

1 SENATE BILL NO. 54
2 INTRODUCED BY G. HERTZ
3 BY REQUEST OF THE DEPARTMENT OF REVENUE
4

5 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE REAPPRAISAL CYCLE FOR CERTAIN
6 CENTRALLY ASSESSED PROPERTY; PROVIDING FOR A 2-YEAR REAPPRAISAL CYCLE FOR CERTAIN
7 CENTRALLY ASSESSED PROPERTY; AMENDING SECTIONS 15-1-210, 15-1-402, 15-7-102, 15-7-111, 15-
8 8-112, 15-15-102, 15-23-101, 15-23-103, AND 15-23-212, MCA; AND PROVIDING AN APPLICABILITY
9 DATE."

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11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
12

13 **Section 1.** Section 15-1-210, MCA, is amended to read:

14 **"15-1-210. Taxpayer right to know -- centrally assessed property.** (1) The department shall, in the
15 course of valuing properties, post on its website 30 days prior to the issuance of current year assessment
16 notices the capitalization rate or rates to be used by the department to determine the income indicators of value
17 for centrally assessed property, including supporting information on capitalization studies. The supporting
18 information must include the rationale for adding or deleting a company or property from those included in the
19 study in the prior year.

20 (2) The department shall display a statement on its website that it will accept comments on the
21 current year capitalization rates and information as provided in subsection (1) for 20 days after posting. The
22 department shall consider the comments prior to issuing the current year assessment notices and shall post a
23 response to each written comment within 20 days of the close of the comment period.

24 (3) The department shall include all underlying computations when providing a taxpayer with a
25 determination of valuation.

26 (4) If the department changes its reliance on any indicator of value by more than 15% from the
27 previous year valuation, the department shall provide the taxpayer with a written explanation of the rationale for
28 the change when issuing an initial or final determination of valuation to a taxpayer.

1 for an adverse protested action from the centrally assessed property tax state special revenue fund may not
2 exceed the amount of protested taxes or fees required to be deposited for that action pursuant to subsections
3 (4)(b)(ii) and (4)(b)(iii). If the amount available for the adverse protested action in the centrally assessed
4 property tax state special revenue fund is insufficient to refund the tax payments to which the taxpayer is
5 entitled and for which the state is responsible, the department shall pay the remainder of the refund
6 proportionally from the state general fund and from money deposited in the state special revenue fund levied
7 pursuant to 15-10-109.

8 (e) In satisfying the requirements of subsection (6)(d), the taxing jurisdiction, including the state, is
9 allowed not more than 1 year from the beginning of the fiscal year following a final resolution of the protest. The
10 taxpayer is entitled to interest on the unpaid balance at the rate referred to in subsection (6)(b) from the date of
11 payment under protest until the date of final resolution of the protest and at the combined rate of the federal
12 reserve discount rate quoted from the federal reserve bank in New York, New York, on the date of final
13 resolution, plus 4 percentage points, from the date of final resolution of the protest until refund is made.

14 (7) A taxing jurisdiction, except the state, may satisfy the requirements of this section by use of
15 funds from one or more of the following sources:

- 16 (a) imposition of a property tax to be collected by a special tax protest refund levy;
- 17 (b) the general fund or any other funds legally available to the governing body; and
- 18 (c) proceeds from the sale of bonds issued by a county, city, or school district for the purpose of
19 deriving revenue for the repayment of tax protests lost by the taxing jurisdiction. The governing body of a
20 county, city, or school district is authorized to issue the bonds pursuant to procedures established by law. The
21 bonds may be issued without being submitted to an election. Property taxes may be levied to amortize the
22 bonds.

23 (8) If the department revises an assessment that results in a refund of taxes of \$5 or less, a refund
24 is not owed."

25

26 **Section 3.** Section 15-7-102, MCA, is amended to read:

27 **"15-7-102. Notice of classification, market value, and taxable value to owners -- appeals.** (1) (a)

28 Except as provided in 15-7-138, the department shall mail or provide electronically to each owner or purchaser

1 under contract for deed a notice that includes the land classification, market value, and taxable value of the
2 land and improvements owned or being purchased. A notice must be mailed or, with property owner consent,
3 provided electronically to the owner only if one or more of the following changes pertaining to the land or
4 improvements have been made since the last notice:

- 5 (i) change in ownership;
- 6 (ii) change in classification;
- 7 (iii) change in valuation; or
- 8 (iv) addition or subtraction of personal property affixed to the land.

