

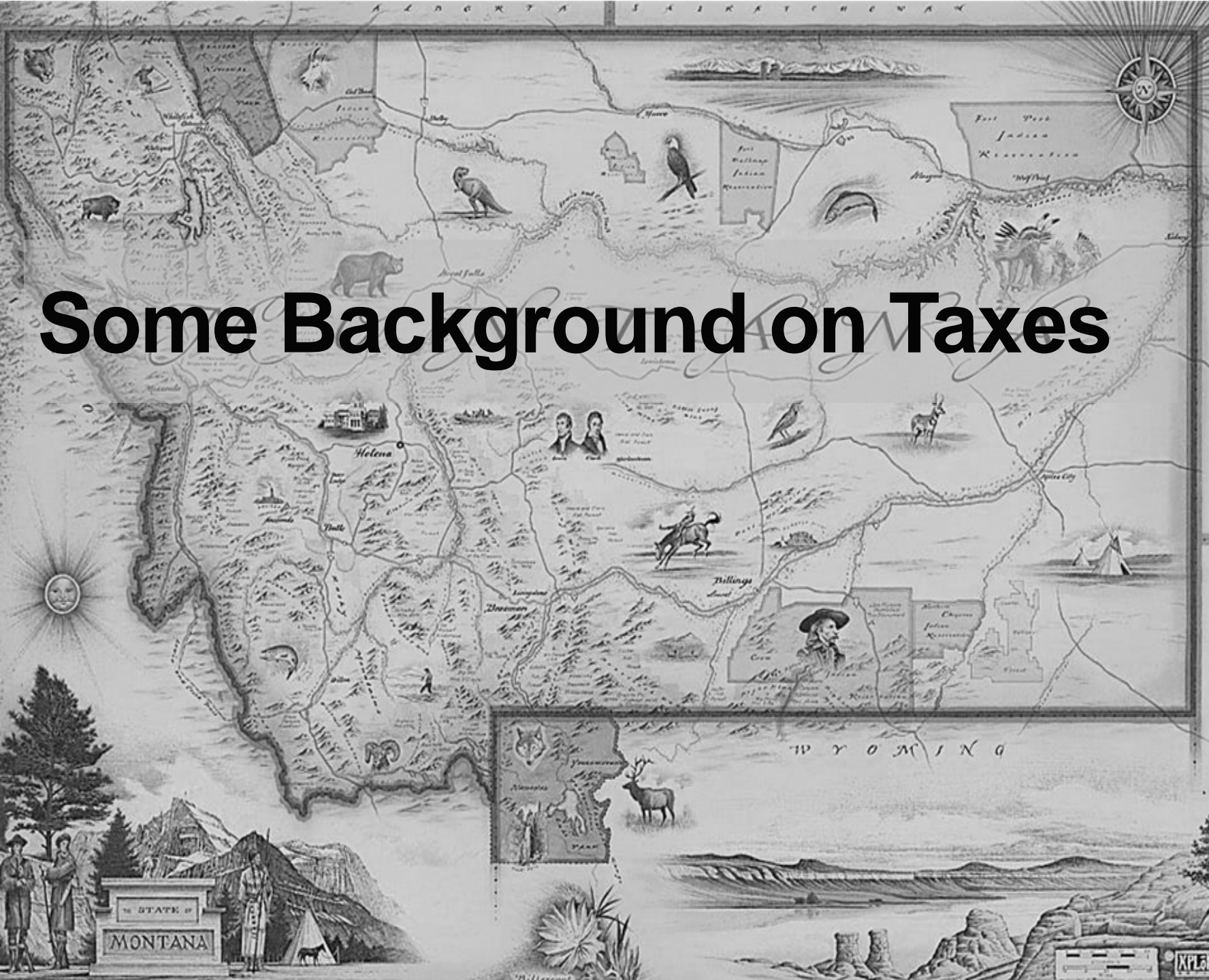
Montana Department of  
**REVENUE**

*2014 Property Reappraisal Presentation*

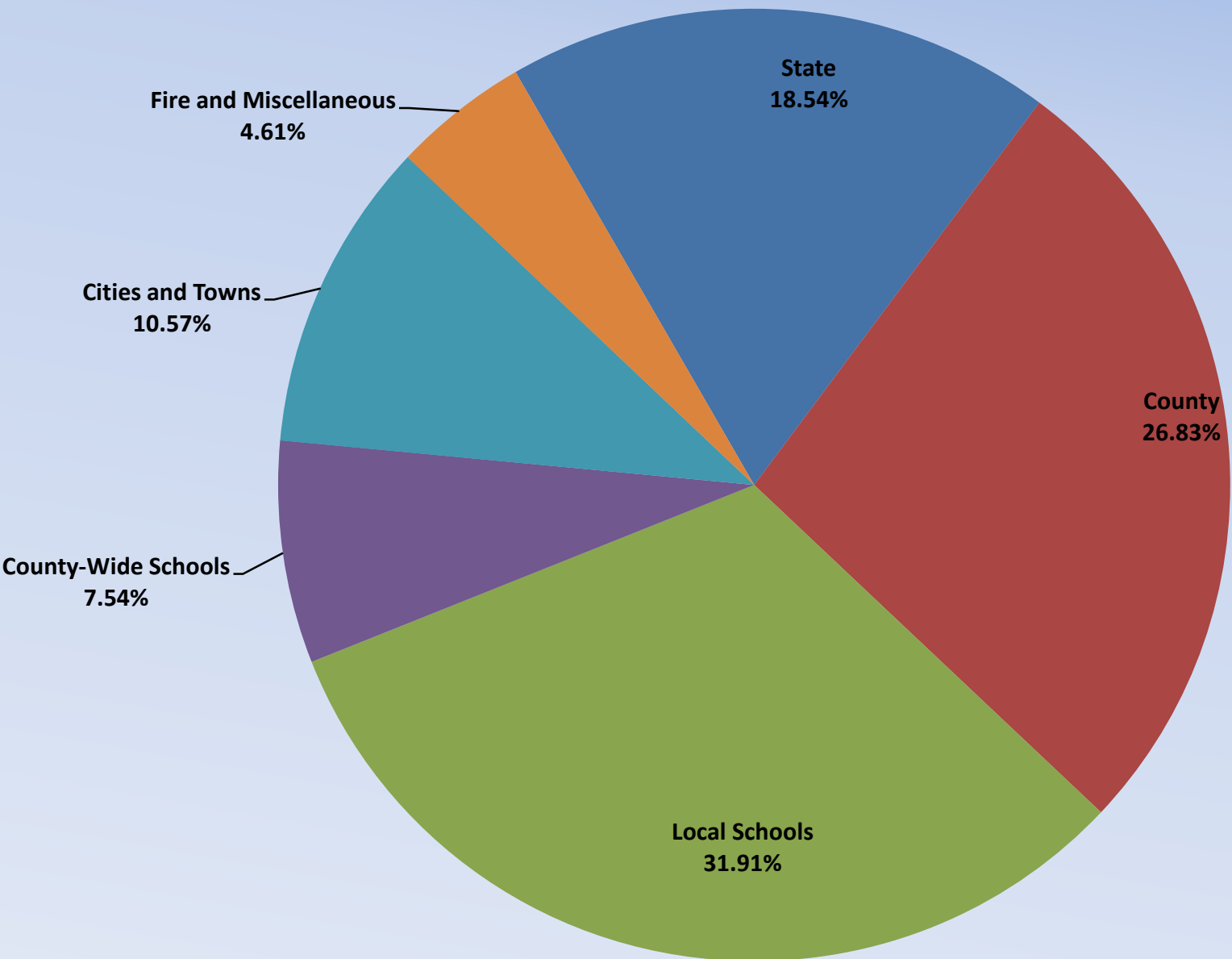
# The Road Show Players

- Mike Kadas – Director of Department of Revenue
- Cynthia Monteau-Moore – Administrator Property Assessment Division
- Gene Walborn – Administrator Business and Income Tax Division
- Ed Caplis – Director of Tax Policy and Research

