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**MONTANA EIGHTEENTH JUDICIAL DISTRICT COURT
GALLATIN COUNTY**

GREG HERTZ, TOM MCGILLVRAY, KEITH
REGIER;

Plaintiffs,

vs.

STATE OF MONTANA; MONTANA
DEPARTMENT OF REVENUE; BRENDAN
BEATTY, in his official capacity as Director of
the Department of Revenue;

Defendants.

Case No. DV

COMPLAINT

COMES NOW Plaintiffs Greg Hertz, Tom McGillvray, and Keith Regier, who bring this action against the above-named Defendants and allege as follows:

I. INTRODUCTION

1. During the 2025 legislative session, supporters of a massive property tax restructuring bill faced a stark reality: their controversial legislation was dying. Their solution? Buy its passage with \$90 million in cash rebates to Montana voters – a scheme they planned in advance and executed through legislative subterfuge.

2. Internal messages exchanged between Representative Llew Jones and legislative staff reveal that Jones planned to gut SB 542 entirely. SB 542 was a simple three-page bill to temporarily freeze property valuations. Jones planned to replace its original provisions with a combination of cash rebates to homeowners and complex property tax rate restructuring. He made this determination 10 days *before* the House Taxation Committee held a hearing on the

bill. At that hearing, neither Jones nor any other legislator disclosed the plan to Montana citizens who testified in support of what they believed was a simple property valuation freeze.

3. Days after the hearing, legislators executed Jones' plan. When later asked about using cash rebates to buy votes for a complex rate restructuring bill, Jones admitted: "On the rebate deal, I support it because now it's what it takes to pass the bill ... [S]ometimes, that's the cost of doing business up here." Translation: we planned to buy votes with taxpayer money, we deceived the public about our intentions, and that's just how things work in Helena.

4. This is textbook "logrolling," which includes "bundling unpopular legislation with more palatable bills, so that the well-received bills would carry the unpopular ones to passage." *People v. Wooters*, 722 N.E.2d 1102, 1112 (Ill. 1999). Courts have long recognized that this practice is "both corruptive of the legislator and dangerous to the state." *Power, Inc. v. Huntley*, 235 P.2d 173, 199 (Wash. 1951), quoting *People ex rel. Drake v. Mahaney*, 13 Mich. 481, 494-95 (1865).

5. Logrolling that combines substantive policy with appropriations – such as cash rebates to voters – generates especially sharp condemnation from the courts:

Provisions on substantive topics should not be ensconced in an appropriations bill in order to logroll or to circumvent the legislative process normally applicable to such action. Similarly, general appropriations bills should not be cluttered with extraneous matters which might cloud the legislative mind when it should be focused solely upon appropriations matters.

Brown v. Firestone, 382 So. 2d 654, 664 (Fla. 1980); see also *Washington State Legislature v. Lowry*, 931 P.2d 885, 896 (Wash. 1997) ("encourag[ing] legislators to weave substantive policy provisions and fiscal measures into appropriations bills . . . legitimiz[es] Byzantine bill drafting in appropriations measures."). These courts recognize that nothing good comes from substantive policy bills lubricated by cash changing hands.

6. Montana's founders saw this logrolling coming and slammed the door on it. They commanded that a specific appropriation "shall be made by a separate bill, containing but one subject." Mont. Const. art. V, § 11(4). The single-subject rule forbids combining "independent and incongruous subjects." *Forward Mont. v. State*, 2024 MT 75, ¶ 26, 461 Mont. 175, 546 P.3d 778. An appropriation for one-time cash rebates and permanent rate restructuring are oil and water – fundamentally incompatible substances that cannot be constitutionally combined into one bill, no matter how vigorously the Legislature shakes them together.

7. Yet in the final hours of the 2025 legislative session, SB 542’s supporters did exactly what the Constitution forbids. They took a dying, 40-page property tax rate restructuring bill – one that the House Speaker himself called a “Frankenstein” bill – and bought its passage by bundling it with an appropriation for \$90 million in one-time cash rebates.

8. Representative Jones’s internal messages and subsequent admissions on the record leave no room for doubt: SB 542’s supporters bundled cash rebates with controversial policy changes because “that’s the cost of doing business” in Helena. This is precisely the kind of buying votes with appropriations that Montana’s constitutional framers prohibited in 1889 and reaffirmed in 1972.²

9. This case also involves a violation of another bedrock constitutional limit on legislative power. The Montana Constitution requires that a bill “shall not be so altered or amended on its passage through the legislature as to change its original purpose.” Mont. Const. art. V, § 11(1).

10. SB 542 began life as a simple, three-page bill to temporarily freeze property values for two years – a measure that would benefit all Montana property owners equally. But by the time Representative Jones and his allies completed their bait-and-switch, every single word of the original bill had been gutted.

11. In its place: a 44-page monstrosity permanently restructuring property tax rates, creating winners and losers, benefiting some property owners while raising tax rates on many others. A temporary freeze became a permanent restructuring. Uniform relief became discrimination.

12. This Court must enforce the Montana Constitution’s prohibitions against such legislative deception, or constitutional limits become mere suggestions. The framers wrote Article V, § 11 to prevent exactly what happened here: legislative vote-buying disguised as compromise, constitutional requirements treated as technicalities, and public hearings reduced to theatrical performances.

13. Representative Jones’s internal messages and his subsequent public admission establish clear violations. The bill’s complete transformation from temporary freeze to

² Montana has prohibited these legislative practices since statehood. Article V, § 11(1) and (4) of the 1972 Constitution replicate the protections established in Sections 19 and 33 of Article V of the 1889 Constitution.

permanent restructuring further demonstrates violations of Article V, § 11(1) and (4) that are both clear and intentional. This Court must act. The framers entrusted courts with enforcing these limits precisely so that legislative convenience does not override constitutional command.

PARTIES

14. Plaintiff Greg Hertz is a Montana taxpayer who resides in Lake County. He is not a typical plaintiff. He is currently a member of the Montana Senate, where he chairs the Senate Taxation Committee. Senator Hertz previously served in the Montana House from 2013 to 2020, serving as House Speaker during the 2019 session. As a direct result of SB 542's enactment, Senator Hertz's property taxes on his residence increased by \$7,000 – from \$14,000 to \$21,000 annually. He brings this action to enforce the constitutional limits governing the Legislature.

15. Plaintiff Tom McGillvray is a Montana taxpayer who resides in Yellowstone County. As with Senator Hertz, Senator McGillvray is not a typical plaintiff. Both senators participated directly in the legislative process that SB 542 subverted, and now sue to enforce constitutional limits they were sworn to uphold. Senator McGillvray is currently the Majority Leader of the Montana Senate. He previously served in the Montana House from 2005 to 2012. Senator McGillvray owns a cabin in Carbon County. This cabin is not used as a long-term rental. As a result of SB 542's enactment, the tax rate on Senator McGillvray's cabin increased from 1.35% to 1.9% as of January 1, 2026.

16. Plaintiff Keith Regier is a Montana taxpayer who resides in Flathead County. He previously served in the Montana House of Representatives from 2009 to 2016 and the Montana Senate from 2017 to 2024. Senator Regier owns a cabin in Flathead County. This cabin does not qualify for SB 542's homestead exemption because it is not Senator Regier's primary residence. The cabin is not used as a long-term rental. As a result of SB 542's enactment, the tax rate on this cabin increased from 1.35% to 1.9% as of January 1, 2026.

17. Each Plaintiff has served as a legislator and brings this action to enforce constitutional limits that protect legislators from being forced into all-or-nothing votes through deliberate manipulation.

18. Defendant State of Montana is sued as the sovereign entity responsible for the unconstitutional enactment and enforcement of SB 542.

19. Defendant Montana Department of Revenue (DOR) is the state agency responsible for administering and implementing Montana's property tax laws, including SB 542.

20. Defendant Brendan Beatty is the Director of the Montana Department of Revenue. He is sued in his official capacity as the state official responsible for implementing and enforcing SB 542’s provisions.

JURISDICTION

21. This Court has subject matter jurisdiction over this action under Mont. Const. art. V, § 11(6), Mont. Code Ann. § 3-5-302(1), and Mont. Code Ann. § 15-1-406(1)(b).

VENUE

22. The 2025 Montana Legislature enacted SB 97, which provides that constitutional challenges to recently enacted legislation must be filed “in the district court of the county or counties containing the legislative district represented by the primary sponsor of the legislation challenged.”

23. Senator Wylie Galt was the primary sponsor of SB 542.

24. Senator Galt represents Senate District 39, which includes territory within Gallatin County, Montana.

25. Accordingly, venue is proper in the Eighteenth Judicial District Court, Gallatin County, Montana.

STATEMENT OF FACTS

I. The 2025 Legislative Session’s Multiple Property Tax Bills

26. During the past decade, Montana real property valuations skyrocketed, generating intense voter demand for relief and placing extraordinary pressure on the Legislature to act.

27. The 2023 Legislature enacted a \$675 rebate for primary residence owners for tax years 2023 and 2024. But legislators failed to enact any long-term property tax reform, leaving mounting public pressure unresolved heading into the 2025 session.

28. The 2025 Legislature returned to the property tax issue with renewed urgency and multiple competing proposals.

29. Representative Llew Jones introduced HB 231, which proposed permanent restructuring of property tax rates – reducing rates for owners of primary residences and long-term rental properties while increasing rates on other property types. A true and correct copy of HB 231 as introduced is attached as **Exhibit 1**.

30. Senator Carl Glimm introduced SB 90, which proposed using approximately \$60 million annually in tourism-related tax revenue (lodging and rental car taxes) to fund homeowner tax relief.

31. Legislators quickly dubbed these competing approaches “Plan A” (HB 231) and “Plan B” (SB 90).

32. Senator Wylie Galt then introduced SB 434 – dubbed “Plan C” – which proposed a simple, one-time \$400 rebate for property taxes paid in 2024 for a personal residence. A true and correct copy of SB 434 as introduced is attached as **Exhibit 2**.

33. Unlike the other proposals, SB 434 avoided rate restructuring entirely.

34. At a hearing before the Senate Taxation Committee on March 28, 2025, Senator Galt positioned SB 434 as a fallback option: “I think every one of us would like to see substantial property tax change. But if we’re not able to pull that off, we’ll have this bill going through.”

35. SB 434 proved overwhelmingly popular and passed unanimously in all votes taken in Senate committees and on the Senate floor. That unanimous support made SB 434 the Legislature’s clearest path forward – until it was deliberately set aside.

36. The Legislature thus demonstrated – before SB 542 was ever amended – that property tax relief, tax restructuring, and one-time rebates were being pursued as distinct and separable legislative options. The decision to abandon that separation was not compelled by policy failure, fiscal necessity, or legislative confusion – it was a strategic choice.

II. SB 542’s Original Purpose: A Temporary, Uniform Property Valuation Freeze

37. Senator Galt also introduced SB 542, which he called “Plan D.” A true and correct copy of SB 542 as introduced is attached as **Exhibit 3**.

38. The bill’s original purpose was to freeze valuations on all property for two years.

39. As introduced on March 25, 2025, SB 542 was a simple, three-page bill with a clear, limited purpose: freeze all property valuations at 2024 levels for tax years 2025 and 2026.

40. This temporary valuation freeze would have applied uniformly to all property classes throughout Montana – residential, commercial, agricultural, and industrial alike.

41. The original bill contained no rate restructuring, no graduated tiers, no application processes, no appropriations, and no permanent changes to Montana’s property tax system.

42. At the Senate Taxation Committee hearing on March 31, 2025, a committee member questioned why Senator Galt’s valuation freeze applied to all property types rather than just homeowners “who really took the hit.”

43. Senator Galt responded candidly: “If I just froze residential [property valuations], I think my line of opponents would have been [extended] out the door.” He chose a uniform freeze specifically to avoid creating winners and losers among property owner groups.

44. The bill advanced through the Senate with solid support. It passed Senate Taxation on April 1, 2025. It then passed a Senate floor vote on April 3, followed by a vote in the Senate Finance and Claims Committee on April 4. It passed a final vote on the Senate floor on April 5.

45. At this stage, SB 542 remained a three-page bill proposing temporary, uniform relief for all Montana property owners. Its original purpose was clear: freeze valuations for two years, thereby giving the Legislature an opportunity to revisit comprehensive reform later. What happened next bore no resemblance to the bill’s original purpose.

III. Representative Jones’ Secret Plan: “We Can Do All in 542”

46. Messages exchanged via Microsoft Teams between Representative Jones and Megan Moore, a research analyst employed by the Legislature, reveal Jones’ plan to completely transform SB 542 well before the House Taxation Committee held its public hearing on the bill. These messages show that the fate of SB 542 was decided in private before the public ever had a chance to be heard.

47. On April 2, 2025 – thirteen days before the hearing – Moore asked Jones: “How tied are you to putting the rebate on the property tax bill? For a one year rebate, it may be better to model it after the SB 434 one-time only rebate (which is modeled after the 2022 and 2023 rebates). Doing it that way would likely get the money to people quicker. SB 90 requires an application to DOR and then DOR is to give the money to the counties, who then have to adjust the tax bills. That could be a lot of administrative work for one rebate.”

48. Jones responded: “I am good with how you see fit to work on it. I can do Galts. I suppose prep to put my 231 in Galts, and a fix on 231 and we will use what works.” In other words, Jones was shopping for the right legislative vehicle to hide his plan.