9 (b) The notice must include the following for the taxpayer's informational and informal classification
10 and appraisal review purposes:

11 (i) a notice of the availability of all the property tax assistance programs available to property
12 taxpayers, including the intangible land value assistance program provided for in 15-6-240, the property tax
13 assistance programs provided for in Title 15, chapter 6, part 3, and the residential property tax credit for the
14 elderly provided for in 15-30-2337 through 15-30-2341;

15 (ii) the total amount of mills levied against the property in the prior year;

16 (iii) the market value for the prior reappraisal cycle;

17 (iv) if the market value has increased by more than 10%, an explanation for the increase in
18 valuation;

19 (v) a statement that the notice is not a tax bill; and

20 (vi) a taxpayer option to request an informal classification and appraisal review by checking a box
21 on the notice and returning it to the department.

22 (c) When the department uses an appraisal method that values land and improvements as a unit,
23 including the sales comparison approach for residential condominiums or the income approach for commercial
24 property, the notice must contain a combined appraised value of land and improvements.

25 (d) Any misinformation provided in the information required by subsection (1)(b) does not affect the
26 validity of the notice and may not be used as a basis for a challenge of the legality of the notice.

27 (2) (a) Except as provided in subsection (2)(c), the department shall assign each classification and
28 appraisal to the correct owner or purchaser under contract for deed and mail or provide electronically the notice

1 in written or electronic form, adopted by the department, containing sufficient information in a comprehensible
2 manner designed to fully inform the taxpayer as to the classification and appraisal of the property and of
3 changes over the prior tax year.

4 (b) The notice must advise the taxpayer that in order to be eligible for a refund of taxes from an
5 appeal of the classification or appraisal, the taxpayer is required to pay the taxes under protest as provided in
6 15-1-402.

7 (c) The department is not required to mail or provide electronically the notice to a new owner or
8 purchaser under contract for deed unless the department has received the realty transfer certificate from the
9 clerk and recorder as provided in 15-7-304 and has processed the certificate before the notices required by
10 subsection (2)(a) are mailed or provided electronically. The department shall notify the county tax appeal board
11 of the date of the mailing or the date when the taxpayer is informed the information is available electronically.

12 (3) (a) If the owner of any land and improvements is dissatisfied with the appraisal as it reflects the
13 market value of the property as determined by the department or with the classification of the land or
14 improvements, the owner may request an informal classification and appraisal review by submitting an
15 objection on written or electronic forms provided by the department for that purpose or by checking a box on the
16 notice and returning it to the department in a manner prescribed by the department.

17 (i) For property other than class three property described in 15-6-133, class four property
18 described in 15-6-134, ~~and class ten property described in 15-6-143,~~ and centrally assessed property described
19 in 15-23-101, the objection must be submitted within 30 days from the date on the notice.

20 (ii) For class three property described in 15-6-133 and class four property described in 15-6-134,
21 the objection may be made only once each valuation cycle. An objection must be made in writing or by
22 checking a box on the notice within 30 days from the date on the classification and appraisal notice for a
23 reduction in the appraised value to be considered for both years of the 2-year valuation cycle. An objection
24 made more than 30 days from the date of the classification and appraisal notice will be applicable only for the
25 second year of the 2-year valuation cycle. For an objection to apply to the second year of the valuation cycle,
26 the taxpayer shall make the objection in writing or by checking a box on the notice no later than June 1 of the
27 second year of the valuation cycle or, if a classification and appraisal notice is received in the second year of
28 the valuation cycle, within 30 days from the date on the notice.