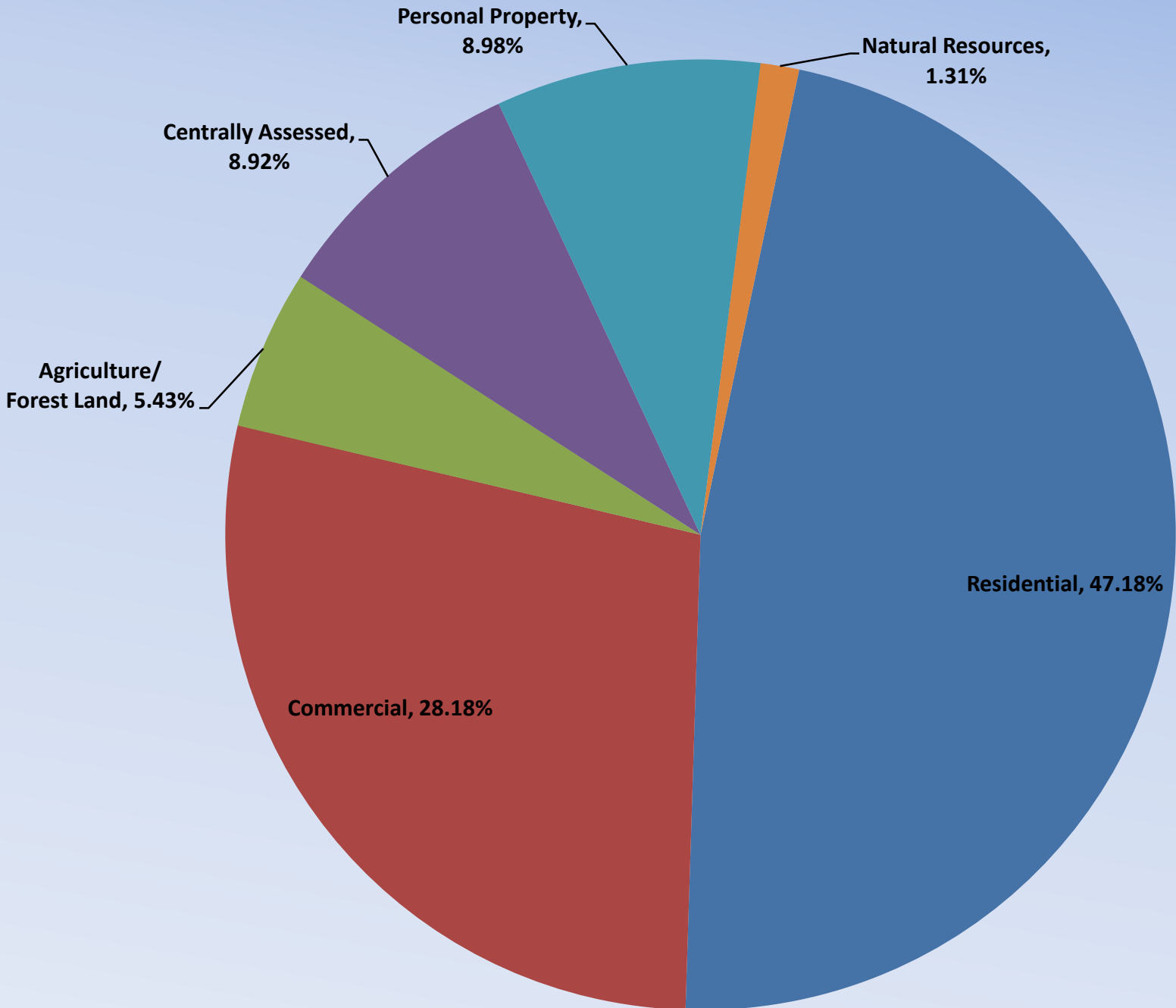
# Some Background on Taxes



# Allocation of Property Taxes by Taxing Jurisdiction Type in FY 2014



# Percent of Taxes Paid By Class in FY 2014



# Why can't we leave property values alone?



- Requires all property to be valued by the state
- Equalization-the state is required to value similar property in the same manner

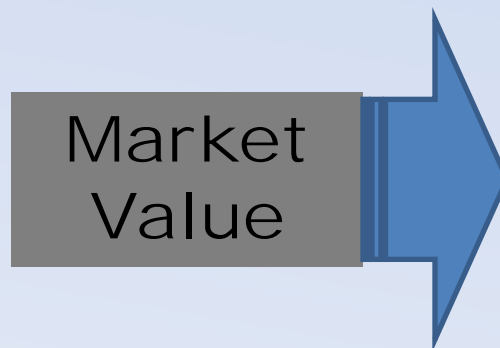


- The law requires the state to value residential, commercial agricultural and forest property every six years



The Market Value of property is determined using one of three valuation methods:

