

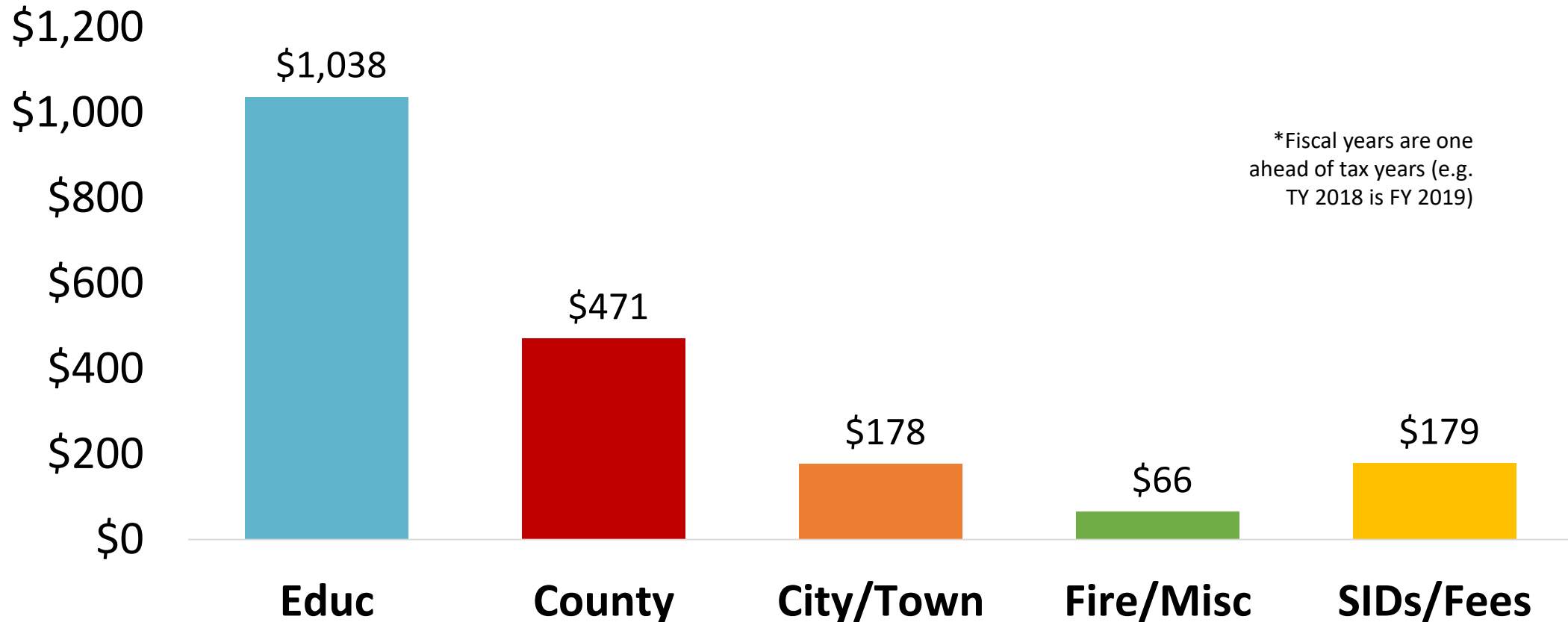
Montana Property Taxes

Financial Modernization and Risk Analysis (MARA) Committee

January 16, 2020

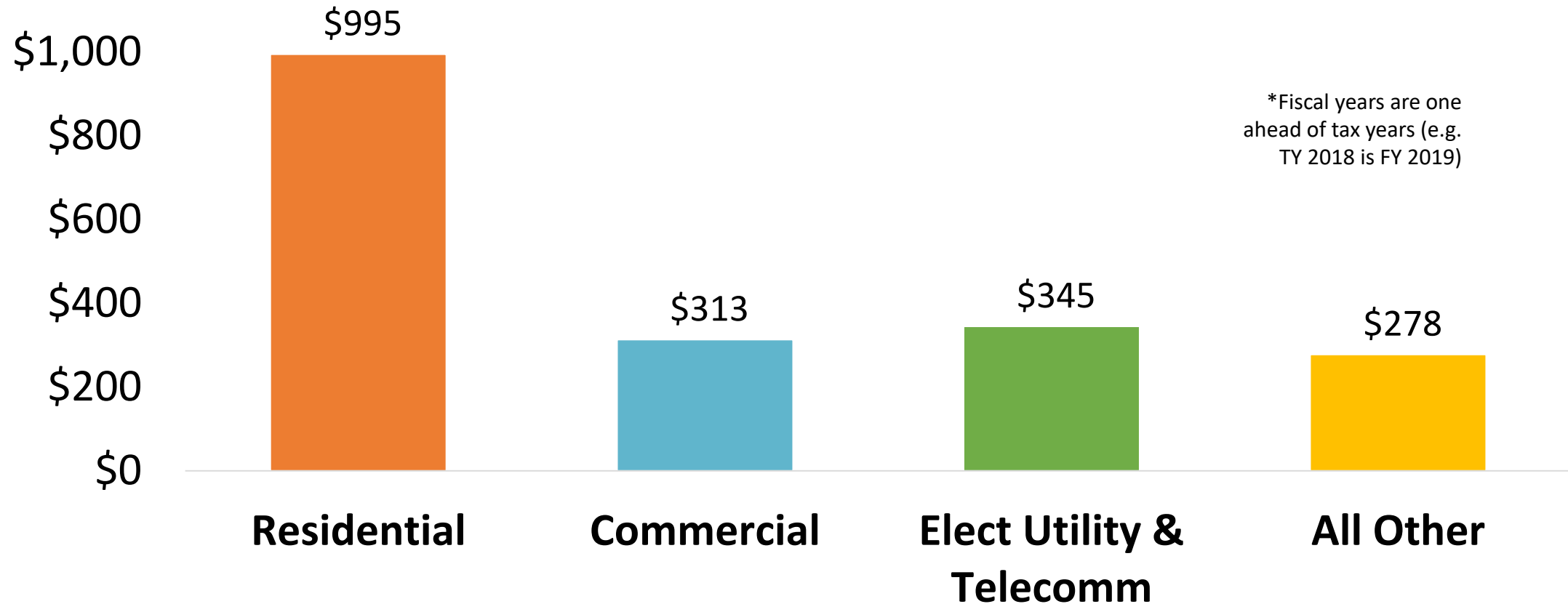
Where Property Taxes Go

The total amount of property taxes paid in Montana in TY 2018* was \$1.9 billion. The majority of property taxes are used to fund education. **Dollars are in millions.**



Where Property Taxes Come From

The total amount of property taxes paid in Montana in TY 2018* was \$1.9 billion. The majority of property taxes came from class 4 residential property. **Dollars are in millions.**



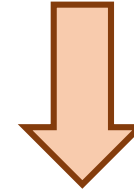
How Property Taxes are Calculated

- Property Taxes Paid = **Market Value** × **Tax Rate** × **Total Mills**



Per 15-8-111, MCA:
value at which property
would change hands
between a willing
buyer & a willing seller

Determined & regularly
reassessed by the
Montana Department
of Revenue



Tax rates are
determined
by the
legislature &
differ by the
class of
property

How Property Taxes are Calculated

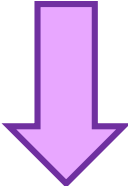
- Property Taxes Paid = **Market Value** × **Tax Rate** × **Total Mills**



Taxable Value

Taxable Value = **Market Value** × **Tax Rate**

Taxable value is a term used in statute to define the value to which **mills** are applied.



One Mill = $\frac{\text{taxable value}}{1000}$

The state, counties, cities, school districts, and other entities each levy a certain number of mills to fund services.

