

1 HOUSE BILL NO. 848

2 INTRODUCED BY J. DOOLING

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4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A PROPERTY TAX EXEMPTION FOR CERTAIN
5 RESIDENTIAL PROPERTY RENTED FOR LESS THAN FAIR MARKET RENT; PROVIDING FOR
6 ELIGIBILITY FOR THE EXEMPTION; PROVIDING THAT THE BOARD OF HOUSING DETERMINES FAIR
7 MARKET RENT; PROVIDING DEFINITIONS; ~~AMENDING SECTIONS 15-10-202 AND 15-16-101, MCA~~; AND
8 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

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12 NEW SECTION. Section 1. Rent-limited dwelling exemption. (1) There is a rent-limited dwelling
13 exemption for a dwelling rented for less than fair market rent. To be eligible for the exemption, applicants must
14 meet the requirements of this section.

15 (2) (a) A rented dwelling with a lease term of not less than 1 year is eligible for an exemption of
16 50% of market value if the rent charged for the dwelling is at least 25% less than fair market rent.

17 (b) For the first 5 years after construction, an accessory dwelling unit rented for a term of not less
18 than 1 year is exempt from taxation if the rent charged for the accessory dwelling unit is at least 25% less than
19 fair market rent. The exemption provided for in this subsection (2)(b) applies only to the value of the accessory
20 dwelling unit and not to the land under the accessory dwelling unit. In the sixth year after construction and
21 afterward, an eligible accessory dwelling unit may receive the exemption provided for in subsection (2)(a).

22 (c) A trailer court with monthly lot rents of \$500 or less and lot lease terms of not less than 1 year
23 is eligible for an exemption of 75% of the value of the land. The lot rent provided in this subsection (2)(c) must
24 be adjusted annually using the PCE inflation factor rounded to the nearest dollar amount.

25 (3) An applicant who files an exemption application by April 15 is eligible to receive the
26 exemption for ~~the November and May property tax payments. An applicant who files the application after April 1~~
27 ~~and before October 1 is eligible to receive the exemption for the May property tax payment that tax year.~~

28 (4) (a) The application must be in the form provided by the department and must contain:

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Drafter: Megan Moore, 406-444-4496

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- 1 (i) a copy of the rental agreement that lists the rent charged on the property and the term of the
2 lease;
- 3 (ii) if the rent includes utilities, information on the annual cost of the included utilities; and
4 (iii) any other information required by the department that is relevant to the applicant's eligibility.
- 5 (b) The information contained in an application for the exemption, including information about the
6 property owner and tenant, may only be used by the department for the purpose of determining eligibility for the
7 exemption.
- 8 (c) When providing information to the department for the exemption under this section, applicants
9 are subject to the false swearing penalties established in 45-7-202.
- 10 (d) The department may investigate the information provided in an application and an applicant's
11 continued eligibility.
- 12 (5) The exemption may not be claimed for a dwelling for which the rent is limited due to
13 participation in any other program that provides a benefit to the property owner for limiting the rent.
- 14 (6) The department may disallow the exemption when the landlord rents to an immediate family
15 member.
- 16 (7) A multiple dwelling unit may only qualify for the exemption provided for in subsection (2)(a) if all
17 units meet the requirements of this section.
- 18 (8) As provided in this section, the following definitions apply:
- 19 (a) "Accessory dwelling unit" means a self-contained living unit subordinate to and on the same
20 parcel as a single-family dwelling that includes its own cooking, sleeping, and sanitation facilities and is created
21 within or detached from the single-family dwelling, including but not limited to an attached or detached garage.
- 22 (b) "Dwelling" means a residential dwelling, manufactured home, trailer, mobile home, or multiple-
23 unit dwelling that is subject to property taxes in the state and as much of the surrounding land, but not in excess
24 of 1 acre, as is reasonably necessary for its use as a dwelling.
- 25 (c) "Fair market rent" means the fair market rent for the county, metropolitan area, or micropolitan
26 area established by the board of housing pursuant to [section 2].
- 27 (d) "Immediate family member" means a parent, spouse, or child.
- 28 (e) "PCE" means the implicit price deflator, or price index, for personal consumption expenditures

1 as published in the national income and product accounts by the bureau of economic analysis of the U.S.