- Sales
- Cost
- Income



# Valuation Methods Used by the Department by Property Type

Residential → Sales Comparison  
Residential → Cost Approach

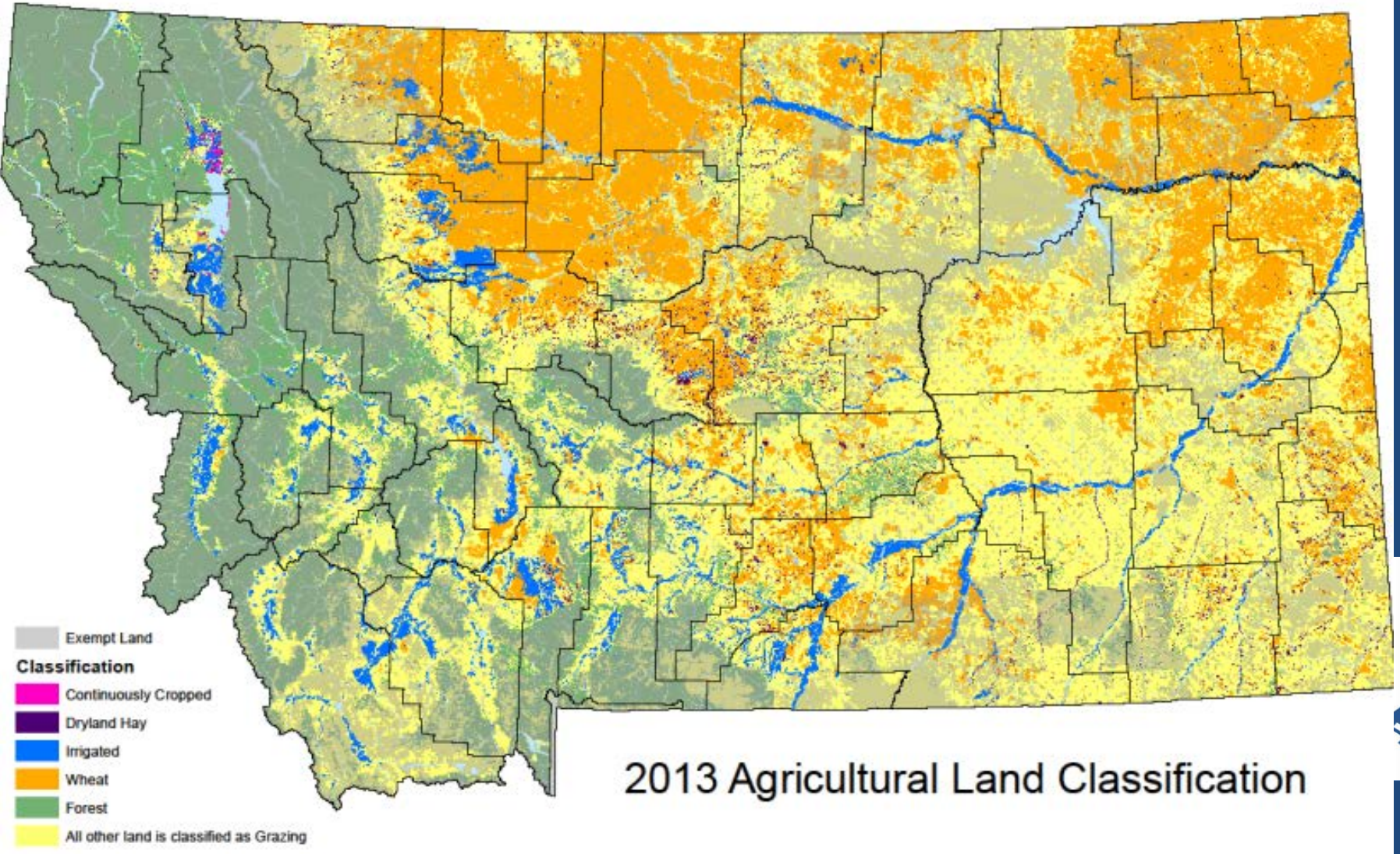
Commercial/Industrial → Sales Comparison  
Commercial/Industrial → Cost Approach  
Commercial/Industrial → Income Approach

Agricultural → Income Approach

Forest → Income Approach







2013 Agricultural Land Classification

# Agricultural Land Valuation

- **Income Approach** – measures the value of a property by capitalizing the income from the property. The formula for agricultural land is:

$$\text{Productivity Value} = \frac{(\text{land productivity} \times \text{commodity price} \times \text{crop share})}{\text{rate of return}}$$