How Property Taxes are Calculated

- Property Taxes Paid = Market Value × Tax Rate × Total Mills

For example, a home with \$250,000 value at 500 mills:

- Taxable Value = \$250,000 × 1.35% = \$3,375
- Value of One Mill = \$3,375 × $\frac{1}{1000}$ = \$3.375
- Property Tax Bill = \$3.375 × 500 = \$1,687.50

Property Classes & Tax Rates

- Property Taxes Paid = Market Value × **Tax Rate** × Total Mills

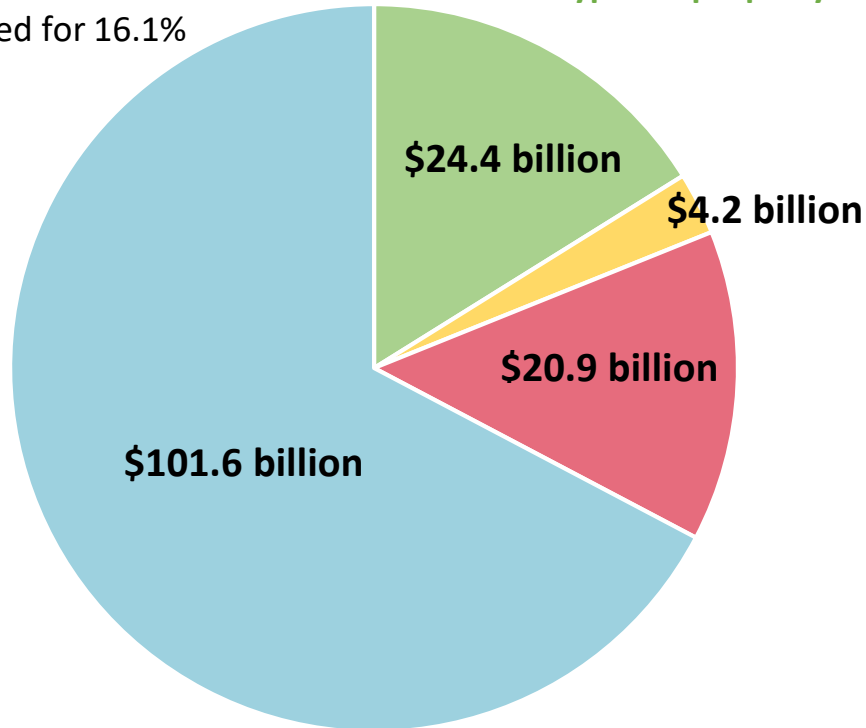
Property Tax Classes					
Class	Description	Valuation Standard	Value Cycle	Tax Rate	Taxes Paid per \$100,000 of Value at 500 Mills
1	Net Proceeds of Mines	Net Proceeds	Annual	100%	n/a
2	Gross Proceeds of Metal Mines	Gross Proceeds	Annual	3.00%	n/a
3	Agricultural Land	Production Value	Two-Year	2.16%	\$1,080
4a	Residential Land & Improvements/Extended Property Tax Assistance	Market Value	Two-Year	1.35%	\$675
4b	Commercial Land & Improvements	Market Value	Two-Year	1.89%	\$945
5	Pollution Control Equipment	Market Value	Annual	3.00%	\$1,500
7	Non-Centrally Assessed Public Utilities	Market Value	Annual	8.00%	\$4,000
8	Business Equipment	Market Value	Annual	2.33%	\$1,165
9	Pipelines & Non-Electric Generating Property Of Electrical Utilities	Market Value	Annual	12.00%	\$6,000
10	Forest Land	Production Value	Six-Year	0.37%	\$185
12	Railroads & Airlines	Market Value	Annual	3.04%	\$1,520
13	Telecommunication Utilities & the Electric Generation Property of Electrical Utilities	Market Value	Annual	6.00%	\$3,000
14	Renewable Energy Production & Transmission Property	Market Value	Annual	3.00%	\$1,500
15	Carbon Dioxide & Liquid Pipeline Property	Market Value	Annual	3.00%	\$1,500
16	High Voltage Direct-Current Converter Stations	Market Value	Annual	2.25%	\$1,125
17	Qualified Data Centers	Market Value	Annual	0.90%	\$450

General Information

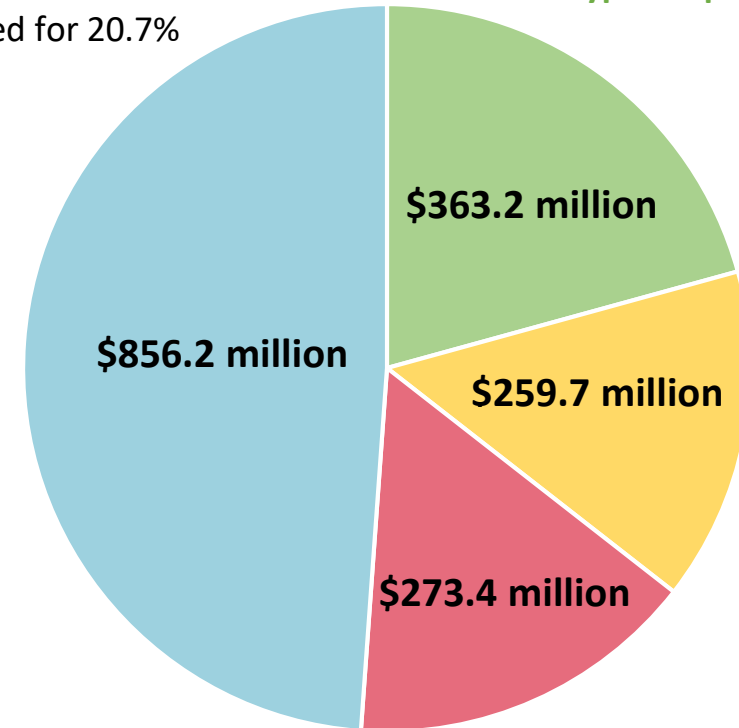
- Property taxes are one of the largest and most stable sources of revenue for the state of Montana and local governments
- Property tax abatements are largely controlled by local governments; however, the legislature controls tax classes, statutory tax rates for each class, and limits on tax growth through 15-10-420, MCA
- Since property tax levies are based on budgets that have already been set, a change in tax rate for a particular tax class or a change in market value does not necessarily increase or reduce property taxes collected. The number of mills levied will change to account for the shift in rate or market value, shifting the tax burden between tax classes

Property Classes

Class 4 **residential** and **commercial** land account for the majority of **total market value** in Montana. In TY 2018*, **oil pipelines** accounted for 2.8% of the total and **all other types of property** accounted for 16.1%



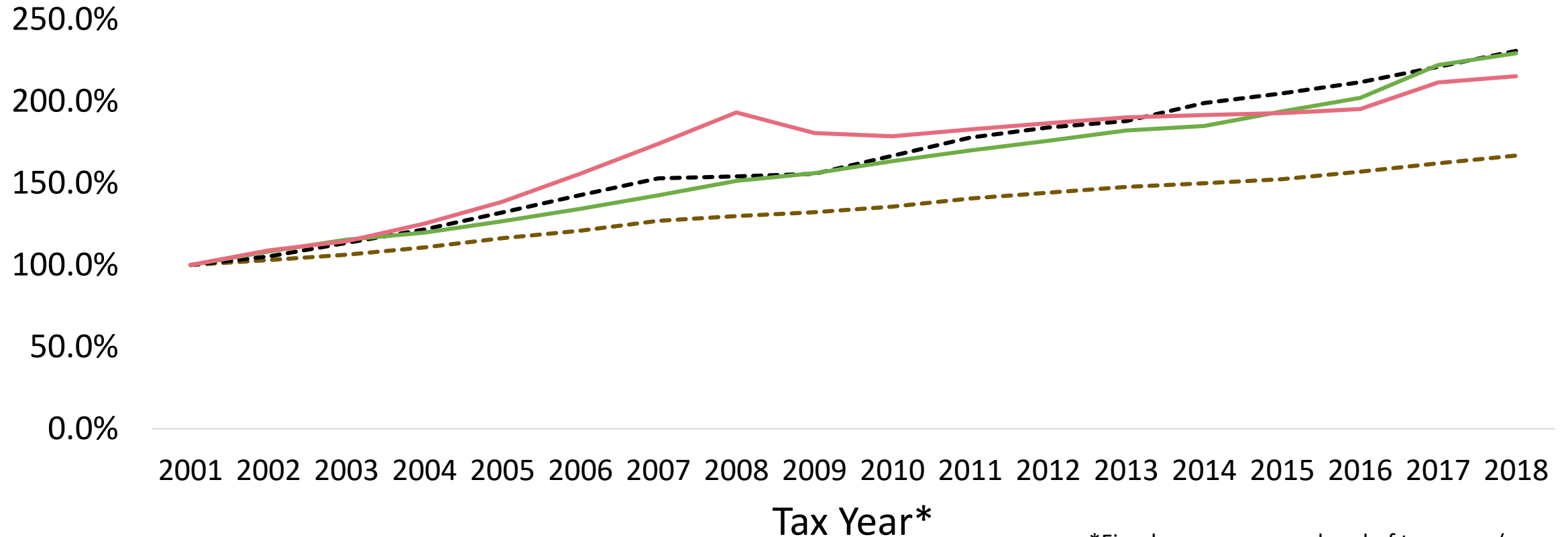
Class 4 **residential** and **commercial** land account for the majority of **total taxes paid** in Montana. In TY 2018*, **oil pipelines** accounted for 14.8% of the total and **all other types of property** accounted for 20.7%



*Fiscal years are one ahead of tax years (e.g. TY 2018 is FY 2019)

