

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

- 2025

69th Legislature 2025

Drafter: Megan Moore,

SB0542.002.006

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 AND LONG-TERM RENTALS; PROVIDING A LOWER TAX RATE  
FOR A PORTION OF COMMERCIAL PROPERTY VALUE; PROVIDING FOR A DIFFERENT TAX RATE FOR  
CERTAIN CHARTER GOVERNMENT MILL LEVIES; 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 DATE 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:

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1, 2025, and any applications or requests for extension received after that date may not be processed.

(b) Subject to subsections (5)(c) and (5)(d), a claim for rebate must be submitted, under penalty of false swearing and the penalties provided in [section 2], on a form prescribed by the department and must contain:

(i) an affirmation that the claimant owns and maintains the land and improvements as the principal residence as defined in [section 1];

(ii) the geocode or other property identifier for the principal residence that the claimant is requesting the rebate on;

(iii) the social security number of the claimant and the claimant's spouse; and

(iv) any other information as required by the department that is relevant to the claimant's eligibility.

(c) The personal representative of the estate of a deceased taxpayer may execute and file the claim for rebate on behalf of a deceased taxpayer who qualifies for the rebate.

(d) The trustee of a grantor revocable trust may file a claim on behalf of the trust if the dwelling meets the definition of a principal residence for the grantor.

(6) Only one rebate will be issued to a taxpayer for the Montana property taxes paid by the taxpayer for tax year 2024.

(7) If a debt is due and owing to the state, the department may offset the rebate in this section as provided in sections 15-30-2629, 15-30-2630, 17-4-105, or as otherwise provided by law.

(8) If a property tax rebate is denied by the department, the claimant is entitled to a written explanation why the application was denied. A claimant may make a written appeal of a denial to a management level employee of the department, who shall issue a final decision that is not appealable. Appeals occurring under this subsection (8) are not subject to the provisions contained in 15-1-211.

(9) The payment of property tax rebates and administration costs related to paying property tax rebates under this section are statutorily appropriated, as provided in 17-7-502, from the general fund to the department of revenue for distribution to taxpayers and for related administration costs.

NEW SECTION. **Section 4. Legislative findings -- local government ~~charters and~~ fixed mill levy**

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1 **limits superseded.** (1) (a) The legislature finds that most local governments set mill levies that adjust  
2 downward when taxable value increases under 15-10-420. This floating mill levy concept automatically lowers  
3 the number of mills levied against a taxpayer when property values increase, which mitigates increases in  
4 property values. However, when mill levies are fixed, the opposite occurs when property values increase, and  
5 property taxes are not automatically mitigated for taxpayers that are levied based on a fixed mill levy.

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, 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, which can only be accomplished by this section and 15-10-420.

18 ~~(3) A local government with a charter form of government that includes a mill levy limit of a specific  
19 number of mills that may be imposed in the charter shall levy the number of mills in fiscal year 2026 and  
20 subsequent tax years that will generate the amount of property taxes assessed in fiscal year 2025, without  
21 amending or revising the charter. In fiscal years after 2026, the local government shall levy the number of mills  
22 levied in fiscal year 2026.~~

23 ~~(4)~~(3) A taxing entity with a local mill levy limit of a specific number of mills that may be imposed that  
24 was authorized by the voters before [the effective date of this section], shall:

25 (a) elect to transition a voted mill levy to a dollar-based mill levy equal to the amount of property  
26 taxes assessed in fiscal year 2025 and thereafter subject to the provisions of 15-10-420(1)(a); or

27 (b) levy the number of mills in fiscal year 2026 that will generate the amount of property taxes

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assessed in fiscal year 2025. In fiscal years after 2026, the local government shall levy the number of mills levied in fiscal year 2026.

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

**NEW SECTION. Section 5. Definitions.** As used in [sections 5 through 10] 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:

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

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

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

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

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

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

(i) 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 principal residence improvements are located but not including any contiguous or adjacent parcels;

(ii) in which an owner can demonstrate the owner owned and lived for at least 7 months of the

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circumstances include but are not limited to extraordinary, unusual, or infrequent events that are material in nature and of a character different from the typical or customary, and that are not expected to recur.

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

(2) If a property owner is aggrieved by the determination made by the department after the review provided for in subsection (1), the property owner has the right to first appeal to the county tax appeal board and then to the Montana tax appeal board, whose findings are final subject to the right of review in the courts. An appeal to the county tax appeal board, pursuant to 15-15-102, must be filed within 30 days from the date on the notice of the department's determination. If the county tax appeal board or the Montana tax appeal board 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 10. Rulemaking authority.** The department shall adopt rules that are necessary to implement and administer [sections 5 through 10].

