

HOUSE BILL NO. 943

INTRODUCED BY D. FERN

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE TAXATION OF PROPERTY USED AS A SHORT-TERM RENTAL; PROVIDING THAT CERTAIN SHORT-TERM RENTALS ARE NOT TREATED AS COMMERCIAL PROPERTY; PROVIDING-A DEFINITION DEFINITIONS; AMENDING SECTION 15-6-134, MCA; AND PROVIDING AN APPLICABILITY DATE."

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

Section 1. Section 15-6-134, MCA, is amended to read:

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

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

1 trade, a corporation, a limited liability company, or a partnership and that is used primarily for the production of
2 income;

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

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

6 (iv) vacant commercial lots; and-

7 (v) subject to subsection (5), land and improvements used as a short-term rental.

8 (2) If a property includes both residential and commercial uses, the property is classified and
9 appraised as follows:

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

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

13 (3) (a) Except as provided in 15-24-1402, 15-24-1501, 15-24-1502, and subsection (3)(b), class
14 four residential property described in subsections (1)(a) through (1)(d) of this section is taxed at 1.35% of
15 market value.

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

18 (c) The tax rate for commercial property is the residential property tax rate in subsection (3)(a)
19 multiplied by 1.4.

20 (4) Property described in subsection (1)(e)(ii) is taxed at one-half the tax rate established in
21 subsection (3)(c).

22 (5) The short-term rental of all or a part of the following is considered a residential use of property
23 and taxed at the rate provided for in subsection (3)(a):

24 (a) a property owner's primary residence; and

25 (b) if a property owner with short-term rentals owns 10 or fewer short-term rentals in the state, all
26 the short-term rentals of the property owner.

27 (5)(6) (a) For the purposes of As used in this section, the following definitions apply:

28 (a) "Affiliated owner" means:

- 1 (i) members of the same immediate family of an individual; or
- 2 (ii) a corporation, limited liability company, partnership, trust, or association controlled by the
- 3 individual or the individual's immediate family member.
- 4 (b) "Controlled" means more than 50% ownership by an individual or affiliated owner, or a
- 5 combination of both.
- 6 (c) "Immediate family" means a parent, spouse, or child.
- 7 (d) "Primary residence" means a dwelling in which the property owner can demonstrate the
- 8 owner's occupancy at least 7 months of the year.
- 9 (e) "Property owner" means an individual that owns property and includes an affiliated owner.
- 10 (f) (i) ~~short-term~~Short-term rental" means any individually or collectively owned single-family
- 11 house or dwelling unit, or any unit or group of units in a condominium, cooperative, or timeshare that is offered
- 12 for a fee for 30 days or less.
- 13 ~~(b)(ii)~~ The term does not include a room offered for a fee for 30 days or less if the room is within a
- 14 dwelling for which the owner can demonstrate occupancy for at least 7 months of the year."

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16 **NEW SECTION. Section 2. Applicability.** [This act] applies to property tax years beginning on or

17 after January 1, 2024.

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