Property Market Value & Taxes Paid

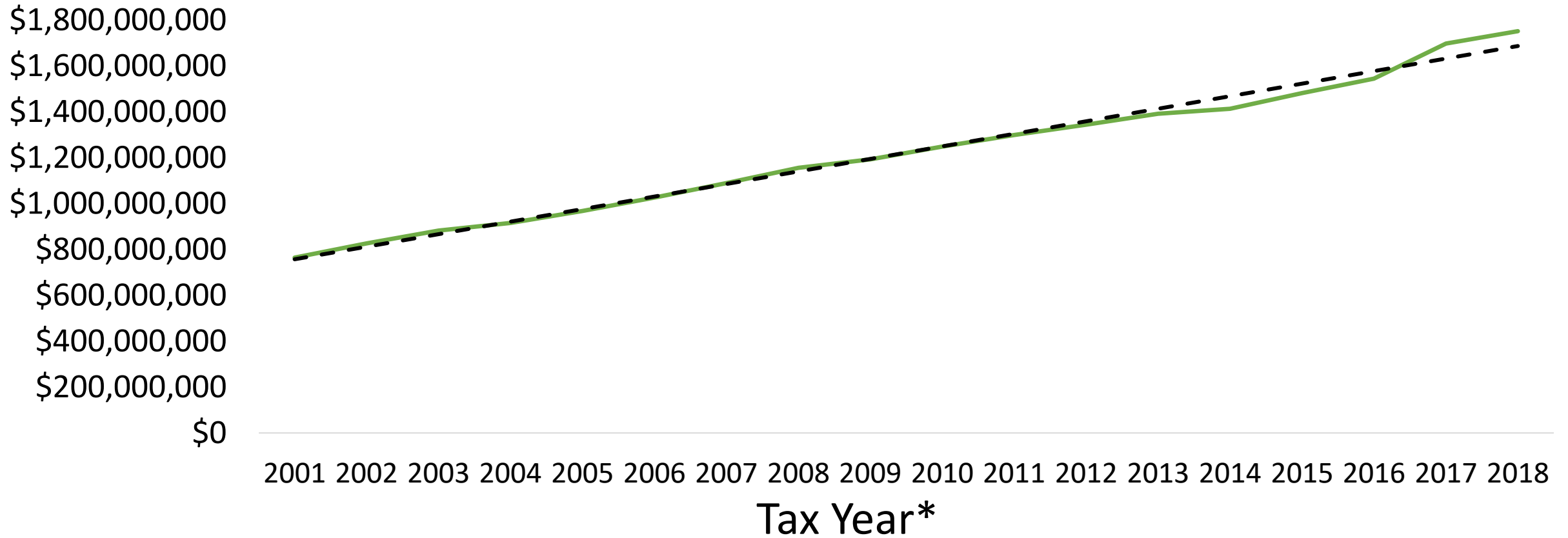
Growth in **property taxes paid** has been greater than that of **inflation adjusted for population** and increased almost at the same rate as **growth in the economy (personal income)**. Growth in **total market value of property** was outpacing that of the economy until the recession in 2008. Currently the growth in market value is lower than that of the economy.



*Fiscal years are one ahead of tax years (e.g. TY 2018 is FY 2019)

Taxes Paid

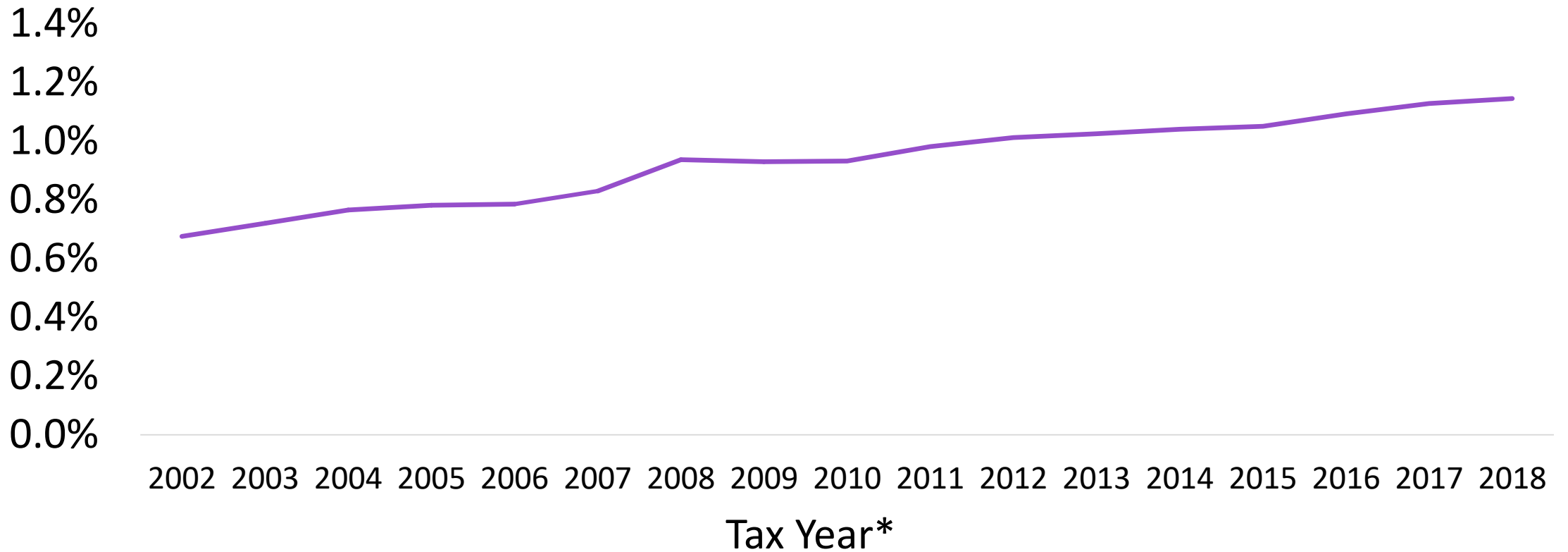
Over the last two decades, the **amount of property taxes paid** in Montana has steadily increased. However, there was a deviation from the **trend line** in TY 2017 and TY 2018, which is due in part to an increase in property tax for the guaranteed tax base (GTB) and a number of local school building projects. The deviation from the trend is expected to return to normal by TY 2020



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Comparing Market Value to Taxes Paid: Effective Tax Rate

The **overall effective property tax rate** in Montana has increased over the last two decades. The slight spike in TY 2008 is due to the change in growth of property market values.



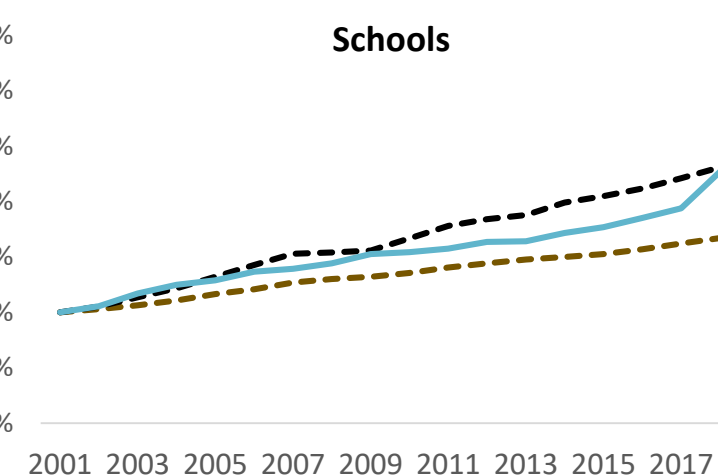
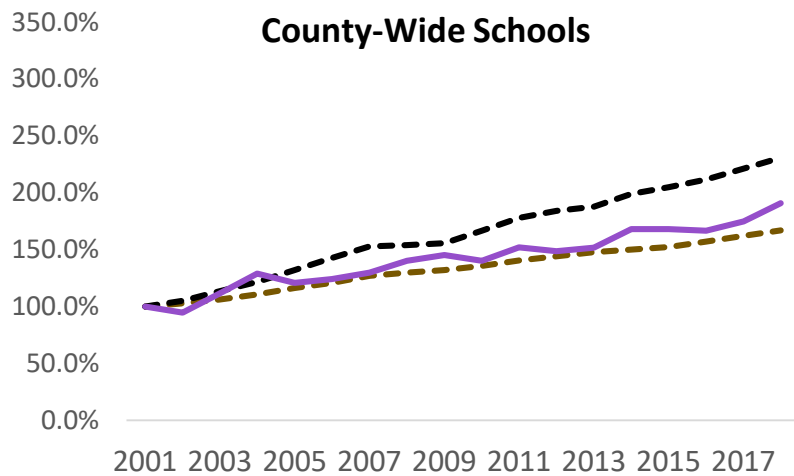
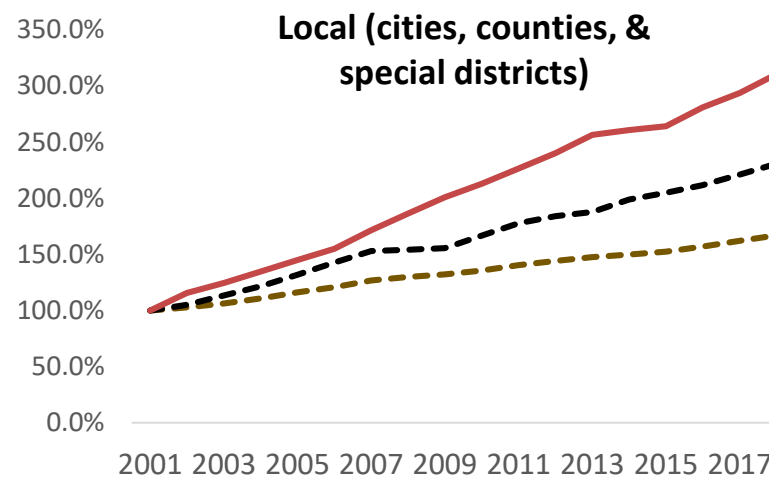
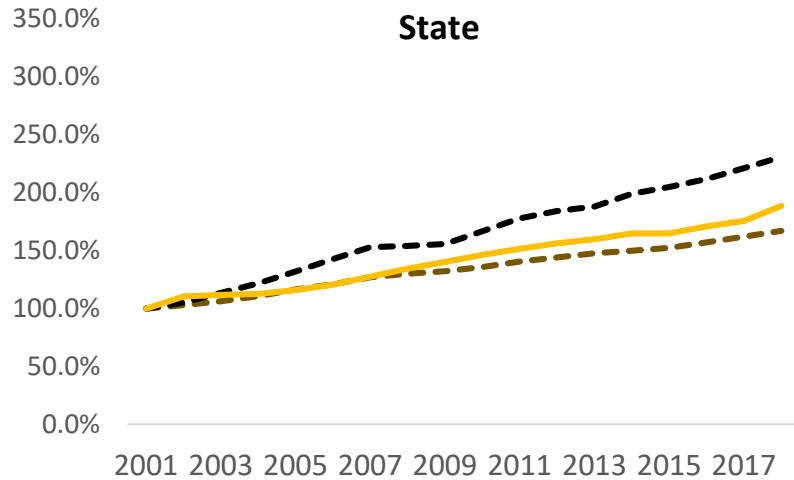
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Change in Effective Tax Rate by Property Class

