

1 HOUSE BILL NO. 231
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6
7 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING PROPERTY TAX LAWS; PROVIDING
8 FOR A PROPERTY TAX REBATE ON A PRINCIPAL RESIDENCE BASED ON A CERTAIN AMOUNT OF
9 PROPERTY TAXES PAID FOR TAX YEAR 2024; TEMPORARILY REDUCING CLASS FOUR RESIDENTIAL
10 PROPERTY TAX RATES; REVISING TAX RATES FOR CERTAIN CLASS FOUR RESIDENTIAL AND
11 COMMERCIAL PROPERTY; PROVIDING A LOWER TAX RATE FOR CERTAIN OWNER-OCCUPIED
12 RESIDENTIAL PROPERTY AND LONG-TERM RENTALS; PROVIDING A LOWER TAX RATE FOR A
13 PORTION OF COMMERCIAL PROPERTY VALUE; PROVIDING ELIGIBILITY AND APPLICATION
14 REQUIREMENTS; PROVIDING FOR AN APPEAL PROCESS; PROVIDING DEFINITIONS; PROVIDING
15 RULEMAKING AUTHORITY; AMENDING SECTIONS 15-1-121, 15-6-134, 15-7-102, 15-15-101, 15-15-102,
16 15-15-103, 15-16-101, ~~AND 15-17-125~~, AND 15-30-2120, MCA; AND PROVIDING AN IMMEDIATE
17 EFFECTIVE DATE DATES, APPLICABILITY DATES, AND A-TERMINATION DATE DATES."

18
19 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

20
21 NEW SECTION. Section 1. Definitions. As used in [sections 1 through 7 6] and 15-6-134, the
22 following definitions apply:

- 23 (1) "Homestead reduced tax rate" means the tax rate provided for in 15-6-134(3)(b)(i).
24 (2) "Long-term rental" means class four residential property:
25 (a) that is a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home,
26 or mobile home and the parcel on which the long-term rental improvements are located but not including any
27 contiguous or adjacent parcels;

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1 ~~311 in tax year 2024 automatically qualifies for the homestead reduced tax rate if the property remains the~~
2 ~~principal residence of the owner.~~

3
4 **NEW SECTION. Section 2. Homestead reduced tax rate -- application -- limitations.** (1) ~~Except~~
5 ~~as provided in 15-6-134(3)(b)(iii), there~~ THERE is a homestead reduced tax rate provided for in 15-6-134(3)(b)(i)
6 for a principal residence as provided in this section.

7 (2) (a) Beginning in tax year ~~2027~~ 2026, the owner of a principal residence may apply to the
8 department to receive the homestead reduced tax rate. THE OWNER OF A PRINCIPAL RESIDENCE WHO APPLIED FOR
9 AND RECEIVED THE REBATE PROVIDED FOR IN [SECTIONS 9 8 THROUGH 44 10] FOR TAX YEAR 2024 AUTOMATICALLY
10 QUALIFIES FOR THE HOMESTEAD REDUCED TAX RATE UNLESS SUBSECTIONS (2)(C)(I) THROUGH (2)(C)(III) APPLY TO THE
11 PRINCIPAL RESIDENCE FOR WHICH THE REBATE WAS CLAIMED. THE OWNER OF A PRINCIPAL RESIDENCE WHO DID NOT
12 RECEIVE A REBATE UNDER [SECTIONS 9 8 THROUGH 44 10], SHALL APPLY AS PROVIDED IN THIS SECTION TO RECEIVE
13 THE HOMESTEAD REDUCED TAX RATE IN TAX YEAR 2026.

14 (b) To receive the homestead reduced tax rate for the tax year in which the application is first
15 made, the owner shall apply electronically THROUGH THE DEPARTMENT'S WEBSITE or by mail on a form prescribed
16 by the department ~~and postmarked by~~ BETWEEN DECEMBER 1 OF THE IMMEDIATELY PRECEDING YEAR AND March 1.
17 APPLICATIONS SUBMITTED BY MAIL MUST BE POSTMARKED BY MARCH 1. Approved applications received
18 electronically or postmarked after March 1 apply to the following tax year.

19 (c) Once approved, the homestead reduced tax rate remains effective until the end of the tax year
20 in which any of the following events occur:

21 (i) there is a change in ownership of the property;

22 (ii) the owner no longer uses the dwelling as a principal residence; or

23 (iii) the owner applies for a homestead reduced tax rate for a different principal residence.

24 (d) If a homestead reduced tax rate is terminated pursuant to subsection (2)(c) or [section ~~5~~ 4], any
25 remaining property taxes due for the year in which the homestead reduced tax rate is terminated must be
26 based on the tax rate in effect on January 1 of the year in which the homestead reduced tax rate was
27 terminated.

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1 (e) An application for a homestead reduced tax rate must be submitted on a form prescribed by the
2 department and must contain:

3 (i) a written declaration made under penalty of perjury that the applicant owns and maintains the
4 land and improvements as the principal residence as defined in [section 1]. The application must state the
5 penalty provided for in [section 4].

6 (ii) the geocode or other property identifier of the principal residence for which the applicant is
7 requesting the homestead reduced tax rate;

8 (iii) the social security number of the applicant; and

9 (iv) any other information required by the department that is relevant to the applicant's eligibility.

10 (3) (a) Except as provided in subsection (3)(b), class four residential property owned by an entity is
11 not eligible to receive the homestead reduced tax rate.

12 (b) The trustee of a grantor revocable trust may apply for a homestead reduced tax rate for a
13 principal residence on behalf of the trust if the dwelling meets the definition of a principal residence for the
14 grantor.

15 (C) CLASS FOUR RESIDENTIAL PROPERTY LOCATED ON FEE LAND WITHIN THE EXTERIOR BOUNDARIES OF
16 AN INDIAN RESERVATION WITHIN THIS STATE IS AUTOMATICALLY ELIGIBLE FOR THE HOMESTEAD REDUCED TAX RATE
17 PROVIDED FOR IN THIS SECTION AND IS NOT REQUIRED TO SUBMIT AN APPLICATION PURSUANT TO SUBSECTION (2).

18 (4) The department shall notify the owner if the homestead reduced tax rate is applied to the
19 property or if the application was denied.

20
21 NEW SECTION. Section 3. Rental property reduced tax rate -- application -- limitations. (1)

22 There is a rental property reduced tax rate provided for in 15-6-134(3)(b) for a long-term rental as provided in
23 this section.

24 (2) (a) ~~The~~ BEGINNING IN TAX YEAR 2026, THE owner of a long-term rental may apply to the
25 department to receive the rental property reduced tax rate. The application must be made by an individual
26 owner or, for an entity owner, by an authorized representative of the entity.

27 (B) THE DEPARTMENT SHALL MAIL A NOTICE TO POTENTIAL CLAIMANTS BY OCTOBER 30, 2025, FOR TAX

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1 (c) After the informal review, the department shall determine the correct status of the homestead
2 reduced tax rate or the rental property reduced tax rate and notify the taxpayer of its determination by mail or
3 electronically. In the notification, the department shall state its reasons for accepting or denying the application.

4 (2) If a property owner is aggrieved by the determination made by the department after the review
5 provided for in subsection (1), the property owner has the right to first appeal to the county tax appeal board
6 and then to the Montana tax appeal board, whose findings are final subject to the right of review in the courts.
7 An appeal to the county tax appeal board, pursuant to 15-15-102, must be filed within 30 days from the date on
8 the notice of the department's determination. If the county tax appeal board or the Montana tax appeal board
9 determines that the homestead reduced tax rate or the rental property reduced tax rate should apply, the
10 department shall adjust the taxable value of the property in accordance with the board's order.

