

HOUSE BILL NO. 569

INTRODUCED BY C. FISCUS

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4 A BILL FOR AN ACT ENTITLED: "AN ACT EXEMPTING A PORTION OF THE MARKET VALUE OF CERTAIN  
5 OWNER-OCCUPIED RESIDENTIAL PROPERTY FROM PROPERTY TAXES; PROVIDING DEFINITIONS;  
6 PROVIDING THAT THE HOMESTEAD EXEMPTION APPLIES TO THE FIRST \$100,000 OR LESS OF MARKET  
7 VALUE; ESTABLISHING ELIGIBILITY REQUIREMENTS; REQUIRING THAT A TAXPAYER FILE AN  
8 APPLICATION TO RECEIVE THE HOMESTEAD PROPERTY TAX EXEMPTION; PROVIDING THAT THE  
9 LIMITATION ON INCREASED PROPERTY TAXES DOES NOT APPLY TO SPECIAL IMPROVEMENT  
10 DISTRICT ASSESSMENTS; AMENDING SECTIONS 15-6-134, 15-6-222, AND 15-8-111, MCA; AND  
11 PROVIDING AN APPLICABILITY DATE."

12  
13 WHEREAS, campaign promises historically mention property tax relief; and

14 WHEREAS, in the past, property tax relief consisted of a small one-time payment in response to a  
15 campaign promise; and

16 WHEREAS, lower-income taxpayers pay approximately \$1,500 to \$2,000 a year in property taxes,  
17 middle-income taxpayers pay approximately \$3,000 to \$5,000 a year in property taxes, and upper-income  
18 taxpayers pay approximately \$7,000 to \$12,000 a year in property taxes; and

19 WHEREAS, property tax rates go up on a consistent basis for property taxpayers; and

20 WHEREAS, the Legislature must reverse the trend with a permanent homestead tax credit on the first  
21 \$100,000 of market value as is done in other states.

22  
23 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

24  
25 NEW SECTION. **Section 1. Definitions.** As used in [sections 1 through 3], the following definitions  
26 apply:

27 (1) "Eligible person" means a property owner who uses the homestead property as the owner's principal  
28 dwelling for at least 7 months a year and does not rent or lease the homestead property.

29 (2) (a) "Homestead property" means the owner-occupied, principal dwelling owned by the taxpayer and  
30 the land, not exceeding 1 acre.

1 (b) If the dwelling consists of a mobile home, manufactured home, or housetrailer that is considered an  
 2 improvement under 15-1-101, then the homestead property is the mobile home, manufactured home, or  
 3 housetrailer and the land, not exceeding 1 acre.

4 (c) If the dwelling consists of a mobile home, manufactured home, or housetrailer that is not considered  
 5 an improvement under 15-1-101, then the homestead property is the land, not exceeding 1 acre.

6 (d) If the dwelling is located in a multiunit building, then the homestead property is the portion of the  
 7 building actually used as the principal dwelling and its percentage of the value of the common elements and of  
 8 the value of the land on which it is built. The percentage attributable to the unit is the value of the unit consisting  
 9 of the homestead property compared to the total value of the building, exclusive of any common elements. The  
 10 value of the land and common elements must be divided equally among the units.

11 (3) "Property taxes" means ad valorem taxes and other assessments, except an assessment for a special  
 12 improvement district or a rural special improvement district, that are required to be paid to the county treasurer.

13

14 **NEW SECTION. Section 2. Exemption for certain class four residential property -- homestead**  
 15 **property tax exemption.** (1) Subject to [section 3], the first \$100,000 or less of the market value of homestead  
 16 property owned by an eligible person is exempt from property taxes. The homestead property tax exemption  
 17 provided by this section is in addition to any other exemptions provided by law.

18 (2) This section does not require the spouse of an eligible person to file a claim jointly with the eligible  
 19 person even though the spouse may be eligible to claim the homestead property tax exemption jointly with the  
 20 eligible person.

21 (3) The exemption allowed by this section terminates on December 31 of any year in which:

22 (a) the owner of the homestead property who qualified for the property tax exemption is not using the  
 23 homestead property as the principal dwelling;

24 (b) the owner of the homestead property does not qualify for the exemption; or

25 (c) property taxes on the homestead property are more than 1 year delinquent.

26 (4) The exemption does not expire because the owner of an interest in the homestead property conveys  
 27 the interest to a qualifying individual or family trust.