Tax Class	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
3 - Agricultural							1.36%	1.36%	1.36%	1.33%	1.30%	1.30%	1.32%	1.34%	1.12%	1.14%	1.19%	1.22%
4 - Commercial							1.09%	0.98%	0.87%	1.11%	1.15%	1.19%	1.20%	1.24%	1.22%	1.25%	1.28%	1.31%
4 - Residential							0.65%	0.66%	0.71%	0.70%	0.72%	0.73%	0.74%	0.76%	0.81%	0.82%	0.83%	0.84%
5 - Pollution Control	1.14%	1.23%	1.32%	1.32%	1.31%	1.33%	1.30%	1.68%	1.34%	1.37%	1.37%	1.39%	1.43%	1.50%	1.49%	1.50%	1.59%	1.32%
6 - Livestock	0.79%	0.42%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
7 - Non-Central Public Util.	4.26%	4.48%	4.70%	4.75%	4.99%	5.04%	9.32%	5.15%	4.89%	5.25%	5.33%	5.56%	5.50%	5.71%	5.36%	5.41%	5.83%	6.00%
8 - Business Property	1.32%	1.41%	1.50%	1.50%	1.52%	1.52%	1.45%	1.43%	1.47%	1.48%	1.49%	1.29%	1.31%	1.09%	1.11%	1.15%	1.33%	1.33%
9 - Pipelines & Non-Electric	5.02%	5.37%	5.77%	5.74%	5.87%	5.90%	7.38%	6.00%	5.86%	6.04%	5.82%	5.97%	5.91%	5.92%	5.68%	5.79%	5.99%	6.22%
10 - Forest Land	0.14%	0.13%	0.13%	0.13%	0.14%	0.14%	0.14%	0.15%	0.14%	0.14%	0.14%	0.15%	0.14%	0.14%	0.19%	0.19%	0.20%	0.20%
12 - Rail & Air	1.79%	1.83%	1.87%	1.85%	1.85%	1.78%	4.09%	1.75%	1.73%	1.70%	1.71%	1.77%	1.79%	1.74%	1.58%	1.64%	1.70%	1.77%
13 - Telecom. & Electric	2.03%	2.16%	2.33%	2.29%	2.20%	2.10%	0.12%	2.75%	2.32%	2.60%	2.72%	2.53%	2.58%	2.75%	2.87%	2.84%	2.81%	2.93%
14 - Renewable Energy	n/a	n/a	n/a	n/a	n/a	0.56%	0.59%	0.58%	0.83%	0.65%	0.69%	0.77%	0.76%	0.82%	0.83%	1.07%	1.14%	1.18%
15 - CO2 & Liquid Pipeline	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.66%	0.69%	0.48%	0.54%	0.52%	0.52%

Property Market Value & Taxes Paid

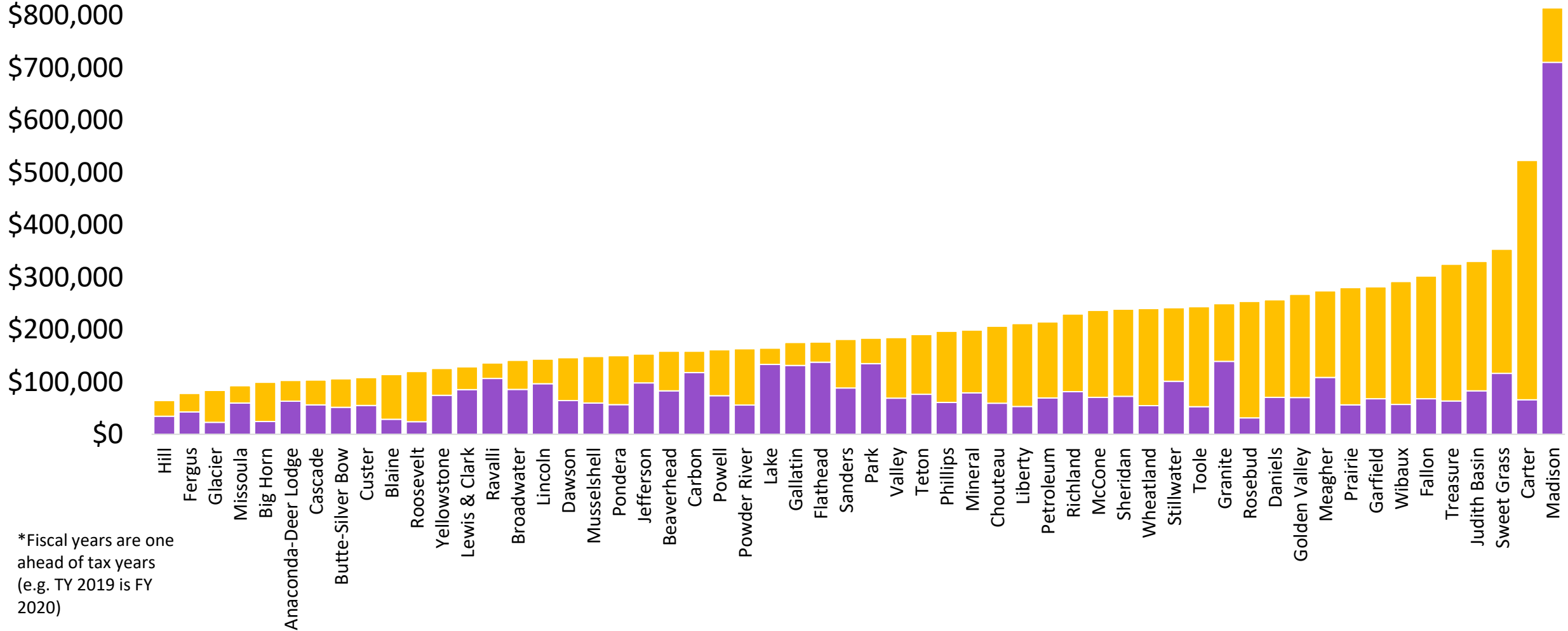
Growth in property taxes paid to the **state**, **county-wide school mill**, and **schools** has generally been greater than that of **inflation adjusted for population** but less than **growth in the economy (personal income)**. However, growth in **local governments** has exceeded growth in the economy since TY 2001*.