11
12 NEW SECTION. Section 6. Rulemaking authority. The department shall adopt rules that are
13 necessary to implement and administer [sections 1 through 7 6].

14
15 ~~NEW SECTION. SECTION 7. LEGISLATIVE FINDINGS -- LOCAL GOVERNMENT CHARTERS AND FIXED MILL~~
16 ~~LEVY LIMITS SUPERSEDED. (1) (A) THE LEGISLATURE FINDS THAT MOST LOCAL GOVERNMENTS SET MILL LEVIES THAT~~
17 ~~ADJUST DOWNWARD WHEN TAXABLE VALUE INCREASES UNDER 15-10-420. THIS FLOATING MILL LEVY CONCEPT~~
18 ~~AUTOMATICALLY LOWERS THE NUMBER OF MILLS LEVIED AGAINST A TAXPAYER WHEN PROPERTY VALUES INCREASE,~~
19 ~~WHICH MITIGATES INCREASES IN PROPERTY VALUES. HOWEVER, WHEN MILL LEVIES ARE FIXED, THE OPPOSITE OCCURS~~
20 ~~WHEN PROPERTY VALUES INCREASE, AND PROPERTY TAXES ARE NOT AUTOMATICALLY MITIGATED FOR TAXPAYERS THAT~~
21 ~~ARE LEVIED BASED ON A FIXED MILL LEVY.~~

22 ~~(B) THE LEGISLATURE FINDS FURTHER THAT IT IS PROHIBITED UNDER ARTICLE VIII, SECTION 2, OF THE~~
23 ~~MONTANA CONSTITUTION, FROM SUSPENDING OR CONTRACTING AWAY THE POWER TO TAX. THE LEGISLATURE ALSO~~
24 ~~RECOGNIZES AND RESPECTS THE POWER OF LOCAL GOVERNMENTS UNDER ARTICLE XI, SECTION 5, OF THE MONTANA~~
25 ~~CONSTITUTION TO ADOPT, AMEND, REVISE, OR ABANDON A CHARTER.~~

26 ~~(2) AS A MATTER OF POLICY, THE LEGISLATURE INTENDS TO SUPERSEDE LOCAL GOVERNMENT CHARTERS~~
27 ~~THAT FIX MILL LEVY LIMITS FOR THE LIMITED PURPOSE OF EXERCISING THE POWER TO TAX WHILE ALSO MAINTAINING~~

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1 ~~LOCAL GOVERNMENT REVENUE SOURCES WITHOUT RAISING TAXES ON RESIDENTIAL TAXPAYERS. HAVING CONSIDERED~~
2 ~~ALL OPTIONS ON A STATEWIDE BASIS, THE LEGISLATURE FINDS THE STATUTORY STRUCTURE OF THE PROPERTY TAX HAS~~
3 ~~EVOLVED SIGNIFICANTLY SINCE THE PASSAGE OF INITIATIVE MEASURE NO. 105 ON NOVEMBER 4, 1986, AND THE~~
4 ~~ENACTMENT OF 15-10-420 BY THE LEGISLATURE IN 1999. GIVEN THE SIGNIFICANT CHANGE IN THE STRUCTURE OF THE~~
5 ~~PROPERTY TAX AND THE RISING COST OF RESIDENTIAL PROPERTY IN THE LAST 5 YEARS, THERE IS A COMPELLING~~
6 ~~INTEREST TO ALL THE CITIZENS OF THE STATE TO LOWER RESIDENTIAL PROPERTY TAX RATES FOR PRIMARY RESIDENCES,~~
7 ~~WHICH CAN ONLY BE ACCOMPLISHED BY THIS SECTION AND 15-10-420.~~

8 ~~(3) AFTER [THE EFFECTIVE DATE OF THIS SECTION], A LOCAL GOVERNMENT WITH A MILL LEVY LIMIT OF A~~
9 ~~SPECIFIC NUMBER OF MILLS THAT MAY BE IMPOSED, EITHER BY CHARTER OR BY VOTER APPROVAL MAY:~~

10 ~~(A) ELECT TO TRANSITION A VOTED MILL LEVY TO A DOLLAR-BASED MILL LEVY EQUAL TO THE AMOUNT OF~~
11 ~~PROPERTY TAXES ASSESSED IN FISCAL YEAR 2025 AND THEREAFTER SUBJECT TO THE PROVISIONS OF 15-10-420(1)(A);~~

12 ~~OR~~

13 ~~(B) LEVY THE NUMBER OF MILLS IN FISCAL YEAR 2026 THAT WILL GENERATE THE AMOUNT OF PROPERTY~~
14 ~~TAXES ASSESSED IN FISCAL YEAR 2025. IN FISCAL YEARS AFTER 2026, THE LOCAL GOVERNMENT SHALL LEVY THE~~
15 ~~NUMBER OF MILLS LEVIED IN FISCAL YEAR 2026.~~

17 **NEW SECTION. SECTION 7. REIMBURSEMENT FOR LOSS OF REVENUE FROM CERTAIN FIXED MILL LEVIES.**

18 (1) THE DEPARTMENT SHALL REIMBURSE EACH TAXING ENTITY AS PROVIDED IN THIS SECTION FOR THE REVENUE LOSS
19 RESULTING FROM THE TAX RATE REDUCTIONS IN 15-6-134 AS AMENDED BY [THIS ACT] FOR THE FOLLOWING LEVIES:

20 (A) LEVIES OF A LOCAL GOVERNMENT WITH A CHARTER FORM OF GOVERNMENT THAT INCLUDES A MILL
21 LEVY LIMIT OF A SPECIFIC NUMBER OF MILLS THAT MAY BE IMPOSED IN THE CHARTER; AND

22 (B) LEVIES STATED AS A SPECIFIC MILL LEVY AUTHORIZED BY VOTERS BEFORE [THE EFFECTIVE DATE OF
23 THIS SECTION passage and approval of this act].

24 (2) FOR FISCAL YEAR 2026, THE REIMBURSEMENT MUST BE EQUAL TO THE DIFFERENCE BETWEEN THE
25 PROPERTY TAX REVENUE COLLECTED FROM THE LEVIES PROVIDED FOR IN SUBSECTION (1) AND THE PROPERTY TAX
26 REVENUE COLLECTED IN FISCAL YEAR 2025 2024. AFTER FISCAL YEAR 2026, THE REIMBURSEMENT MUST BE EQUAL TO
27 THE DIFFERENCE BETWEEN THE PROPERTY TAX REVENUE COLLECTED FROM THE LEVIES PROVIDED FOR IN SUBSECTION

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1 (1) AND THE PROPERTY TAX REVENUE THAT WOULD BE COLLECTED IN THE CURRENT FISCAL YEAR USING THE MILL LEVY
2 THAT WOULD RAISE THE FISCAL YEAR ~~2025~~ 2024 TAX REVENUE USING THE FISCAL YEAR 2026 TAXABLE VALUE.

3 (3) A REIMBURSEMENT PROVIDED FOR IN THIS SECTION MAY ONLY BE MADE FOR 4 YEARS AFTER [THE
4 EFFECTIVE DATE OF THIS SECTION].

5 (4) A taxing entity eligible to receive a reimbursement under this section shall report the loss in
6 revenue from the tax rate reductions in 15-6-134 as amended by [this act] to the department of revenue.

7 ~~(4)(5)~~ THE DEPARTMENT SHALL DISTRIBUTE THE REIMBURSEMENTS WITH THE ENTITLEMENT SHARE
8 PAYMENTS UNDER 15-1-121(7).