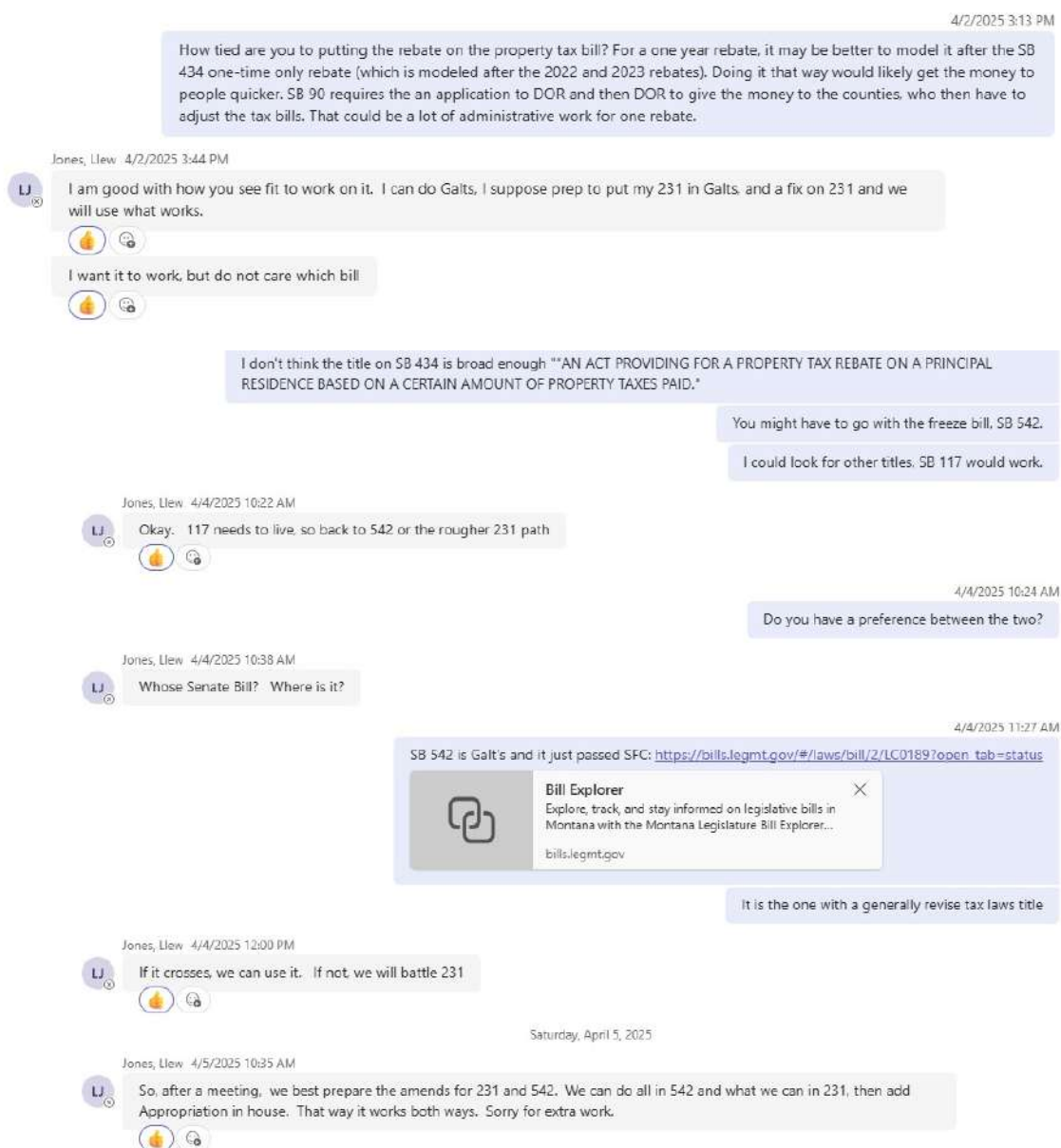
49. Moore then suggested: “I don’t think the title on SB 434 is broad enough ‘AN ACT PROVIDING FOR A PROPERTY TAX REBATE ON A PRINCIPAL RESIDENCE

BASED ON A CERTAIN AMOUNT OF PROPERTY TAXES PAID.’ You might have to go with the freeze bill, SB 542. I could look for other titles. SB 117 would work.”

50. On April 4, 2025, Jones replied: “Okay. 117 needs to live, so back to 542 or the rougher 231 path.”

51. The next day, April 5, 2025, Jones confirmed his strategy to Moore: “So, after a meeting, we best prepare the amends for 231 and 542. We can do all in 542 and what we can in 231, then add Appropriation in house. That way it works both ways. Sorry for extra work.”

52. True and correct copies of the Microsoft Teams messages between Representative Jones and Ms. Moore are attached as **Exhibit 4** and reproduced below:



53. These messages establish three critical facts:

a. Premeditated deception: Jones planned to gut SB 542 and insert his rate restructuring and rebate provisions long before the House Taxation Committee held its public hearing on the bill on April 15, 2025.

b. Title shopping: Jones discussed with legislative staff which bill had a title “broad enough” to accommodate the planned transformation – treating constitutional requirements as technical obstacles to navigate rather than substantive constraints to respect.

c. Strategic bundling: Jones explicitly planned to combine rate restructuring from HB 231 with one-time rebate provisions from SB 434, creating the exact logroll that the Montana Constitution forbids.

III. The House Taxation Committee’s Sham Hearing on SB 542

54. Ten days after Jones informed legislative staff of his plan to gut SB 542, the House Taxation Committee held a hearing on the bill on April 15, 2025.

55. Senator Galt testified that SB 542 was a “complete property tax freeze across all classes” of property and “another tool for you guys to look at as we’re getting towards the end” of the session.

56. During the hearing, several proponents testified in support of what they believed to be a simple valuation freeze. These included Sonny Capece, the Executive Director of the Montana Petroleum Association, who would later condemn the bill’s transformation as “a cat and mouse game” that was “disingenuous to the voters here in Montana.” The Montana Chamber of Commerce and the Montana Coal Council also voiced support for SB 542’s valuation freeze.

57. The April 15 hearing was a formality devoid of substance. Montanans testified in support of a simple valuation freeze – a bill that no longer existed except on paper. Representative Jones had already decided to gut the bill, a fact that was never disclosed during the hearing. As a result, the hearing did not function as a genuine public deliberation but as a performance creating the appearance of constitutional compliance.

58. On April 17, 2025, the House Taxation Committee tabled SB 434 (the \$400 rebate bill) by a vote of 19-2, despite the bill previously passing the Senate unanimously. This sequence cleared the way for Representative Jones to execute his plan.

IV. The House Executes Representative Jones' Bait-and-Switch for SB 542

59. On the morning of April 18, 2025, without any additional public input, the House Taxation Committee amended SB 542 by adding over 40 pages of permanent tax restructuring copied from HB 231, creating graduated tax rates, application requirements, and complex administrative procedures that bore no resemblance to the original bill's simple valuation freeze. The Committee also copied provisions from SB 434 providing for a \$400 rebate for owners of primary residences. These amendments completely wiped out all of the provisions contained in SB 542 as originally introduced.

60. SB 542 reached the House floor for debate on April 22, 2025.

61. House Speaker Brandon Ler opened the debate by acknowledging that the press was calling SB 542 the "Frankenstein property tax bill."

62. The debate immediately revealed the bill's discriminatory effects. Representative Ed Stafman noted that Gallatin County residents – who had experienced the state's largest property value increases – would receive only half of the tax relief provided to residents in other counties. He asked Majority Leader Steve Fitzpatrick: "I got to go home to my constituents who might say, 'Explain to me why Gallatin only saves half of what most of the rest of the state saves when we had the biggest increases in the first place.' I'm just wondering, what do I tell them?"

63. Majority Leader Fitzpatrick conceded the point: Gallatin County property owners would receive less relief because the county contains more high-value properties.

64. Representative Paul Fielder, the chair of the House Taxation Committee, was exasperated:

You look at the bill title on the fiscal note, freeze property values for two years, and then we take that title, which basically started out on the bill as it originally was presented, "generally revised tax laws." And the bill itself, as it started out, was about two full pages and about two inches on a third page. And then we're dealing with 46 pages of amendments, as we're doing executive action.

65. Representative Fielder continued his criticism of the Legislature's logrolling:

I would rather have seen each one of these amendments addressed as an individual bill that we as a body could look at, understand, and say, Yes, this is good, this is bad....If you ask me what this bill actually does as it's been amended and modified right up to the last five minutes, I can't tell you exactly what it's going to do. But if we want to have a bill that's going to give a \$400 rebate on 2024 taxes, let's do that individually.

66. Representative Mike Vinton followed immediately, condemning the process as “disingenuous.” He warned that the bill created winners and losers: “There is going to be some relief to the taxpayers out there. But, unfortunately like I’ve been saying before, it’s a shift. We’re also going to be hitting a lot of Montanans There’ll be some tax relief for the residents of Montana, but it’s a shift. It’s not true tax relief.”

67. Despite these concerns, the House approved an additional floor amendment and then passed SB 542 by a vote of 80-20 on April 22, 2025.

68. Two days later, on April 24, 2025, the House gave final passage to SB 542 by a vote of 72-27. A true and correct copy of SB 542 in final form is attached as **Exhibit 5**.

V. The Senate’s Constitutional Concerns and Representative Jones’s Public Confession

69. By April 28, 2025, concerns about SB 542’s constitutionality had reached the Legislature’s own legal staff. Jaret Coles, an attorney for the Legislature, advised legislators that allowing final passage without an additional public hearing presented constitutional risks.

70. That same day, the Senate took up SB 542. During debate on the Senate floor, Senator Galt – the bill’s original sponsor – acknowledged the problem: “It was a pretty hefty amendment that the House put on, so I think we need to take this to a conference committee, take a closer look at it, and continue working at it.”

71. Senator Hertz was more direct. He explained his vote to send the bill to conference committee: “This bill no longer represents the original intent of this bill, which was to freeze certain property tax values for property tax purposes. So it’s completely turned upside down, and I believe, violates Article V, section 11, the Montana Constitution.”

72. The Senate voted 48-1 to send SB 542 to a conference committee.

73. A conference committee convened on the morning of April 29, 2025, to consider both SB 542 and HB 231.

74. Todd O’Hair, CEO of the Montana Chamber of Commerce, testified about SB 542’s impact on Montana businesses:

The businesses that I deal with on a regular basis that have operations in multiple states will tell you that Montana’s current property tax system is the most complicated and expensive system in the entire country. It is a disincentive for investing in the state of Montana. Senate Bill 542 is going to create a shift on some of Montana’s largest employers....This bill creates an additional sort of complexity expense for businesses that are looking at Montana and their investment in this state

75. Two minutes later, Sonny Capece, Executive Director of the Montana Petroleum Association, condemned the transformation of SB 542:

This bill ultimately – which once I was a supporter of in its original form when it was a freeze – it’s nothing but. . . it’s nowhere near that now. It’s been totally changed, which I think is somewhat of a cat and mouse game that gets played here and disingenuous to the voters here in Montana. You take an original bill and change it into something that is totally unrelated.

76. Later in the morning – and a day before the Legislature adjourned – Representative Jones publicly confirmed the scheme he had expressed in his prior messages to legislative staff. He explained why the cash rebates had been bundled with the rate restructuring:

On the rebate deal, I support it because now it’s what it takes to pass the bill. But I actually agree that the rebate in the first [place] probably is unnecessary because I would like not to spend \$92 million or whatever the new number on the fiscal note [is]. But sometimes, that’s the cost of doing business up here.

(emphasis added).

77. The conference committee did not approve any amendments to SB 542.

78. Immediately following the hearing on SB 542, the conference committee held a hearing on HB 231.

79. At that hearing, the committee gutted HB 231 by eliminating its substantive provisions that were duplicative of SB 542.

80. The committee also added amendments to HB 231 that, in turn, amended certain provisions of SB 542 and added \$3.5 million in appropriations to the Department of Revenue. A true and correct copy of HB 231’s final version is attached as **Exhibit 6**.

81. Within 24 hours, both the House and Senate gave final approval to both bills, and the 2025 legislative session adjourned.

82. On May 13, 2025, Governor Greg Gianforte signed both HB 231 and SB 542 into law.

83. The legislative record establishes that SB 542’s constitutional violations were not accidental byproducts of a messy legislative process. They were the intended result of a deliberate strategy:

- a. Representative Jones planned to gut SB 542 and combine complex rate restructuring with rebates before the House Taxation Committee held a public hearing on the bill.

b. Jones and legislative staff discussed which bill title was “broad enough” to accommodate the planned transformation – approaching the original purpose requirement as a drafting problem rather than a substantive constraint.

c. The House Taxation Committee held a sham hearing where proponents testified in support of a bill to freeze property valuations that Representative Jones and his allies had already decided to completely gut.

d. Representative Jones later admitted publicly that bundling rebates with restructuring was necessary because “that’s the cost of doing business” – an explicit acknowledgment that he had bought votes with appropriations.

e. Chairs of both of the Legislature’s tax committees, Senator Hertz and Representative Fielder, warned during floor debates that SB 542 violated constitutional requirements.

84. Senator Hertz – a Republican who chairs the Senate Taxation Committee and previously served as House Speaker – stated on the Senate floor that the bill “completely turned upside down” its original purpose and “violates Article Five, section 11, the Montana Constitution.” Representative Fielder, the Republican chair of the House Taxation Committee, admitted he couldn’t “tell you exactly what it’s going to do.”

85. When the chairs of both taxation committees condemn the Legislature’s process, and when constitutional violations are this clear, this extensive, and this intentional, judicial intervention is precisely what the Constitution contemplates.

86. If the Legislature can plan in advance to evade constitutional constraints, deceive the public about its intentions, and then defend such actions as merely “the cost of doing business,” then Montana’s Constitution becomes meaningless.

87. The factual record establishes two independent constitutional violations, each of which is sufficient to void SB 542:

- (1) a violation of the original-purpose rule in Mont. Const. art. V, § 11(1), and
- (2) a violation of the single-subject rule in Mont. Const. art. V, § 11(4).

CAUSES OF ACTION

COUNT I

DECLARATORY RELIEF AGAINST DEFENDANTS RESULTING FROM THEIR VIOLATION OF THE MONTANA CONSTITUTION’S ORIGINAL-PURPOSE RULE (Mont. Const. art. V, § 11(1))

88. All previous paragraphs are hereby incorporated as though fully stated herein.

89. The Montana Constitution commands that “[a] law shall be passed by bill which shall not be so altered or amended on its passage through the legislature as to change its original purpose.” Mont. Const. art. V, § 11(1).

A. SB 542’s Original Purpose Was Clear and Limited

90. As introduced on March 25, 2025, SB 542 was a three-page bill with a single, stated purpose: freeze property values for property tax purposes for tax years 2025 and 2026.

