

Amendment - 2nd Reading/2nd House-tan - Requested by: Jedediah Hinkle - (H) Committee of the Whole

- 2025

69th Legislature 2025

Drafter: Megan Moore,

SB0542.002.007

SENATE BILL NO. 542

INTRODUCED BY W. GALT

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING TAX LAWS; ~~FREEZING CERTAIN~~
PROPERTY VALUES FOR PROPERTY TAX PURPOSES; PROVIDING THAT THE 2024 PROPERTY VALUE
IS USED FOR 2025 AND 2026 UNLESS THE DEPARTMENT OF REVENUE DETERMINES THE PROPERTY
VALUE HAS DECREASED; PROVIDING FOR A PROPERTY TAX REBATE ON A PRINCIPAL RESIDENCE
BASED ON A CERTAIN AMOUNT OF PROPERTY TAXES PAID FOR TAX YEAR 2024; REDUCING CLASS
THREE AGRICULTURAL PROPERTY TAX RATES; REVISING CLASS FOUR RESIDENTIAL AND
COMMERCIAL PROPERTY TAX RATES; PROVIDING A LOWER TAX RATE FOR CERTAIN OWNER-
OCCUPIED RESIDENTIAL PROPERTY, ~~SHORT-TERM RENTALS~~, 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
A REFUND FOR FAILURE TO CLAIM A HOMESTEAD REDUCED TAX RATE; PROVIDING STATUTORY
APPROPRIATIONS; PROVIDING DEFINITIONS; PROVIDING RULEMAKING AUTHORITY; AMENDING
SECTION 15-7-111 SECTIONS 15-1-121, 15-6-133, 15-6-134, 15-7-102, 15-15-101, 15-15-102, 15-15-103,
15-16-101, 15-17-125, 15-30-2120, AND 17-7-502, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DAT
E DATES, A RETROACTIVE APPLICABILITY DATE DATES, AND A TERMINATION DATE DATES."

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

(Refer to 1st Reading/Second Chamber (Blue) Bill)

Strike everything after the enacting clause and insert:

NEW SECTION. Section 1. Definitions. As used in [sections 1 through 3], the following definitions
apply:

(1) "Montana property taxes" means the ad valorem property taxes, special assessments, and

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1 levied in fiscal year 2026.

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3 **NEW SECTION. Section 5. Definitions.** As used in [sections 5 through 10] and 15-6-134, the
4 following definitions apply:

5 (1) "Homestead reduced tax rate" means the tax rate provided for in 15-6-134(3)(b)(i).

6 (2) "Long-term rental" means class four residential property:

7 (a) that is a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home,
8 or mobile home and the parcel on which the long-term rental improvements are located but not including any
9 contiguous or adjacent parcels;

10 (b) that an owner can demonstrate was:

11 (i) rented for periods of 28 days or more for at least 7 months in each tax year for which the rental
12 property reduced tax rate is claimed; or

13 (ii) vacant for not more than 5 months to complete documented property repairs;

14 (c) that is occupied by tenants who use the dwelling as a residence during the year in which the
15 reduced tax rate is claimed; and

16 (d) for which the owner is current on payment of the assessed Montana property taxes when
17 claiming the reduced tax rate.

18 (3) "Owner" includes a purchaser under contract for deed as defined in 70-20-115, a grantor of a
19 trust indenture as defined in 71-1-303, and the trustee of a grantor trust that is revocable as defined in 72-38-
20 103.

21 (4) (a) "Principal residence" means class four residential property:

22 (i) that is a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home,
23 or mobile home and the parcel on which the principal residence improvements are located but not including any
24 contiguous or adjacent parcels;

25 (ii) in which an owner can demonstrate the owner owned and lived for at least 7 months of the
26 year for which the homestead reduced tax rate for a principal residence is claimed;

27 (iii) that is the only residence for which the owner claims the homestead reduced tax rate for that

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1 year; and

2 (iv) for which the owner made payment of the assessed Montana property taxes.

3 (b) An owner who cannot meet the requirements of subsection (4)(a)(ii) because the owner's
4 principal residence changed during the tax year to another principal residence may still qualify for the
5 homestead reduced tax rate if the owner paid the Montana property taxes while residing in each principal
6 residence for a total of at least 7 consecutive months for each tax year.

7 (5) "Rental property reduced tax rate" means the tax rate provided for in 15-6-134(3)(b).

8 (6) (a) "Short-term rental" means any individually or collectively owned single-family house or
9 dwelling unit, or any unit or group of units in a condominium, cooperative, or timeshare, that is offered for a fee
10 for 30 days or less and that is rented for at least 7 months in each tax year for which the reduced tax rate is
11 claimed.

12 (b) The term does not include a primary residence occupied for at least 7 months of the year.

13 (6)(7) "Tax year 2026" means the period from January 1, 2026, through December 31, 2026.