**NEW SECTION. Section 11. Reimbursement for loss of revenue from certain fixed mill levies.**

(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 before [the effective date of this section] [passage and approval of this act].~~

(2) 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

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1 would be collected in the current fiscal year using the mill levy that would raise the fiscal year 2025 tax revenue  
2 using the fiscal year 2026 taxable value.

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

5 (4) A reimbursement provided for in this section may only be made for 4 years after [the effective  
6 date of this section].

7 (5) The department shall distribute the reimbursements with the entitlement share payments under  
8 15-1-121(7).

9

10 **Section 12.** Section 15-1-121, MCA, is amended to read:

11 **"15-1-121. Entitlement share payment -- purpose -- appropriation.** (1) As described in 15-1-  
12 120(3), each local government is entitled to an annual amount that is the replacement for revenue received by  
13 local governments for diminishment of property tax base and various earmarked fees and other revenue that,  
14 pursuant to Chapter 574, Laws of 2001, amended by section 4, Chapter 13, Special Laws of August 2002, and  
15 later enactments, were consolidated to provide aggregation of certain reimbursements, fees, tax collections,  
16 and other revenue in the state treasury with each local government's share. The reimbursement under this  
17 section is provided by direct payment from the state treasury rather than the ad hoc system that offset certain  
18 state payments with local government collections due the state and reimbursements made by percentage splits,  
19 with a local government remitting a portion of collections to the state, retaining a portion, and in some cases  
20 sending a portion to other local governments.

21 (2) The sources of dedicated revenue that were relinquished by local governments in exchange for  
22 an entitlement share of the state general fund were:

23 (a) personal property tax reimbursements pursuant to sections 167(1) through (5) and 169(6),  
24 Chapter 584, Laws of 1999;

25 (b) vehicle, boat, and aircraft taxes and fees pursuant to:

26 (i) Title 23, chapter 2, part 5;

27 (ii) Title 23, chapter 2, part 6;

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1 and (1)(f) in excess of \$400,000 is 1.89%.

2 (b) The tax rate for the first \$400,000 of market value for commercial and industrial property is  
3 1.4%.

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

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

8

9

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

11 **"15-6-134. Class four property -- description -- taxable percentage -- definitions.** (1) Class four  
12 property includes:

13 (a) ~~subject to subsection (1)(e),~~ all land, except that specifically included in another class;

14 (b) ~~subject to subsection (1)(e):~~

15 (i) all improvements, including single-family residences, trailers, manufactured homes, or mobile  
16 homes used as a residence, except those specifically included in another class;

17 (ii) appurtenant improvements to the residences, including the parcels of land upon which the  
18 residences are located and any leasehold improvements;

19 (iii) vacant residential lots; and

20 (iv) rental multifamily dwelling units.

21 (c) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural  
22 land under 15-7-202;

23 ~~(d) \_\_\_\_\_, including 1 acre of real property beneath residential improvements on land described in 15-6-~~  
24 ~~133(1)(c). The 1 acre must be valued at market value.~~

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

27 (e) real property beneath commercial improvements and as much of the surrounding land that is



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

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

(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 follows:

(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 4.35%-1.9% of market value.

~~(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) (i) 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 6] or the rental property reduced tax rate provided for in [section 7] is:

(A) 0.76% for the market value that is less than or equal to the median residential value;



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(B) 0.9% for the market value that is greater than the median residential value and less than 2 times the median residential value;

(C) 1.1% for the market value that is 2 times the median residential value or greater and less than 4 times the median residential value; and

(D) 1.9% for the market value that is 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 for the rental property reduced tax rate is 1.1%.

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

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

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

(ii) for the market value 6 times the median commercial and industrial value or greater, 1.9%.

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

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

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

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

(c) The tax rate on class four commercial charter property that is subject to a fixed charter mill levy

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is the class four residential charter property tax rate in subsection (5)(a) multiplied by 1.4.

(d) Class four commercial charter property described in subsection (1)(f)(ii) is taxed at one-half the 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 16.** Section 15-7-102, MCA, is amended to read:

**"15-7-102. Notice of classification, market value, and taxable value to owners -- appeals. (1) (a)**

Except as provided in 15-7-138, the department shall mail or provide electronically to each owner or purchaser under contract for deed a notice that includes the land classification, market value, and taxable value of the land and improvements owned or being purchased. A notice must be mailed or, with property owner consent, provided electronically to the owner only if one or more of the following changes pertaining to the land or improvements have been made since the last notice: