

HOUSE BILL NO. 231

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A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING PROPERTY TAX LAWS; 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 15-6-134, 15-7-102, 15-15-101, 15-15-102, 15-15-103, 15-16-101, AND 15-17-125, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE, APPLICABILITY DATES, AND A TERMINATION DATE."

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

NEW SECTION. Section 1. Definitions. As used in [sections 1 through 7] 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 rented for periods of 28 days or more for at least ~~9~~ 7 months in each tax year for which the rental property reduced tax rate is claimed;
 - (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

1 47, Laws of 2023;

2 (b) the property did not change ownership after July 31, 2023; and

3 (c) the property remains the principal residence of the owner.

4 (2) The department shall maintain a website for property owners to verify if their property
5 automatically qualifies for the homestead reduced tax rate for a principal residence described in subsection (1).

6 (3) The automatic qualification for the homestead reduced tax rate for a principal residence expires
7 after tax year 2026. Beginning in tax year 2027, the owner of a class four residential property that wishes to
8 continue to receive the homestead reduced tax rate for a principal residence, regardless of whether the owner
9 applied for and received a lower tax rate as provided in subsection (4), shall apply to the department as
10 provided in [section 3].

11 (4) The owner of a class four residential property that does not meet the requirements for
12 automatic qualification in subsection (1) for the homestead reduced tax rate for a principal residence but that
13 would otherwise qualify under [section 3] may apply for a temporary homestead reduced tax rate for a principal
14 residence as provided in [section 3] that is applicable to tax years 2025 and 2026.

15 (5) An application for qualifying property under subsection (4) must be made by March 1, 2025, to
16 qualify for a reduced tax rate in tax years 2025 and 2026 and by March 1, 2026, to qualify for a reduced tax rate
17 in tax year 2026. If a temporary homestead reduced tax rate is granted under subsection (4), it remains
18 effective through the end of tax year 2026.

19 (6) For tax year 2025 and tax year 2026, a class four residential property that qualified for the
20 property tax assistance program provided for in 15-6-305 or the disabled veteran program provided for in 15-6-
21 311 in tax year 2024 automatically qualifies for the homestead reduced tax rate if the property remains the
22 principal residence of the owner.

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24 **NEW SECTION. Section 3. Homestead reduced tax rate -- application -- limitations.** (1) ~~Except~~
25 ~~as provided in 15-6-134(3)(b)(iii), there~~ THERE is a homestead reduced tax rate provided for in 15-6-134(3)(b)(i)
26 for a principal residence as provided in this section.

27 (2) (a) Beginning in tax year 2027, the owner of a principal residence may apply to the department
28 to receive the homestead reduced tax rate.

(b) To receive the homestead reduced tax rate for the tax year in which the application is first made, the owner shall apply electronically or by mail on a form prescribed by the department and postmarked by March 1. Approved applications received electronically or postmarked after March 1 apply to the following tax year.

(c) Once approved, the homestead 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 owner no longer uses the dwelling as a principal residence; or

(iii) the owner applies for a homestead reduced tax rate for a different principal residence.

(d) If a homestead reduced tax rate is terminated pursuant to subsection (2)(c) or [section 5], any remaining property taxes due for the year in which the homestead reduced tax rate is terminated must be based on the tax rate in effect on January 1 of the year in which the homestead reduced tax rate was terminated.

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

(i) a written declaration made under penalty of perjury that the applicant owns and maintains the land and improvements as the principal residence as defined in [section 1]. The application must state the penalty provided for in [section 4].

(ii) the geocode or other property identifier of the principal residence for which the applicant is requesting the homestead reduced tax rate;

(iii) the social security number of the applicant; and

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

(3) (a) Except as provided in subsection (3)(b), class four residential property owned by an entity is not eligible to receive the homestead reduced tax rate.

(b) The trustee of a grantor revocable trust may apply for a homestead reduced tax rate for a principal residence on behalf of the trust if the dwelling meets the definition of a principal residence for the grantor.

(c) Class four residential property located on fee land within the exterior boundaries of an Indian

reservation within this state is automatically eligible for the homestead reduced tax rate provided for in this section and is not required to submit an application pursuant to subsection (2).

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

NEW SECTION. Section 4. 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 as provided in this section.

(2) (a) The owner of a long-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) 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 or by mail on a form prescribed by the department and postmarked by March 1. Approved applications received electronically or postmarked after March 1 apply to the following tax year.

(c) 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 1]; and
- (iv) the owner fails to submit a complete reapplication to the department as required in subsection (4).

(d) If a rental property reduced tax rate is terminated pursuant to subsection (2)(c) or [section 5], 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.

(3) An application for a rental property reduced tax rate must be submitted on a form prescribed by