28

29 **NEW SECTION. Section 3. Claim for homestead exemption -- limitations.** (1) To qualify for the  
 30 homestead property tax exemption under [sections 1 through 3], the homestead property must meet the following

1 requirements when the claim is filed and must continue to meet the requirements on an annual basis:

2 (a) the property must be the homestead property of the eligible person who files the claim for the  
3 homestead property tax exemption, except for a taxpayer required to be absent from the homestead property by  
4 reason of ill health; and

5 (b) the person claiming the homestead property tax exemption is required, solely or together with the  
6 person's spouse, to own the fee simple estate or to be purchasing the fee simple estate under a recorded  
7 instrument of sale.

8 (2) A person applying for the homestead property tax exemption under [sections 1 through 3] shall  
9 provide a complete affidavit to the department, on a form provided by the department, setting forth that the  
10 applicant and the property meet the requirements of [sections 1 through 3]. The form may require the applicant  
11 to supply other information that may be relevant to the applicant's eligibility. The application must be made before  
12 April 15 of the tax year in which the property tax exemption is to begin. The homestead property tax exemption  
13 remains in effect in subsequent years without the need for a subsequent application unless there is a change in  
14 the applicant's or the property's status that would result in a change in eligibility. The department may inquire by  
15 mail whether any change has taken place and may require a new statement of eligibility if it considers it  
16 necessary.

17 (3) The affidavit is sufficient if the applicant signs a statement affirming the correctness of the information  
18 supplied, whether or not the statement is signed before a person authorized to administer oaths, and mails the  
19 application and statement to the department. The signed statement is considered a statement under oath or  
20 equivalent affirmation for the purposes of 45-7-202, relating to the criminal offense of false swearing.

21

22 **Section 4.** Section 15-6-134, MCA, is amended to read:

23 **"15-6-134. Class four property -- description -- taxable percentage.** (1) Class four property includes:

24 (a) subject to 15-6-222, [sections 1 through 3], and subsections (1)(f) and (1)(g) of this section, all land,  
25 except that specifically included in another class;

26 (b) subject to 15-6-222, [sections 1 through 3], and subsections (1)(f) and (1)(g) of this section, all  
27 improvements, including trailers, manufactured homes, or mobile homes used as a residence, except those  
28 specifically included in another class;

29 (c) the first \$100,000 or less of the taxable market value of any improvement on real property, including  
30 trailers, manufactured homes, or mobile homes, and appurtenant land not exceeding 5 acres owned or under

1 contract for deed and actually occupied for at least 7 months a year as the primary residential dwelling of one or  
2 more qualified claimants:

3 ~~(i) for tax year 2009, whose federal adjusted gross income did not exceed the thresholds established~~  
4 ~~in subsection (2)(b)(i); or~~

5 ~~— (ii) for tax years after tax year 2009, whose total household income did not exceed the thresholds~~  
6 ~~established in subsection (2)(b)(i);~~

7 (d) all golf courses, including land and improvements actually and necessarily used for that purpose, that  
8 consist of at least nine holes and not less than 700 lineal yards;

9 (e) subject to 15-6-222(1) and [sections 1 through 3], all improvements on land that is eligible for  
10 valuation, assessment, and taxation as agricultural land under 15-7-202, including 1 acre of real property beneath  
11 improvements on land described in 15-6-133(1)(c). The 1 acre must be valued at market value.

12 (f) (i) single-family residences, including trailers, manufactured homes, or mobile homes;

13 (ii) rental multifamily dwelling units;

14 (iii) appurtenant improvements to the residences or dwelling units, including the parcels of land upon  
15 which the residences and dwelling units are located and any leasehold improvements; and

16 (iv) vacant residential lots; and

17 (g) (i) commercial buildings and the parcels of land upon which they are situated; and

18 (ii) vacant commercial lots.

19 (2) Class four property is taxed as follows:

20 (a) Except as provided in 15-24-1402, 15-24-1501, 15-24-1502, and 15-24-2101, property described in  
21 subsections (1)(a), (1)(b), and (1)(e) through (1)(g) of this section is taxed at:

22 (i) 2.93% of its taxable market value in tax year 2009;

23 (ii) 2.82% of its taxable market value in tax year 2010;

24 (iii) 2.72% of its taxable market value in tax year 2011;

25 (iv) 2.63% of its taxable market value in tax year 2012;

26 (v) 2.54% of its taxable market value in tax year 2013; and

27 (vi) 2.47% of its taxable market value in tax years after 2013.