9
10 NEW SECTION. SECTION 8. DEFINITIONS. AS USED IN [SECTIONS ~~9 8~~ THROUGH ~~44 10~~], THE FOLLOWING
11 DEFINITIONS APPLY:

12 (1) "MONTANA PROPERTY TAXES" MEANS THE AD VALOREM PROPERTY TAXES, SPECIAL ASSESSMENTS,
13 AND OTHER FEES IMPOSED ON PROPERTY CLASSIFIED UNDER 15-6-134 THAT IS A SINGLE-FAMILY DWELLING UNIT, UNIT
14 OF A MULTIPLE-UNIT DWELLING, TRAILER, MANUFACTURED HOME, OR MOBILE HOME AND AS MUCH OF THE SURROUNDING
15 LAND, NOT EXCEEDING 1 ACRE, AS IS REASONABLY NECESSARY FOR ITS USE AS A DWELLING AND THAT WERE ASSESSED
16 AND PAID BY THE TAXPAYER FOR TAX YEAR 2024. THE AMOUNT OF MONTANA PROPERTY TAXES ASSESSED AND PAID IS
17 EQUAL TO THE TOTAL AMOUNT BILLED BY THE LOCAL GOVERNMENT FOR THE DWELLING AS SHOWN ON THE 2024
18 PROPERTY TAX BILL RECEIVED BY THE TAXPAYER WITH A FIRST-HALF PAYMENT DUE IN OR AROUND NOVEMBER 2024 AND
19 A SECOND-HALF PAYMENT DUE IN OR AROUND MAY 2025.

20 (2) "OWNED" INCLUDES PURCHASING UNDER A CONTRACT FOR DEED AND BEING THE GRANTOR OR
21 GRANTORS UNDER A REVOCABLE TRUST INDENTURE.

22 (3) (A) "PRINCIPAL RESIDENCE" MEANS, SUBJECT TO THE PROVISIONS OF SUBSECTION (3)(B), A DWELLING:

23 (i) IN WHICH AN OWNER CAN DEMONSTRATE THE OWNER OWNED AND LIVED FOR AT LEAST 7 MONTHS OF
24 THE YEAR FOR WHICH THE PROPERTY TAX REBATE IS CLAIMED;

25 (ii) THAT IS THE ONLY RESIDENCE FOR WHICH THE TAXPAYER CLAIMS THE PROPERTY TAX REBATE; AND

26 (iii) FOR WHICH THE TAXPAYER MADE PAYMENT OF THE ASSESSED MONTANA PROPERTY TAXES DURING
27 TAX YEAR 2024.

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1 (B) A TAXPAYER WHO CANNOT MEET THE REQUIREMENTS OF SUBSECTION (3)(A)(I) BECAUSE THE OWNER'S
2 PRINCIPAL RESIDENCE CHANGED DURING THE TAX YEAR TO ANOTHER PRINCIPAL RESIDENCE MAY STILL CLAIM THE
3 PROPERTY TAX REBATE IF THE TAXPAYER PAID THE MONTANA PROPERTY TAXES WHILE RESIDING IN EACH PRINCIPAL
4 RESIDENCE FOR A TOTAL OF AT LEAST 7 CONSECUTIVE MONTHS FOR THE 2024 TAX YEAR.

5 (4) "TAX YEAR 2024" MEANS THE PERIOD JANUARY 1, 2024, THROUGH DECEMBER 31, 2024.

7 NEW SECTION. SECTION 9. PROPERTY TAX REBATE -- MANNER OF CLAIMING -- LIMITATIONS -- APPEALS.

8 (1) SUBJECT TO THE CONDITIONS PROVIDED FOR IN [SECTIONS ~~9 8~~ THROUGH ~~11 10~~], THERE IS A REBATE OF MONTANA
9 PROPERTY TAXES IN THE AMOUNT OF \$400 OR THE AMOUNT OF TOTAL PROPERTY TAXES PAID, WHICHEVER IS LESS, FOR
10 TAX YEAR 2024.

11 (2) THE REBATE PROVIDED FOR IN SUBSECTION (1) IS FOR MONTANA PROPERTY TAXES ASSESSED TO AND
12 PAID BY A TAXPAYER OR TAXPAYERS ON PROPERTY THEY OWNED AND OCCUPIED AS A PRINCIPAL RESIDENCE DURING
13 TAX YEAR 2024.

14 (3) THE DEPARTMENT SHALL MAIL A NOTICE TO POTENTIAL CLAIMANTS BY JUNE 30, 2025, FOR TAX YEAR
15 2024. RECEIPT OF A NOTICE DOES NOT ESTABLISH THAT A TAXPAYER OR PROPERTY OWNER IS ELIGIBLE FOR A REBATE,
16 AND A TAXPAYER WHO DOES NOT RECEIVE A NOTICE MAY STILL BE ELIGIBLE TO CLAIM A REBATE. ALL TAXPAYERS,
17 REGARDLESS OF THE RECEIPT OF NOTICE, SHALL CLAIM A REBATE AS PROVIDED IN SUBSECTION (5).

18 (4) EXCEPT AS PROVIDED IN SUBSECTIONS (5)(C) AND (5)(D), A SINGLE-FAMILY DWELLING UNIT, UNIT OF A
19 MULTIPLE-UNIT DWELLING, TRAILER, MANUFACTURED HOME, OR MOBILE HOME AND AS MUCH OF THE SURROUNDING
20 LAND, NOT EXCEEDING 1 ACRE THAT IS OWNED BY AN ENTITY IS NOT ELIGIBLE TO CLAIM THE REBATE.

21 (5) (A) (I) ALL CLAIMS FOR THIS PROPERTY TAX REBATE MUST BE SUBMITTED TO THE DEPARTMENT
22 ELECTRONICALLY OR BY MAIL.

23 (II) ELECTRONIC CLAIMS MUST BE SUBMITTED BETWEEN AUGUST 15, 2025, AND OCTOBER 1, 2025,
24 THROUGH THE DEPARTMENT'S WEBSITE.

25 (III) CLAIMS SUBMITTED BY MAIL MUST BE MADE ON A FORM PRESCRIBED BY THE DEPARTMENT AND
26 POSTMARKED BY OCTOBER 1.

27 (IV) THE DEPARTMENT MAY GRANT AN EXTENSION OF TIME IF THE CLAIMANT ESTABLISHES GOOD CAUSE

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1 FOR MISSING THE OCTOBER 1 DEADLINE. THE DEPARTMENT'S AUTHORITY TO CONSIDER AN APPLICATION TERMINATES
2 ON DECEMBER 1, 2025, AND ANY APPLICATIONS OR REQUESTS FOR EXTENSION RECEIVED AFTER THAT DATE MAY NOT
3 BE PROCESSED.

4 (B) SUBJECT TO SUBSECTIONS (5)(C) AND (5)(D), A CLAIM FOR REBATE MUST BE SUBMITTED, UNDER
5 PENALTY OF FALSE SWEARING AND THE PENALTIES PROVIDED IN [SECTION ~~44~~ 10], ON A FORM PRESCRIBED BY THE
6 DEPARTMENT AND MUST CONTAIN:

7 (I) AN AFFIRMATION THAT THE CLAIMANT OWNS AND MAINTAINS THE LAND AND IMPROVEMENTS AS THE
8 PRINCIPAL RESIDENCE AS DEFINED IN [SECTION 9 8];

9 (II) THE GEOCODE OR OTHER PROPERTY IDENTIFIER FOR THE PRINCIPAL RESIDENCE THAT THE CLAIMANT IS
10 REQUESTING THE REBATE ON;

11 (III) THE SOCIAL SECURITY NUMBER OF THE CLAIMANT AND THE CLAIMANT'S SPOUSE; AND

12 (IV) ANY OTHER INFORMATION AS REQUIRED BY THE DEPARTMENT THAT IS RELEVANT TO THE CLAIMANT'S
13 ELIGIBILITY.