91. The bill as introduced proposed to amend Mont. Code Ann. § 15-7-111, to provide that “the value of all property for property tax years beginning January 1, 2025, and January 1, 2026, must equal the value for the property tax year beginning January 1, 2024.”

92. This freeze would have applied uniformly to all classes of property throughout Montana – residential, commercial, agricultural, and industrial alike.

93. The temporary freeze provided equal relief to all Montana property owners regardless of property type, value, or use.

94. Senator Galt, the bill’s sponsor, explained during the Senate Taxation Committee hearing that he chose a uniform freeze specifically to avoid creating winners and losers: “If I just froze residential [property valuations], I think my line of opponents would have been [extended] out the door.”

95. The original purpose of SB 542 was therefore unmistakable: provide temporary, uniform, across-the-board property tax relief through a two-year valuation freeze applicable equally to all property owners in Montana.

B. The Legislature Planned to Obliterate This Purpose Before the House Hearing

96. Messages sent between Representative Llew Jones and legislative staff ten days before the House Taxation Committee held its public hearing on SB 542 reveal that Jones

planned to completely gut the bill and replace it with permanent rate restructuring and cash rebates.

97. Representative Jones' approach to constitutional requirements was instrumental: he treated the bill's original purpose as a drafting obstacle to circumvent rather than a substantive constraint to respect.

C. The Amendments to SB 542 Eliminated Every Word and Reversed the Original Purpose

98. Between its passage through the Senate and its amendment in the House, every single word of the original three pages of SB 542 was deleted and replaced with entirely new content.

99. No portion of the original valuation-freeze language survived. SB 542 was not amended; it was replaced.

100. The final bill implements a permanent restructuring of Montana's property tax system through graduated tax rates that vary by property type and value.

101. The enacted version creates seven different residential property tax rate tiers ranging from 0.76% to 2.2% based on market value brackets.

102. The enacted version establishes a "homestead reduced tax rate program" requiring property owners to apply for reduced rates on owner-occupied principal residences.

103. The enacted version creates a separate "rental property reduced tax rate program" with specific requirements including that properties be rented for periods of 28 days or more for at least 7 months annually.

104. The enacted version restructures commercial property tax rates into a two-tiered system with different rates for values below and above \$400,000.

105. The enacted version includes a one-time \$400 property tax rebate appropriation totaling approximately \$90 million.

106. The enacted version creates extensive new administrative procedures for applying for reduced tax rates, including penalties for false applications and appeal processes.

107. The enacted version establishes mechanisms to reimburse local governments for revenue losses from tax rate reductions for a four-year period.

108. These permanent tax rate restructuring provisions constitute substantive policy changes fundamentally different from a temporary, across-the-board valuation freeze.

D. The Transformation Created Winners and Losers—The Opposite of the Original Purpose

109. The original purpose of SB 542 was to provide uniform relief. Senator Galt explicitly chose this approach to avoid creating opposition from competing property owners.

110. The enacted version does precisely what the original bill was designed to avoid: it creates winners and losers, pitting various property owner groups against each other.

111. This discriminatory treatment is the exact opposite of the original bill's purpose: to provide uniform, temporary relief to all property owners regardless of property classification or location.

112. The complete replacement of SB 542's original text and purpose, along with subsequent amendments made to SB 542 by HB 231, violated Article V, § 11(1) by transforming the bill from temporary, uniform relief into permanent, discriminatory rate restructuring.

113. As a direct result of the Legislature's violation of Article V, § 11(1), Plaintiffs are entitled as a matter of constitutional law to a declaration that SB 542 is unconstitutional and void.

COUNT II

DECLARATORY RELIEF AGAINST DEFENDANTS RESULTING FROM THEIR VIOLATION OF THE MONTANA CONSTITUTION'S SINGLE-SUBJECT RULE (Mont. Const. art. V, § 11(4))

114. All previous paragraphs are hereby incorporated as though fully stated herein.

115. The Montana Constitution commands that a specific appropriation "shall be made by a separate bill, containing but one subject." Mont. Const. art. V, § 11(4).

A. The Single-Subject Rule Prohibits Exactly What Happened Here

116. The single-subject rule serves multiple constitutional purposes, including preventing logrolling – which includes bundling unpopular provisions with popular ones to secure passage, particularly when a popular appropriation is used to buy votes in support of less popular policy provisions.

117. The Montana Supreme Court has held that the single-subject rule forbids combining "independent and incongruous subjects" in a single bill. *Forward Mont. v. State*, 2024 MT 75, ¶ 26, 461 Mont. 175, 546 P.3d 778.

118. As enacted, SB 542 contains three distinct and independent subjects:

Subject One: A one-time appropriation of approximately \$90 million for a retroactive rebate of property taxes already paid in 2024.

Subject Two: A permanent, forward-looking restructuring of Montana’s property tax rate system through graduated rates, application requirements, and complex administrative procedures.

Subject Three: Provisions superseding local government charter provisions that fix mill levy limits, coupled with a separate appropriation to reimburse affected municipalities for revenue losses over a four-year period.

119. These three subjects are independent and incongruous under the single-subject rule in Article V, § 11(4) for several reasons:

120. First, the subjects are temporally incompatible. Subject One is a one-time, retroactive appropriation paying cash rebates for property taxes already paid in 2024. Subject Two is a permanent, forward-looking restructuring of Montana’s property tax rate system beginning in 2026 and continuing indefinitely. Subject Three operates on yet another timeline, temporarily suspending local charter limits and reimbursing municipalities for a four-year transition period. These provisions do not operate together in time. A taxpayer cannot simultaneously receive a 2024 rebate and benefit from a 2026 rate structure – these operate in different tax years on different obligations.

121. Second, the subjects are functionally incompatible. Subject One is pure fiscal legislation, transferring approximately \$90 million from the state treasury to individual taxpayers in the form of cash rebates. Subject Two is substantive policy legislation, permanently altering how property taxes are calculated, classified, and administered. Subject Three is intergovernmental legislation, overriding local government charters and transferring state funds to protect municipal revenue. These functions are not incidental to one another. They operate through different mechanisms, serve different purposes, and implicate different governmental relationships.

122. Third, the three subjects benefit different and unrelated constituencies. Subject One targets individual homeowners, providing an appropriation for uniform, one-time cash payments. Subject Two creates winners and losers among property classes, redistributing tax burdens permanently based on property type and value. Subject Three benefits municipal governments, not individual taxpayers, by insulating charter cities from revenue loss by overriding charter mill caps, thereby resulting in the imposition of more mills, and thus a higher

tax rate on property owners. Each subject was designed to attract support from a different voting bloc, and none depends on the others to function.

123. Because these subjects differ in time, function, and beneficiaries, they are independent and incongruous as a matter of constitutional law. Article V, § 11(4) required each to be enacted – if at all – through a separate bill.

124. In short, SB 542 bundled cash for voters, permanent tax policy, and revenue protection for charter cities into a single take-it-or-leave-it vote.

125. Subject Three is incongruous because it involves both different substantive policy (state-local relations vs. individual tax obligations) and a different appropriation purpose (governmental entities vs. individual taxpayers):

a. **Constitutional Defects:** Subject Three combines substantive policy (charter overrides) with appropriations (municipal reimbursements), yet it addresses neither individual taxpayer relief (Subject One’s purpose) nor tax rate calculation (Subject Two’s purpose). It instead addresses state-local governmental fiscal relations.

b. **Different appropriation purpose and recipient:** While the \$90 million rebate appropriation directly benefits individual taxpayers, another appropriation of \$3.5 million goes to the Department of Revenue. These serve fundamentally different purposes and benefit entirely different classes of recipients. One flows from the general fund to individual citizens; the other flows from the general fund to a state agency.

c. **Multiple independent appropriations violate single-subject:** SB 542 contains two separate, unrelated appropriations – approximately \$90 million for individual rebates and \$3.5 million for the Department of Revenue – each serving distinct subjects. The Montana Constitution requires that “a specific appropriation shall be made by a separate bill, containing but one subject.” Mont. Const. art. V, § 11(4). The use of the singular “a specific appropriation” indicates that each appropriation should be in a separate bill. By including two appropriations serving different subjects and benefiting different classes of recipients, SB 542 violates this command.

d. **Four-year sunset proves independence:** If Subject Three were truly incidental to the permanent rate restructuring in Subject Two, the charter override and reimbursement provisions in Subject Three would be permanent as well. Instead, the four-year sunset for municipal reimbursement demonstrates that it serves a different, temporary purpose – buying support from legislators representing charter cities during a transition period. This different temporal scope from both the one-time rebate and the permanent restructuring proves Subject Three’s independence and incongruity with the other portions of SB 542.

126. The property tax rate restructuring, the appropriation for taxpayer rebates, and the charter overrides with municipal reimbursement appropriation serve entirely different purposes, operate through completely different mechanisms, benefit different parties, implicate different constitutional provisions, and have different temporal scopes.

B. The Legislature Deliberately Bundled These Subjects to Buy Votes

127. The bundling of these three subjects served one purpose: assembling a winning coalition by offering something to everyone – individual homeowners, favored property classes, and charter cities.

128. Representative Jones’s messages reveal he planned this bundling strategy before the House hearing occurred. On April 5, 2025, he confirmed to legislative staff: “We can do all in 542 and what we can in 231, then add Appropriation in House. That way it works both ways.” His strategy was explicit: combine the popular appropriations with the unpopular policy changes, forcing legislators to accept all three subjects or reject all three.

129. At the conference committee hearing on April 29, 2025, Representative Jones publicly confirmed what his private messages revealed. He admitted:

On the rebate deal, I support it because now it’s what it takes to pass the bill. But I actually agree that the rebate in the first [place] probably is unnecessary because I would like not to spend \$92 million or whatever the new number on the fiscal note [is]. But sometimes, that’s the cost of doing business up here.

130. This is a confession of a constitutional violation. Jones explicitly admitted:

a. The rebate was “unnecessary” – it served no legitimate policy purpose related to the rate restructuring;

b. The rebate was bundled with restructuring because “that’s what it takes to pass the bill” – it was vote-buying, pure and simple;

c. This practice is routine – “that’s the cost of doing business up here” – suggesting the Legislature regularly violates the single-subject rule as standard operating procedure.

131. Jones’s admission was not an isolated statement. It confirms a strategy revealed in his text messages two weeks earlier and executed through the sham hearing in the House Taxation Committee, the tabling of SB 434, and the gutting of SB 542.

132. The vote-buying extended beyond individual taxpayers to local governments. By including reimbursement to municipalities for revenue losses, supporters of SB 542 sought support from legislators representing charter cities. This created a three-way logroll: individual homeowners received rebates, favored property classes received rate reductions, and charter cities received revenue protection. Each piece targeted a different constituency, and each required bundling to secure sufficient votes for passage.

133. The use of two separate appropriations for individual rebates and for municipal reimbursement to buy two different constituencies' support epitomizes the logrolling that Article V, § 11(4)'s single-subject rule was designed to prevent.

C. The Separate Treatment of SB 434 Proves These Are Independent Subjects

134. The Legislature's own actions demonstrate that the rebate and the rate restructuring are independent subjects that can and should be addressed separately.

135. SB 434 – containing only the \$400 rebate provision without any rate restructuring – passed the Senate with unanimous, bipartisan support.

136. The House Taxation Committee then tabled SB 434 by a vote of 19-2 on April 17, 2025, despite its unanimous Senate passage.

137. A day later, on April 18, the House Taxation Committee added SB 434's rebate provisions to SB 542, bundling them with 44 pages of rate restructuring copied from HB 231.

138. This sequence – unanimous Senate passage of the standalone rebate, followed by its tabling in the House, followed immediately by its addition to SB 542 – demonstrates deliberate strategic bundling to use the popular appropriation to secure votes for unpopular policy changes.

D. The Bundling Denied Legislators the Ability to Vote on Each Subject Separately

139. Combining these independent subjects into one bill forced legislators into an unconstitutional choice:

- Accept the controversial permanent rate restructuring if they wanted to support the popular temporary rebate; or
- Reject the popular rebate if they opposed the controversial restructuring.

140. The single-subject rule exists to prevent exactly this: forcing legislators to accept or reject bundled provisions rather than voting on each measure independently based on its individual merits.

E. The Constitutional Violation Was Knowing and Intentional

141. The evidence establishes that SB 542’s single-subject violation was not an inadvertent byproduct of messy legislative process but the intended result of a deliberate strategy:

- a. Jones planned to bundle appropriations with policy changes before the House hearing;
- b. Jones and staff discussed which bill title was “broad enough” to accommodate the bundling;
- c. The House committee held a sham hearing, then tabled the standalone rebate bill;
- d. Two days later, the committee added the rebate to SB 542 along with 44 pages of restructuring;
- e. Jones later admitted publicly that bundling was necessary “to pass the bill” and called it “the cost of doing business.”

142. When constitutional violations are this clear, this extensive, and this intentional, judicial intervention is not only appropriate – it is essential.

F. The Violation of Article V, § 11(4) Requires Invalidation

143. The combination of (1) a \$90 million appropriation for one-time rebates to individual taxpayers, (2) permanent property tax rate restructuring creating winners and losers, and (3) charter overrides coupled with a \$3.5 million appropriation for a state agency violates the Montana Constitution’s prohibition against combining independent subjects in a single bill.

144. The violation is particularly egregious because it involves buying votes for unpopular policy changes with popular appropriations directed at two different constituencies – individual homeowners and local governments.

145. The Legislature cannot evade constitutional constraints by planning violations in advance, deceiving the public about its intentions, and then defending its actions as merely “the cost of doing business.”

146. If the Legislature can deliberately bundle appropriations with substantive policy to buy votes, then Article V, § 11(4) becomes meaningless – a suggestion rather than a command.

147. SB 542 cannot be severed. Representative Jones admitted the rebate was “what it takes to pass the bill.” When unconstitutional bundling is the *reason* for a law’s enactment, severance is impossible. What was born of unconstitutional bundling cannot survive unbundled.