*Fiscal years are one ahead of tax years (e.g. TY 2018 is FY 2019)

County Breakdown – Market Value Per Capita

The **market value of property per capita** in TY 2019* is highest in Madison and Carter counties in Montana. The high market value per capita in Madison county is due to high values of **residential property**, whereas the high market value per capita in Carter county is due to high values of **non-residential property** types, particularly oil pipelines

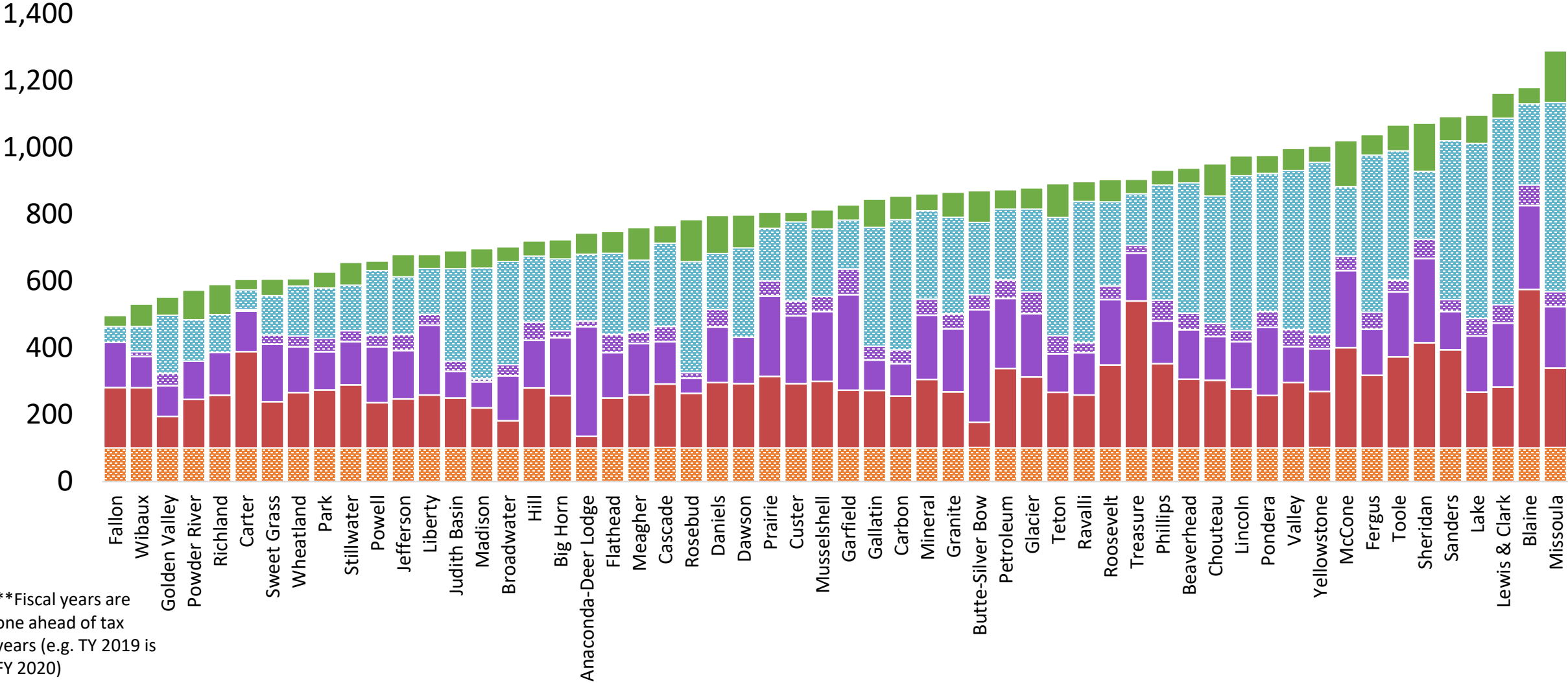


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County Breakdown – Mills Levied

Property tax mills may be levied by the **state***, **cities & towns**, **counties***, **local schools***, and **other sources** (including special districts). The **weighted average number of mills levied** in TY 2019** varies by county and by type of mill levied.

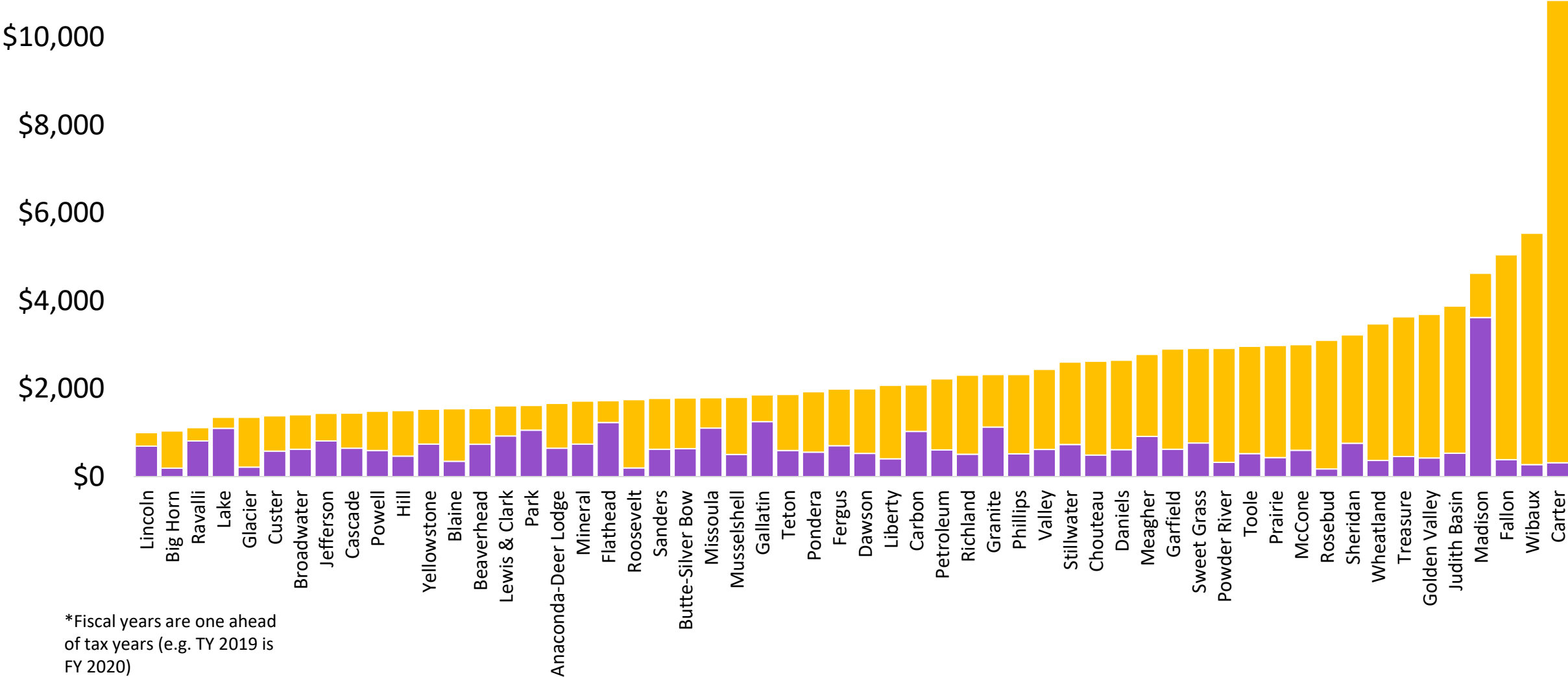
*Mills specifically levied for schools are distinguished by the checkered pattern



**Fiscal years are one ahead of tax years (e.g. TY 2019 is FY 2020)

County Breakdown – Taxes Paid Per Capita

The total amount of **taxes paid per capita** in TY 2019* is highest in Carter county, primarily from **non-residential property**. Madison county has the highest amount of taxes paid per capita for **residential property** only.



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County Population Growth (2009 - 2019)

- Median county population growth was **2.55%** per year from 2009 to 2019

County Population Growth as Compared to Median Growth Rate			
Median Population Growth Rate from 2009 - 2019: 2.55%			
Below Median		Above Median	
County	Change	County	Change
21 Toole	-9.40%	6 Gallatin	30.60%
26 Pondera	-6.30%	46 Granite	14.00%
28 Powell	-5.80%	7 Flathead	13.60%
16 Dawson	-4.30%	25 Madison	12.70%
33 Treasure	-3.20%	43 Broadwater	12.30%
36 Judith Basin	-3.00%	4 Missoula	11.30%
11 Phillips	-2.40%	42 Carter	11.10%
47 Meagher	-2.20%	5 Lewis & Clark	10.90%
8 Fergus	-2.00%	10 Carbon	10.30%
45 Prairie	-1.40%	13 Ravalli	10.10%
30 Anaconda-Deer Lodge	-1.30%	27 Richland	10.00%
37 Daniels	-0.90%	55 Petroleum	9.70%
19 Chouteau	-0.80%	3 Yellowstone	9.70%
14 Custer	-0.80%	48 Liberty	9.00%
20 Valley	-0.80%	15 Lake	8.20%
53 Golden Valley	-0.30%	50 Garfield	8.00%
56 Lincoln	-0.20%	41 McCone	7.40%
52 Wibaux	-0.20%	49 Park	6.80%
9 Powder River	0.00%	17 Roosevelt	5.80%
34 Sheridan	0.00%	32 Stillwater	5.60%
40 Sweet Grass	0.20%	54 Mineral	5.00%
1 Butte-Silver Bow	0.80%	35 Sanders	5.00%
31 Teton	1.00%	51 Jefferson	4.50%
38 Glacier	1.10%	22 Big Horn	4.20%
29 Rosebud	1.20%	24 Blaine	4.10%
12 Hill	2.00%	44 Wheatland	3.40%
2 Cascade	2.10%	18 Beaverhead	3.20%
39 Fallon	2.20%	23 Musselshell	2.90%

