

Amendment - 2nd Reading/2nd House-tan - Requested by: Mary Ann Dunwell - (S)
Committee of the Whole

- 2025

69th Legislature 2025

Drafter: Jaret Coles,

HB0528.002.006

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 FOR A DIFFERENT RATE OF TAX FOR CERTAIN CHARTER GOVERNMENT FIXED MILL LEVIES; 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 -- charter government with fixed mills exception. (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.

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1 (iii) Nonproductive patented mining claim property must be valued as if the land were devoted to
2 agricultural grazing use.

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

8 (2) (a) Subject Except as provided in subsection (3) and subject to subsection ~~(3)~~ (2)(b), class
9 three property is taxed at ~~2.16%~~ 1.7% of its productive capacity value.

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

12 (3) (a) The tax rate on class three agricultural charter property subject to a fixed charter mill levy is
13 2.16% of its productive capacity value. The tax rate provided for in this subsection (3) is limited to a charter mill
14 levy and does not extend to the imposition of any other tax levy. The department shall calculate taxable value
15 under subsection (2) and this subsection (3) separately for a charter form of government that is limited to a
16 specific number of mills in the charter for the purpose of implementing this subsection (3).

17 (b) The taxable value of class three agricultural charter property described in subsection (1)(c) is
18 computed by multiplying the value of the land by seven times the taxable percentage rate for class three
19 agricultural charter property provided for in subsection (3)(a).

20 (4) As used in this section, the following definitions apply:

21 (a) (i) "Charter mill levy" means an assessment of tax by a charter form of government when the
22 assessment is limited in the charter on or before [passage and approval of this act] to a specific number of mills
23 that may be imposed.

24 (ii) The term does not include an assessment of tax approved on or after [passage and approval of
25 this act].

26 (b) "Class three agricultural charter property" means class three property described in subsection
27 (1) that is located within a consolidated government, incorporated city, or incorporated town with a charter form

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1 of government."

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

4 **"15-6-134. Class four property -- description -- taxable percentage -- charter government with**
5 **fixed mills exception.** (1) Class four property includes:

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

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

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

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

12 (iii) vacant residential lots; and

13 (iv) rental multifamily dwelling units.

14 (c) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural
15 land under 15-7-202, including 1 acre of real property beneath improvements on land described in 15-6-
16 133(1)(c). The 1 acre must be valued at market value.

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

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

20 (i) all commercial and industrial property that is used or owned by an individual, a business, a
21 trade, a corporation, a limited liability company, or a partnership and that is used primarily for the production of
22 income;

23 (ii) all golf courses, including land and improvements actually and necessarily used for that
24 purpose, that consist of at least nine holes and not less than 700 lineal yards;

25 (iii) commercial buildings and parcels of land upon which the buildings are situated; and

26 (iv) vacant commercial lots.

27 (2) If a property includes both residential and commercial uses, the property is classified and

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1 appraised as follows:

2 (a) the land use with the highest percentage of total value is the use that is assigned to the
3 property; and

4 (b) the improvements are apportioned according to the use of the improvements.

5 (3) (a) Except as provided in 15-24-1402, 15-24-1501, 15-24-1502, and subsection (3)(b), class
6 four residential property described in subsections (1)(a) through (1)(d) of this section is taxed at ~~4.35%~~ 0.76%
7 of market value.

8 (b) The tax rate for the portion of the market value of a single-family residential dwelling in excess
9 of \$1.5 million is ~~the residential property tax rate in subsection (3)(a) multiplied by 1.4~~ 1.35%.

10 (c) The tax rate for commercial property is ~~the residential property tax rate in subsection (3)(a)~~
11 ~~multiplied by 1.4~~ 1.35%.

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

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

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

22 (c) The tax rate on class four commercial charter property that is subject to a fixed charter mill levy
23 is the class four residential charter property tax rate in subsection (5)(a) multiplied by 1.4.

24 (d) Class four commercial charter property described in subsection (1)(e)(ii) is taxed at one-half the
25 tax rate established in subsection (5)(c).

26 (6) As used in this section, the following definitions apply:

27 (a) (i) "Charter mill levy" means an assessment of tax by a charter form of government when the

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1 assessment is limited in the charter on or before [passage and approval of this act] to a specific number of mills
2 that may be imposed.

3 (ii) The term does not include an assessment of tax approved on or after [passage and approval of
4 this act].

5 (b) "Class four commercial charter property" means class four commercial property described in
6 subsection (1)(e) that is located within a consolidated government, incorporated city, or incorporated town with
7 a charter form of government.

8 (c) "Class four residential charter property" means class four residential property described in
9 subsections (1)(a) through (1)(d) that is located within a consolidated government, incorporated city, or
10 incorporated town with a charter form of government."

11
12 **SECTION 3. SECTION 15-10-109, MCA, IS AMENDED TO READ:**

13 **"15-10-109. (Temporary) Tax levy for university system.** ~~There~~ Subject to 15-10-420, there is
14 levied upon the taxable value of all real estate and personal property subject to taxation in the state of Montana
15 6 mills for the continued support, maintenance, and improvement of the Montana university system. The funds
16 raised from the levy must be deposited in the state special revenue fund. (Terminates December 31, 2028--sec.
17 4, Ch. 73, L. 2017.)"

18
19 **SECTION 4. SECTION 15-10-420, MCA, IS AMENDED TO READ:**

20 **"15-10-420. Procedure for calculating levy.** (1) (a) Subject to the provisions of this section, a
21 governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount
22 of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3
23 years. The maximum number of mills that a governmental entity may impose is established by calculating the
24 number of mills required to generate the amount of property tax actually assessed in the governmental unit in
25 the prior year based on the current year taxable value, less the current year's newly taxable value, plus one-half
26 of the average rate of inflation for the prior 3 years.

27 (b) A governmental entity that does not impose the maximum number of mills authorized under