

HOUSE BILL NO. 155

INTRODUCED BY M. THANE, M. MARLER, P. FLOWERS, D. HAWK, M. CAFERRO, P. TUSS, S. HOWELL,
T. RUNNING WOLF, T. FRANCE, J. LYNCH, L. SMITH, B. CARTER, Z. ZEPHYR, S. MORIGEAU, S.
DEMAROIS, J. REAVIS, L. MUSZKIEWICZ, B. EDWARDS, J. ISALY, M. LEE, P. STRAND, T. CROWE, J.
SECKINGER, B. CLOSE, P. ELVERUM, S. FYANT, C. NEUMANN, M. DUNWELL, J. WEBER, D. POWERS, J.
MORIGEAU, M. CUNNINGHAM, D. HAYMAN, S. ROSENZWEIG, C. POPE, E. KERR-CARPENTER, C.
KEOGH, K. SULLIVAN, J. COHENOUR, E. MATTHEWS, J. KARLEN, W. CURDY, S. WEBBER

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING PROPERTY TAX LAWS; REVISING
CLASS FOUR RESIDENTIAL AND COMMERCIAL PROPERTY TAX RATES; PROVIDING AN EXEMPTION
FOR A PORTION OF CLASS FOUR RESIDENTIAL PROPERTY VALUE; PROVIDING LEGISLATIVE INTENT
REGARDING LOCAL GOVERNMENT ADJUSTMENTS TO CERTAIN FIXED MILL LEVIES; REQUIRING A
LOCAL GOVERNMENT WITH A FIXED MILL LEVY TO SUPERSEDE A CHARTER MILL LEVY LIMIT
PROVIDING AN EXEMPTION FOR A PORTION OF CLASS FOUR COMMERCIAL PROPERTY VALUE;
AMENDING SECTION SECTIONS 7-1-114 AND 15-6-134, MCA; AND PROVIDING AN IMMEDIATE
EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

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

"7-1-114. Mandatory provisions. (1) A local government with self-government powers is subject to
the following provisions:

(a) all state laws providing for the incorporation or disincorporation of cities and towns, for the
annexation, disannexation, or exclusion of territory from a city or town, for the creation, abandonment, or
boundary alteration of counties, and for city-county consolidation;

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

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

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

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

(f) any law directing or requiring a local government or any officer or employee of a local government to carry out any function or provide any service;

(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 15-6-134, MCA, is amended to read:

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

- (a) subject to subsection ~~(4)(e)~~ (1)(f), all land, except that specifically included in another class;
- (b) subject to subsection ~~(4)(e)~~ (1)(f):
- (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);

1 ~~The 1 acre must be valued at market value.~~

2 (d) — and 1 acre of real property beneath an improvement used as a residence on land eligible for
3 valuation, assessment, and taxation as forest land under 15-6-143. The 1 acre must be valued at market value.

4 (e) real property beneath commercial improvements and as much of the surrounding land that is
5 reasonably required to support the commercial improvements on land described in 15-6-133(1)(c) and real
6 property beneath commercial improvements and as much of the surrounding land that is reasonably required to
7 support the commercial improvements on land eligible for valuation, assessment, and taxation as forest land
8 under 15-6-143. The land must be valued at market value.

9 (e)(f) all commercial and industrial property, as defined in 15-1-101, and including:

10 (i) all commercial and industrial property that is used or owned by an individual, a business, a
11 trade, a corporation, a limited liability company, or a partnership and that is used primarily for the production of
12 income;

13 (ii) all golf courses, including land and improvements actually and necessarily used for that
14 purpose, that consist of at least nine holes and not less than 700 lineal yards;

15 (iii) commercial buildings and parcels of land upon which the buildings are situated; and

16 (iv) vacant commercial lots.

17 (2) If a property includes both residential and commercial uses, the property is classified and
18 appraised as follows:

19 (a) the land use with the highest percentage of total value is the use that is assigned to the
20 property; and

21 (b) the improvements are apportioned according to the use of the improvements.