148. As a direct result of the Legislature’s knowing and intentional violation of Article V, § 11(4), Plaintiffs are entitled to a declaration that SB 542 is unconstitutional and void.

149. This Court’s enforcement of Article V, § 11 will not merely vindicate constitutional text – it will restore public trust in a legislative process that SB 542’s passage severely damaged.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs respectfully request that this Court:

1. Declare that SB 542 (2025) violates Article V, § 11(1) of the Montana Constitution by fundamentally altering and changing the bill’s original purpose during its passage through the Legislature;
2. Declare that SB 542 (2025) violates Article V, § 11(4) of the Montana Constitution by combining independent and incongruous subjects, including a specific appropriation for one-time rebates, permanent property tax rate restructuring, and charter overrides coupled with municipal reimbursement, in a single bill;
3. Declare that SB 542 (2025) is unconstitutional and void in its entirety;
4. Award Plaintiffs their costs and reasonable attorney fees pursuant to applicable law; and
5. Grant such other and further relief as the Court deems just and proper to enforce the structural protections of Article V of the Montana Constitution.

DATED: January 21, 2026

Respectfully submitted,
Monforton Law Offices, PLLC

/s/ Matthew G. Monforton
Matthew G. Monforton
Attorney for Plaintiffs

EXHIBIT 1

(HB 231 as Introduced on January 16, 2025)

1 HOUSE BILL NO. 231

2 INTRODUCED BY L. JONES, M. NIKOLAKAKOS, C. SCHOMER, C. COCHRAN, E. TILLEMANN, D. BEDEY,
3 M. BERTOGLIO, M. CUFFE, B. GILLESPIE, W. MCKAMEY, C. SPRUNGER, R. TEMPEL, D. FERN, J.
4 KASSMIER, S. FITZPATRICK, B. LER, K. WALSH, R. MINER, B. BARKER, G. HERTZ, T. MCGILLVRAY, G.
5 NIKOLAKAKOS, S. MORIGEAU, G. PARRY, S. ESSMANN, J. DARLING

6
7 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING PROPERTY TAX LAWS; REVISING TAX
8 RATES FOR CERTAIN CLASS FOUR RESIDENTIAL AND COMMERCIAL PROPERTY; PROVIDING A
9 LOWER TAX RATE FOR CERTAIN OWNER-OCCUPIED RESIDENTIAL PROPERTY AND LONG-TERM
10 RENTALS; PROVIDING A LOWER TAX RATE FOR A PORTION OF COMMERCIAL PROPERTY VALUE;
11 PROVIDING ELIGIBILITY AND APPLICATION REQUIREMENTS; PROVIDING FOR AN APPEAL PROCESS;
12 PROVIDING DEFINITIONS; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTIONS 15-6-134, 15-
13 7-102, 15-15-101, 15-15-102, 15-15-103, 15-16-101, AND 15-17-125, MCA; AND PROVIDING AN IMMEDIATE
14 EFFECTIVE DATE, APPLICABILITY DATES, AND A TERMINATION DATE."

15
16 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

17
18 NEW SECTION. **Section 1. Definitions.** As used in [sections 1 through 7] and 15-6-134, the
19 following definitions apply:

- 20 (1) "Homestead reduced tax rate" means the tax rate provided for in 15-6-134(3)(b)(i).
21 (2) "Long-term rental" means class four residential property:
22 (a) that is a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home,
23 or mobile home and the parcel on which the long-term rental improvements are located but not including any
24 contiguous or adjacent parcels;
25 (b) that an owner can demonstrate was rented for periods of 28 days or more for at least 9 months
26 in each tax year for which the rental property reduced tax rate is claimed;
27 (c) that is occupied by tenants who use the dwelling as a residence during the year in which the
28 reduced tax rate is claimed; and

(d) for which the owner is current on payment of the assessed Montana property taxes when claiming the reduced tax rate.

(3) "Owner" includes a purchaser under contract for deed as defined in 70-20-115, a grantor of a trust indenture as defined in 71-1-303, and the trustee of a grantor trust that is revocable as defined in 72-38-103.

(4) (a) "Principal residence" means class four residential property:

(i) that is a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home, or mobile home and the parcel on which the principal residence improvements are located but not including any contiguous or adjacent parcels;

(ii) in which an owner can demonstrate the owner owned and lived for at least 7 months of the year for which the homestead reduced tax rate for a principal residence is claimed;

(iii) that is the only residence for which the owner claims the homestead reduced tax rate for that year; and

(iv) for which the owner made payment of the assessed Montana property taxes.

(b) An owner who cannot meet the requirements of subsection (4)(a)(ii) because the owner's principal residence changed during the tax year to another principal residence may still qualify for the homestead reduced tax rate if the owner paid the Montana property taxes while residing in each principal residence for a total of at least 7 consecutive months for each tax year.

(5) "Rental property reduced tax rate" means the tax rate provided for in 15-6-134(3)(b)(i) and (ii).

(6) "Tax year 2025" means the period from January 1, 2025, through December 31, 2025.

(7) "Tax year 2026" means the period from January 1, 2026, through December 31, 2026.

(8) "Tax year 2027" means the period from January 1, 2027, through December 31, 2027.

NEW SECTION. Section 2. Homestead reduced tax rate transition period -- automatic qualification -- application for other property. (1) For tax year 2025 and tax year 2026, a class four residential property that is a principal residence automatically qualifies for the homestead reduced tax rate provided for in 15-6-134(3)(b) if:

(a) the owner claimed and received a property tax rebate for tax year 2023 pursuant to Chapter

1 47, Laws of 2023;

2 (b) the property did not change ownership after July 31, 2023; and

3 (c) the property remains the principal residence of the owner.

4 (2) The department shall maintain a website for property owners to verify if their property
5 automatically qualifies for the homestead reduced tax rate for a principal residence described in subsection (1).

6 (3) The automatic qualification for the homestead reduced tax rate for a principal residence expires
7 after tax year 2026. Beginning in tax year 2027, the owner of a class four residential property that wishes to
8 continue to receive the homestead reduced tax rate for a principal residence, regardless of whether the owner
9 applied for and received a lower tax rate as provided in subsection (4), shall apply to the department as
10 provided in [section 3].

11 (4) The owner of a class four residential property that does not meet the requirements for
12 automatic qualification in subsection (1) for the homestead reduced tax rate for a principal residence but that
13 would otherwise qualify under [section 3] may apply for a temporary homestead reduced tax rate for a principal
14 residence as provided in [section 3] that is applicable to tax years 2025 and 2026.

15 (5) An application for qualifying property under subsection (4) must be made by March 1, 2025, to
16 qualify for a reduced tax rate in tax years 2025 and 2026 and by March 1, 2026, to qualify for a reduced tax rate
17 in tax year 2026. If a temporary homestead reduced tax rate is granted under subsection (4), it remains
18 effective through the end of tax year 2026.

19 (6) For tax year 2025 and tax year 2026, a class four residential property that qualified for the
20 property tax assistance program provided for in 15-6-305 or the disabled veteran program provided for in 15-6-
21 311 in tax year 2024 automatically qualifies for the homestead reduced tax rate if the property remains the
22 principal residence of the owner.

23
24 **NEW SECTION. Section 3. Homestead reduced tax rate -- application -- limitations.** (1) Except
25 as provided in 15-6-134(3)(b)(iii), there is a homestead reduced tax rate provided for in 15-6-134(3)(b)(i) for a
26 principal residence as provided in this section.

27 (2) (a) Beginning in tax year 2027, the owner of a principal residence may apply to the department
28 to receive the homestead reduced tax rate.

(b) To receive the homestead reduced tax rate for the tax year in which the application is first made, the owner shall apply electronically or by mail on a form prescribed by the department and postmarked by March 1. Approved applications received electronically or postmarked after March 1 apply to the following tax year.

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

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

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

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

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

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

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

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

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

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

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

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

(4) The department shall notify the owner if the homestead reduced tax rate is applied to the

1 property or if the application was denied.

2

3 **NEW SECTION. Section 4. Rental property reduced tax rate -- application -- limitations.** (1)

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

6 (2) (a) The owner of a long-term rental may apply to the department to receive the rental property
7 reduced tax rate. The application must be made by an individual owner or, for an entity owner, by an authorized
8 representative of the entity.

9 (b) To receive the rental property reduced tax rate for the tax year in which the application is first
10 made, the owner or authorized representative shall apply electronically or by mail on a form prescribed by the
11 department and postmarked by March 1. Approved applications received electronically or postmarked after
12 March 1 apply to the following tax year.

13 (c) Once approved, the rental property reduced tax rate remains effective until the end of the tax
14 year in which any of the following events occur:

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

16 (ii) the property is no longer rented to tenants as a dwelling;

17 (iii) the terms of the lease change and the property no longer qualifies as a long-term rental as
18 defined in [section 1]; and

19 (iv) the owner fails to submit a complete reapplication to the department as required in subsection
20 (4).

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

25 (3) An application for a rental property reduced tax rate must be submitted on a form prescribed by
26 the department and must contain:

27 (a) a written declaration made under penalty of perjury that the applicant owns and maintains the
28 land and improvements as a long-term rental as defined in [section 1]. The application must state the penalty

1 provided for in [section 4].

2 (b) the geocode or other property identifier for the long-term rental for which the applicant is
3 requesting the rental property reduced tax rate;

4 (c) the social security number or taxpayer identification number of the applicant;

5 (d) the income and expense information for the long-term rental for the immediately preceding
6 year, including the amount of rent charged each month; and

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

8 (4) To continue receiving the rental property reduced tax rate, the owner of a qualifying long-term
9 rental shall reapply annually as provided in subsection (3).

10 (5) Periods of short-term vacancy not exceeding 3 months in a 12-month period do not disqualify a
11 long-term rental from receiving the rental property reduced tax rate.

12 (6) The department shall notify the owner if the rental property reduced tax rate is applied to the
13 property or if the application was denied.

14

15 **NEW SECTION. Section 5. Homestead and rental property reduced tax rates -- improper**
16 **approval -- penalty for false or fraudulent application.** (1) Except as provided in subsection (2), if the
17 department determines that an application for a homestead reduced tax rate or a rental property reduced tax
18 rate was improperly approved, the department shall revise the assessment for each year the homestead
19 reduced tax rate or the rental property reduced tax rate was improperly granted subject to the assessment
20 revision procedure established in 15-8-601.

21 (2) (a) A person who files a false or fraudulent application for a homestead reduced tax rate
22 provided for in [section 2 or 3] or for a rental property reduced tax rate provided for in [section 4] is subject to
23 criminal prosecution under the provisions of 45-7-202.

24 (3) (a) If a person is determined to have filed a false or fraudulent application, the department shall
25 revise the assessment of the property subject to the assessment revision procedure established in this section
26 and 15-8-601 and assess a penalty as provided in this subsection (3). The penalty is equal to three times the
27 base penalty amount calculated under subsection (3)(b) plus interest at the rate provided in 15-16-102
28 calculated from the original due date of the taxes, until paid.

(b) The base penalty amount is equal to the property tax due for each year the homestead reduced tax rate or the rental property reduced tax rate was improperly received, determined using the tax rate provided for in 15-6-134(3)(a), the appraised value, and the mill levies in effect for the year, less the actual property taxes paid in the year.

(c) The revised assessment and penalty must be assessed against a person who filed a false or fraudulent application even if the person no longer owns the property.

(4) If the person who filed a false or fraudulent application no longer owns the property associated with the false or fraudulent application, the penalty plus interest provided for in subsection (3) may be recovered as any other tax owed the state. If the penalty plus interest becomes due and owing, the department may issue a warrant for distraint as provided in Title 15, chapter 1, part 7.

(5) Except as provided in subsection (4), if the department determines that a false or fraudulent application was made, the department shall send the revised assessment with the additional penalty amount as determined under subsection (3) to the county treasurer in the county where the property is located.

(6) The county treasurer shall distribute property taxes, penalty, and interest collected under this section proportionally to the affected taxing jurisdictions.

(7) A revised assessment made under this section must be made within 10 years after the end of the calendar year in which the original application was made.

NEW SECTION. Section 6. Appeal of denial of reduced tax rate. (1) (a) If the department denies an application for a homestead reduced tax rate or a rental property reduced tax rate, the owner may request an informal review of the denial by submitting an objection on written or electronic forms provided by the department for that purpose in a manner prescribed by the department. The objection must be made no later than 30 days after the date of the denial notification sent pursuant to [section 3(4) or 4(6)].

(b) The property owner may request that the department consider extenuating circumstances to grant an application for the homestead reduced tax rate or the rental property reduced tax rate. Extenuating circumstances include but are not limited to extraordinary, unusual, or infrequent events that are material in nature and of a character different from the typical or customary, and that are not expected to recur.

(c) After the informal review, the department shall determine the correct status of the homestead

1 reduced tax rate or the rental property reduced tax rate and notify the taxpayer of its determination by mail or
 2 electronically. In the notification, the department shall state its reasons for accepting or denying the application.

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

10
 11 **NEW SECTION. Section 7. Rulemaking authority.** The department shall adopt rules that are
 12 necessary to implement and administer [sections 1 through 7].

13
 14 **Section 8.** Section 15-6-134, MCA, is amended to read:

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

- 17 (a) ~~subject to subsection (1)(e),~~ all land, except that specifically included in another class;
 18 (b) ~~subject to subsection (1)(e):~~
 19 (i) all improvements, including single-family residences, trailers, manufactured homes, or mobile
 20 homes used as a residence, except those specifically included in another class;
 21 (ii) appurtenant improvements to the residences, including the parcels of land upon which the
 22 residences are located and any leasehold improvements;
 23 (iii) vacant residential lots; and
 24 (iv) rental multifamily dwelling units.
 25 (c) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural
 26 land under 15-7-202;
 27 (d) ~~_____, including 1 acre of real property beneath residential improvements on land described in 15-6-~~
 28 ~~133(1)(c). The 1 acre must be valued at market value.~~

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

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

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

(i) all commercial and industrial property that is used or owned by an individual, a business, a trade, a corporation, a limited liability company, or a partnership and that is used primarily for the production of income;

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

(iii) commercial buildings and parcels of land upon which the buildings are situated; and

(iv) vacant commercial lots.