14 (C) THE PERSONAL REPRESENTATIVE OF THE ESTATE OF A DECEASED TAXPAYER MAY EXECUTE AND FILE
15 THE CLAIM FOR REBATE ON BEHALF OF A DECEASED TAXPAYER WHO QUALIFIES FOR THE REBATE.

16 (D) THE TRUSTEE OF A GRANTOR REVOCABLE TRUST MAY FILE A CLAIM ON BEHALF OF THE TRUST IF THE
17 DWELLING MEETS THE DEFINITION OF A PRINCIPAL RESIDENCE FOR THE GRANTOR.

18 (6) ONLY ONE REBATE WILL BE ISSUED TO A TAXPAYER FOR THE MONTANA PROPERTY TAXES PAID BY THE
19 TAXPAYER FOR TAX YEAR 2024.

20 (7) IF A DEBT IS DUE AND OWING TO THE STATE, THE DEPARTMENT MAY OFFSET THE REBATE IN THIS
21 SECTION AS PROVIDED IN SECTIONS 15-30-2629, 15-30-2630, 17-4-105, OR AS OTHERWISE PROVIDED BY LAW.

22 (8) IF A PROPERTY TAX REBATE IS DENIED BY THE DEPARTMENT, THE CLAIMANT IS ENTITLED TO A WRITTEN
23 EXPLANATION WHY THE APPLICATION WAS DENIED. A CLAIMANT MAY MAKE A WRITTEN APPEAL OF A DENIAL TO A
24 MANAGEMENT LEVEL EMPLOYEE OF THE DEPARTMENT, WHO SHALL ISSUE A FINAL DECISION THAT IS NOT APPEALABLE.
25 APPEALS OCCURRING UNDER THIS SUBSECTION (8) ARE NOT SUBJECT TO THE PROVISIONS CONTAINED IN 15-1-211.

26
27 NEW SECTION. SECTION 10. PROPERTY TAX REBATE -- PENALTY FOR FALSE OR FRAUDULENT CLAIM. (1)

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1 EXCEPT AS PROVIDED IN SUBSECTION (2), IF THE DEPARTMENT DISCOVERS THAT A REBATE PAID TO A TAXPAYER
2 EXCEEDED THE AMOUNT ALLOWED BY [SECTIONS 9 8 THROUGH 41 10], THE DEPARTMENT MAY, WITHIN 1 YEAR FROM
3 THE DATE THE REBATE WAS TRANSMITTED TO THE TAXPAYER, ASSESS THE TAXPAYER FOR THE DIFFERENCE. THE
4 ASSESSMENT IS SUBJECT TO THE UNIFORM DISPUTE REVIEW PROCEDURE ESTABLISHED IN 15-1-211.

5 (2) A PERSON WHO FILES A FALSE OR FRAUDULENT CLAIM FOR A PROPERTY TAX REBATE UNDER
6 [SECTIONS 9 8 THROUGH 41 10] IS SUBJECT TO CRIMINAL PROSECUTION UNDER THE PROVISIONS OF 45-7-202. IF A
7 FALSE OR FRAUDULENT CLAIM HAS BEEN PAID BY THE DEPARTMENT, THE AMOUNT PAID MAY BE RECOVERED AS ANY
8 OTHER TAX OWED THE STATE, TOGETHER WITH A PENALTY OF 300% OF THE REBATE CLAIMED AND INTEREST ON THE
9 AMOUNT OF THE REBATE CLAIMED PLUS PENALTY AT THE RATE OF 12% A YEAR, UNTIL PAID. IF THIS REBATE PLUS
10 PENALTY BECOMES DUE AND OWING, THE DEPARTMENT MAY ISSUE A WARRANT FOR DISTRAINT AS PROVIDED IN TITLE 15,
11 CHAPTER 1, PART 7.

12
13 **SECTION 11.** SECTION 15-1-121, MCA, IS AMENDED TO READ:
14 **"15-1-121. Entitlement share payment -- purpose -- appropriation.** (1) As described in 15-1-
15 120(3), each local government is entitled to an annual amount that is the replacement for revenue received by
16 local governments for diminishment of property tax base and various earmarked fees and other revenue that,
17 pursuant to Chapter 574, Laws of 2001, amended by section 4, Chapter 13, Special Laws of August 2002, and
18 later enactments, were consolidated to provide aggregation of certain reimbursements, fees, tax collections,
19 and other revenue in the state treasury with each local government's share. The reimbursement under this
20 section is provided by direct payment from the state treasury rather than the ad hoc system that offset certain
21 state payments with local government collections due the state and reimbursements made by percentage splits,
22 with a local government remitting a portion of collections to the state, retaining a portion, and in some cases
23 sending a portion to other local governments.

24 (2) The sources of dedicated revenue that were relinquished by local governments in exchange for
25 an entitlement share of the state general fund were:

26 (a) personal property tax reimbursements pursuant to sections 167(1) through (5) and 169(6),
27 Chapter 584, Laws of 1999;

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- 1 (b) vehicle, boat, and aircraft taxes and fees pursuant to:
- 2 (i) Title 23, chapter 2, part 5;
- 3 (ii) Title 23, chapter 2, part 6;
- 4 (iii) Title 23, chapter 2, part 8;
- 5 (iv) 61-3-317;
- 6 (v) 61-3-321;
- 7 (vi) Title 61, chapter 3, part 5, except for 61-3-509(3), as that subsection read prior to the
- 8 amendment of 61-3-509 in 2001;
- 9 (vii) Title 61, chapter 3, part 7;
- 10 (viii) 5% of the fees collected under 61-10-122;
- 11 (ix) 61-10-130;
- 12 (x) 61-10-148; and
- 13 (xi) 67-3-205;
- 14 (c) gaming revenue pursuant to Title 23, chapter 5, part 6, except for the permit fee in 23-5-
- 15 612(2)(a);
- 16 (d) district court fees pursuant to:
- 17 (i) 25-1-201, except those fees in 25-1-201(1)(d), (1)(g), and (1)(j);
- 18 (ii) 25-1-202;
- 19 (iii) 25-9-506; and
- 20 (iv) 27-9-103;
- 21 (e) certificate of title fees for manufactured homes pursuant to 15-1-116;
- 22 (f) financial institution taxes collected pursuant to the former provisions of Title 15, chapter 31, part
- 23 7;
- 24 (g) all beer, liquor, and wine taxes pursuant to:
- 25 (i) 16-1-404;
- 26 (ii) 16-1-406; and
- 27 (iii) 16-1-411;

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- 1 (h) late filing fees pursuant to 61-3-220;
- 2 (i) title and registration fees pursuant to 61-3-203;
- 3 (j) veterans' cemetery license plate fees pursuant to 61-3-459;
- 4 (k) county personalized license plate fees pursuant to 61-3-406;
- 5 (l) special mobile equipment fees pursuant to 61-3-431;
- 6 (m) single movement permit fees pursuant to 61-4-310;
- 7 (n) state aeronautics fees pursuant to 67-3-101; and
- 8 (o) department of natural resources and conservation payments in lieu of taxes pursuant to former
- 9 Title 77, chapter 1, part 5.