1 (iii) For class ten property described in 15-6-143, the objection may be made at any time but only
2 once each valuation cycle. An objection must be made in writing or by checking a box on the notice within 30
3 days from the date on the classification and appraisal notice for a reduction in the appraised value to be
4 considered for all years of the 6-year appraisal cycle. An objection made more than 30 days after the date of
5 the classification and appraisal notice applies only for the subsequent remaining years of the 6-year reappraisal
6 cycle. For an objection to apply to any subsequent year of the valuation cycle, the taxpayer shall make the
7 objection in writing or by checking a box on the notice no later than June 1 of the year for which the value is
8 being appealed or, if a classification and appraisal notice is received after the first year of the valuation cycle,
9 within 30 days from the date on the notice.

10 (iv) For centrally assessed property described in 15-23-101(2)(a), the objection must be submitted
11 within ~~15~~ 20 days from the date on the notice. A taxpayer may submit an objection up to 10 days after this
12 deadline on request to the department.

13 (v) (A) For centrally assessed property described in 15-23-101(2)(b) and (2)(c), an objection to the
14 valuation or classification may be made only once each valuation cycle. An objection must be made in writing
15 within ~~15 days from the date on the classification and appraisal notice~~ the time period specified in subsection
16 (3)(a)(iv) for a reduction in the appraised value to be considered for both years of the 2-year valuation cycle. An
17 objection made ~~more than 15 days from the date of the classification and appraisal notice after the deadline~~
18 specified in subsection (3)(a)(iv) will be applicable only for the second year of the 2-year valuation cycle. For an
19 objection to apply to the second year of the valuation cycle, the taxpayer shall make the objection in writing no
20 later than June 1 of the second year of the valuation cycle or, if a classification and appraisal notice is received
21 in the second year of the valuation cycle, within ~~15 days from the date on the notice~~ the time period specified in
22 subsection (3)(a)(iv).

23 (B) If a property owner has exhausted the right to object to a valuation, as provided for in
24 subsection (3)(a)(v)(A), the property owner may ask the department to consider extenuating circumstances to
25 adjust the value of property described in 15-23-101(2)(b) or (2)(c). Occurrences that may result in an
26 adjustment to the value include but are not limited to extraordinary, unusual, or infrequent events that are
27 material in nature and of a character different from the typical or customary business operations, that are not
28 expected to recur frequently, and that are not normally considered in the evaluation of the operating results of a

1 business, including bankruptcies, acquisitions, sales of assets, or mergers.

2 (b) If the objection relates to residential or commercial property and the objector agrees to the
3 confidentiality requirements, the department shall provide to the objector, by posted mail or electronically, within
4 8 weeks of submission of the objection, the following information:

5 (i) the methodology and sources of data used by the department in the valuation of the property;
6 and

7 (ii) if the department uses a blend of evaluations developed from various sources, the reasons that
8 the methodology was used.

9 (c) At the request of the objector or a representative of the objector, and only if the objector or
10 representative signs a written or electronic confidentiality agreement, the department shall provide in written or
11 electronic form:

12 (i) comparable sales data used by the department to value the property;

13 (ii) sales data used by the department to value residential property in the property taxpayer's
14 market model area; and

15 (iii) if the cost approach was used by the department to value residential property, the
16 documentation required in 15-8-111(3) regarding why the comparable sales approach was not reliable.

17 (d) For properties valued using the income approach as one approximation of market value, notice
18 must be provided that the taxpayer will be given a form to acknowledge confidentiality requirements for the
19 receipt of all aggregate model output that the department used in the valuation model for the property.

20 (e) The review must be conducted informally and is not subject to the contested case procedures
21 of the Montana Administrative Procedure Act. As a part of the review, the department may consider the actual
22 selling price of the property and other relevant information presented by the taxpayer in support of the
23 taxpayer's opinion as to the market value of the property. The department shall consider an independent
24 appraisal provided by the taxpayer if the appraisal meets standards set by the Montana board of real estate
25 appraisers and the appraisal was completed within 6 months of the valuation date pursuant to 15-8-201. If the
26 department does not use the appraisal provided by the taxpayer in conducting the appeal, the department shall
27 provide to the taxpayer the reason for not using the appraisal. The department shall give reasonable notice to
28 the taxpayer of the time and place of the review.