28 (b) (i) Property qualifying under the property tax assistance program in subsection (1)(c) is taxed at the  
29 rate provided in subsection (2)(a) of its taxable market value multiplied by a percentage figure based on the  
30 income for the preceding calendar year of the owner or owners who occupied the property as their primary

1 residence and determined from the following table:

2	Income	Income	Percentage
3	Single Person	Married Couple	Multiplier
4		Head of Household	
5	\$0 - \$6,000	\$0 - \$8,000	20%
6	\$6,001 - \$9,200	\$8,001 - \$14,000	50%
7	\$9,201 - \$15,000	\$14,001 - \$20,000	70%

8 (ii) The income levels contained in the table in subsection (2)(b)(i) must be adjusted for inflation annually  
 9 by the department. The adjustment to the income levels is determined by:

10 (A) multiplying the appropriate dollar amount from the table in subsection (2)(b)(i) by the ratio of the PCE  
 11 for the second quarter of the year prior to the year of application to the PCE for the second quarter of 1995; and

12 (B) rounding the product thus obtained to the nearest whole dollar amount.

13 (iii) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly  
 14 in the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce.

15 (c) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate established  
 16 in subsection (2)(a).

17 (3) Within the meaning of comparable property, as defined in 15-1-101, property assessed as  
 18 commercial property is comparable only to other property assessed as commercial property and property  
 19 assessed as other than commercial property is comparable only to other property assessed as other than  
 20 commercial property.

21 (4) (a) As used in this section, "qualified claimants" means one or more owners who:

22 (i) occupied the residence as their primary residence for more than 7 months during the preceding  
 23 calendar year;

24 (ii) had combined income for the preceding calendar year that does not exceed the threshold provided  
 25 in subsection (2)(b); and

26 (iii) file a claim for assistance on a form that the department prescribes on or before April 15 of the year  
 27 for which the assistance is claimed.

28 (b) For the purposes of subsection (1)(c), total household income is the income as reported on the tax  
 29 return or returns required by chapter 30 or 31 for the year in which the assistance is being claimed excluding  
 30 losses, depletion, and depreciation and before any federal or state adjustments to income. In cases in which the

1 claimant is not required to file a tax return under chapter 30 or 31, household income means the household's total  
 2 income as it would have been calculated under this subsection (4)(b) if the claimant had been required to file a  
 3 return.

4 (c) The combined income of two or more owners who are qualified claimants:

5 (i) may not exceed the married couple and head of household thresholds provided in subsection (2)(b);

6 and

7 (ii) determines the amount of tax reduction under subsection (2)(b)."

8

9 **Section 5.** Section 15-6-222, MCA, is amended to read:

10 **"15-6-222. Residential and commercial improvements -- percentage of value exempt.** (1) (a) Except  
 11 as provided in ~~subsection~~ subsections (1)(b) and (1)(c), the following percentage of the market value of residential  
 12 property described in 15-6-134(1)(e) and (1)(f) is exempt from property taxation:

13 (i) 36.8% for tax year 2009;

14 (ii) 39.5% for tax year 2010;

15 (iii) 41.8% for tax year 2011;

16 (iv) 44% for tax year 2012;

17 (v) 45.5% for tax year 2013;

18 (vi) 47% for tax year 2014 and succeeding tax years.

19 (b) For single-family residential dwellings, the exemption provided under subsection (1)(a) is applied to  
 20 the first \$1.5 million or less in market value.

21 (c) The reduction percentage in subsection (1)(a) is applied to the market value that remains after  
 22 application of the homestead property tax exemption provided for in [sections 1 through 3].

23 (2) The following percentage of the market value of commercial property described in 15-6-134(1)(g) is  
 24 exempt from property taxation:

25 (a) 14.2% for tax year 2009;

26 (b) 15.9% for tax year 2010;

27 (c) 17.5% for tax year 2011;

28 (d) 19% for tax year 2012;

29 (e) 20.3% for tax year 2013;

30 (f) 21.5% for tax year 2014 and succeeding tax years."

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2           **Section 6.** Section 15-8-111, MCA, is amended to read:

3           **"15-8-111. Assessment -- market value standard -- exceptions.** (1) All taxable property must be  
4 assessed at 100% of its market value except as otherwise provided.

5           (2) (a) Market value is the value at which property would change hands between a willing buyer and a  
6 willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of  
7 relevant facts.

8           (b) If the department uses construction cost as one approximation of market value, the department shall  
9 fully consider reduction in value caused by depreciation, whether through physical depreciation, functional  
10 obsolescence, or economic obsolescence.

11           (c) If the department uses the capitalization-of-net-income method as one approximation of market value  
12 and sufficient, relevant information on comparable sales and construction cost exists, the department shall rely  
13 upon the two methods that provide a similar market value as the better indicators of market value.

