

**Amendment - 2nd Reading-yellow - Requested by: Josh Kassmier - (S) Committee of the Whole**

- 2025

69th Legislature 2025

Drafter: Megan Moore,

HB0528.002.005

HOUSE BILL NO. 528

INTRODUCED BY E. BYRNE, S. KELLY, S. KLAKKEN, K. LOVE, T. SHARP, T. MILLETT, M. DUNWELL

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING PROPERTY TAX RATES; REVISING THE PROPERTY TAX RATES FOR CLASS THREE AGRICULTURAL PROPERTY AND CLASS FOUR RESIDENTIAL AND COMMERCIAL PROPERTY; PROVIDING THAT THE RATE REDUCTIONS MAY NOT REDUCE SCHOOL EQUALIZATION OR UNIVERSITY REVENUE BY MORE THAN \$50 MILLION IN 2025; AMENDING SECTIONS 15-6-133, ~~AND 15-6-134, 15-10-109, AND 15-10-420~~, 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 15-6-133, MCA, is amended to read:

**"15-6-133. Class three property -- description -- taxable percentage.** (1) Class three property includes:

(a) agricultural land as defined in 15-7-202;

(b) nonproductive patented mining claims outside the limits of an incorporated city or town held by an owner for the ultimate purpose of developing the mineral interests on the property. For the purposes of this subsection (1)(b), the following provisions apply:

(i) The claim may not include any property that is used for residential purposes, recreational purposes as described in 70-16-301, or commercial purposes as defined in 15-1-101 or any property the surface of which is being used for other than mining purposes or has a separate and independent value for other purposes.

(ii) Improvements to the property that would not disqualify the parcel are taxed as otherwise provided in this title, including that portion of the land upon which the improvements are located and that is reasonably required for the use of the improvements.

(iii) Nonproductive patented mining claim property must be valued as if the land were devoted to

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1 agricultural grazing use.

2 (c) parcels of land of 20 acres or more but less than 160 acres under one ownership that are not  
3 eligible for valuation, assessment, and taxation as agricultural land under 15-7-202(1), which are considered to  
4 be nonqualified agricultural land. Nonqualified agricultural land may not be devoted to a commercial or  
5 industrial purpose. Nonqualified agricultural land is valued at the average productive capacity value of grazing  
6 land.

7 (2) Subject to subsection (3), class three property is taxed at ~~2.16%~~ 1.7% of its productive capacity  
8 value.

9 (3) The taxable value of land described in subsection (1)(c) is computed by multiplying the value of  
10 the land by seven times the taxable percentage rate for agricultural land."  
11

12 **Section 2.** Section 15-6-134, MCA, is amended to read:

13 **"15-6-134. Class four property -- description -- taxable percentage -- definition.** (1) Class four  
14 property includes:

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

16 (b) subject to subsection (1)(e):

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

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

21 (iii) vacant residential lots; and

22 (iv) rental multifamily dwelling units.

23 (c) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural  
24 land under 15-7-202, including 1 acre of real property beneath improvements on land described in 15-6-  
25 133(1)(c). The 1 acre must be valued at market value.

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

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- 1 (e) all commercial and industrial property, as defined in 15-1-101, and including:
- 2 (i) all commercial and industrial property that is used or owned by an individual, a business, a
- 3 trade, a corporation, a limited liability company, or a partnership and that is used primarily for the production of
- 4 income;
- 5 (ii) all golf courses, including land and improvements actually and necessarily used for that
- 6 purpose, that consist of at least nine holes and not less than 700 lineal yards;
- 7 (iii) commercial buildings and parcels of land upon which the buildings are situated; and
- 8 (iv) vacant commercial lots.
- 9 (2) If a property includes both residential and commercial uses, the property is classified and
- 10 appraised as follows:
- 11 (a) the land use with the highest percentage of total value is the use that is assigned to the
- 12 property; and
- 13 (b) the improvements are apportioned according to the use of the improvements.
- 14 (3) (a) Except as provided in 15-24-1402, 15-24-1501, 15-24-1502, and subsection (3)(b), class
- 15 four residential property described in subsections (1)(a) through (1)(d) of this section is taxed at ~~4.35%~~ 0.76%
- 16 of market value.
- 17 (b) The tax rate for the portion of the market value of a single-family residential dwelling in excess
- 18 of \$1.5 million is ~~the residential property tax rate in subsection (3)(a) multiplied by 1.4~~ 1.35%.
- 19 (c) The tax rate for commercial and industrial property described in subsection (1)(e), except
- 20 property described in subsection (1)(e)(ii), is: the residential property tax rate in subsection (3)(a) multiplied by
- 21 1.4 1.35%
- 22 (i) for the market value less than 6 times the median commercial and industrial value, 1.5%; and
- 23 (ii) for the market value 6 times the median commercial and industrial value or greater, 1.9%.
- 24 (4) Property described in subsection (1)(e)(ii) is taxed at one-half the tax rate established in
- 25 subsection (3)(c).
- 26 (5) The department shall calculate the median commercial and industrial value every 2 years as
- 27 part of the periodic reappraisal provided for in 15-7-111.

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(6) As used in this section, "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."

**SECTION 3. SECTION 15-10-109, MCA, IS AMENDED TO READ:**

**"15-10-109. (Temporary) Tax levy for university system.** ~~There~~ Subject to 15-10-420, there is levied upon the taxable value of all real estate and personal property subject to taxation in the state of Montana 6 mills for the continued support, maintenance, and improvement of the Montana university system. The funds raised from the levy must be deposited in the state special revenue fund. (Terminates December 31, 2028--sec. 4, Ch. 73, L. 2017.)"

