SENATE BILL NO. 28

INTRODUCED BY D. FERN

A BILL FOR AN ACT ENTITLED: “AN ACT REVISING THE TAX RATE FOR CERTAIN RESIDENTIAL PROPERTIES; REVISING THE TAX RATE FOR PROPERTIES ELIGIBLE FOR THE HOMESTEAD REDUCED TAX RATE AND THE RENTAL PROPERTY REDUCED TAX RATE; AMENDING SECTION 15-6-134, 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 15-6-134, MCA, is amended to read:

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

(a) all land, except that specifically included in another class;

(b) (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;

(d) 1 acre of real property beneath residential improvements on land described in 15-6-133(1)(c) 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.

(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;

(iv) shooting ranges that are not exempt from property taxes under 15-6-201 and are operated by an entity that is a nonprofit corporation exempt from taxation under 26 U.S.C. 501(c)(3) or 501(c)(4) of the Internal Revenue Code, as amended, and incorporated or admitted under a certificate of authority under the Montana Nonprofit Corporation Act as provided in Title 35, chapter 2; and

(v) 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) Subject to 15-24-1402, 15-24-1501, and 15-24-1502, class four property is taxed as follows:

(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 1.9% of market value.

(b) (i) 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 15-6-405 or the rental property reduced tax rate provided for in 15-6-411 is:

(A) 0.76% for the market value that is less than or equal to the median residential value;

(B) 0.9% for the market value that is greater than the median residential value and less than 2

times the median residential value;

(C) 1.1% for the market value that is 2 times the median residential value or greater and less than ~~4~~ 5.5 times the median residential value; and

(D) 1.9% for the market value that is ~~4~~ 5.5 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%.

(c) The tax rate for 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%.

(d) The tax rate for commercial and industrial property described in subsections (1)(e) and (1)(f), except property described in subsections (1)(f)(ii) [and (1)(f)(iv)], is:

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

(ii) for the market value 6 times the median commercial and industrial value or greater, 1.9%.

(e) Property described in subsections (1)(f)(ii) and (1)(f)(iv) is taxed at one-half the tax rate established in subsection (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.

(c) (i) "Shooting range" means buildings, improvements, and appurtenant land of up to 150 acres that is reasonably necessary to provide a safe and suitable place for people to discharge firearms.

(ii) The term does not include a residence, the 1 acre beneath a residence, improvements or land used for a commercial business, or any improvements that are not integral to providing a safe and suitable place for people to discharge firearms."

NEW SECTION. **Section 2. Effective date.** [This act] is effective on passage and approval.

NEW SECTION. **Section 3. Retroactive applicability.** [This act] applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 2026, and to the reappraisal cycle beginning January 1, 2027.

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