14
15 **NEW SECTION. Section 6. Homestead reduced tax rate -- application -- limitations.** (1) There is
16 a homestead reduced tax rate provided for in 15-6-134(3)(b)(i) for a principal residence as provided in this
17 section.

18 (2) (a) Beginning in tax year 2026, the owner of a principal residence may apply to the department
19 to receive the homestead reduced tax rate. The owner of a principal residence who applied for and received the
20 rebate provided for in [sections 1 through 3] for tax year 2024 automatically qualifies for the homestead reduced
21 tax rate unless subsections (2)(c)(i) through (2)(c)(iii) apply to the principal residence for which the rebate was
22 claimed. The owner of a principal residence who did not receive a rebate under [sections 1 through 3], shall
23 apply as provided in this section to receive the homestead reduced tax rate in tax year 2026.

24 (b) To receive the homestead reduced tax rate for the tax year in which the application is first
25 made, the owner shall apply electronically through the department's website or by mail on a form prescribed by
26 the department between December 1 of the immediately preceding year and March 1. Applications submitted
27 by mail must be postmarked by March 1. Approved applications received electronically or postmarked after

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NEW SECTION. Section 7. Rental property reduced tax rate -- application -- limitations. (1)

There is a rental property reduced tax rate provided for in 15-6-134(3)(b) for a long-term rental or a short-term rental as provided in this section.

(2) (a) Beginning in tax year 2026, the owner of a long-term rental or a short-term rental may apply to the department to receive the rental property reduced tax rate. The application must be made by an individual owner or, for an entity owner, by an authorized representative of the entity.

(b) The department shall mail a notice to potential claimants by October 30, 2025, for tax year 2026. Receipt of a notice does not establish that a taxpayer or property owner is eligible to receive the rental property reduced tax rate, and a taxpayer who does not receive a notice may still be eligible to claim the rental property reduced tax rate. All taxpayers, regardless of the receipt of notice, shall apply for a reduced rate as provided in this subsection (2).

(c) To receive the rental property reduced tax rate for the tax year in which the application is first made, the owner or authorized representative shall apply electronically through the department's website or by mail on a form prescribed by the department between December 1 of the immediately preceding year and March 1. Applications received electronically or postmarked after March 1 apply to the following tax year.

(d) Once approved, the rental property reduced tax rate remains effective until the end of the tax year in which any of the following events occur:

- (i) there is a change in ownership of the property;
- (ii) the property is no longer rented to tenants as a dwelling;
- (iii) the terms of the lease change and the property no longer qualifies as a long-term rental as defined in [section 5];

(iv) the property no longer qualifies as a short-term rental; or

~~(iv)~~(v) the owner fails to submit a reapplication to the department as required in subsection (4).

(e) If a rental property reduced tax rate is terminated pursuant to subsection (2)(d) or [section 8], any remaining property taxes due for the year in which the rental property reduced tax rate is terminated must be based on the tax rate in effect on January 1 of the year in which the rental property reduced tax rate was terminated.

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(3) An application for a rental property reduced tax rate must be submitted on a form prescribed by the department and must contain:

(a) a written declaration made under penalty of perjury that the applicant owns and maintains the land and improvements as a long-term rental or short-term rental as defined in [section 5]. The application must state the penalty provided for in [section 8].

(b) the geocode or other property identifier for the long-term rental or short-term rental for which the applicant is requesting the rental property reduced tax rate;

(c) the social security number or taxpayer identification number of the applicant;

(d) the income and expense information for the long-term rental or short-term rental for the immediately preceding year, including the amount of rent charged each month; and

(e) any other information required by the department that is relevant to the applicant's eligibility.

(4) To continue receiving the rental property reduced tax rate, the owner of a qualifying long-term rental or short-term rental shall reapply as required by the department. Beginning in 2028, the department shall require reapplication of 20% of long-term rentals and short-term rentals each year.

(5) Periods of short-term vacancy not exceeding 5 months in a 12-month period do not disqualify a long-term rental or short-term rental from receiving the rental property reduced tax rate.

(6) The department shall notify the owner if the rental property reduced tax rate is applied to the property or if the application was denied.

NEW SECTION. Section 8. Homestead and rental property reduced tax rates -- improper approval -- penalty for false or fraudulent application. (1) Except as provided in subsection (2), if the

department determines that an application for a homestead reduced tax rate or a rental property reduced tax rate was improperly approved or that the property no longer qualifies for the reduced rate, the department shall revise the assessment for each year the homestead reduced tax rate or the rental property reduced tax rate was improperly granted subject to the assessment revision procedure established in 15-8-601.

(2) (a) A person who files a false or fraudulent application for a homestead reduced tax rate provided for in [section 6] or for a rental property reduced tax rate provided for in [section 7] is subject to