2 department of commerce;

3 (f) "PCE inflation factor" for a tax year means the PCE price index value for the first quarter of the
4 prior tax year before the tax year divided by the PCE price index value for the first quarter of 2023.

5 (g) "Trailer court" has the meaning provided in 50-52-101.

6 (h) "Utility" means a service provided to a dwelling or accessory dwelling unit that may be included
7 in a rent payment, including but not limited to energy, water and wastewater, and trash removal.

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9 **NEW SECTION. Section 2. Determination of fair market rent.** (1) The board shall annually
10 determine the fair market rent for each county, metropolitan area, and micropolitan area in the state. By
11 January 1 of each year, the board shall provide the fair market rent determined pursuant to this section to the
12 department of revenue for the purpose of administering the rent-limited exemption provided for in [section 1].

13 (2) The board shall determine the fair market rent using an estimate of the median mortgage
14 payment for a three-bedroom dwelling in the county, metropolitan area, or micropolitan area based on:

15 (a) the median sales price of a three-bedroom dwelling in the county, metropolitan area, or
16 micropolitan area;

17 (b) the mortgage payment for a three-bedroom dwelling at the median sales price using the prime
18 interest rate as of January 1 plus 3%;

19 (c) the median property taxes levied on residential property in the county, metropolitan area, or
20 micropolitan area; and

21 (d) \$180 a month for homeowners' insurance.

22 (3) The amount determined pursuant to subsection (2) must be used as the fair market rent for a
23 dwelling with three or more bedrooms and must be adjusted as follows for dwellings of other sizes:

24 (a) for a two-bedroom dwelling, the amount must be reduced by 45%;

25 (b) for a one-bedroom dwelling, the amount must be reduced by 65%; and

26 (c) for a studio, the amount must be reduced by 72%.

27 (4) As used in this section, "metropolitan area" and "micropolitan area" are census-designated
28 areas determined by the United States bureau of the census.

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~~Section 3. Section 15-10-202, MCA, is amended to read:~~

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~~"15-10-202. — Certification of taxable values. (1) Subject to subsection subsections (2) and (3), by the first Monday in August, the department shall certify to each taxing authority the total taxable value within the jurisdiction of the taxing authority. The department shall also send to each taxing authority a written statement of its best estimate of the total taxable value of newly taxable property, as described in 15-10-420(3). Upon On the request of a taxing authority, the department shall provide an estimate of the total taxable value within the jurisdiction of the taxing authority by the second Monday in July.~~

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~~(2) — For tax years beginning after December 31, 2000, if If the ownership of centrally assessed property has been transferred in whole or in part to a different owner and the transferred property has a market value of \$1 million or more as determined by the department, the department shall determine separately the taxable value of newly taxable property and the taxable value associated with reappraisal of centrally assessed property that is transferred to a different owner. The department shall certify to each taxing authority, at the time specified in subsection (1), the taxable value of newly taxable property and the total taxable value of centrally assessed property, exclusive of newly taxable property, that has been transferred to a different owner.~~

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~~(3) — By the first Monday in November, the department shall certify to each taxing authority a revised total taxable value within the jurisdiction of the taxing authority that includes new exemptions granted under [section 1].~~

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~~Section 4. Section 15-16-101, MCA, is amended to read:~~

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~~"15-16-101. — Treasurer to publish notice — manner of publication. (1) Within 10 days after the receipt of the property tax record, the county treasurer shall publish a notice specifying:~~

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~~(a) — that one-half of all taxes levied and assessed will be due and payable before 5 p.m. on the next November 30 or within 30 days after the notice is postmarked and that unless paid prior to that time the amount then due will be delinquent and will draw interest at the rate of 5/6 of 1% a month from the time of delinquency until paid and 2% will be added to the delinquent taxes as a penalty;~~