(2) If a property includes both residential and commercial uses, the property is classified and appraised as follows:

(a) the land use with the highest percentage of total value is the use that is assigned to the property; and

(b) the improvements are apportioned according to the use of the improvements.

(3) ~~(a) Except as provided in Subject to 15-24-1402, 15-24-1501, and 15-24-1502, and subsection class four property is taxed as provided in this subsection (3).~~

(a) Except as provided in subsections (3)(b) and (3)(c), class four residential property described in subsections (1)(a) through (1)(d) of this section is taxed at 4.35% 1.9% of market value.

(b) (i) Subject to subsection (3)(b)(iii), the tax rate for class four residential property described in subsections (1)(a), (1)(b)(i), (1)(b)(ii), and (1)(d) of this section that qualifies for the homestead reduced tax rate provided for in [section 2 or 3] or the rental property reduced tax rate provided for in [section 4] is 1.1%.

(ii) The tax rate for a rental multifamily dwelling unit described in subsection (1)(b)(iv) that qualifies

1 for the rental property reduced tax rate is 1.1%.

2 (b)(iii) The tax rate for the portion of the market value of a single-family residential dwelling that is a
 3 principal residence or a single-family residence long-term rental in excess of \$1.5 million 4 times the median
 4 residential value is the residential property tax rate in subsection (3)(a) multiplied by 1.4.

5 (c) The tax rate for a property described in subsection (1)(c) that does not qualify for the
 6 homestead reduced tax rate or the rental property reduced tax rate is 1.35%.

7 (e)(d) The tax rate for commercial and industrial property described in subsections (1)(e) and (1)(f),
 8 except property described in subsection (1)(f)(ii), is: the residential property tax rate in subsection (3)(a)
 9 multiplied by 1.4

10 (i) for the market value less than 6 times the median commercial and industrial value, 1.5%; and

11 (ii) for the market value greater than 6 times the median commercial and industrial value, 2.1%.

12 (4)(e) Property described in subsection (1)(e)(ii) (1)(f)(ii) is taxed at one-half the tax rate established
 13 in subsection (3)(e) (3)(d).

14 (4) The department shall calculate the median residential value and median commercial and
 15 industrial value every 2 years as part of the periodic reappraisal provided for in 15-7-111.

16 (5) As used in this section, the following definitions apply:

17 (a) "Median commercial and industrial value" means the median value of class four commercial
 18 and industrial property located in the state of Montana rounded to the nearest thousand dollars.

19 (b) "Median residential value" means the median value of a single-family residence located in the
 20 state of Montana rounded to the nearest thousand dollars."

21

22 **Section 9.** Section 15-7-102, MCA, is amended to read:

23 **"15-7-102. Notice of classification, market value, and taxable value to owners -- appeals.** (1) (a)

24 Except as provided in 15-7-138, the department shall mail or provide electronically to each owner or purchaser
 25 under contract for deed a notice that includes the land classification, market value, and taxable value of the
 26 land and improvements owned or being purchased. A notice must be mailed or, with property owner consent,
 27 provided electronically to the owner only if one or more of the following changes pertaining to the land or
 28 improvements have been made since the last notice:

- 1 (i) change in ownership;
- 2 (ii) change in classification;
- 3 (iii) change in valuation; or
- 4 (iv) addition or subtraction of personal property affixed to the land.
- 5 (b) The notice must include the following for the taxpayer's informational and informal classification
- 6 and appraisal review purposes:
- 7 (i) a notice of the availability of all the property tax assistance programs available to property
- 8 taxpayers, including the intangible land value assistance program provided for in 15-6-240, the property tax
- 9 assistance programs provided for in Title 15, chapter 6, part 3, the homestead reduced tax rate provided for in
- 10 [section 3], the rental property reduced tax rate provided for in [section 4], and the residential property tax credit
- 11 for the elderly provided for in 15-30-2337 through 15-30-2341;
- 12 (ii) the total amount of mills levied against the property in the prior year;
- 13 (iii) the market value for the prior reappraisal cycle;
- 14 (iv) if the market value has increased by more than 10%, an explanation for the increase in
- 15 valuation;
- 16 (v) a statement that the notice is not a tax bill; and
- 17 (vi) a taxpayer option to request an informal classification and appraisal review by checking a box
- 18 on the notice and returning it to the department.
- 19 (c) When the department uses an appraisal method that values land and improvements as a unit,
- 20 including the sales comparison approach for residential condominiums or the income approach for commercial
- 21 property, the notice must contain a combined appraised value of land and improvements.
- 22 (d) Any misinformation provided in the information required by subsection (1)(b) does not affect the
- 23 validity of the notice and may not be used as a basis for a challenge of the legality of the notice.
- 24 (2) (a) Except as provided in subsection (2)(c), the department shall assign each classification and
- 25 appraisal to the correct owner or purchaser under contract for deed and mail or provide electronically the notice
- 26 in written or electronic form, adopted by the department, containing sufficient information in a comprehensible
- 27 manner designed to fully inform the taxpayer as to the classification and appraisal of the property and of
- 28 changes over the prior tax year.

1 (b) The notice must advise the taxpayer that in order to be eligible for a refund of taxes from an
2 appeal of the classification or appraisal, the taxpayer is required to pay the taxes under protest as provided in
3 15-1-402.

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

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

14 (i) For property other than class three property described in 15-6-133, class four property
15 described in 15-6-134, class ten property described in 15-6-143, and centrally assessed property described in
16 15-23-101, the objection must be submitted within 30 days from the date on the notice.

17 (ii) For class three property described in 15-6-133, class four property described in 15-6-134, and
18 class ten property described in 15-6-143, the objection may be made only once each valuation cycle. An
19 objection must be made in writing or by checking a box on the notice within 30 days from the date on the
20 classification and appraisal notice for a reduction in the appraised value to be considered for both years of the
21 2-year valuation cycle. An objection made more than 30 days from the date of the classification and appraisal
22 notice will be applicable only for the second year of the 2-year valuation cycle. For an objection to apply to the
23 second year of the valuation cycle, the taxpayer shall make the objection in writing or by checking a box on the
24 notice no later than June 1 of the second year of the valuation cycle or, if a classification and appraisal notice is
25 received in the second year of the valuation cycle, within 30 days from the date on the notice.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6 (6) Except as provided in 15-2-302 and 15-23-102, if a property owner feels aggrieved by the
7 classification or appraisal made by the department after the review provided for in subsection (3), the property
8 owner has the right to first appeal to the county tax appeal board and then to the Montana tax appeal board,
9 whose findings are final subject to the right of review in the courts. The appeal to the county tax appeal board,
10 pursuant to 15-15-102, must be filed within 30 days from the date on the notice of the department's
11 determination. A county tax appeal board or the Montana tax appeal board may consider the actual selling price
12 of the property, independent appraisals of the property, negative property features that differentiate the subject
13 property from the department's comparable sales, and other relevant information presented by the taxpayer as
14 evidence of the market value of the property. If the county tax appeal board or the Montana tax appeal board
15 determines that an adjustment should be made, the department shall adjust the base value of the property in
16 accordance with the board's order."

17
18 **Section 10.** Section 15-15-101, MCA, is amended to read:

19 **"15-15-101. County tax appeal board -- meetings and compensation.** (1) The board of county
20 commissioners of each county shall appoint a county tax appeal board, with a minimum of three members and
21 with the members to serve staggered terms of 3 years each. The members of each county tax appeal board
22 must be residents of the county in which they serve. A person may not be a member of a county tax appeal
23 board if the person was an employee of the department less than 36 months before the date of appointment.

24 (2) (a) The members receive compensation as provided in subsection (2)(b) and travel expenses,
25 as provided for in 2-18-501 through 2-18-503, only when the county tax appeal board meets to hear taxpayers'
26 appeals from property tax assessments or when they are attending meetings called by the Montana tax appeal
27 board. Travel expenses and compensation must be paid from the appropriation to the Montana tax appeal
28 board.

1 (b) (i) The daily compensation for a member is as follows:

2 (A) \$45 for 4 hours of work or less; and

3 (B) \$90 for more than 4 hours of work.

4 (ii) For the purpose of calculating work hours in this subsection (2)(b), work includes hearing tax
5 appeals, deliberating with other board members, and attending meetings called by the Montana tax appeal
6 board.

7 (3) Office space and equipment for the county tax appeal boards must be furnished by the county.
8 All other incidental expenses must be paid from the appropriation of the Montana tax appeal board.

9 (4) The county tax appeal board shall hold an organizational meeting each year on the date of its
10 first scheduled hearing, immediately before conducting the business for which the hearing was otherwise
11 scheduled. At the organizational meeting, the members shall choose one member as the presiding officer of the
12 board. The county tax appeal board shall continue in session from July 1 of the current tax year until December
13 31 of the current tax year to hear protests concerning assessments made by the department until the business
14 of hearing protests is disposed of and may meet after December 31 to hear an appeal at the discretion of the
15 county tax appeal board.

16 (5) In counties that have appointed more than three members to the county tax appeal board, only
17 three members shall hear each appeal. The presiding officer shall select the three members hearing each
18 appeal.

19 (6) In connection with an appeal, the county tax appeal board may change any assessment or fix
20 the assessment at some other level and determine eligibility for the homestead reduced tax rate provided for in
21 [section 2 or 3] or the rental property reduced tax rate provided for in [section 4]. Upon notification by the county
22 tax appeal board, the county clerk and recorder shall publish a notice to taxpayers, giving the time the county
23 tax appeal board will be in session to hear scheduled protests concerning assessments and the latest date the
24 county tax appeal board may take applications for the hearings. The notice must be published in a newspaper if
25 any is printed in the county or, if none, then in the manner that the county tax appeal board directs. The notice
26 must be published by May 15 of the current tax year.

27 (7) Challenges to a department rule governing the assessment of property or to an assessment
28 procedure apply only to the taxpayer bringing the challenge and may not apply to all similarly situated taxpayers

1 unless an action is brought in the district court as provided in 15-1-406."

2

3 **Section 11.** Section 15-15-102, MCA, is amended to read:

4 **"15-15-102. Application for reduction in valuation -- reduced tax rate.** (1) The county tax appeal
5 board may not reduce the valuation of property may not be reduced by the county tax appeal board or review
6 eligibility for the homestead reduced tax rate provided for in [section 2 or 3] or the rental property reduced tax
7 rate provided for in [section 4] unless either the taxpayer or the taxpayer's agent makes and files a written
8 application ~~for reduction~~ with the county tax appeal board.

9 (2) The application ~~for reduction~~ may be obtained at the local appraisal office or from the county
10 tax appeal board. The completed application must be submitted to the county clerk and recorder. The date of
11 receipt is the date stamped on the appeal form by the county clerk and recorder upon receipt of the form. The
12 county tax appeal board is responsible for obtaining the applications from the county clerk and recorder.

13 (3) One application ~~for reduction~~ may be submitted during each valuation cycle. The application
14 must be submitted within the time periods provided for in 15-7-102(3)(a) and [section 6].

15 (4) A taxpayer who receives an informal review by the department of revenue as provided in 15-7-
16 102(3)(a)(i) and (3)(a)(ii) or [section 6] may appeal the decision of the department of revenue to the county tax
17 appeal board as provided in 15-7-102(6). The taxpayer may not file a subsequent application ~~for reduction~~ for
18 the same property with the county tax appeal board during the same valuation cycle.

19 (5) If the department's determination after review is not made in time to allow the county tax appeal
20 board to review the matter during the current tax year, the appeal must be reviewed during the next tax year,
21 but the decision by the county tax appeal board is effective for the year in which the request for review was filed
22 with the department. The application must state the post-office address of the applicant, specifically describe
23 the property involved, and state the facts upon which it is claimed the reduction should be made."

24

25 **Section 12.** Section 15-15-103, MCA, is amended to read:

26 **"15-15-103. Examination of applicant -- failure to hear application.** (1) Before the county tax
27 appeal board grants any application or makes any reduction applied for, it shall examine on oath the person or
28 agent making the application with regard to the value of the property of the person or eligibility for the

1 homestead reduced tax rate provided for in [section 2 or 3] or the rental property reduced tax rate provided for
2 in [section 4]. A reduction may not be made unless the applicant makes an application, as provided in 15-15-
3 102, and attends the county board hearing. An appeal of the county board's decision may not be made to the
4 Montana tax appeal board unless the person or the person's agent has exhausted the remedies available
5 through the county board. In order to exhaust the remedies, the person or the person's agent shall attend the
6 county board hearing. On written request by the person or the person's agent and on the written concurrence of
7 the department, the county board may waive the requirement that the person or the person's agent attend the
8 hearing. The testimony of all witnesses at the hearing and the deliberation of the county tax appeal board in
9 rendering a decision must be electronically recorded and preserved for 1 year. If the decision of the county
10 board is appealed, the record of the proceedings, including the electronic recording of all testimony and the
11 deliberation of the county tax appeal board, must be forwarded, together with all exhibits, to the Montana board.
12 The date of the hearing, the proceedings before the county board, and the decision must be entered upon the
13 minutes of the county board, and the county board shall notify the applicant of its decision by mail within 3 days.
14 A copy of the minutes of the county board must be transmitted to the Montana board no later than 3 days after
15 the county board holds its final hearing of the year.

16 (2) (a) Except as provided in 15-15-201, if a county board refuses or fails to hear a taxpayer's
17 timely application for a reduction in valuation of property or eligibility for a reduced tax rate, the taxpayer's
18 application is considered to be granted on the day following the county board's final meeting for that year. The
19 department shall enter the appraisal, or classification, or tax rate sought in the application in the property tax
20 record. An application is not automatically granted for the following appeals:

21 (i) those listed in 15-2-302(1); and
22 (ii) if a taxpayer's appeal from the department's determination of classification or appraisal made
23 pursuant to 15-7-102 was not received in time, as provided for in 15-15-102, to be considered by the county
24 board during its current session.

25 (b) The county board shall provide written notification of each application that was automatically
26 granted pursuant to subsection (2)(a) to the department, the Montana board, and any affected municipal
27 corporation. The notice must include the name of the taxpayer and a description of the subject property.