Market Value



# Productivity

- **Natural Resource Conservation Service (NRCS) Soil Survey**

**And**

- **Adjustments when appropriate to approximate average production**

# Commodity Price



- **10 Year Olympic Average**
  - **Grazing Land**
    - Private Grazing Fee
  - **Non-irrigated farm land (Summer fallow and continuous crop farmland)**
    - Spring wheat
  - **Irrigated and non-irrigated hay land**
    - Spring Wheat or Alfalfa Hay

# Commodity Prices

## (Current vs. 2015 Prices)

2015 (10 Year Olympic Average)	Indicates price not included in Average		
Commodity	Spring Wheat	Alfalfa	Private Grazing Fee
Year	Price	Price	Price
2013	\$6.70	\$141.00	\$21.00
2012	\$8.39	\$146.00	\$20.50
2011	\$8.36	\$98.00	\$19.40
2010	\$6.87	\$79.00	\$18.40
2009	\$5.72	\$96.00	\$18.00
2008	\$7.36	\$117.00	\$18.10
2007	\$7.49	\$79.00	\$17.80
2006	\$4.58	\$78.00	\$16.20
2005	\$3.80	\$71.00	\$16.20
2004	\$3.69	\$77.00	\$15.90
<b>Olympic Avg</b>	<b>\$6.36</b>	<b>\$95.63</b>	<b>\$18.08</b>
<b>Adjustments</b>	<i>No adjustment</i>	<i>15-7-202 stipulates a 20% reduction in the alfalfa price</i>	<i>No adjustment</i>
<b>2015 Price</b>	<b>\$6.36</b>	<b>\$76.50</b>	<b>\$18.08</b>
<b>2009 Price</b>	<b>\$4.58</b>	<b>\$63.04</b>	<b>\$15.72</b>
<b>% change from current cycle</b>	<b>39%</b>	<b>21%</b>	<b>15%</b>

**Productivity Value = (land productivity X commodity price X crop share)  
rate of return**

### **Summer Fallow Farmland (Wheat)**

**Land Productivity = 22 bu./ac**

**Average price for spring wheat = \$7.61 /bu.**

**Crop Share = 12.5%**

**Rate of Return (Capitalization Rate) = 6.4%**

**\$322.69/acre = 22 (bu./ac) X \$7.51 (/bu.) X 12.5%  
6.4%**

# Forest Land Valuation

- Income Approach – measures the value of a property by capitalizing the income from the property. The formula for forest land is:

$$\text{Productivity Value} = \frac{((\text{forest productivity} \times \text{stumpage value}) + \text{net agri. income})}{\text{rate of return}}$$

Market  
Value



# Estimated Change in Forest Property Value

Zone	Average Productivity	2009 value/Acre	2015 value/acre	% change
1	260.75	\$938.00	\$436.53	<b>-53%</b>
2	170.86	\$421.00	\$251.71	<b>-50%</b>
3	154.22	\$307.00	\$171.56	<b>-44%</b>
4	129.18	\$195.00	\$32.52	<b>-83%</b>



# Tax Rate/Exemptions

The Legislature sets the tax rate and exemptions for each type of property.

Tax  
Rate





# Taxable Value Neutrality

## Tax Rate

The tax rate for agricultural, commercial, and residential properties was determined by dividing the reappraisal year's taxable value of agricultural property by the current year's phase – in value of all agricultural property.

### Current Law, 2008 Values Fully Phased-in

Property Type	2008 Market Value	2014 Taxable Value
Agricultural	5,835,395	143,897
Residential	89,855,931	1,176,304
Commercial	18,075,350	350,472

## The Homestead/Comstead Exemption

Agricultural, commercial, and residential properties values change at different rates. However, they all have the same tax rate. To maintain taxable value neutrality commercial and residential property need further reduction in value. The Homestead and Comstead Exemption were calculated so when the tax rate was applied to the taxable market value the resulting taxable value of all commercial and residential property was taxable value neutral on a statewide basis.

