed as provided in this subsection (3).

(a) Except as provided in subsections (3)(b) and (3)(c), class four residential property described in subsections (1)(a) through (1)(d) of this section is taxed at 1.35% 1.9% of market value.

(b) (i) Subject to subsection (3)(b)(iii), the THE tax rate for class four residential property described in subsections (1)(a), (1)(b)(i), (1)(b)(ii), and (1)(d) of this section that qualifies for the homestead reduced tax rate provided for in [section 2 or 3] or the rental property reduced tax rate provided for in [section 4 3] is:

(A) 0.76% FOR THE MARKET VALUE THAT IS LESS THAN OR EQUAL TO THE MEDIAN RESIDENTIAL VALUE;

(B) 0.9% FOR THE MARKET VALUE THAT IS HALF OF GREATER THAN THE MEDIAN RESIDENTIAL VALUE AND LESS THAN 2 TIMES THE MEDIAN RESIDENTIAL VALUE OR LESS;

(B) (C) 1.1% FOR THE MARKET VALUE GREATER THAN HALF OF THAT IS 2 TIMES THE MEDIAN RESIDENTIAL VALUE OR GREATER AND LESS THAN 3.5 4 TIMES THE MEDIAN RESIDENTIAL VALUE; AND

(C)(D) 1.9% FOR THE MARKET VALUE THAT IS 3.5 4 TIMES THE MEDIAN RESIDENTIAL VALUE OR GREATER.

(ii) The tax rate for a rental multifamily dwelling unit described in subsection (1)(b)(iv) that qualifies

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1 for the rental property reduced tax rate is 1.1%.

2 (b) ~~(iii)~~ The tax rate for the portion of the market value of a single-family residential dwelling that is a
3 principal residence or a single-family residence long-term rental in excess of \$1.5 million 4 times the median
4 residential value is the residential property tax rate in subsection (3)(a) multiplied by 1.4.

5 (c) The tax rate for a property described in subsection (1)(c) that does not qualify for the
6 homestead reduced tax rate or the rental property reduced tax rate is 1.35%.

7 (e)(d) The tax rate for commercial and industrial property described in subsections (1)(e) and (1)(f),
8 except property described in subsection (1)(f)(ii), is: the residential property tax rate in subsection (3)(a)
9 multiplied by 1.4

10 (i) for the market value less than 6 times the median commercial and industrial value, 1.5%; and

11 (ii) for the market value greater than 6 times the median commercial and industrial value OR
12 GREATER, ~~2.1%~~ 1.9%.

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

15 (4) The department shall calculate the median residential value and median commercial and
16 industrial value every 2 years as part of the periodic reappraisal provided for in 15-7-111.

17 (5) (a) Except as provided in 15-24-1402, 15-24-1501, 15-24-1502, and subsection (5)(b) of this
18 section, the tax rate on class four residential charter property subject to a fixed charter mill levy is 1.35% of
19 market value. The tax rate provided for in this subsection (5) is limited to a charter mill levy and does not extend
20 to the imposition of any other tax levy. The department shall calculate taxable value under subsection (3) and
21 this subsection (5) separately for a charter form of government that is limited to a specific number of mills in the
22 charter for the purpose of implementing this subsection (5).

23 (b) The tax rate on the portion of the market value of a single-family residential dwelling in excess
24 of \$1.5 million is the class four residential charter property tax rate in subsection (5)(a) multiplied by 1.4.

25 (c) The tax rate on class four commercial charter property that is subject to a fixed charter mill levy
26 is the class four residential charter property tax rate in subsection (5)(a) multiplied by 1.4.

27 (d) Class four commercial charter property described in subsection (1)(f)(ii) is taxed at one-half the

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tax rate established in subsection (5)(c).

(5)(6) As used in this section, the following definitions apply:

(a) (i) "Charter mill levy" means an assessment of tax by a charter form of government when the assessment is limited in the charter on or before [passage and approval of this act] to a specific number of mills that may be imposed.

(ii) The term does not include an assessment of tax approved on or after [passage and approval of this act].

(b) "Class four commercial charter property" means class four commercial property described in subsections (1)(e) and (1)(f) that is located within a consolidated government, incorporated city, or incorporated town with a charter form of government.

(c) "Class four residential charter property" means class four residential property described in subsections (1)(a) through (1)(d) that is located within a consolidated government, incorporated city, or incorporated town with a charter form of government.

(a)(d) "Median commercial and industrial value" means the median value of class four commercial and industrial property located in the state of Montana rounded to the nearest thousand dollars.

(b)(e) "Median residential value" means the median value of a single-family residence located in the state of Montana rounded to the nearest thousand dollars."

SECTION 14. SECTION 15-6-134, MCA, IS AMENDED TO READ:

"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;