14           (d) Except as provided in subsection (4), the market value of special mobile equipment and agricultural  
15 tools, implements, and machinery is the average wholesale value shown in national appraisal guides and  
16 manuals or the value before reconditioning and profit margin. The department shall prepare valuation schedules  
17 showing the average wholesale value when a national appraisal guide does not exist.

18           (3) In valuing class four residential and commercial property described in 15-6-134, the department shall  
19 conduct the appraisal following the appropriate uniform standards of professional appraisal practice for mass  
20 appraisal promulgated by the appraisal standards board of the appraisal foundation. In valuing the property, the  
21 department shall use information available from any source considered reliable. Comparable properties used for  
22 valuation must represent similar properties within an acceptable proximity of the property being valued.

23           (4) The department may not adopt a lower or different standard of value from market value in making  
24 the official assessment and appraisal of the value of property, except:

25           (a) the wholesale value for agricultural implements and machinery is the average wholesale value  
26 category as shown in Guides 2000, Northwest Region Official Guide, published by the North American equipment  
27 dealers association, St. Louis, Missouri. If the guide or the average wholesale value category is unavailable, the  
28 department shall use a comparable publication or wholesale value category.

29           (b) for agricultural implements and machinery not listed in an official guide, the department shall prepare  
30 a supplemental manual in which the values reflect the same depreciation as those found in the official guide;

1 (c) (i) for condominium property, the department shall establish the value as provided in subsection (5);  
2 and

3 (ii) for a townhome or townhouse, as defined in 70-23-102, the department shall determine the value in  
4 a manner established by the department by rule; and

5 (d) as otherwise authorized in Titles 15 and 61.

6 (5) (a) Subject to subsection (5)(c), if sufficient, relevant information on comparable sales is available,  
7 the department shall use the comparable sales method to appraise residential condominium units. Because the  
8 undivided interest in common elements is included in the sales price of the condominium units, the department  
9 is not required to separately allocate the value of the common elements to the individual units being valued.

10 (b) Subject to subsection (5)(c), if sufficient, relevant information on income is made available to the  
11 department, the department shall use the capitalization-of-net-income method to appraise commercial  
12 condominium units. Because the undivided interest in common elements contributes directly to the  
13 income-producing capability of the individual units, the department is not required to separately allocate the value  
14 of the common elements to the individual units being valued.

15 (c) If sufficient, relevant information on comparable sales is not available for residential condominium  
16 units or if sufficient, relevant information on income is not made available for commercial condominium units, the  
17 department shall value condominiums using the construction-cost method. When using the construction-cost  
18 method, the department shall determine the value of the entire condominium project and allocate a percentage  
19 of the total value to each individual unit. The allocation is equal to the percentage of undivided interest in the  
20 common elements for the unit as expressed in the declaration made pursuant to 70-23-403, regardless of whether  
21 the percentage expressed in the declaration conforms to market value.

22 (6) For purposes of taxation, assessed value is the same as appraised value.

23 (7) The taxable value for all property is the percentage of market or assessed value established for each  
24 class of property.

25 (8) The assessed value of properties in 15-6-131 through 15-6-134, 15-6-143, and 15-6-145 is as  
26 follows:

27 (a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after  
28 deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515,  
29 15-23-516, 15-23-517, or 15-23-518.

30 (b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

1 (c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the  
2 lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as  
3 agricultural lands for tax purposes.

4 (d) Properties in 15-6-134, under class four, are assessed at the applicable percentage of market value  
5 minus any portion of market value that is exempt from taxation under 15-6-222 and [sections 1 through 3].

6 (e) Properties in 15-6-143, under class ten, are assessed at 100% of the forest productivity value of the  
7 land when valued as forest land.

8 (f) Railroad transportation properties in 15-6-145 are assessed based on the valuation formula described  
9 in 15-23-205.

10 (9) Land and the improvements on the land are separately assessed when any of the following  
11 conditions occur:

12 (a) ownership of the improvements is different from ownership of the land;

13 (b) the taxpayer makes a written request; or

14 (c) the land is outside an incorporated city or town."

15

16 NEW SECTION. Section 7. Codification instruction. [Sections 1 through 3] are intended to be codified  
17 as an integral part of Title 15, chapter 6, part 2, and the provisions of Title 15, chapter 6, part 2, apply to [sections  
18 1 through 3].

19

20 NEW SECTION. Section 8. Applicability. [This act] applies to tax years beginning after December 31,  
21 2015.

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- END -