### Taxable Value Neutral Tax Rate & Exemptions, 2015 Values Fully Phased-in

Property Type	2015 Market Value	Exemption Rate	Tax Rate	2015 Taxable Value
Agricultural	6,381,551		2.25%	143,897
Residential	85,829,208	39.22%	2.25%	1,176,304
Commercial	21,791,364	28.67%	2.25%	350,472

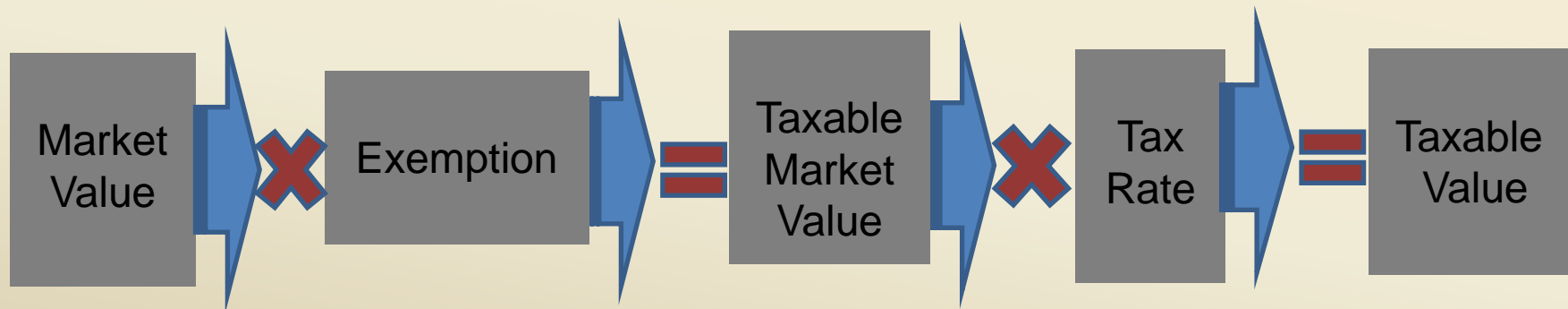
Legislature sets the rates and exemptions required to balance the 2014 taxable value with the reappraised 2015 market value.

Tax Rate



# Taxable Value

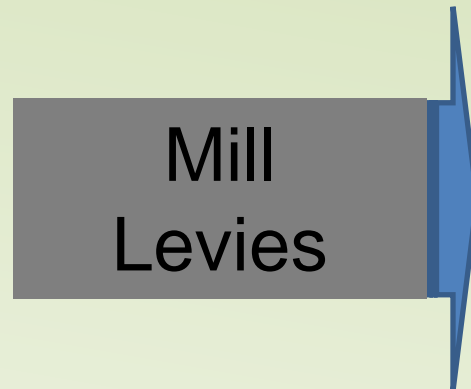
Once the Department determines the value of property and applies the tax rate and exemptions set by the Legislature. The Taxable Value of property is established.



# Mill Levies

Mill Levies are set by state and local taxing jurisdictions or approved as ballot measures

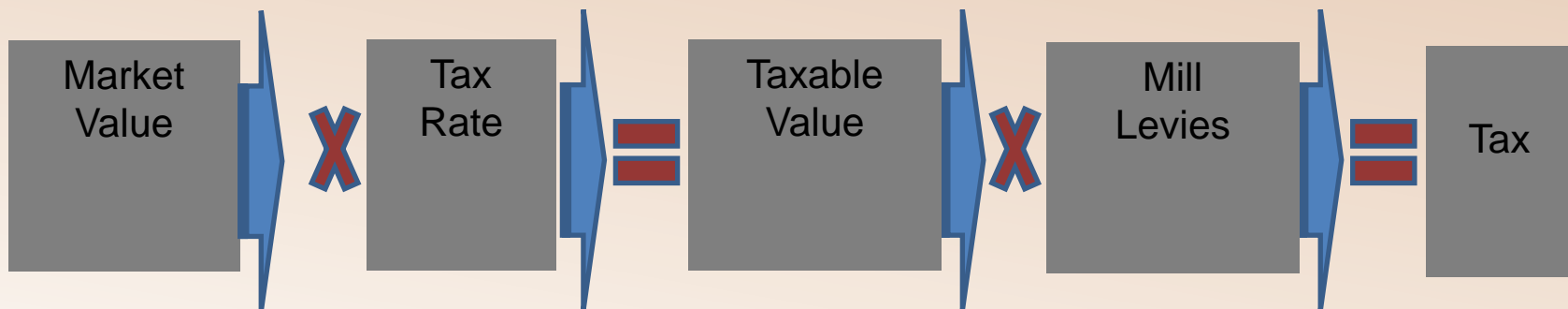
- School mills are limited by school budgeting laws
- Local government mills are limited by voted levies or the maximum mill limit (15-10-420, MCA)