28 (3) The county tax appeal board shall consider an independent appraisal provided by the taxpayer

1 if the appraisal meets standards set by the Montana board of real estate appraisers and the appraisal was
2 conducted within 6 months of the valuation date. If the county tax appeal board does not use the appraisal
3 provided by the taxpayer in conducting the appeal, the county board shall provide to the taxpayer the reason for
4 not using the appraisal."

5
6 **Section 13.** Section 15-16-101, MCA, is amended to read:

7 **"15-16-101. Treasurer to publish notice -- manner of publication.** (1) Within 10 days after the
8 receipt of the property tax record, the county treasurer shall publish a notice specifying:

9 (a) that one-half of all taxes levied and assessed will be due and payable before 5 p.m. on the next
10 November 30 or within 30 days after the notice is postmarked and that unless paid prior to that time the amount
11 then due will be delinquent and will draw interest at the rate of 5/6 of 1% a month from the time of delinquency
12 until paid and 2% will be added to the delinquent taxes as a penalty;

13 (b) that one-half of all taxes levied and assessed will be due and payable on or before 5 p.m. on
14 the next May 31 and that unless paid prior to that time the taxes will be delinquent and will draw interest at the
15 rate of 5/6 of 1% a month from the time of delinquency until paid and 2% will be added to the delinquent taxes
16 as a penalty; and

17 (c) the time and place at which payment of taxes may be made.

18 (2) (a) The county treasurer shall send to the last-known address of each taxpayer a written notice,
19 postage prepaid, showing the amount of taxes and assessments due for the current year and the amount due
20 and delinquent for other years. The written notice must include:

- 21 (i) the taxable value of the property;
22 (ii) the total mill levy applied to that taxable value;
23 (iii) itemized city services and special improvement district assessments collected by the county;
24 (iv) the number of the school district in which the property is located;
25 (v) the amount of the total tax due itemized by mill levy that is levied as city tax, county tax, state
26 tax, school district tax, and other tax;
27 (vi) an indication of which mill levies are voted levies, including voted levies to impose a new mill
28 levy, to increase a mill levy that is required to be submitted to the electors, or to exceed the mill levy limit

1 provided for in 15-10-420;

2 (vii) except as provided in subsection (2)(c), an itemization of the taxes due for each mill levy and a
3 comparison to the amount due for each mill levy in the prior year; and

4 (viii) a notice of the availability of all the property tax assistance programs available to property
5 taxpayers, including the intangible land value assistance program provided for in 15-6-240, the property tax
6 assistance programs under Title 15, chapter 6, part 3, the homestead reduced tax rate provided for in [section
7 3], the rental property reduced tax rate provided for in [section 4], and the residential property tax credit for the
8 elderly under 15-30-2337 through 15-30-2341.

9 (b) If a tax lien is attached to the property, the notice must also include, in a manner calculated to
10 draw attention, a statement that a tax lien is attached to the property, that failure to respond will result in loss of
11 property, and that the taxpayer may contact the county treasurer for complete information.

12 (c) The information required in subsection (2)(a)(vii) may be posted on the county treasurer's
13 website instead of being included on the written notice.

14 (3) The municipality shall, upon request of the county treasurer, provide the information to be
15 included under subsection (2)(a)(iii) ready for mailing.

16 (4) The notice in every case must be given as provided in 7-1-2121. Failure to publish or post
17 notices does not relieve the taxpayer from any tax liability. Any failure to give notice of the tax due for the
18 current year or of delinquent tax will not affect the legality of the tax.

19 (5) If the department revises an assessment that results in an additional tax of \$5 or less, an
20 additional tax is not owed and a new tax bill does not need to be prepared."

21

22 **Section 14.** Section 15-17-125, MCA, is amended to read:

23 **"15-17-125. Attachment of tax lien and preparation of tax lien certificate.** (1) (a) The county
24 treasurer shall attach a tax lien no later than the first working day in August to properties on which the taxes are
25 delinquent and for which proper notification was given as provided in 15-17-122 and subsection (4) of this
26 section. Upon attachment of a tax lien, the county is the possessor of the tax lien unless the tax lien is assigned
27 pursuant to 15-17-323.

28 (b) The county treasurer may not attach a tax lien to a property on which taxes are delinquent but

1 for which proper notice was not given.

2 (2) After attaching a tax lien, the county treasurer shall prepare a tax lien certificate that must
3 contain:

4 (a) the date on which the property taxes became delinquent;

5 (b) the date on which a property tax lien was attached to the property;

6 (c) the name and address of record of the person to whom the taxes were assessed;

7 (d) a description of the property on which the taxes were assessed;

8 (e) a separate listing of the amount of the delinquent taxes, penalties, interest, and costs;

9 (f) a statement that the tax lien certificate represents a lien on the property that may lead to the
10 issuance of a tax deed for the property;

11 (g) a statement specifying the date on which the county or an assignee will be entitled to a tax
12 deed; and

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

14 (3) The tax lien certificate must be signed by the county treasurer. A copy of the tax lien certificate
15 must be filed by the treasurer in the office of the county clerk. A copy of the tax lien certificate must also be
16 mailed to the person to whom the taxes were assessed, at the address of record, together with a notice that the
17 person may contact the county treasurer for further information on property tax liens.

18 (4) Prior to attaching a tax lien to the property, the county treasurer shall send notice of the
19 pending attachment of a tax lien to the person to whom the property was assessed. The notice must include the
20 information listed in subsection (2), state that the tax lien may be assigned to a third party, and provide notice of
21 the availability of all the property tax assistance programs available to property taxpayers, including the
22 property tax assistance programs under Title 15, chapter 6, part 3, the homestead reduced tax rate provided for
23 in [section 3], the rental property reduced tax rate provided for in [section 4], and the residential property tax
24 credit for the elderly under 15-30-2337 through 15-30-2341. The notice must have been mailed at least 2 weeks
25 prior to the date on which the county treasurer attaches the tax lien.

26 (5) The county treasurer shall file the tax lien certificate with the county clerk and recorder."
27

28 NEW SECTION. Section 15. Codification instruction. [Sections 1 through 7] are intended to be

1 codified as an integral part of Title 15, chapter 6, and the provisions of Title 15, chapter 6, apply to [sections 1
2 through 7].

3

4 NEW SECTION. **Section 16. Effective date.** [This act] is effective on passage and approval.

5

6 NEW SECTION. **Section 17. Applicability -- retroactive applicability.** (1) Except as provided in
7 subsection (2), [this act] applies retroactively to property tax years beginning after December 31, 2024.

8 (2) [Sections 3 and 4] apply to property tax years beginning after December 31, 2026.

9

10 NEW SECTION. **Section 18. Termination.** [Section 2] and the references to [section 2] in [section 5],
11 15-6-134, 15-15-101, 15-15-102, and 15-15-103 terminate December 31, 2026.

12 - END -

EXHIBIT 2

|

(SB 434 as Introduced on February 24, 2025)

SENATE BILL NO. 434

INTRODUCED BY W. GALT

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR A PROPERTY TAX REBATE ON A PRINCIPAL RESIDENCE BASED ON A CERTAIN AMOUNT OF PROPERTY TAXES PAID; PROVIDING A REBATE OF PROPERTY TAXES UP TO \$400 FOR TAX YEAR 2024 FOR A PRINCIPAL RESIDENCE THAT WAS OCCUPIED BY THE TAXPAYER; PROVIDING A PENALTY FOR FALSE OR FRAUDULENT CLAIMS; PROVIDING THAT THE PROPERTY TAX REBATE IS NOT SUBJECT TO THE MONTANA INDIVIDUAL INCOME TAX; PROVIDING DEFINITIONS; AMENDING SECTION 15-30-2120, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A TERMINATION DATE."

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

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

(1) "Montana property taxes" means the ad valorem property taxes, special assessments, and other fees imposed on property classified under 15-6-134 that is a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home, or mobile home and as much of the surrounding land, not exceeding 1 acre, as is reasonably necessary for its use as a dwelling and that were assessed and paid by the taxpayer for tax year 2024. The amount of Montana property taxes assessed and paid is equal to the total amount billed by the local government for the dwelling as shown on the 2024 property tax bill received by the taxpayer with a first-half payment due in or around November 2024 and a second-half payment due in or around May 2025.

(2) "Owned" includes purchasing under a contract for deed and being the grantor or grantors under a revocable trust indenture.

(3) (a) "Principal residence" is, subject to the provisions of subsection (3)(b), a dwelling:

(i) in which a taxpayer can demonstrate the taxpayer owned and lived in for at least 7 months of the year for which the rebate is claimed;

(ii) that is the only residence for which the property tax rebate is claimed; and

(iii) for which the taxpayer made payment of the assessed Montana property taxes during tax year 2024.

(b) A taxpayer that cannot meet the requirements of subsection (3)(a)(i) because the taxpayer's principal residence changes during the tax year to another principal residence may still claim a rebate if the taxpayer paid the Montana property taxes while residing in each principal residence for a total of at least 7 consecutive months for each tax year.

(4) "Tax year 2024" means the period January 1, 2024, through December 31, 2024.

NEW SECTION. Section 2. Property tax rebate -- manner of claiming -- limitations -- appeals. (1)

Subject to the conditions provided for in [sections 1 through 3], there is a rebate of Montana property taxes in the amount of \$400 or the amount of total property taxes paid, whichever is less, for tax year 2024.

(2) The rebate provided for in subsection (1) is for Montana property taxes assessed to and paid by a taxpayer or taxpayers on property they owned and occupied as a principal residence during the relevant tax year.

(3) The department shall mail a notice to potential claimants by June 30, 2025, for tax year 2024. Receipt of a notice does not establish that a taxpayer or property owner is eligible for a rebate, and a taxpayer who does not receive a notice may still be eligible to claim a rebate. All taxpayers, regardless of the receipt of notice, shall claim a rebate as provided in subsection (5).

(4) Except as provided in subsections (5)(c) and (5)(d), a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home, or mobile home and as much of the surrounding land, not exceeding 1 acre that is owned by an entity is not eligible to claim the rebate.

(5) (a) All claims for this property tax rebate must be submitted to the department electronically or by mail for each tax year the rebate is claimed.

(i) Electronic claims must be submitted between August 15, 2025, and October 1, 2025, through the department's website.

(ii) Claims submitted by mail must be made on a form prescribed by the department and postmarked by October 1.

(iii) The department may grant an extension of time if the claimant establishes good cause for

1 missing the October 1 deadline. The department's authority to consider an application terminates on December
2 1, 2025, and any applications or requests for extension received after that date may not be processed.

3 (b) Subject to subsections (5)(c) and (5)(d), a claim for rebate must be submitted, under penalty of
4 false swearing and the penalties provided in [section 3], on a form prescribed by the department and must
5 contain:

6 (i) an affirmation that the claimant owns and maintains the land and improvements as the principal
7 residence as defined in [section 1];

8 (ii) the geocode or other property identifier for the principal residence that the claimant is
9 requesting the rebate on;

10 (iii) the social security number of the claimant and the claimant's spouse; and

11 (iv) any other information as required by the department that is relevant to the claimant's eligibility.

12 (c) The personal representative of the estate of a deceased taxpayer may execute and file the
13 claim for rebate on behalf of a deceased taxpayer who qualifies for the rebate.

14 (d) The trustee of a grantor revocable trust may file a claim on behalf of the trust if the dwelling
15 meets the definition of a principal residence for the grantor.

16 (6) Only one rebate for each tax year will be issued to a taxpayer for the Montana property taxes
17 paid by the taxpayer for tax year 2024.

18 (7) If a debt is due and owing to the state, the department may offset the rebate in this section as
19 provided in sections 15-30-2629, 15-30-2630, 17-4-105, or as otherwise provided by law.

20 (8) If a property tax rebate is denied by the department, the claimant is entitled to a written
21 explanation why the application was denied. A claimant may make a written appeal of a denial to a
22 management level employee of the department who shall issue a final decision that is not appealable. Appeals
23 occurring under this subsection (8) are not subject to the provisions contained in 15-1-211.

24
25 **NEW SECTION. Section 3. Property tax rebate -- penalty for false or fraudulent claim.** (1) Except
26 as provided in subsection (2), if the department discovers that a rebate paid to a taxpayer exceeded the amount
27 allowed by [sections 1 through 3], the department may, within 1 year from the date the rebate was transmitted
28 to the taxpayer, assess the taxpayer for the difference. The assessment is subject to the uniform dispute review

1 procedure established in 15-1-211.

2 (2) A person who files a false or fraudulent claim for a property tax rebate under [sections 1
3 through 3] is subject to criminal prosecution under the provisions of 45-7-202. If a false or fraudulent claim has
4 been paid by the department, the amount paid may be recovered as any other tax owed the state, together with
5 a penalty of 300% of the rebate claimed and interest on the amount of the rebate claimed plus penalty at the
6 rate of 12% a year, until paid. If this rebate plus penalty becomes due and owing, the department may issue a
7 warrant for distraint as provided in Title 15, chapter 1, part 7.

8

9 **Section 4.** Section 15-30-2120, MCA, is amended to read:

10 **"15-30-2120. Adjustments to federal taxable income to determine Montana taxable income. (1)**

11 The items in subsection (2) are added to and the items in subsection (3) are subtracted from federal taxable
12 income to determine Montana taxable income.

