

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

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1 reduced tax rate or the rental property reduced tax rate and notify the taxpayer of its determination by mail or
2 electronically. In the notification, the department shall state its reasons for accepting or denying the application.

3 (2) If a property owner is aggrieved by the determination made by the department after the review
4 provided for in subsection (1), the property owner has the right to first appeal to the county tax appeal board
5 and then to the Montana tax appeal board, whose findings are final subject to the right of review in the courts.
6 An appeal to the county tax appeal board, pursuant to 15-15-102, must be filed within 30 days from the date on
7 the notice of the department's determination. If the county tax appeal board or the Montana tax appeal board
8 determines that the homestead reduced tax rate or the rental property reduced tax rate should apply, the
9 department shall adjust the taxable value of the property in accordance with the board's order.

10
11 **NEW SECTION. Section 7. Rulemaking authority.** The department shall adopt rules that are
12 necessary to implement and administer [sections 1 through 7].

13
14 **Section 8.** Section 15-6-134, MCA, is amended to read:

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

- 17 (a) ~~subject to subsection (1)(e),~~ all land, except that specifically included in another class;
18 (b) ~~subject to subsection (1)(e):~~
19 (i) all improvements, including single-family residences, trailers, manufactured homes, or mobile
20 homes used as a residence, except those specifically included in another class;
21 (ii) appurtenant improvements to the residences, including the parcels of land upon which the
22 residences are located and any leasehold improvements;
23 (iii) vacant residential lots; and
24 (iv) rental multifamily dwelling units.
25 (c) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural
26 land under 15-7-202;
27 (d) ~~_____, including 1 acre of real property beneath residential improvements on land described in 15-6-~~
28 ~~133(1)(c). The 1 acre must be valued at market value.~~

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

(e) real property beneath commercial improvements and as much of the surrounding land that is 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 to 15-24-1402, 15-24-1501, and 15-24-1502, and subsection class four property is taxed as provided in this subsection (3).~~

(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 1.35% 1.9% of market value.

~~(b) (i) Subject to subsection (3)(b)(iii), the~~ 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 2 or 3] or the rental property reduced tax rate provided for in [section 4] is:

(A) 0.9% FOR THE MARKET VALUE THAT IS ~~HALF OF 2 times~~ THE MEDIAN RESIDENTIAL VALUE OR LESS;

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(B) 1.1% FOR THE MARKET VALUE GREATER THAN ~~HALF OF 2 times~~ THE MEDIAN RESIDENTIAL VALUE AND LESS THAN 3.5 TIMES THE MEDIAN RESIDENTIAL VALUE; AND

(C) 1.9% FOR THE MARKET VALUE THAT IS 3.5 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%.

~~(b)(iii) The tax rate for the portion of the market value of a single-family residential dwelling that is a principal residence or a single-family residence long-term rental in excess of \$1.5 million 4 times the median residential value is the residential property tax rate in subsection (3)(a) multiplied by 1.4.~~

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

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

(ii) for the market value ~~greater than~~ 6 times the median commercial and industrial value OR GREATER, ~~2.4%~~ 1.9%.

~~(4)(e)~~ Property described in subsection (1)(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) As used in this section, the following definitions apply:

(a) "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) "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 9. 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)

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1 credit for the elderly under 15-30-2337 through 15-30-2341. The notice must have been mailed at least 2 weeks
2 prior to the date on which the county treasurer attaches the tax lien.

3 (5) The county treasurer shall file the tax lien certificate with the county clerk and recorder."
4

5 NEW SECTION. Section 15. Codification instruction. [Sections 1 through 7] are intended to be
6 codified as an integral part of Title 15, chapter 6, and the provisions of Title 15, chapter 6, apply to [sections 1
7 through 7].
8

9 NEW SECTION. Section 16. Effective date. [This act] is effective on passage and approval.
10

11 COORDINATION SECTION. Section 17. Coordination instruction. If House Bill No. 154 is not
12 passed by the legislature and if [this act] is passed by the legislature and contains a section that amends 15-6-
13 134, then subsection (3)(b)(i)(A) of 15-6-134 in [this act] must be replaced with the following:

14 "(A) 0.74% for the market value that is 2 times the median residential value or less;"
15

16 NEW SECTION. Section 18. Applicability -- retroactive applicability. (1) Except as provided in
17 subsection (2), [this act] applies retroactively to property tax years beginning after December 31, 2024.

18 (2) [Sections 3 and 4] apply to property tax years beginning after December 31, 2026.
19

20 NEW SECTION. Section 19. Termination. [Section 2] and the references to [section 2] in [section 5],
21 15-6-134, 15-15-101, 15-15-102, and 15-15-103 terminate December 31, 2026.
22

- END -