**SECTION 4. SECTION 15-10-420, MCA, IS AMENDED TO READ:**

**"15-10-420. Procedure for calculating levy.** (1) (a) Subject to the provisions of this section, a governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3 years. The maximum number of mills that a governmental entity may impose is established by calculating the number of mills required to generate the amount of property tax actually assessed in the governmental unit in the prior year based on the current year taxable value, less the current year's newly taxable value, plus one-half of the average rate of inflation for the prior 3 years.

(b) A governmental entity that does not impose the maximum number of mills authorized under subsection (1)(a) may carry forward the authority to impose the number of mills equal to the difference between the actual number of mills imposed and the maximum number of mills authorized to be imposed. The mill authority carried forward may be imposed in a subsequent tax year.

(c) For the purposes of subsection (1)(a), the department shall calculate one-half of the average rate of inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers, using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor.

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(2) A governmental entity may apply the levy calculated pursuant to subsection (1)(a) plus any additional levies authorized by the voters, as provided in 15-10-425, to all property in the governmental unit, including newly taxable property.

(3) (a) For purposes of this section, newly taxable property includes:

(i) annexation of real property and improvements into a taxing unit;

(ii) construction, expansion, or remodeling of improvements;

(iii) transfer of property into a taxing unit;

(iv) subdivision of real property; and

(v) transfer of property from tax-exempt to taxable status.

(b) Newly taxable property does not include an increase in value that arises because of an increase in the incremental value within a tax increment financing district.

(4) (a) For the purposes of subsection (1), the taxable value of newly taxable property includes the release of taxable value from the incremental taxable value of a tax increment financing district because of:

(i) a change in the boundary of a tax increment financing district;

(ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or

(iii) the termination of a tax increment financing district.

(b) If a tax increment financing district terminates prior to the certification of taxable values as required in 15-10-202, the increment value is reported as newly taxable property in the year in which the tax increment financing district terminates. If a tax increment financing district terminates after the certification of taxable values as required in 15-10-202, the increment value is reported as newly taxable property in the following tax year.

(c) For the purpose of subsection (3)(a)(ii), the value of newly taxable class four property that was constructed, expanded, or remodeled property since the completion of the last reappraisal cycle is the current year market value of that property less the previous year market value of that property.

(d) For the purpose of subsection (3)(a)(iv), the subdivision of real property includes the first sale of real property that results in the property being taxable as class four property under 15-6-134 or as nonqualified agricultural land as described in 15-6-133(1)(c).

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- 1 (5) Subject to subsection (8), subsection (1)(a) does not apply to:
- 2 (a) school district levies established in Title 20; or
- 3 (b) a mill levy imposed for a newly created regional resource authority.
- 4 (6) For purposes of subsection (1)(a), taxes imposed do not include net or gross proceeds taxes
- 5 received under 15-6-131 and 15-6-132.
- 6 (7) In determining the maximum number of mills in subsection (1)(a), the governmental entity:
- 7 (a) may increase the number of mills to account for a decrease in reimbursements; and
- 8 (b) may not increase the number of mills to account for a loss of tax base because of legislative
- 9 action that is reimbursed under the provisions of 15-1-121(7).
- 10 (8) (a) The Subject to subsection (8)(b), the department shall calculate, on a statewide basis, the
- 11 number of mills to be imposed for purposes of 15-10-109, 20-9-331, 20-9-333, 20-9-360, and 20-25-439.
- 12 However, the number of mills calculated by the department may not exceed the mill levy limits established in
- 13 those sections. The mill calculation must be established in tenths of mills. If the mill levy calculation does not
- 14 result in an even tenth of a mill, then the calculation must be rounded up to the nearest tenth of a mill.
- 15 (b) For the property tax year beginning January 1, 2025, the department shall calculate, on a
- 16 statewide basis, the number of mills to be imposed for the purposes of 15-10-109, 20-9-331, 20-9-333, and 20-
- 17 9-360 that result in a reduction in revenue to the school equalization and property tax reduction account in 20-9-
- 18 336 and to the state special revenue fund of not more than \$50 million. The number of mills calculated by the
- 19 department pursuant to this subsection (8)(b) must be used in subsequent tax years.
- 20 (9) (a) The provisions of subsection (1) do not prevent or restrict:
- 21 (i) a judgment levy under 2-9-316, 7-6-4015, or 7-7-2202;
- 22 (ii) a levy to repay taxes paid under protest as provided in 15-1-402;
- 23 (iii) an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326;
- 24 (iv) a levy for the support of a study commission under 7-3-184;
- 25 (v) a levy for the support of a newly established regional resource authority;
- 26 (vi) the portion that is the amount in excess of the base contribution of a governmental entity's
- 27 property tax levy for contributions for group benefits excluded under 2-9-212 or 2-18-703;

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(vii) a levy for reimbursing a county for costs incurred in transferring property records to an adjoining county under 7-2-2807 upon relocation of a county boundary;

(viii) a levy used to fund the sheriffs' retirement system under 19-7-404(3)(b); or

(ix) a governmental entity from levying mills for the support of an airport authority in existence prior to May 7, 2019, regardless of the amount of the levy imposed for the support of the airport authority in the past. The levy under this subsection (9)(a)(ix) is limited to the amount in the resolution creating the authority.

(b) A levy authorized under subsection (9)(a) may not be included in the amount of property taxes actually assessed in a subsequent year.

(10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402, 67-11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport authority in either of the previous 2 years and the airport or airport authority has not been appropriated operating funds by a county or municipality during that time.

(11) The department may adopt rules to implement this section. The rules may include a method for calculating the percentage of change in valuation for purposes of determining the elimination of property, new improvements, or newly taxable value in a governmental unit."

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

**NEW SECTION. Section 6. Retroactive applicability.** [This act] applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 2024, and to the reappraisal cycle beginning January 1, 2025.

- END -