10 (3) Except as provided in subsection (7)(b), the total amount received by each local government in

11 the prior fiscal year as an entitlement share payment under this section is the base component for the

12 subsequent fiscal year distribution, and in each subsequent year the prior year entitlement share payment,

13 including any reimbursement payments received pursuant to subsection (7), is each local government's base

14 component. The sum of all local governments' base components is the fiscal year entitlement share pool.

15 (4) (a) Except as provided in subsections (4)(b)(iv) and (7)(b), the base entitlement share pool

16 must be increased annually by an entitlement share growth rate as provided for in this subsection (4). The

17 amount determined through the application of annual growth rates is the entitlement share pool for each fiscal

18 year.

19 (b) By October 1 of each year, the department shall calculate the growth rate of the entitlement

20 share pool for the next fiscal year in the following manner:

21 (i) The department shall calculate the entitlement share growth rate based on the ratio of two

22 factors of state revenue sources for the first, second, and third most recently completed fiscal years as

23 recorded on the statewide accounting, budgeting, and human resource system. The first factor is the sum of the

24 revenue for the first and second previous completed fiscal years received from the sources referred to in

25 subsections (2)(b), (2)(c), and (2)(g) divided by the sum of the revenue for the second and third previous

26 completed fiscal years received from the same sources multiplied by 0.75. The second factor is the sum of the

27 revenue for the first and second previous completed fiscal years received from individual income tax as

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1 provided in Title 15, chapter 30, and corporate income tax as provided in Title 15, chapter 31, divided by the
2 sum of the revenue for the second and third previous completed fiscal years received from the same sources
3 multiplied by 0.25.

4 (ii) Except as provided in subsections (4)(b)(iii) and (4)(b)(iv), the entitlement share growth rate is
5 the lesser of:

6 (A) the sum of the first factor plus the second factor; or

7 (B) 1.03 for counties, 1.0325 for consolidated local governments, and 1.035 for cities and towns.

8 (iii) In no instance can the entitlement growth factor be less than 1. Subject to subsection (4)(b)(iv),
9 the entitlement share growth rate is applied to the most recently completed fiscal year entitlement payment to
10 determine the subsequent fiscal year payment.

11 (iv) The entitlement share growth rate, as described in this subsection (4), is:

12 (A) for fiscal year 2018, 1.005;

13 (B) for fiscal year 2019, 1.0187;

14 (C) for fiscal year 2020 and thereafter, determined as provided in subsection (4)(b)(ii). The rate
15 must be applied to the entitlement payment for the previous fiscal year as if the payment had been calculated
16 using entitlement share growth rates for fiscal years 2018 and 2019 as provided in subsection (4)(b)(ii).

17 (5) As used in this section, "local government" means a county, a consolidated local government,
18 an incorporated city, and an incorporated town. A local government does not include a tax increment financing
19 district provided for in subsection (8). The county or consolidated local government is responsible for making an
20 allocation from the county's or consolidated local government's share of the entitlement share pool to each
21 special district within the county or consolidated local government in a manner that reasonably reflects each
22 special district's loss of revenue sources for which reimbursement is provided in this section. The allocation for
23 each special district that existed in 2002 must be based on the relative proportion of the loss of revenue in
24 2002.

25 (6) (a) The entitlement share pools calculated in this section, the amounts distributed under 15-1-
26 123(4) for local governments, the funding provided for in subsection (8) of this section, and the amounts
27 distributed under 15-1-123(5) for tax increment financing districts are statutorily appropriated, as provided in 17-

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1 7-502, from the general fund to the department for distribution to local governments.

2 (b) (i) The growth amount is the difference between the entitlement share pool in the current fiscal
3 year and the entitlement share pool in the previous fiscal year. The growth factor in the entitlement share must
4 be calculated separately for:

5 (A) counties;

6 (B) consolidated local governments; and

7 (C) incorporated cities and towns.

8 (ii) In each fiscal year, the growth amount for counties must be allocated as follows:

9 (A) 50% of the growth amount must be allocated based upon each county's percentage of the prior
10 fiscal year entitlement share pool for all counties; and

11 (B) 50% of the growth amount must be allocated based upon the percentage that each county's
12 population bears to the state population not residing within consolidated local governments as determined by
13 the latest interim year population estimates from the Montana department of commerce as supplied by the
14 United States bureau of the census.

15 (iii) In each fiscal year, the growth amount for consolidated local governments must be allocated as
16 follows:

17 (A) 50% of the growth amount must be allocated based upon each consolidated local
18 government's percentage of the prior fiscal year entitlement share pool for all consolidated local governments;
19 and

20 (B) 50% of the growth amount must be allocated based upon the percentage that each
21 consolidated local government's population bears to the state's total population residing within consolidated
22 local governments as determined by the latest interim year population estimates from the Montana department
23 of commerce as supplied by the United States bureau of the census.

24 (iv) In each fiscal year, the growth amount for incorporated cities and towns must be allocated as
25 follows:

26 (A) 50% of the growth amount must be allocated based upon each incorporated city's or town's
27 percentage of the prior fiscal year entitlement share pool for all incorporated cities and towns; and

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1 (B) 50% of the growth amount must be allocated based upon the percentage that each city's or
2 town's population bears to the state's total population residing within incorporated cities and towns as
3 determined by the latest interim year population estimates from the Montana department of commerce as
4 supplied by the United States bureau of the census.

5 (v) In each fiscal year, the amount of the entitlement share pool before the growth amount or
6 adjustments made under subsection (7) are applied is to be distributed to each local government in the same
7 manner as the entitlement share pool was distributed in the prior fiscal year.

8 (7) (a) If the legislature enacts a reimbursement provision that is to be distributed pursuant to this
9 section, the department shall determine the reimbursement amount as provided in the enactment and add the
10 appropriate amount to the entitlement share distribution under this section. The total entitlement share
11 distributions in a fiscal year, including distributions made pursuant to this subsection, equal the local fiscal year
12 entitlement share pool. The ratio of each local government's distribution from the entitlement share pool must
13 be recomputed to determine each local government's ratio to be used in the subsequent year's distribution
14 determination under subsections (6)(b)(ii)(A), (6)(b)(iii)(A), and (6)(b)(iv)(A).

15 (b) For fiscal year 2018 and thereafter, the growth rate provided for in subsection (4) does not
16 apply to the portion of the entitlement share pool attributable to the reimbursement provided for in 15-1-123(1)
17 and (2). The department shall calculate the portion of the entitlement share pool attributable to the
18 reimbursement in 15-1-123(1) and (2), including the application of the growth rate in previous fiscal years, for
19 counties, consolidated local governments, and cities and, for fiscal year 2018 and thereafter, apply the growth
20 rate for that portion of the entitlement share pool as provided in 15-1-123(3).

21 (c) The growth amount resulting from the application of the growth rate in 15-1-123(3) must be
22 allocated as provided in subsections (6)(b)(ii)(A), (6)(b)(iii)(A), and (6)(b)(iv)(A) of this section.

23 (d) The growth rate provided for in subsection (4) does not apply to the portion of the entitlement
24 share pool attributable to the reimbursement provided for in [section 8 7].

25 (8) (a) Except for a tax increment financing district entitled to a reimbursement under 15-1-123(5),
26 if a tax increment financing district was not in existence during the fiscal year ending June 30, 2000, then the
27 tax increment financing district is not entitled to any funding. If a tax increment financing district referred to in

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1 subsection (8)(b) terminates, then the funding for the district provided for in subsection (8)(b) terminates.