DLI Economic Regions



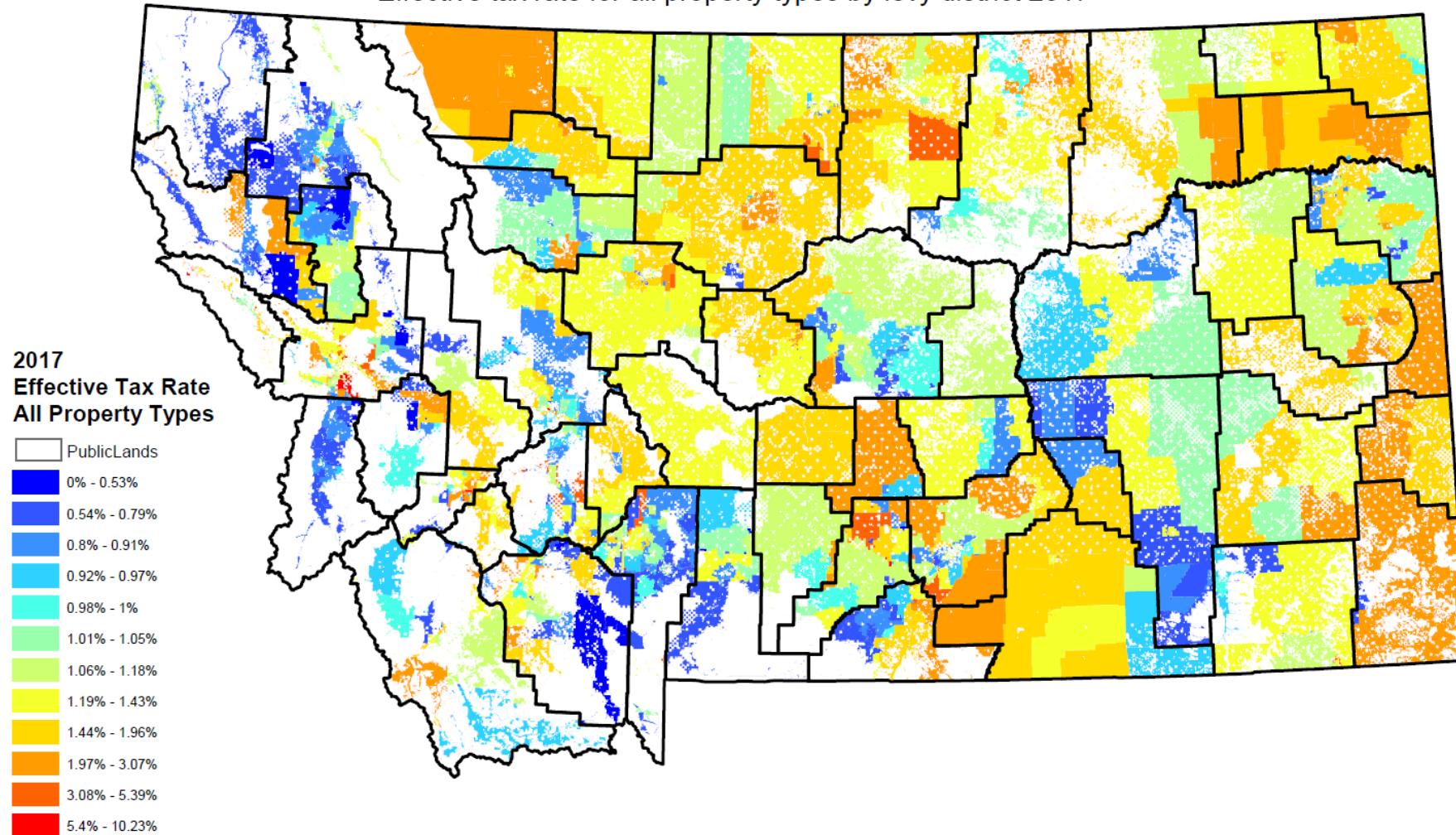
Statewide Effective Tax Rate - All Property Types

Overall Effective Tax Rate					
Population Growth 2009 - 2019	Average	68.0% Bounds		95.0% Bounds	
Counties with Growth Above Median	1.046%	0.738%	1.725%	0.566%	5.303%
Counties with Growth Below Median	1.394%	0.859%	1.726%	0.613%	2.751%

Overall Effective Tax Rate					
DLI Economic Region	Average	68.0% Bounds		95.0% Bounds	
Northwest	1.042%	0.699%	1.614%	0.531%	3.493%
North Central	1.363%	0.948%	1.698%	0.760%	2.831%
Eastern	1.553%	0.966%	1.870%	0.642%	2.604%
South Central	1.189%	0.826%	1.767%	0.654%	3.114%
Southwest	0.987%	0.724%	1.701%	0.536%	6.305%

Statewide Effective Tax Rate - All Property Types

Effective tax rate for all property types by levy district 2017



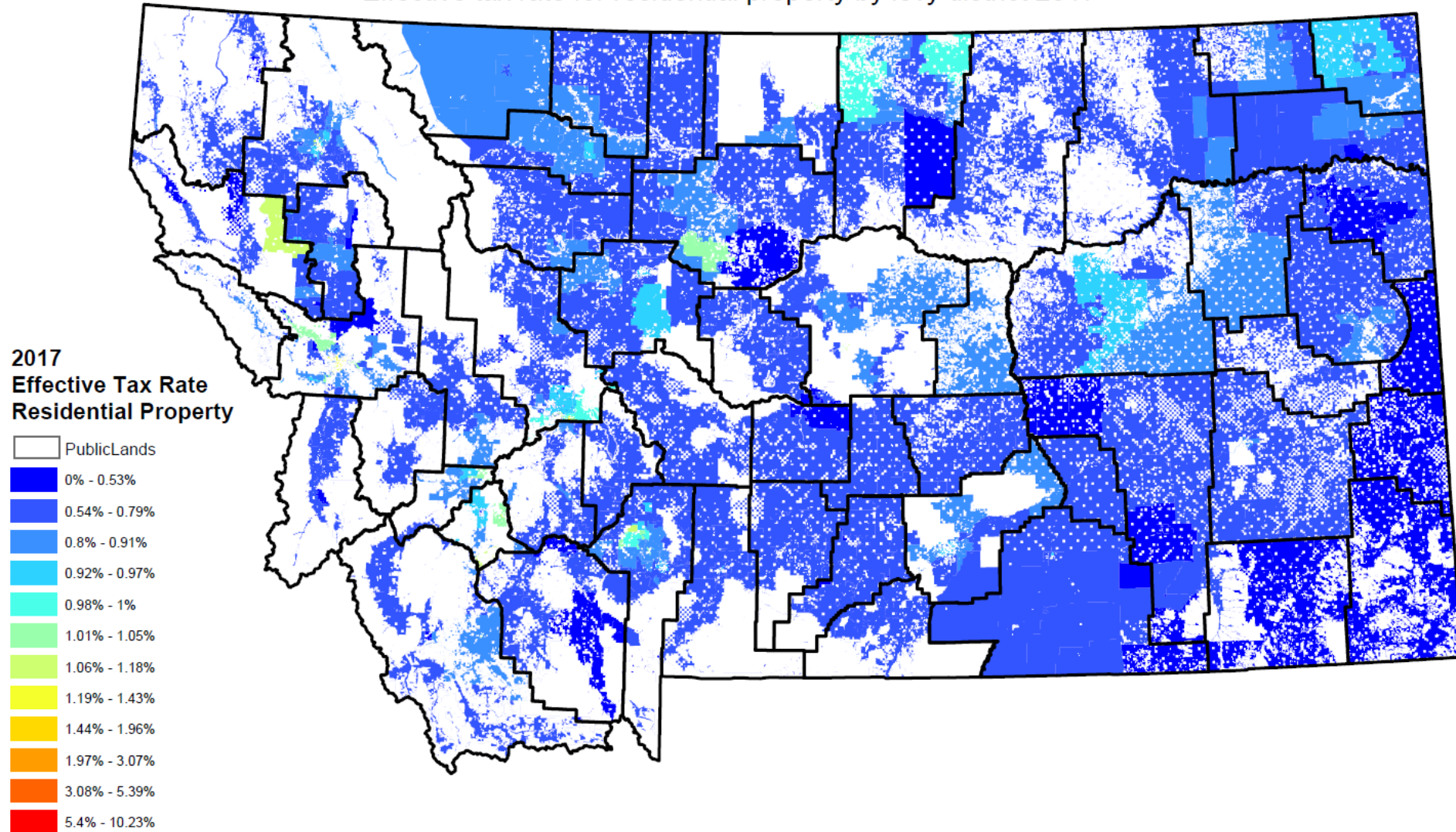
Statewide Effective Tax Rate - Class 4 Residential Property Only