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~~(b) — that one-half of all taxes levied and assessed will be due and payable on or before 5 p.m. on the next May 31 and that unless paid prior to that time the taxes will be delinquent and will draw interest at the~~

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1 ~~rate of 5/6 of 1% a month from the time of delinquency until paid and 2% will be added to the delinquent taxes~~
2 ~~as a penalty; and~~
3 ~~(c) the time and place at which payment of taxes may be made.~~
4 ~~(2) (a) The county treasurer shall send to the last known address of each taxpayer a written notice,~~
5 ~~postage prepaid, showing the amount of taxes and assessments due for the current year and the amount due~~
6 ~~and delinquent for other years. The written notice must include:~~
7 ~~(i) the taxable value of the property;~~
8 ~~(ii) the total mill levy applied to that taxable value;~~
9 ~~(iii) itemized city services and special improvement district assessments collected by the county;~~
10 ~~(iv) the number of the school district in which the property is located;~~
11 ~~(v) the amount of the total tax due itemized by mill levy that is levied as city tax, county tax, state~~
12 ~~tax, school district tax, and other tax;~~
13 ~~(vi) an indication of which mill levies are voted levies, including voted levies to impose a new mill~~
14 ~~levy, to increase a mill levy that is required to be submitted to the electors, or to exceed the mill levy limit~~
15 ~~provided for in 15-10-420; and~~
16 ~~(vii) a notice of the availability of all the property tax assistance programs available to property~~
17 ~~taxpayers, including the intangible land value assistance program provided for in 15-6-240, the property tax~~
18 ~~assistance programs under Title 15, chapter 6, part 3, and the residential property tax credit for the elderly~~
19 ~~under 15-30-2337 through 15-30-2341.~~
20 ~~(b) If a tax lien is attached to the property, the notice must also include, in a manner calculated to~~
21 ~~draw attention, a statement that a tax lien is attached to the property, that failure to respond will result in loss of~~
22 ~~property, and that the taxpayer may contact the county treasurer for complete information.~~
23 ~~(c) For properties granted exemptions under [section 1] after the October 1 application deadline,~~
24 ~~the county treasurer shall send to the last known address of each taxpayer a written notice, postage prepaid,~~
25 ~~showing the updated amount of taxes and assessments due for the current year and the amount due and~~
26 ~~delinquent for other years.~~
27 ~~(3) The municipality shall, upon request of the county treasurer, provide the information to be~~
28 ~~included under subsection (2)(a)(iii) ready for mailing.~~

1 ~~(4) — The notice in every case must be given as provided in 7-1-2121. Failure to publish or post~~
2 ~~notices does not relieve the taxpayer from any tax liability. Any failure to give notice of the tax due for the~~
3 ~~current year or of delinquent tax will not affect the legality of the tax.~~

4 ~~(5) — If the department revises an assessment that results in an additional tax of \$5 or less, an~~
5 ~~additional tax is not owed and a new tax bill does not need to be prepared."~~

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7 **NEW SECTION. Section 3. Transition.** (1) For tax year 2023, an application pursuant to [section 1]
8 must be filed by July 1 to receive the exemption for the tax year.

9 (2) The board of housing shall calculate and provide to the department of revenue fair market rent
10 for 2023 as provided in [section 2] by July 1, 2023.

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12 **NEW SECTION. Section 4. Codification instruction.** (1) [Section 1] is intended to be codified as an
13 integral part of Title 15, chapter 6, and the provisions of Title 15, chapter 6, apply to [section 1].

14 (2) [Section 2] is intended to be codified as an integral part of Title 90, chapter 6, part 1, and the
15 provisions of Title 90, chapter 6, part 1, apply to [section 2].

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

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19 **NEW SECTION. Section 6. Retroactive applicability.** [This act] applies retroactively, within the
20 meaning of 1-2-109, to property tax years beginning January 1, 2023.

21 - END -