1 (f) After the review, the department shall determine the correct appraisal and classification of the
2 land or improvements and notify the taxpayer of its determination by mail or electronically. The department may
3 not determine an appraised value that is higher than the value that was the subject of the objection unless the
4 reason for an increase was the result of a physical change in the property or caused by an error in the
5 description of the property or data available for the property that is kept by the department and used for
6 calculating the appraised value. In the notification, the department shall state its reasons for revising the
7 classification or appraisal. When the proper appraisal and classification have been determined, the land must
8 be classified and the improvements appraised in the manner ordered by the department.

9 (4) Whether a review as provided in subsection (3) is held or not, the department may not adjust
10 an appraisal or classification upon the taxpayer's objection unless:

11 (a) the taxpayer has submitted an objection on written or electronic forms provided by the
12 department or by checking a box on the notice; and

13 (b) the department has provided to the objector by mail or electronically its stated reason in writing
14 for making the adjustment.

15 (5) A taxpayer's written objection or objection made by checking a box on the notice and
16 supplemental information provided by a taxpayer that elects to check a box on the notice to a classification or
17 appraisal and the department's notification to the taxpayer of its determination and the reason for that
18 determination are public records. The department shall make the records available for inspection during regular
19 office hours.

20 (6) If Except as provided in 15-2-302 and 15-23-102, if a property owner feels aggrieved by the
21 classification or appraisal made by the department after the review provided for in subsection (3), the property
22 owner has the right to first appeal to the county tax appeal board and then to the Montana tax appeal board,
23 whose findings are final subject to the right of review in the courts. The appeal to the county tax appeal board,
24 pursuant to 15-15-102, must be filed within 30 days from the date on the notice of the department's
25 determination. A county tax appeal board or the Montana tax appeal board may consider the actual selling price
26 of the property, independent appraisals of the property, and other relevant information presented by the
27 taxpayer as evidence of the market value of the property. If the county tax appeal board or the Montana tax
28 appeal board determines that an adjustment should be made, the department shall adjust the base value of the

1 property in accordance with the board's order."

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3 **Section 4.** Section 15-7-111, MCA, is amended to read:

4 **"15-7-111. Periodic reappraisal of certain taxable property.** (1) (a) The department shall
5 administer and supervise a program for the reappraisal of all taxable property within class three under 15-6-
6 133, class four under 15-6-134, and class ten under 15-6-143 as provided in this section. ~~All other property~~
7 ~~must be revalued annually. Beginning January 1, 2015, all property within class three and class four must be~~
8 ~~revalued every 2 years, and all property within class ten must be revalued every 6 years. Except as provided in~~
9 ~~subsection (1)(b), all other property must be revalued annually.~~

10 (b) Beginning January 1, 2024, all centrally assessed property must be revalued in the time
11 periods provided for in 15-23-101(2).

12 (2) The department shall value newly constructed, remodeled, or reclassified property in a manner
13 consistent with the valuation within the same class and the values established pursuant to subsection (1) and
14 shall phase in the value of class ten property. The department shall adopt rules for determining the assessed
15 valuation of new, remodeled, or reclassified property within the same class and the phased-in value of class ten
16 property.

17 (3) The reappraisal of class three and class four property is complete on December 31 of every
18 second year of the reappraisal cycle, and the reappraisal of class ten property is complete on December 31 of
19 the sixth year of the reappraisal cycle. The amount of the change in valuation from the base year for class ten
20 property must be phased in each year at the rate of 16.66% of the change in valuation.

21 (4) During the second year of each reappraisal cycle, the department shall provide the revenue
22 interim committee with a report, in accordance with 5-11-210, of tax rates for the upcoming reappraisal cycle
23 that will result in taxable value neutrality for each property class.

24 (5) The department shall administer and supervise a program for the reappraisal of all taxable
25 property within classes three and four. The department shall adopt a reappraisal plan by rule. The reappraisal
26 plan adopted must provide that all class three and class four property in each county is revalued by January 1
27 of the second year of the reappraisal cycle, effective for January 1 of the following year, and each succeeding 2
28 years, and must provide that all class ten property in each county is revalued by January 1, 2015, effective for