Effective Tax Rate for Residential Property Only					
Population Growth 2009 - 2019	Average	68.0% Bounds		95.0% Bounds	
Counties with Growth Above Median	0.809%	0.614%	0.927%	0.492%	1.145%
Counties with Growth Below Median	0.868%	0.612%	0.968%	0.464%	1.118%

Effective Tax Rate for Residential Property Only					
DLI Economic Region	Average	68.0% Bounds		95.0% Bounds	
Northwest	0.872%	0.672%	0.984%	0.537%	1.194%
North Central	0.885%	0.653%	0.966%	0.594%	1.146%
Eastern	0.823%	0.516%	1.011%	0.377%	1.169%
South Central	0.840%	0.573%	0.856%	0.511%	0.980%
Southwest	0.745%	0.603%	0.926%	0.461%	1.102%

Statewide Effective Tax Rate - Class 4 Residential Property Only

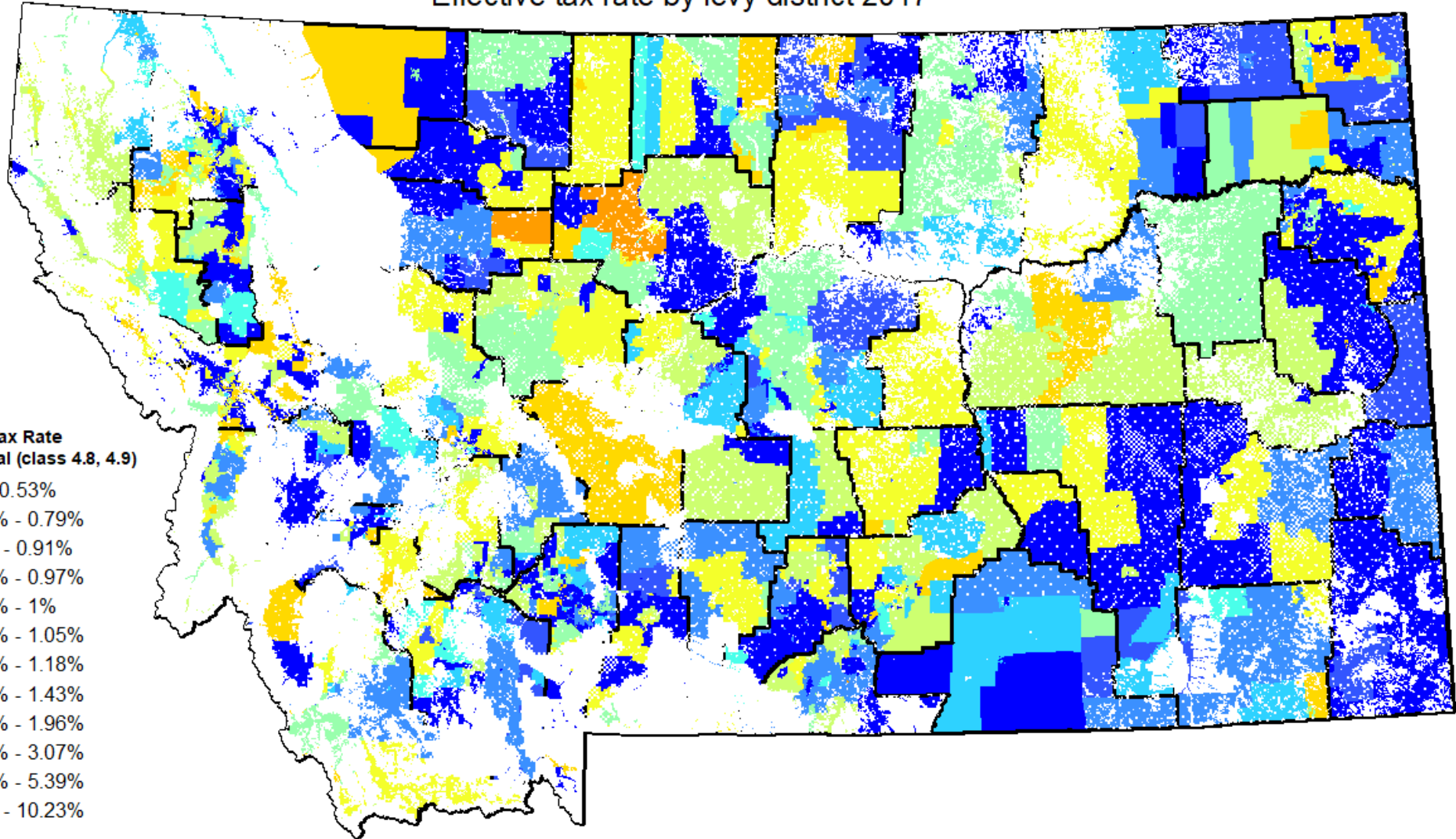
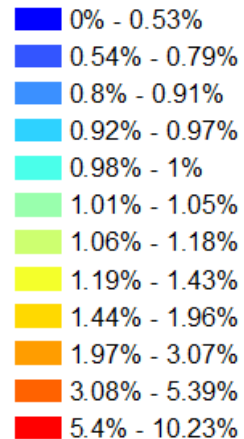
Effective tax rate for residential property by levy district 2017



Statewide Effective Tax Rate - Class 4 Commercial Property Only

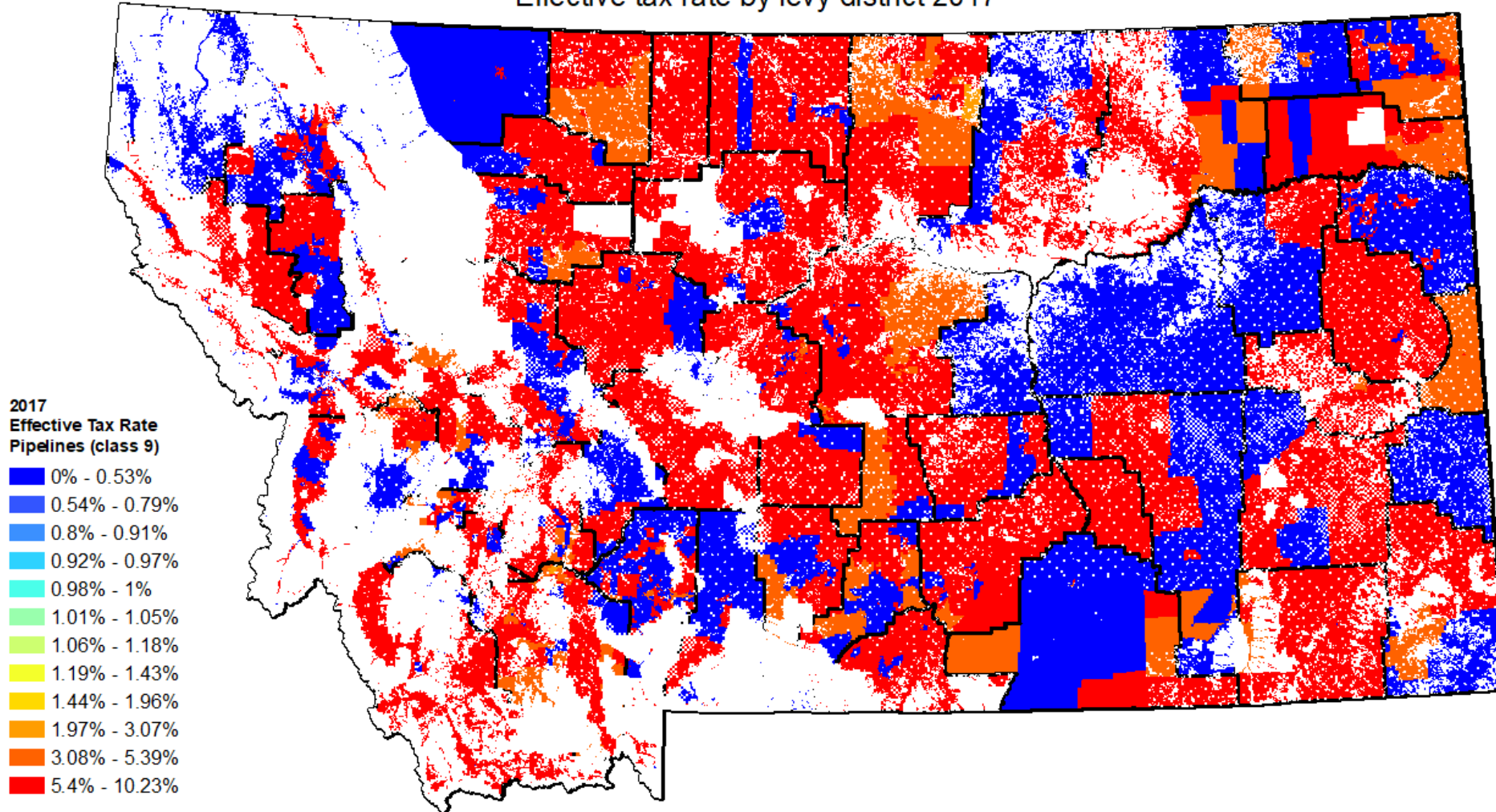
Effective tax rate by levy district 2017

