HOUSE BILL NO. 155

INTRODUCED BY M. THANE, M. MARLER, P. FLOWERS, D. HAWK, M. CAFERRO, P. TUSS, S. HOWELL, T. RUNNING WOLF, T. FRANCE, J. LYNCH, L. SMITH, B. CARTER, Z. ZEPHYR, S. MORIGEAU, S. DEMAROIS, J. REAVIS, L. MUSZKIEWICZ, B. EDWARDS, J. ISALY, M. LEE, P. STRAND, T. CROWE, J. SECKINGER, B. CLOSE, P. ELVERUM, S. FYANT, C. NEUMANN, M. DUNWELL, J. WEBER, D. POWERS, J. MORIGEAU, M. CUNNINGHAM, D. HAYMAN, S. ROSENZWEIG, C. POPE, E. KERR-CARPENTER, C. KEOGH, K. SULLIVAN, J. COHENOUR, E. MATTHEWS, J. KARLEN, W. CURDY, S. WEBBER

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING PROPERTY TAX LAWS; REVISING CLASS FOUR RESIDENTIAL AND COMMERCIAL PROPERTY TAX RATES; PROVIDING AN EXEMPTION FOR A PORTION OF CLASS FOUR RESIDENTIAL PROPERTY VALUE; ~~PROVIDING AN EXEMPTION FOR A PORTION OF CLASS FOUR COMMERCIAL PROPERTY VALUE;~~ PROVIDING LEGISLATIVE INTENT FOR PERMITTING A LOCAL GOVERNMENT ADJUSTMENT TO CERTAIN FIXED MILL LEVIES; PERMITTING A LOCAL GOVERNMENT WITH A FIXED MILL LEVY TO SUPERSEDE A CHARTER OR FIXED MILL LEVY LIMIT; 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.** (1) Class four property includes:

(a) subject to subsection ~~(1)(e)~~ (1)(f), all land, except that specifically included in another class;

(b) subject to subsection ~~(1)(e)~~ (1)(f):

(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;

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(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~~;

(d) 1 acre of real property beneath residential improvements on land described in 15-6-133(1)(c)~~. The 1 acre must be valued at market value.~~

~~(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 15-24-1402, 15-24-1501, 15-24-1502, and ~~subsection~~ subsections (3)(b) and (3)(c), class four residential property described in subsections (1)(a) through (1)(d) of this section is

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taxed at ~~1.35% of market value.~~ a graduated rate as follows:

Market Value	Tax Rate
first $50,000	0%
$50,001 to $500,000	1%
$500,001 to $750,000	1.25%
$750,001 to $1 million	1.3%
$1,000,001 to $1.5 million	1.4%
$1,500,001 to $2 million	1.89%
greater than $2 million	2%

~~(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.~~

(b) ~~Vacant~~ THE MARKET VALUE OF VACANT residential lots described in subsection (1)(b)(iii) ~~with a market value of$50,000 or less are taxed at 1% of market value~~ THAT IS LESS THAN $500,000 IS TAXED AT 1% OF MARKET VALUE.

(c) ~~Rental~~ THE MAXIMUM GRADUATED RATE FOR multifamily dwelling units described in subsection (1)(b)(iv) with a market value of GREATER THAN $2 million ~~or moreare taxed at~~ IS 1.89% ~~of market value~~ if the dwelling units are leased at 150% or less of the county fair market rent. The property owner must annually certify lease rates to the department of revenue.

~~(c)~~(4) ~~The~~ (a) Except as provided in subsection (4)(c), the tax rate for commercial and industrial property described in subsections (1)(e) and (1)(f) in excess of ~~the exemption amount in subsection (4)(b)$200,000~~ $400,000 is 1.89%~~the residential property tax rate in subsection (3)(a) multiplied by 1.4~~.

(b) The TAX RATE FOR THE first ~~$200,000~~ $400,000 of market value for commercial and industrial property ~~of a person or business entity is exempt from taxation~~ IS 1.4%.

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

(5) As used in this section, "fair market rent" means the fair market rent based on the size of the dwelling as published annually by the U.S. department of housing and urban development."

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NEW SECTION. **Section 2. Legislative findings -- local government charters and fixed mill levy limits superseded.** (1) (a) The legislature finds that most local governments have transitioned to mill levies that adjust downward when taxable value increases under 15-10-420. This floating mill levy concept automatically lowers the number of mills levied against a taxpayer when property values increase, which mitigates increases in property values. However, when mill levies are fixed, the opposite occurs when property values increase, and property taxes are not automatically mitigated for taxpayers that are levied based on a fixed mill levy.

(b) The legislature finds further that it is prohibited under Article VIII, section 2, of the Montana constitution, from suspending or contracting away the power to tax. The legislature also recognizes and respects the power of local governments under Article XI, section 5, of the Montana constitution to adopt, amend, revise, or abandon a charter.

(2) As a matter of policy, the legislature intends to supersede local government charters that fix mill levy limits for the limited purpose of exercising the power to tax while also maintaining local government revenue sources without raising taxes on residential taxpayers. Having considered all options on a statewide basis, the legislature finds the statutory structure of the property tax has evolved significantly since the passage of Initiative 105 on November 4, 1986, and the enactment of 15-10-420 by the legislature in 1999. Given the significant change in the structure of the property tax and the rising cost of residential property in the last 5 years, there is a compelling interest to all the citizens of the state to lower residential property tax rates for primary residences, which can only be accomplished by this section and 15-10-420.

(3) A local government with a charter form of government that includes a mill levy limit of a specific number of mills that may be imposed in the charter may levy the number of mills in fiscal year 2026 that will generate the amount of property taxes assessed in fiscal year 2025, as provided in 15-10-420, including the statutory increases allowed by 15-10-420, without amending or revising the charter. A local government that elects to transition to a mill levy calculation limit under 15-10-420 for fiscal year 2026 is limited to levying the number of mills allowed by 15-10-420, including statutory increases for subsequent fiscal years after fiscal year 2026, until the local government charter is amended, revised, or abandoned.

(4) A taxing entity with a local mill levy limit of a specific number of mills that may be imposed that was authorized by the voters after December 31, 2019, may levy the number of mills in fiscal year 2026 that will

generate the amount of property taxes assessed in fiscal year 2025 for the specific mill levy, as provided in 15-10-420, including the statutory increases allowed by 15-10-420, without receiving voter authorization. A local government that elects to transition to a revenue-based mill levy calculation limit under 15-10-420 for fiscal year 2026 is limited to levying the number of mills allowed by 15-10-420, including statutory increases for subsequent fiscal years after fiscal year 2026, until the expiration of the specific levy or revisions through a mill levy election under the provisions of 15-10-425.

NEW SECTION. **Section 3. Codification instruction.** [Section 2] is intended to be codified as an integral part of Title 15, chapter 10, part 4, and the provisions of Title 15, chapter 10, part 4, apply to [section 2].

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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