2 (b) One-half of the payments provided for in this subsection (8)(b) must be made by November 30
3 and the other half by May 31 of each year. Subject to subsection (8)(a), the entitlement share for tax increment
4 financing districts is as follows:

| | | |
|-----------------|------------------------|---------|
| <u>FLATHEAD</u> | Kalispell - District 2 | \$4,638 |
| Flathead | Kalispell - District 3 | 37,231 |
| Flathead | Whitefish District | 148,194 |
| Gallatin | Bozeman - downtown | 31,158 |
| Missoula | Missoula - 1-1C | 225,251 |
| Missoula | Missoula - 4-1C | 30,009 |

5 (9) The estimated fiscal year entitlement share pool and any subsequent entitlement share pool for
6 local governments do not include revenue received from tax increment financing districts.

7 (10) When there has been an underpayment of a local government's share of the entitlement share
8 pool, the department shall distribute the difference between the underpayment and the correct amount of the
9 entitlement share. When there has been an overpayment of a local government's entitlement share, the local
10 government shall remit the overpaid amount to the department.

11 (11) A local government may appeal the department's estimation of the base component, the
12 entitlement share growth rate, or a local government's allocation of the entitlement share pool, according to the
13 uniform dispute review procedure in 15-1-211.

14 (12) (a) Except as provided in 2-7-517, a payment required pursuant to this section may not be
15 offset by a debt owed to a state agency by a local government in accordance with Title 17, chapter 4, part 1.

16 (b) A payment required pursuant to this section must be withheld if a local government:

17 (i) fails to meet a deadline established in 2-7-503(1), 7-6-611(2), 7-6-4024(3), or 7-6-4036(1); and

18 (ii) fails to remit any amounts collected on behalf of the state as required by 15-1-504 or as
19 otherwise required by law within 45 days of the end of a month.

20 (c) A payment required pursuant to this section may be withheld if, for more than 90 days, a local
21 government fails to:

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- 1 (i) file a financial report required by 15-1-504;
- 2 (ii) remit any amounts collected on behalf of the state as required by 15-1-504; or
- 3 (iii) remit any other amounts owed to the state or another taxing jurisdiction."

4

5 **Section 12.** Section 15-6-134, MCA, is amended to read:

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

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

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

10 (i) all improvements, including single-family residences, trailers, manufactured homes, or mobile
11 homes used as a residence, except those specifically included in another class;

12 (ii) appurtenant improvements to the residences, including the parcels of land upon which the
13 residences are located and any leasehold improvements;

14 (iii) vacant residential lots; and

15 (iv) rental multifamily dwelling units.

16 (c) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural
17 land under 15-7-202;

18 ~~(d) _____, including 1 acre of real property beneath residential improvements on land described in 15-6-~~
19 ~~133(1)(c). The 1 acre must be valued at market value.~~

20 ~~(d) _____ and 1 acre of real property beneath an improvement used as a residence on land eligible for~~
21 ~~valuation, assessment, and taxation as forest land under 15-6-143. The 1 acre must be valued at market value.~~

22 (e) _____ real property beneath commercial improvements and as much of the surrounding land that is
23 reasonably required to support the commercial improvements on land described in 15-6-133(1)(c) and real
24 property beneath commercial improvements and as much of the surrounding land that is reasonably required to
25 support the commercial improvements on land eligible for valuation, assessment, and taxation as forest land
26 under 15-6-143. The land must be valued at market value.

27 ~~(e)(f)~~ all commercial and industrial property, as defined in 15-1-101, and including:

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- 1 (b) the date on which a property tax lien was attached to the property;
- 2 (c) the name and address of record of the person to whom the taxes were assessed;
- 3 (d) a description of the property on which the taxes were assessed;
- 4 (e) a separate listing of the amount of the delinquent taxes, penalties, interest, and costs;
- 5 (f) a statement that the tax lien certificate represents a lien on the property that may lead to the
- 6 issuance of a tax deed for the property;

7 (g) a statement specifying the date on which the county or an assignee will be entitled to a tax

8 deed; and

9 (h) an identification number corresponding to the tax lien certificate.

10 (3) The tax lien certificate must be signed by the county treasurer. A copy of the tax lien certificate

11 must be filed by the treasurer in the office of the county clerk. A copy of the tax lien certificate must also be

12 mailed to the person to whom the taxes were assessed, at the address of record, together with a notice that the

13 person may contact the county treasurer for further information on property tax liens.

14 (4) Prior to attaching a tax lien to the property, the county treasurer shall send notice of the

15 pending attachment of a tax lien to the person to whom the property was assessed. The notice must include the

16 information listed in subsection (2), state that the tax lien may be assigned to a third party, and provide notice of

17 the availability of all the property tax assistance programs available to property taxpayers, including the

18 property tax assistance programs under Title 15, chapter 6, part 3, the homestead reduced tax rate provided for

19 in [section 3 2], the rental property reduced tax rate provided for in [section 4 3], and the residential property tax

20 credit for the elderly under 15-30-2337 through 15-30-2341. The notice must have been mailed at least 2 weeks

21 prior to the date on which the county treasurer attaches the tax lien.

22 (5) The county treasurer shall file the tax lien certificate with the county clerk and recorder."

23

24 **SECTION 20.** SECTION 15-30-2120, MCA, IS AMENDED TO READ:

25 **"15-30-2120. Adjustments to federal taxable income to determine Montana taxable income. (1)**

26 The items in subsection (2) are added to and the items in subsection (3) are subtracted from federal taxable

27 income to determine Montana taxable income.

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- 1 (2) The following are added to federal taxable income:
- 2 (a) to the extent that it is not exempt from taxation by Montana under federal law, interest from
- 3 obligations of a territory or another state or any political subdivision of a territory or another state and exempt-
- 4 interest dividends attributable to that interest except to the extent already included in federal taxable income;
- 5 (b) that portion of a shareholder's income under subchapter S. of Chapter 1 of the Internal
- 6 Revenue Code that has been reduced by any federal taxes paid by the subchapter S. corporation on the
- 7 income;
- 8 (c) depreciation or amortization taken on a title plant as defined in 33-25-105;
- 9 (d) the recovery during the tax year of an amount deducted in any prior tax year to the extent that
- 10 the amount recovered reduced the taxpayer's Montana income tax in the year deducted;
- 11 (e) an item of income, deduction, or expense to the extent that it was used to calculate federal
- 12 taxable income if the item was also used to calculate a credit against a Montana income tax liability;
- 13 (f) a deduction for an income distribution from an estate or trust to a beneficiary that was included
- 14 in the federal taxable income of an estate or trust in accordance with sections 651 and 661 of the Internal
- 15 Revenue Code, 26 U.S.C. 651 and 661;
- 16 (g) a withdrawal from a medical care savings account provided for in Title 15, chapter 61, used for
- 17 a purpose other than an eligible medical expense or long-term care of the employee or account holder or a
- 18 dependent of the employee or account holder;
- 19 (h) a withdrawal from a first-time home buyer savings account provided for in Title 15, chapter 63,
- 20 used for a purpose other than for eligible costs for the purchase of a single-family residence;
- 21 (i) for a taxpayer that deducts the qualified business income deduction pursuant to section 199A
- 22 of the Internal Revenue Code, 26 U.S.C. 199A, an amount equal to the qualified business income deduction
- 23 claimed;
- 24 (j) for an individual taxpayer that deducts state income taxes pursuant to section 164(a)(3) of the
- 25 Internal Revenue Code, 26 U.S.C. 164(a)(3), an additional amount equal to the state income tax deduction
- 26 claimed, not to exceed the amount required to reduce the federal itemized amount computed under section 161
- 27 of the Internal Revenue Code, 26 U.S.C. 161, to the amount of the federal standard deduction allowable under

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1 section 63(c) of the Internal Revenue Code, 26 U.S.C. 63(c); and

2 (k) for a pass-through entity, estate, or trust, the amount of state income taxes deducted pursuant
3 to section 164(a)(3) of the Internal Revenue Code, 26 U.S.C 164(a)(3).