2017
Effective Tax Rate
Commercial (class 4.8, 4.9)



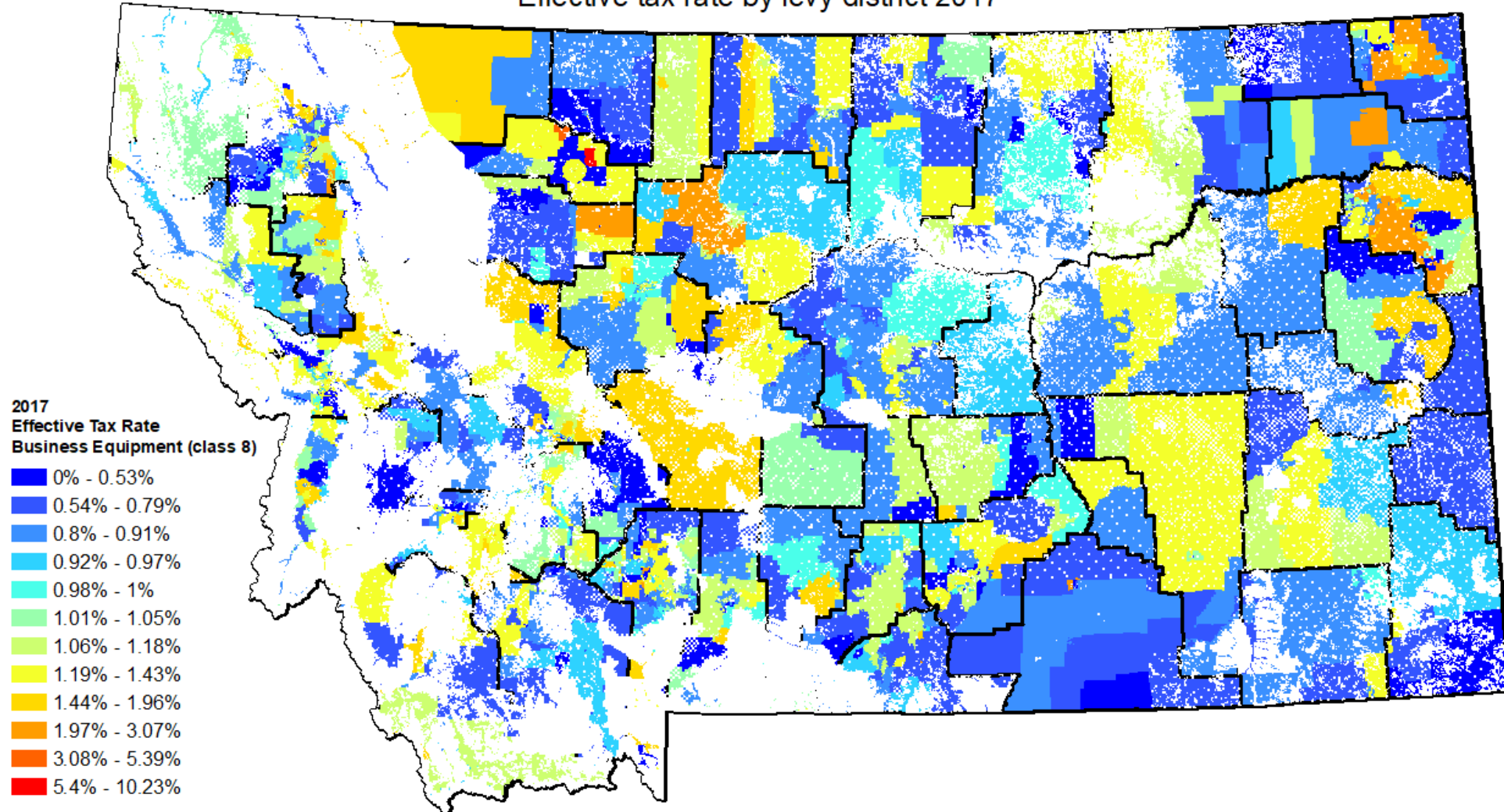
Statewide Effective Tax Rate - Class 9 Oil Pipelines & Non-Electric Generating Property of Electrical Utilities Only

Effective tax rate by levy district 2017



Statewide Effective Tax Rate - Class 8 Business Equipment Property Only

Effective tax rate by levy district 2017



General Conclusions

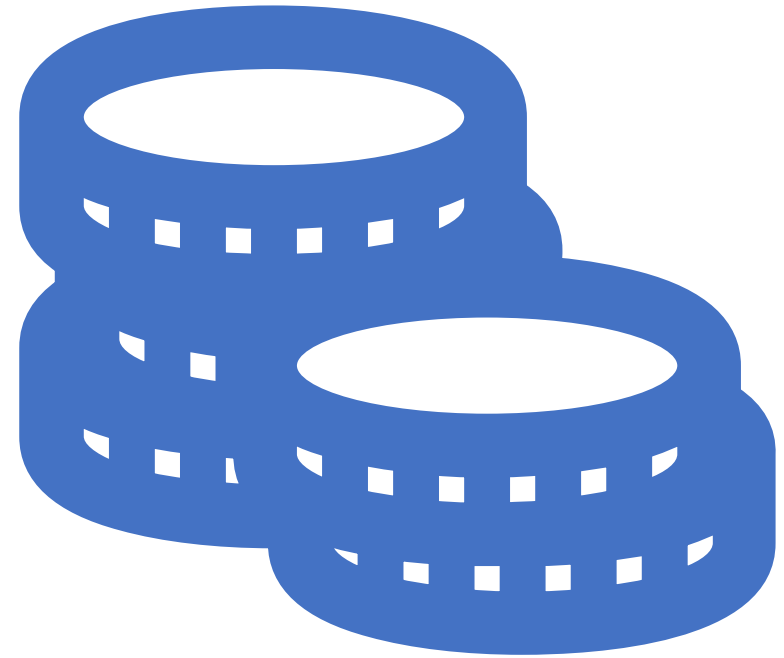
- Growth in property tax collections for local governments has outpaced growth in the economy (personal income) since TY 2001, while collections at the state level for K-12 schools have grown steadily just above the rate of inflation
- Total property tax collections in Montana have growth at about the same rate as the economy
- Market value of property has not grown at the same rate as the economy, and thus the statewide effective tax rate has increased over the last 18 years
- The majority of differences in mills levied between counties are due to school mills. Some discrepancies in mills levied between taxing jurisdictions are also due to voter-approved levies (some communities are more willing than others to pay more in property taxes for a greater amount of services)
- Differences in effective tax rates exist between taxing jurisdictions, but it is important to understand that the property class make-up of a taxing jurisdiction greatly affects the overall effective tax rate because different classes of property are taxed at different statutory rates

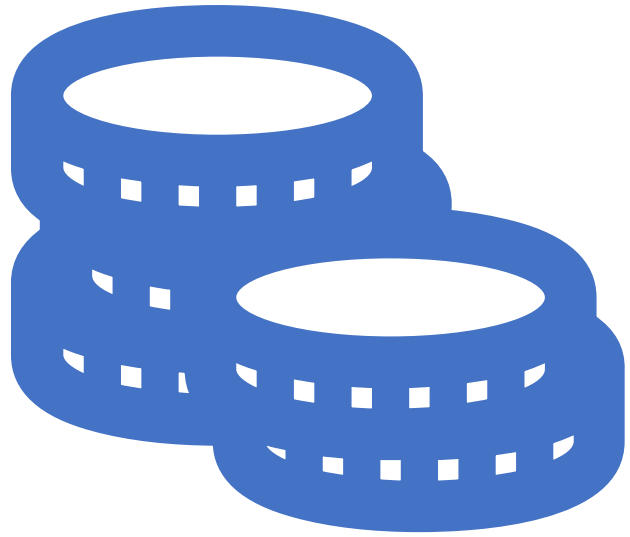
Questions Not Yet Answered

There are more questions we would like to answer, such as:

- How have changes in land usage impacted property tax collections? For example, shifts from agricultural to residential land in the Gallatin valley
- Have local governments have increased their reliance on fees versus property taxes, and if so by how much?
- Can we breakdown growth in property taxes for local governments Property tax increases for local governments into three different sources—newly taxable property entering the tax base, newly voted mills, and increases in accordance with 15-10-420, MCA?
- What options does Montana have for implementing an alternative tax structure? For example, a statewide sales tax or inflation applied to flat taxes

Questions?





LFD



MONTANA LEGISLATIVE FISCAL DIVISION