22 (3) (a) Except as provided in 15-24-1402, 15-24-1501, 15-24-1502, and ~~subsection~~ subsections
23 (3)(b) and (3)(c), class four residential property described in subsections (1)(a) through (1)(d) of this section is
24 ~~taxed at 1.35% of market value.~~ a graduated rate as follows:

<u>Market Value</u>	<u>Tax Rate</u>
<u>first \$50,000</u>	<u>0%</u>
<u>\$50,001 to \$500,000</u>	<u>1%</u>

<u>\$500,001 to \$750,000</u>	<u>1.25%</u>
<u>\$750,001 to \$1 million</u>	<u>1.3%</u>
<u>\$1,000,001 to \$1.5 million</u>	<u>1.4%</u>
<u>\$1,500,001 to \$2 million</u>	<u>1.89%</u>
<u>greater than \$2 million</u>	<u>2%</u>

(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) ~~Vacant THE MARKET VALUE OF VACANT residential lots described in subsection (1)(b)(iii) with a market value of \$50,000 or less are taxed at 1% of market value THAT IS LESS THAN \$500,000 IS TAXED AT 1% OF MARKET VALUE.~~

(c) ~~Rental THE MAXIMUM GRADUATED RATE FOR multifamily dwelling units described in subsection (1)(b)(iv) with a market value of GREATER THAN \$2 million or more are taxed at IS 1.89% of market value if the dwelling units are leased at 150% or less of the county fair market rent. The property owner must annually certify lease rates to the department of revenue.~~

(e)(4) ~~The (a) Except as provided in subsection (4)(c), the tax rate for commercial and industrial property described in subsections (1)(e) and (1)(f) in excess of the exemption amount in subsection (4)(b) \$200,000 \$400,000 is 1.89% the residential property tax rate in subsection (3)(a) multiplied by 1.4.~~

(b) ~~The TAX RATE FOR THE first \$200,000 \$400,000 of market value for commercial and industrial property of a person or business entity is exempt from taxation 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)(e) (4)(a).~~

(5) ~~As used in this section, "fair market rent" means the fair market rent based on the size of the dwelling as published annually by the U.S. department of housing and urban development."~~

NEW SECTION. Section 3. 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

1 adjust downward when taxable value increases to comply with 15-10-420 revenue limitations. This floating mill
2 levy concept lowers the number of mills levied when property values increase, which mitigates increases in
3 property taxes. However, when mill levies are fixed and property values increase, property taxes are not
4 mitigated for taxpayers that are levied based on a fixed mill levy. Consequently, fixed mill levies prevent the
5 legislature from exercising the power to tax in a manner that is fair and consistent for all taxpayers in the state.

6 (b) The legislature finds further that it is prohibited under Article VIII, section 2, of the Montana
7 constitution, from suspending or contracting away the power to tax. The legislature also recognizes and
8 respects the power of local governments under Article XI, section 5(1), of the Montana constitution to adopt,
9 amend, revise, or abandon a charter.

10 (2) As a matter of policy, the legislature intends to supersede local government charters that fix mill
11 levy limits for the limited purpose of exercising the power to tax while also maintaining local government
12 revenue sources without raising taxes on residential taxpayers. Having considered all options on a statewide
13 basis, the legislature finds the statutory structure of the property tax has evolved significantly since the passage
14 of Initiative Measure No. 105 on November 4, 1986, and the enactment of 15-10-420 by the legislature in 1999.
15 Given the significant change in the structure of the property tax and the rising cost of residential property in the
16 last 5 years, there is a compelling interest to all the citizens of the state to lower residential property tax rates
17 for primary residences in a consistent manner, which can only be accomplished by this section and 15-10-420.
18 These statutory provisions do not preempt, limit or otherwise modify city charter provisions establishing
19 executive, legislative, or administrative structures in accordance with Article XI, section 5(3), of the Montana
20 constitution.

21 (3) Commencing in fiscal year 2026, the provisions of 15-10-420 apply to and are controlling for all
22 self-governing local government units, and any mill levy limits set forth in a self-governing local government's
23 charter are null and void.

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

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

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Drafter: Jaret Coles,

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1 specific number of mills approved by the voters.

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3 NEW SECTION. Section 4. Codification instruction. [Section 3] is intended to be codified as an
4 integral part of Title 15, chapter 10, part 4, and the provisions of Title 15, chapter 10, part 4, apply to [section 3].

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6 NEW SECTION. Section 5. Effective date. [This act] is effective on passage and approval.

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8 NEW SECTION. Section 6. Retroactive applicability. [This act] applies retroactively, within the
9 meaning of 1-2-109, to property tax years beginning after December 31, 2024.

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