4 (3) To the extent they are included as income or gain or not already excluded as a deduction or
5 expense in determining federal taxable income, the following are subtracted from federal taxable income:

6 (a) a deduction for an income distribution from an estate or trust to a beneficiary in accordance
7 with sections 651 and 661 of the Internal Revenue Code, 26 U.S.C. 651 and 661, recalculated according to the
8 additions and subtractions in subsections (2) and (3)(b) through ~~(3)(e)~~ (3)(p);

9 (b) if exempt from taxation by Montana under federal law:

10 (i) interest from obligations of the United States government and exempt-interest dividends
11 attributable to that interest; and

12 (ii) railroad retirement benefits;

13 (c) (i) salary received from the armed forces by residents of Montana who are serving on active
14 duty in the regular armed forces and who entered into active duty from Montana;

15 (ii) the salary received by residents of Montana for active duty in the national guard. For the
16 purposes of this subsection (3)(c)(ii), "active duty" means duty performed under an order issued to a national
17 guard member pursuant to:

18 (A) Title 10, U.S.C.; or

19 (B) Title 32, U.S.C., for a homeland defense activity, as defined in 32 U.S.C. 901, or a contingency
20 operation, as defined in 10 U.S.C. 101, and the person was a member of a unit engaged in a homeland
21 defense activity or contingency operation.

22 (iii) the amount received by a beneficiary pursuant to 10-1-1201; and

23 (iv) all payments made under the World War I bonus law, the Korean bonus law, and the veterans'
24 bonus law. Any income tax that has been or may be paid on income received from the World War I bonus law,
25 Korean bonus law, and the veterans' bonus law is considered an overpayment and must be refunded upon the
26 filing of an amended return and a verified claim for refund on forms prescribed by the department in the same
27 manner as other income tax refund claims are paid.

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- 1 (d) annual contributions and income in a medical care savings account provided for in Title 15,
2 chapter 61, and any withdrawal for payment of eligible medical expenses or for the long-term care of the
3 employee or account holder or a dependent of the employee or account holder;
- 4 (e) contributions or earnings withdrawn from a family education savings account provided for in
5 Title 15, chapter 62, or from a qualified tuition program established and maintained by another state as
6 provided in section 529(b)(1)(A)(ii) of the Internal Revenue Code, 26 U.S.C. 529(b)(1)(A)(ii), for qualified
7 education expenses, as defined in 15-62-103, of a designated beneficiary;
- 8 (f) interest and other income related to contributions that were made prior to January 1, 2024, that
9 are retained in a first-time home buyer savings account provided for in Title 15, chapter 63, and any withdrawal
10 for payment of eligible costs for the first-time purchase of a single-family residence;
- 11 (g) for each taxpayer that has attained the age of 65, an additional subtraction of \$5,500;
- 12 (h) the amount of a scholarship to an eligible student by a student scholarship organization
13 pursuant to 15-30-3104;
- 14 (i) a payment received by a private landowner for providing public access to public land pursuant
15 to Title 76, chapter 17, part 1;
- 16 (j) the amount of any refund or credit for overpayment of income taxes imposed by this state or
17 any other taxing jurisdiction to the extent included in gross income for federal income tax purposes but not
18 previously allowed as a deduction for Montana income tax purposes;
- 19 (k) the recovery during the tax year of any amount deducted in any prior tax year to the extent that
20 the recovered amount did not reduce the taxpayer's Montana income tax in the year deducted;
- 21 (l) the amount of the gain recognized from the sale or exchange of a mobile home park as
22 provided in 15-31-163;
- 23 (m) payments from the Montana end of watch trust as provided in 2-15-2041;
- 24 (n) (i) subject to subsection (9), a portion of military pensions or military retirement income as
25 calculated pursuant to subsection (8) that is received by a retired member of:
- 26 (A) the armed forces of the United States, as defined in 10 U.S.C. 101;
- 27 (B) the Montana army national guard or the army national guard of other states;

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1 (C) the Montana air national guard or the air national guard of other states; or

2 (D) a reserve component, as defined in 38 U.S.C. 101, of the United States armed forces; and

3 (ii) subject to subsection (9), up to 50% of all income received as survivor benefits for military
4 service provided for in subsection (3)(n)(i)(A) through (3)(n)(i)(D); ~~and~~

5 (o) the amount of the property tax rebate received under 15-1-2302; and

6 (p) the amount of the property tax rebate received under [section ~~10~~ 9].

7 (4) (a) A taxpayer who, in determining federal taxable income, has reduced the taxpayer's
8 business deductions:

9 (i) by an amount for wages and salaries for which a federal tax credit was elected under sections
10 38 and 51(a) of the Internal Revenue Code, 26 U.S.C. 38 and 51(a), is allowed to deduct the amount of the
11 wages and salaries paid regardless of the credit taken; or

12 (ii) for which a federal tax credit was elected under the Internal Revenue Code is allowed to
13 deduct the amount of the business expense paid when there is no corresponding state income tax credit or
14 deduction, regardless of the credit taken.

15 (b) The deductions in subsection (4)(a) must be made in the year that the wages, salaries, or
16 business expenses were used to compute the credit. In the case of a partnership or small business corporation,
17 the deductions in subsection (4)(a) must be made to determine the amount of income or loss of the partnership
18 or small business corporation.

19 (5) (a) An individual who contributes to one or more accounts established under the Montana
20 family education savings program or to a qualified tuition program established and maintained by another state
21 as provided in section 529(b)(1)(A)(ii) of the Internal Revenue Code, 26 U.S.C. 529(b)(1)(A)(ii), may reduce
22 taxable income by the lesser of \$3,000 or the amount of the contribution. In the case of married taxpayers, each
23 spouse is entitled to a reduction, not in excess of \$3,000, for the spouses' contributions to the accounts.
24 Spouses may jointly elect to treat half of the total contributions made by the spouses as being made by each
25 spouse. The reduction in taxable income under this subsection (5)(a) applies only with respect to contributions
26 to an account of which the account owner is the taxpayer, the taxpayer's spouse, or the taxpayer's child or
27 stepchild if the taxpayer's child or stepchild is a Montana resident. The provisions of subsection (2)(d) do not

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1 apply with respect to withdrawals of contributions that reduced federal taxable income.

2 (b) Contributions made pursuant to this subsection (5) are subject to the recapture tax provided for
3 in 15-62-208.

4 (6) (a) An individual who contributes to one or more accounts established under the Montana
5 achieving a better life experience program or to a qualified program established and maintained by another
6 state may reduce taxable income by the lesser of \$3,000 or the amount of the contribution. In the case of
7 married taxpayers, each spouse is entitled to a reduction, not to exceed \$3,000, for the spouses' contributions
8 to the accounts. Spouses may jointly elect to treat one-half of the total contributions made by the spouses as
9 being made by each spouse. The reduction in taxable income under this subsection (6)(a) applies only with
10 respect to contributions to an account for which the account owner is the taxpayer, the taxpayer's spouse, or
11 the taxpayer's child or stepchild if the taxpayer's child or stepchild is a Montana resident. The provisions of
12 subsection (2)(d) do not apply with respect to withdrawals of contributions that reduced taxable income.

13 (b) Contributions made pursuant to this subsection (6) are subject to the recapture tax provided in
14 53-25-118.