13 (2) The following are added to federal taxable income:

14 (a) to the extent that it is not exempt from taxation by Montana under federal law, interest from
15 obligations of a territory or another state or any political subdivision of a territory or another state and exempt-
16 interest dividends attributable to that interest except to the extent already included in federal taxable income;

17 (b) that portion of a shareholder's income under subchapter S. of Chapter 1 of the Internal
18 Revenue Code that has been reduced by any federal taxes paid by the subchapter S. corporation on the
19 income;

20 (c) depreciation or amortization taken on a title plant as defined in 33-25-105;

21 (d) the recovery during the tax year of an amount deducted in any prior tax year to the extent that
22 the amount recovered reduced the taxpayer's Montana income tax in the year deducted;

23 (e) an item of income, deduction, or expense to the extent that it was used to calculate federal
24 taxable income if the item was also used to calculate a credit against a Montana income tax liability;

25 (f) a deduction for an income distribution from an estate or trust to a beneficiary that was included
26 in the federal taxable income of an estate or trust in accordance with sections 651 and 661 of the Internal
27 Revenue Code, 26 U.S.C. 651 and 661;

28 (g) a withdrawal from a medical care savings account provided for in Title 15, chapter 61, used for

1 a purpose other than an eligible medical expense or long-term care of the employee or account holder or a
2 dependent of the employee or account holder;

3 (h) a withdrawal from a first-time home buyer savings account provided for in Title 15, chapter 63,
4 used for a purpose other than for eligible costs for the purchase of a single-family residence;

5 (i) for a taxpayer that deducts the qualified business income deduction pursuant to section 199A
6 of the Internal Revenue Code, 26 U.S.C. 199A, an amount equal to the qualified business income deduction
7 claimed;

8 (j) for an individual taxpayer that deducts state income taxes pursuant to section 164(a)(3) of the
9 Internal Revenue Code, 26 U.S.C. 164(a)(3), an additional amount equal to the state income tax deduction
10 claimed, not to exceed the amount required to reduce the federal itemized amount computed under section 161
11 of the Internal Revenue Code, 26 U.S.C. 161, to the amount of the federal standard deduction allowable under
12 section 63(c) of the Internal Revenue Code, 26 U.S.C. 63(c); and

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

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

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

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

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

23 (ii) railroad retirement benefits;

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

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

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

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

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

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

11 (d) annual contributions and income in a medical care savings account provided for in Title 15,
12 chapter 61, and any withdrawal for payment of eligible medical expenses or for the long-term care of the
13 employee or account holder or a dependent of the employee or account holder;

14 (e) contributions or earnings withdrawn from a family education savings account provided for in
15 Title 15, chapter 62, or from a qualified tuition program established and maintained by another state as
16 provided in section 529(b)(1)(A)(ii) of the Internal Revenue Code, 26 U.S.C. 529(b)(1)(A)(ii), for qualified
17 education expenses, as defined in 15-62-103, of a designated beneficiary;

18 (f) interest and other income related to contributions that were made prior to January 1, 2024, that
19 are retained in a first-time home buyer savings account provided for in Title 15, chapter 63, and any withdrawal
20 for payment of eligible costs for the first-time purchase of a single-family residence;

21 (g) for each taxpayer that has attained the age of 65, an additional subtraction of \$5,500;

22 (h) the amount of a scholarship to an eligible student by a student scholarship organization
23 pursuant to 15-30-3104;

24 (i) a payment received by a private landowner for providing public access to public land pursuant
25 to Title 76, chapter 17, part 1;

26 (j) the amount of any refund or credit for overpayment of income taxes imposed by this state or
27 any other taxing jurisdiction to the extent included in gross income for federal income tax purposes but not
28 previously allowed as a deduction for Montana income tax purposes;

1 (k) the recovery during the tax year of any amount deducted in any prior tax year to the extent that
2 the recovered amount did not reduce the taxpayer's Montana income tax in the year deducted;

3 (l) the amount of the gain recognized from the sale or exchange of a mobile home park as
4 provided in 15-31-163;

5 (m) payments from the Montana end of watch trust as provided in 2-15-2041;

6 (n) (i) subject to subsection (9), a portion of military pensions or military retirement income as
7 calculated pursuant to subsection (8) that is received by a retired member of:

8 (A) the armed forces of the United States, as defined in 10 U.S.C. 101;

9 (B) the Montana army national guard or the army national guard of other states;

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

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

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

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

15 (p) the amount of the property tax rebate received under [section 2].

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

18 (i) by an amount for wages and salaries for which a federal tax credit was elected under sections
19 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
20 wages and salaries paid regardless of the credit taken; or

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

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

28 (5) (a) An individual who contributes to one or more accounts established under the Montana

1 family education savings program or to a qualified tuition program established and maintained by another state
2 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
3 taxable income by the lesser of \$3,000 or the amount of the contribution. In the case of married taxpayers, each
4 spouse is entitled to a reduction, not in excess of \$3,000, for the spouses' contributions to the accounts.
5 Spouses may jointly elect to treat half of the total contributions made by the spouses as being made by each
6 spouse. The reduction in taxable income under this subsection (5)(a) applies only with respect to contributions
7 to an account of which the account owner is the taxpayer, the taxpayer's spouse, or the taxpayer's child or
8 stepchild if the taxpayer's child or stepchild is a Montana resident. The provisions of subsection (2)(d) do not
9 apply with respect to withdrawals of contributions that reduced federal taxable income.

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

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

21 (b) Contributions made pursuant to this subsection (6) are subject to the recapture tax provided in
22 53-25-118.

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

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

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

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

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

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

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

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

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

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

(i) becomes a resident of the state after June 30, 2023; or

(ii) was a resident of the state before receiving military pension or military retirement income and remained a resident after receiving military pension or military retirement income;

(b) may only be claimed for 5 consecutive years after satisfying the provisions of subsection (9)(a); and

(c) are not available if a taxpayer claimed the exemption before becoming a nonresident.

(Subsection (3)(o) terminates June 30, 2025--sec. 10, Ch. 47, L. 2023; subsections (3)(n), (8), and (9) terminate December 31, 2033--sec. 4, Ch. 650, L. 2023.)"

NEW SECTION. Section 5. Codification instruction. [Sections 1 through 3] are intended to be codified as an integral part of Title 15, chapter 1, and the provisions of Title 15, chapter 1, apply to [sections 1 through 3].

NEW SECTION. Section 6. Effective date. [This act] is effective on passage and approval.

NEW SECTION. Section 7. Termination. [This act] terminates June 30, 2026.

- END -

EXHIBIT 3

(SB 542 as Introduced on March 25, 2025)

SENATE BILL NO. 542

INTRODUCED BY W. GALT

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING TAX LAWS; FREEZING CERTAIN PROPERTY VALUES FOR PROPERTY TAX PURPOSES; PROVIDING THAT THE 2024 PROPERTY VALUE IS USED FOR 2025 AND 2026 UNLESS THE DEPARTMENT OF REVENUE DETERMINES THE PROPERTY VALUE HAS DECREASED; AMENDING SECTION 15-7-111, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE, A RETROACTIVE APPLICABILITY DATE, AND A TERMINATION DATE."

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

Section 1. Section 15-7-111, MCA, is amended to read:

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

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

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

(3) The reappraisal of class three, class four, and class ten property is complete on December 31 of every second year of the reappraisal cycle.

(4) During the second year of each reappraisal cycle, the department shall provide the revenue interim committee with a report, in accordance with 5-11-210, of tax rates for the upcoming reappraisal cycle

1 that will result in taxable value neutrality for each property class.

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

7 (6) (a) In completing the appraisal or adjustments under subsection (5), the department shall, as
8 provided in the reappraisal plan, conduct individual property inspections, building permit reviews, sales data
9 verification reviews, and electronic data reviews. The department may adopt new technologies for recognizing
10 changes to property.

11 (b) The department shall conduct a field inspection of a sufficient number of taxable properties to
12 meet the requirements of subsection (5).

13 (7) (a) In each notice of reappraisal sent to a taxpayer, the department, with the support of the
14 department of administration, shall provide to the taxpayer information on:

15 (i) the consumer price index adjusted for population and the average annual growth rate of
16 Montana personal income; and

17 (ii) the estimated annualized change in property taxes levied over the previous 10 years by the
18 state, county, and any incorporated cities or towns within the county and local school average mills by county.

19 (b) In every even-numbered year, the department shall publish in a newspaper of general
20 circulation in each county the information required pursuant to subsection (7)(a) by the second Monday in
21 October.

22 (8) (a) Except as provided in subsection (8)(b), the value of all property for property tax years
23 beginning January 1, 2025, and January 1, 2026, must equal the value for the property tax year beginning
24 January 1, 2024.

25 (b) If the department determines the value of a property for the property tax year beginning
26 January 1, 2025, would be less than the value for the property tax year beginning January 1, 2024, if
27 subsection (8)(a) did not apply, the lower property value must be used for the property tax years beginning
28 January 1, 2025, and January 1, 2026."

1

2 NEW SECTION. **Section 2. Effective date.** [This act] is effective on passage and approval.

3

4 NEW SECTION. **Section 3. Retroactive applicability.** [This act] applies retroactively, within the
5 meaning of 1-2-109, to property tax years beginning after December 31, 2024.

6

7 NEW SECTION. **Section 4. Termination.** [This act] terminates December 31, 2026.

8

- END -

EXHIBIT 4

(Internal Messages Between Rep. Llew Jones and Legislative Staff, April 2-5, 2025)

4/2/2025 3:13 PM

How tied are you to putting the rebate on the property tax bill? For a one year rebate, it may be better to model it after the SB 434 one-time only rebate (which is modeled after the 2022 and 2023 rebates). Doing it that way would likely get the money to people quicker. SB 90 requires the an application to DOR and then DOR to give the money to the counties, who then have to adjust the tax bills. That could be a lot of administrative work for one rebate.

Jones, Ulew 4/2/2025 3:44 PM

I am good with how you see fit to work on it. I can do Galts, I suppose prep to put my 231 in Galts, and a fix on 231 and we will use what works.



I want it to work, but do not care which bill



I don't think the title on SB 434 is broad enough "AN ACT PROVIDING FOR A PROPERTY TAX REBATE ON A PRINCIPAL RESIDENCE BASED ON A CERTAIN AMOUNT OF PROPERTY TAXES PAID."

You might have to go with the freeze bill, SB 542.

I could look for other titles, SB 117 would work.

Jones, Ulew 4/4/2025 10:22 AM

Okay. 117 needs to live, so back to 542 or the rougher 231 path



4/4/2025 10:24 AM

Do you have a preference between the two?

Jones, Ulew 4/4/2025 10:38 AM

Whose Senate Bill? Where is it?

4/4/2025 11:27 AM

SB 542 is Galt's and it just passed SFC: https://bills.legmt.gov/#/laws/bill/2/LC0189?open_tab=status



Bill Explorer

Explore, track, and stay informed on legislative bills in Montana with the Montana Legislature Bill Explorer...

bills.legmt.gov

It is the one with a generally revise tax laws title

Jones, Ulew 4/4/2025 12:00 PM

If it crosses, we can use it. If not, we will battle 231



Saturday, April 5, 2025

Jones, Ulew 4/5/2025 10:35 AM

So, after a meeting, we best prepare the amends for 231 and 542. We can do all in 542 and what we can in 231, then add Appropriation in house. That way it works both ways. Sorry for extra work.



EXHIBIT 5

(SB 542 as Enacted)



AN ACT GENERALLY REVISING TAX LAWS; PROVIDING FOR A PROPERTY TAX REBATE ON A PRINCIPAL RESIDENCE BASED ON A CERTAIN AMOUNT OF PROPERTY TAXES PAID FOR TAX YEAR 2024; REDUCING CLASS THREE AGRICULTURAL PROPERTY TAX RATES; REVISING CLASS FOUR RESIDENTIAL AND COMMERCIAL PROPERTY TAX RATES; PROVIDING A LOWER TAX RATE FOR CERTAIN OWNER-OCCUPIED RESIDENTIAL PROPERTY AND LONG-TERM RENTALS; PROVIDING A LOWER TAX RATE FOR A PORTION OF COMMERCIAL PROPERTY VALUE; PROVIDING ELIGIBILITY AND APPLICATION REQUIREMENTS; PROVIDING FOR AN APPEAL PROCESS; PROVIDING A REFUND FOR FAILURE TO CLAIM A HOMESTEAD REDUCED TAX RATE; PROVIDING STATUTORY APPROPRIATIONS; PROVIDING DEFINITIONS; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTIONS 15-1-121, 15-6-133, 15-6-134, 15-7-102, 15-15-101, 15-15-102, 15-15-103, 15-16-101, 15-17-125, 15-30-2120, AND 17-7-502, MCA; AND PROVIDING EFFECTIVE DATES, APPLICABILITY DATES, AND TERMINATION DATES.

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

Section 1. Definitions. As used in [sections 1 through 3], the following definitions apply:

(1) "Montana property taxes" means the ad valorem property taxes, special assessments, and other fees imposed on property classified under 15-6-134 that is a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home, or mobile home and as much of the surrounding land, not exceeding 1 acre, as is reasonably necessary for its use as a dwelling and that were assessed and paid by the taxpayer for tax year 2024. The amount of Montana property taxes assessed and paid is equal to the total amount billed by the local government for the dwelling as shown on the 2024 property tax bill received by the taxpayer with a first-half payment due in or around November 2024 and a second-half payment due in or around May 2025.

(2) "Owned" includes purchasing under a contract for deed and being the grantor or grantors under

a revocable trust indenture.

- (3) (a) "Principal residence" means, subject to the provisions of subsection (3)(b), a dwelling:
 - (i) in which an owner can demonstrate the owner owned and lived for at least 7 months of the year for which the property tax rebate is claimed;
 - (ii) that is the only residence for which the taxpayer claims the property tax rebate; and
 - (iii) for which the taxpayer made payment of the assessed Montana property taxes during tax year 2024.
- (b) A taxpayer who cannot meet the requirements of subsection (3)(a)(i) because the owner's principal residence changed during the tax year to another principal residence may still claim the property tax rebate if the taxpayer paid the Montana property taxes while residing in each principal residence for a total of at least 7 consecutive months for the 2024 tax year.
- (4) "Tax year 2024" means the period January 1, 2024, through December 31, 2024.

Section 2. Property tax rebate -- penalty for false or fraudulent claim. (1) Except as provided in subsection (2), if the department discovers that a rebate paid to a taxpayer exceeded the amount allowed by [sections 1 through 3], the department may, within 1 year from the date the rebate was transmitted to the taxpayer, assess the taxpayer for the difference. The assessment is subject to the uniform dispute review procedure established in 15-1-211.