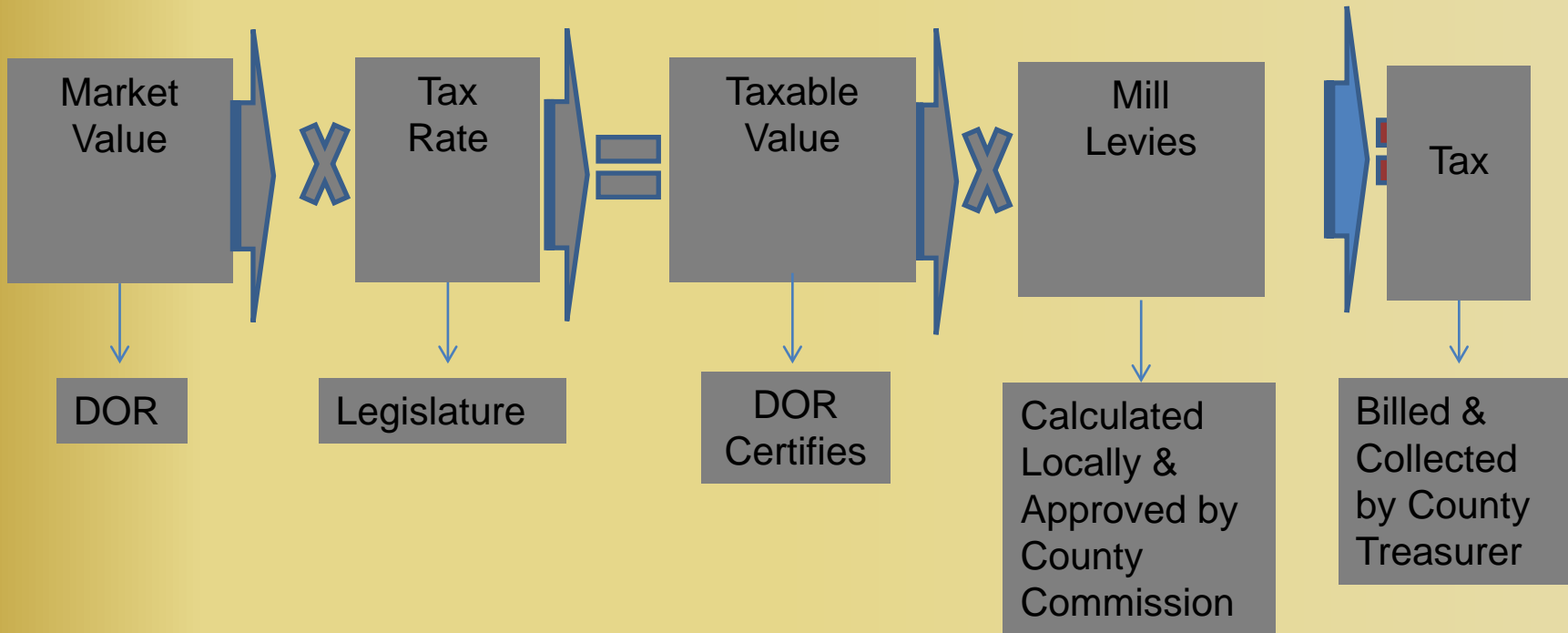
# Property Taxes

The County Treasurer applies the mill levies approved by the County Commissioners to the taxable value of property from the Department of Revenue, which determines the amount of property tax owned by each property.