15 (7) By November 1 of each year, the department shall multiply the subtraction from federal taxable
16 income for a taxpayer that has attained the age of 65 contained in subsection (3)(g) by the inflation factor for
17 that tax year, rounding the result to the nearest \$10. The resulting amount is effective for that tax year and must
18 be used as the basis for the subtraction from federal taxable income determined under subsection (3)(g).

19 (8) (a) Subject to subsection (9), the subtraction in subsection (3)(n)(i) is equal to the lesser of:

20 (i) the amount of Montana source wage income on the return; or

21 (ii) 50% of the taxpayer's military pension or military retirement income.

22 (b) For the purposes of subsection (8)(a)(i), "Montana source wage income" means:

23 (i) wages, salary, tips, and other compensation for services performed in the state;

24 (ii) net income from a trade, business, profession, or occupation carried on in the state; and

25 (iii) net income from farming activities carried on in the state.

26 (9) The subtractions in subsection (3)(n):

27 (a) may only be claimed by a person who:

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- 1 (i) becomes a resident of the state after June 30, 2023; or
- 2 (ii) was a resident of the state before receiving military pension or military retirement income and
- 3 remained a resident after receiving military pension or military retirement income;
- 4 (b) may only be claimed for 5 consecutive years after satisfying the provisions of subsection (9)(a);
- 5 and
- 6 (c) are not available if a taxpayer claimed the exemption before becoming a nonresident.
- 7 (Subsection (3)(o) terminates June 30, 2025--sec. 10, Ch. 47, L. 2023; subsections (3)(n), (8), and (9) terminate
- 8 December 31, 2033--sec. 4, Ch. 650, L. 2023.)"

9

10 **NEW SECTION. SECTION 21. PROPERTY TAX ASSISTANCE ACCOUNT.** (1) THERE IS A STATE PROPERTY TAX

11 ASSISTANCE ACCOUNT IN THE STATE SPECIAL REVENUE FUND ESTABLISHED IN 17-2-102 TO THE CREDIT OF THE

12 DEPARTMENT OF REVENUE. THE REVENUE ALLOCATED TO THE ACCOUNT MUST BE USED TO PROVIDE PROPERTY TAX

13 ASSISTANCE.

14 (2) THE DEPARTMENT SHALL USE MONEY IN THE ACCOUNT TO PROVIDE REBATES PURSUANT TO [SECTION

15 49 9].

16

17 **NEW SECTION. Section 22. Codification instruction.** (1) [Sections 1 through ~~7 6~~] are intended to

18 be codified as an integral part of Title 15, chapter 6, and the provisions of Title 15, chapter 6, apply to [sections

19 1 through ~~7 6~~].

20 (2) [SECTION ~~8 7~~] IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 15, CHAPTER 1, PART 1,

21 AND THE PROVISIONS OF TITLE 15, CHAPTER 1, PART 1, APPLY TO [SECTION ~~8 7~~].

22 (3) [SECTIONS ~~9 8~~ THROUGH ~~44 10~~] ARE INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 15,

23 CHAPTER 1, AND THE PROVISIONS OF TITLE 15, CHAPTER 1, APPLY TO [SECTIONS ~~9 8~~ THROUGH ~~44 10~~].

24 (4) [SECTION ~~22 21~~] IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 15, CHAPTER 1, AND

25 THE PROVISIONS OF TITLE 15, CHAPTER 1, APPLY TO [SECTION ~~22 21~~].

26

27 **NEW SECTION. Section 23. Effective ~~date~~DATES ---CONTINGENCY.** (1) EXCEPT AS PROVIDED IN

Amendment - 2nd Reading/2nd House-tan - Requested by: Greg Hertz - (S) Committee of the Whole

- 2025
69th Legislature 2025

Drafter: Jaret Coles,

HB0231.004.001

1 ~~SUBSECTIONS subsection (2) AND (3).~~ [This THIS act] is effective on passage and approval.

2 (2) [SECTIONS 1 THROUGH ~~6 7, 11, 12, 43,~~ AND ~~45 14~~ THROUGH ~~20 19~~] ARE EFFECTIVE JANUARY 1,
3 ~~2026.~~

4 ~~(3) [Sections 8 and 12] are effective on the date that the department of revenue certifies to the~~
5 ~~code commissioner that a court of final disposition finds that [section 7] is invalid. The department of revenue~~
6 ~~shall submit certification within 30 days of the occurrence of the contingency.~~

7
8 NEW SECTION. SECTION 24. TRANSFER OF FUNDS. THE STATE TREASURER SHALL TRANSFER \$90 MILLION
9 FROM THE GENERAL FUND TO THE PROPERTY TAX ASSISTANCE ACCOUNT PROVIDED FOR IN [SECTION ~~22 21~~] BY JULY 1,
10 ~~2025.~~

11
12 COORDINATION SECTION. SECTION 17. COORDINATION INSTRUCTION. IF HOUSE BILL NO. 154 IS NOT
13 PASSED BY THE LEGISLATURE AND IF [THIS ACT] IS PASSED BY THE LEGISLATURE AND CONTAINS A SECTION THAT
14 AMENDS 15-6-134, THEN SUBSECTION (3)(B)(i)(A) OF 15-6-134 IN [THIS ACT] MUST BE REPLACED WITH THE FOLLOWING

15 ÷
16 "(A) 0.74% FOR THE MARKET VALUE THAT IS 2 TIMES THE MEDIAN RESIDENTIAL VALUE OR LESS;"

17
18
19 NEW SECTION. SECTION 25. SEVERABILITY. IF A PART OF [THIS ACT] IS INVALID, ALL VALID PARTS THAT
20 ARE SEVERABLE FROM THE INVALID PART REMAIN IN EFFECT. IF A PART OF [THIS ACT] IS INVALID IN ONE OR MORE OF ITS
21 APPLICATIONS, THE PART REMAINS IN EFFECT IN ALL VALID APPLICATIONS THAT ARE SEVERABLE FROM THE INVALID
22 APPLICATIONS.

23
24 NEW SECTION. Section 26. Applicability -- retroactive applicability. (1) Except as provided in
25 subsection (2), [this act] applies retroactively to property tax years beginning after December 31, 2024.

26 (2) [Sections ~~3 and 4~~ 1 THROUGH ~~6 7, 11, 12, 43,~~ AND ~~45 14~~ THROUGH ~~20 19~~] apply to property tax
27 years beginning after December 31, ~~2026~~ 2025.

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1
2 NEW SECTION. ~~Section 19. Termination.~~ [Section 2] and the references to [section 2] in [section 5
3], 15-6-134, 15-15-101, 15-15-102, and 15-15-103 terminate December 31, 2026.

4
5 NEW SECTION. SECTION 27. TERMINATION. (1) [SECTION 44 13] TERMINATES DECEMBER 31, 2025.
6 (2) [SECTIONS 9 8 THROUGH 44 10 AND 21 20] TERMINATE JUNE 30, 2026.

7
8 NEW SECTION. SECTION 28. CONTINGENT TERMINATION. [SECTIONS 8 7 AND 12 11] TERMINATE ON THE
9 DATE THAT THE DEPARTMENT OF REVENUE CERTIFIES TO THE CODE COMMISSIONER THAT REIMBURSEMENTS
10 AUTHORIZED PURSUANT TO [SECTION 8 7] HAVE BEEN COMPLETED. THE DEPARTMENT OF REVENUE SHALL SUBMIT
11 CERTIFICATION WITHIN 30 DAYS OF THE OCCURRENCE OF THE CONTINGENCY.

12 - END -