

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

- 2025

69th Legislature 2025

Drafter: Megan Moore,

HB0231.004.004

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;

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(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 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

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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

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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) 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 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).

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

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.