_____________ BILL NO. _____________

INTRODUCED BY ____

A BILL FOR AN ACT ENTITLED: “AN ACT REVISING TAX RATES FOR CLASS THREE AGRICULTURAL PROPERTY, CLASS FOUR RESIDENTIAL AND COMMERCIAL PROPERTY, AND CLASS TEN FOREST PROPERTY; PROVIDING THAT THE TAXABLE VALUE NEUTRAL TAX RATES CALCULATED BY THE DEPARTMENT OF REVENUE FOR CLASS THREE, CLASS FOUR, AND CLASS TEN PROPERTY ARE EFFECTIVE FOR THE FOLLOWING REAPPRAISAL CYCLE; AMENDING SECTIONS 15-6-133, 15-6-134, AND 15-6-143, 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.** (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~~ on which the improvements are located and that is reasonably required for the use of the improvements.

(iii) Nonproductive patented mining claim property must be valued as if the land were devoted to

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agricultural grazing use.

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

(2) Subject to ~~subsection~~ subsections (3) and (4), class three property is taxed at ~~2.16%~~ 1.85% of its productive capacity value.

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

(4) The taxable value neutral tax rate calculated by the department during the second year of each reappraisal cycle pursuant to 15-7-111(4) replaces the tax rate provided for in subsection (2) and must be used for the subsequent reappraisal cycle."

Section 2. 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~~ on 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.

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(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 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~~ on 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 15-24-1402, 15-24-1501, 15-24-1502, and subsection (3)(b) and subject to subsection (5), class four residential property described in subsections (1)(a) through (1)(d) of this section is taxed at ~~1.35%~~ 0.76% of market value~~.~~

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

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

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

(5) The taxable value neutral tax rates calculated by the department during the second year of each reappraisal cycle pursuant to 15-7-111(4) replace the tax rates provided for in subsection (3) and must be used for the subsequent reappraisal cycle."

Section 3. Section 15-6-143, MCA, is amended to read:

"**15-6-143. Class ten property -- description -- taxable percentage.** (1) Class ten property includes all forest lands, as defined in 15-44-102, and property described in subsection (2).

(2) Any parcel of growing timber totaling less than 15 acres qualifies as class ten property if, in a prior year, the parcel totaled 15 acres or more and qualified as forest land but the number of acres was reduced to less than 15 acres for a public use described in 70-30-102 by the federal government, the state, a county, or a municipality and, since that reduction in acres, the parcel has not been further divided.

(3) Class ten property is taxed at~~:~~

~~(a) 0.29% of its forest productivity value in tax year 2023;~~

~~(b) 0.27% of its forest productivity value in tax year 2024; and~~

~~(c) 0.37%~~ 0.36% of its forest productivity value ~~in tax years after 2024~~.

(4) The taxable value neutral tax rate calculated by the department during the second year of each reappraisal cycle pursuant to 15-7-111(4) replaces the tax rate provided for in subsection (3) and must be used for the subsequent reappraisal cycle."

NEW SECTION. **Section 4. Effective date.** [This act] is effective on passage and approval.

NEW SECTION. **Section 5. Retroactive applicability.** [This act] applies retroactively, within the meaning of 1-2-109, to property tax years beginning after December 31, 2024.

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