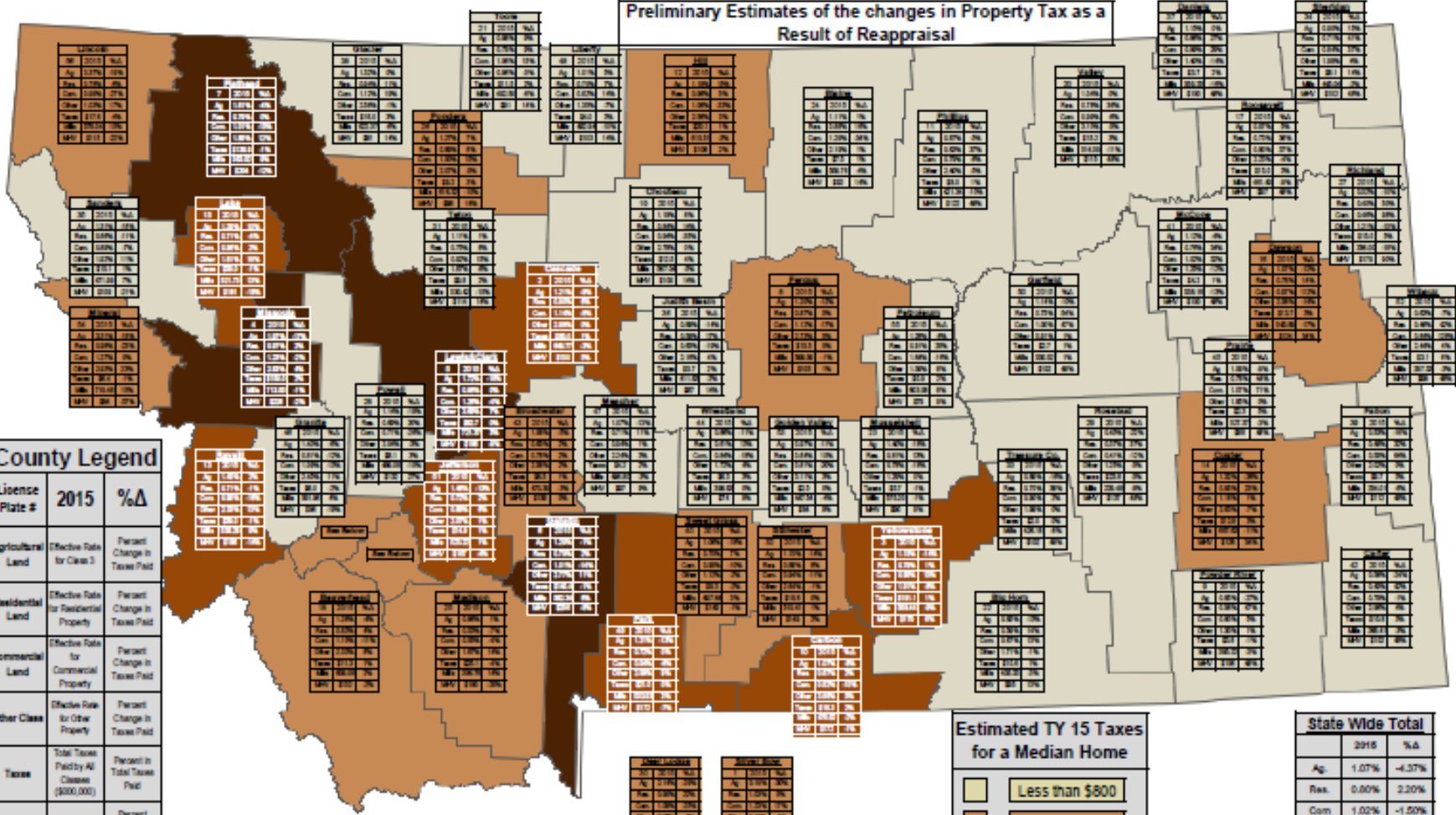
The County Treasurer then bills and collect the property tax from the property owner.



# Property Tax in a Nutshell



Preliminary Estimates of the changes in Property Tax as a Result of Reappraisal



County Legend		
License Plate #	2015	%Δ
Agricultural Land	Effective Rate for Class 3	Percent Change in Taxes Paid
Residential Land	Effective Rate for Residential Property	Percent Change in Taxes Paid
Commercial Land	Effective Rate for Commercial Property	Percent Change in Taxes Paid
Other Class	Effective Rate for Other Property	Percent Change in Taxes Paid
Taxes	Total Taxes Paid by All Classes (\$200,000)	Percent of Total Taxes Paid
Mills	Average Mills	Percent Change in Average Mills
Median Home	Median Home Value (\$200)	Percent Change in Market Value

Estimated TY 15 Taxes for a Median Home	
[Lightest Color]	Less than \$800
[Light Orange]	\$801-\$1,100
[Dark Orange]	\$1,100-\$1,500
[Darkest Orange]	Over \$1,500

State Wide Total		
	2015	%Δ
Ag.	1.07%	-4.37%
Res.	0.00%	2.20%
Com.	1.02%	-1.59%
Other	2.13%	0.00%
Taxes	\$1,369	0.00%
Mills	546.28	-0.64%
MHV	\$185.10	-4.40%





# Questions?