(2) A person who files a false or fraudulent claim for a property tax rebate under [sections 1 through 3] is subject to criminal prosecution under the provisions of 45-7-202. If a false or fraudulent claim has been paid by the department, the amount paid may be recovered as any other tax owed the state, together with a penalty of 300% of the rebate claimed and interest on the amount of the rebate claimed plus penalty at the rate of 12% a year, until paid. If this rebate plus penalty becomes due and owing, the department may issue a warrant for distraint as provided in Title 15, chapter 1, part 7.

Section 3. Property tax rebate -- manner of claiming -- limitations -- appeals -- statutory appropriation. (1) Subject to the conditions provided for in [sections 1 through 3], there is a rebate of Montana property taxes in the amount of \$400 or the amount of total property taxes paid, whichever is less, for tax year

2024.

(2) The rebate provided for in subsection (1) is for Montana property taxes assessed to and paid by a taxpayer or taxpayers on property they owned and occupied as a principal residence during tax year 2024.

(3) The department shall mail a notice to potential claimants by June 30, 2025, for tax year 2024. Receipt of a notice does not establish that a taxpayer or property owner is eligible for a rebate, and a taxpayer who does not receive a notice may still be eligible to claim a rebate. All taxpayers, regardless of the receipt of notice, shall claim a rebate as provided in subsection (5).

(4) Except as provided in subsections (5)(c) and (5)(d), a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home, or mobile home and as much of the surrounding land, not exceeding 1 acre that is owned by an entity is not eligible to claim the rebate.

(5) (a) (i) All claims for this property tax rebate must be submitted to the department electronically or by mail.

(ii) Electronic claims must be submitted between August 15, 2025, and October 1, 2025, through the department's website.

(iii) Claims submitted by mail must be made on a form prescribed by the department and postmarked by October 1.

(iv) The department may grant an extension of time if the claimant establishes good cause for missing the October 1 deadline. The department's authority to consider an application terminates on December 1, 2025, and any applications or requests for extension received after that date may not be processed.

(b) Subject to subsections (5)(c) and (5)(d), a claim for rebate must be submitted, under penalty of false swearing and the penalties provided in [section 2], on a form prescribed by the department and must contain:

(i) an affirmation that the claimant owns and maintains the land and improvements as the principal residence as defined in [section 1];

(ii) the geocode or other property identifier for the principal residence that the claimant is requesting the rebate on;

(iii) the social security number of the claimant and the claimant's spouse; and

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

(c) The personal representative of the estate of a deceased taxpayer may execute and file the claim for rebate on behalf of a deceased taxpayer who qualifies for the rebate.

(d) The trustee of a grantor revocable trust may file a claim on behalf of the trust if the dwelling meets the definition of a principal residence for the grantor.

(6) Only one rebate will be issued to a taxpayer for the Montana property taxes paid by the taxpayer for tax year 2024.

(7) If a debt is due and owing to the state, the department may offset the rebate in this section as provided in sections 15-30-2629, 15-30-2630, 17-4-105, or as otherwise provided by law.

(8) If a property tax rebate is denied by the department, the claimant is entitled to a written explanation why the application was denied. A claimant may make a written appeal of a denial to a management level employee of the department, who shall issue a final decision that is not appealable. Appeals occurring under this subsection (8) are not subject to the provisions contained in 15-1-211.

(9) The payment of property tax rebates and administration costs related to paying property tax rebates under this section are statutorily appropriated, as provided in 17-7-502, from the general fund to the department of revenue for distribution to taxpayers and for related administration costs.

Section 4. Legislative findings -- local government charters and fixed mill levy limits

superseded. (1) (a) The legislature finds that most local governments set mill levies that adjust downward when taxable value increases under 15-10-420. This floating mill levy concept automatically lowers the number of mills levied against a taxpayer when property values increase, which mitigates increases in property values. However, when mill levies are fixed, the opposite occurs when property values increase, and property taxes are not automatically mitigated for taxpayers that are levied based on a fixed mill levy.

(b) The legislature finds further that it is prohibited under Article VIII, section 2, of the Montana constitution, from suspending or contracting away the power to tax. The legislature also recognizes and respects the power of local governments under Article XI, section 5, of the Montana constitution to adopt, amend, revise, or abandon a charter.

(2) As a matter of policy, the legislature intends to supersede local government charters that fix mill levy limits for the limited purpose of exercising the power to tax while also maintaining local government

revenue sources without raising taxes on residential taxpayers. Having considered all options on a statewide basis, the legislature finds the statutory structure of the property tax has evolved significantly since the passage of Initiative Measure No. 105 on November 4, 1986, and the enactment of 15-10-420 by the legislature in 1999. Given the significant change in the structure of the property tax and the rising cost of residential property in the last 5 years, there is a compelling interest to all the citizens of the state to lower residential property tax rates for primary residences, which can only be accomplished by this section and 15-10-420.

(3) A local government with a charter form of government that includes a mill levy limit of a specific number of mills that may be imposed in the charter shall levy the number of mills in fiscal year 2026 and subsequent tax years that will generate the amount of property taxes assessed in fiscal year 2025, without amending or revising the charter. In fiscal years after 2026, the local government shall levy the number of mills levied in fiscal year 2026.

(4) A taxing entity with a local mill levy limit of a specific number of mills that may be imposed that was authorized by the voters before [the effective date of this section], shall:

(a) elect to transition a voted mill levy to a dollar-based mill levy equal to the amount of property taxes assessed in fiscal year 2025 and thereafter subject to the provisions of 15-10-420(1)(a); or

(b) levy the number of mills in fiscal year 2026 that will generate the amount of property taxes assessed in fiscal year 2025. In fiscal years after 2026, the local government shall levy the number of mills levied in fiscal year 2026.

Section 5. Definitions. As used in [sections 5 through 10] and 15-6-134, the following definitions apply:

(1) "Homestead reduced tax rate" means the tax rate provided for in 15-6-134(3)(b)(i).

(2) "Long-term rental" means class four residential property:

(a) that is a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home, or mobile home and the parcel on which the long-term rental improvements are located but not including any contiguous or adjacent parcels;

(b) that an owner can demonstrate was:

(i) rented for periods of 28 days or more for at least 7 months in each tax year for which the rental

property reduced tax rate is claimed; or

(ii) vacant for not more than 5 months to complete documented property repairs;

(c) that is occupied by tenants who use the dwelling as a residence during the year in which the reduced tax rate is claimed; and

(d) for which the owner is current on payment of the assessed Montana property taxes when claiming the reduced tax rate.

(3) "Owner" includes a purchaser under contract for deed as defined in 70-20-115, a grantor of a trust indenture as defined in 71-1-303, and the trustee of a grantor trust that is revocable as defined in 72-38-103.

(4) (a) "Principal residence" means class four residential property:

(i) that is a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home, or mobile home and the parcel on which the principal residence improvements are located but not including any contiguous or adjacent parcels;

(ii) in which an owner can demonstrate the owner owned and lived for at least 7 months of the year for which the homestead reduced tax rate for a principal residence is claimed;

(iii) that is the only residence for which the owner claims the homestead reduced tax rate for that year; and

(iv) for which the owner made payment of the assessed Montana property taxes.

(b) An owner who cannot meet the requirements of subsection (4)(a)(ii) because the owner's principal residence changed during the tax year to another principal residence may still qualify for the homestead reduced tax rate if the owner paid the Montana property taxes while residing in each principal residence for a total of at least 7 consecutive months for each tax year.

(5) "Rental property reduced tax rate" means the tax rate provided for in 15-6-134(3)(b).

(6) "Tax year 2026" means the period from January 1, 2026, through December 31, 2026.

Section 6. Homestead reduced tax rate -- application -- limitations. (1) There is a homestead reduced tax rate provided for in 15-6-134(3)(b)(i) for a principal residence as provided in this section.

(2) (a) Beginning in tax year 2026, the owner of a principal residence may apply to the department

to receive the homestead reduced tax rate. The owner of a principal residence who applied for and received the rebate provided for in [sections 1 through 3] for tax year 2024 automatically qualifies for the homestead reduced tax rate unless subsections (2)(c)(i) through (2)(c)(iii) apply to the principal residence for which the rebate was claimed. The owner of a principal residence who did not receive a rebate under [sections 1 through 3], shall apply as provided in this section to receive the homestead reduced tax rate in tax year 2026.

(b) To receive the homestead reduced tax rate for the tax year in which the application is first made, the owner shall apply electronically through the department's website or by mail on a form prescribed by the department between December 1 of the immediately preceding year and March 1. Applications submitted by mail must be postmarked by March 1. Approved applications received electronically or postmarked after March 1 apply to the following tax year.

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

- (i) there is a change in ownership of the property;
- (ii) the owner no longer uses the dwelling as a principal residence; or
- (iii) the owner applies for a homestead reduced tax rate for a different principal residence.

(d) If a homestead reduced tax rate is terminated pursuant to subsection (2)(c) or [section 8], any remaining property taxes due for the year in which the homestead reduced tax rate is terminated must be based on the tax rate in effect on January 1 of the year in which the homestead reduced tax rate was terminated.

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

(i) a written declaration made under penalty of perjury that the applicant owns and maintains the land and improvements as the principal residence as defined in [section 5]. The application must state the penalty provided for in [section 8].

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

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

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

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

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

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

Section 7. Rental property reduced tax rate -- application -- limitations. (1) There is a rental property reduced tax rate provided for in 15-6-134(3)(b) for a long-term rental as provided in this section.

(2) (a) Beginning in tax year 2026, the owner of a long-term rental may apply to the department to receive the rental property reduced tax rate. The application must be made by an individual owner or, for an entity owner, by an authorized representative of the entity.

(b) The department shall mail a notice to potential claimants by October 30, 2025, for tax year 2026. Receipt of a notice does not establish that a taxpayer or property owner is eligible to receive the rental property reduced tax rate, and a taxpayer who does not receive a notice may still be eligible to claim the rental property reduced tax rate. All taxpayers, regardless of the receipt of notice, shall apply for a reduced rate as provided in this subsection (2).

(c) To receive the rental property reduced tax rate for the tax year in which the application is first made, the owner or authorized representative shall apply electronically through the department's website or by mail on a form prescribed by the department between December 1 of the immediately preceding year and March 1. Applications received electronically or postmarked after March 1 apply to the following tax year.

(d) Once approved, the rental property reduced tax rate remains effective until the end of the tax year in which any of the following events occur:

- (i) there is a change in ownership of the property;
- (ii) the property is no longer rented to tenants as a dwelling;
- (iii) the terms of the lease change and the property no longer qualifies as a long-term rental as defined in [section 5]; or

- (iv) the owner fails to submit a reapplication to the department as required in subsection (4).
- (e) If a rental property reduced tax rate is terminated pursuant to subsection (2)(d) or [section 8], any remaining property taxes due for the year in which the rental property reduced tax rate is terminated must be based on the tax rate in effect on January 1 of the year in which the rental property reduced tax rate was terminated.
- (3) An application for a rental property reduced tax rate must be submitted on a form prescribed by the department and must contain:
 - (a) a written declaration made under penalty of perjury that the applicant owns and maintains the land and improvements as a long-term rental as defined in [section 5]. The application must state the penalty provided for in [section 8].
 - (b) the geocode or other property identifier for the long-term rental for which the applicant is requesting the rental property reduced tax rate;
 - (c) the social security number or taxpayer identification number of the applicant;
 - (d) the income and expense information for the long-term rental for the immediately preceding year, including the amount of rent charged each month; and
 - (e) any other information required by the department that is relevant to the applicant's eligibility.
- (4) To continue receiving the rental property reduced tax rate, the owner of a qualifying long-term rental shall reapply as required by the department. Beginning in 2028, the department shall require reapplication of 20% of long-term rentals each year.
- (5) Periods of short-term vacancy not exceeding 5 months in a 12-month period do not disqualify a long-term rental from receiving the rental property reduced tax rate.
- (6) The department shall notify the owner if the rental property reduced tax rate is applied to the property or if the application was denied.

Section 8. Homestead and rental property reduced tax rates -- improper approval -- penalty for false or fraudulent application. (1) Except as provided in subsection (2), if the department determines that an application for a homestead reduced tax rate or a rental property reduced tax rate was improperly approved or that the property no longer qualifies for the reduced rate, the department shall revise the assessment for each

year the homestead reduced tax rate or the rental property reduced tax rate was improperly granted subject to the assessment revision procedure established in 15-8-601.

(2) (a) A person who files a false or fraudulent application for a homestead reduced tax rate provided for in [section 6] or for a rental property reduced tax rate provided for in [section 7] is subject to criminal prosecution under the provisions of 45-7-202.

(3) (a) If a person is determined to have filed a false or fraudulent application, the department shall revise the assessment of the property subject to the assessment revision procedure established in this section and 15-8-601 and assess a penalty as provided in this subsection (3). The penalty is equal to three times the base penalty amount calculated under subsection (3)(b) plus interest at the rate provided in 15-16-102 calculated from the original due date of the taxes, until paid.

(b) The base penalty amount is equal to the property tax due for each year the homestead reduced tax rate or the rental property reduced tax rate was improperly received, determined using the tax rate provided for in 15-6-134(3)(a), the appraised value, and the mill levies in effect for the year, less the actual property taxes paid in the year.

(c) The revised assessment and penalty must be assessed against a person who filed a false or fraudulent application even if the person no longer owns the property.

(4) If the person who filed a false or fraudulent application no longer owns the property associated with the false or fraudulent application, the penalty plus interest provided for in subsection (3) may be recovered as any other tax owed the state. If the penalty plus interest becomes due and owing, the department may issue a warrant for distraint as provided in Title 15, chapter 1, part 7.

(5) Except as provided in subsection (4), if the department determines that a false or fraudulent application was made, the department shall send the revised assessment with the additional penalty amount as determined under subsection (3) to the county treasurer in the county where the property is located.

(6) The county treasurer shall distribute property taxes, penalty, and interest collected under this section proportionally to the affected taxing jurisdictions.

(7) A revised assessment made under this section must be made within 10 years after the end of the calendar year in which the original application was made.

Section 9. Appeal or denial of reduced tax rate. (1) (a) If the department denies an application for a homestead reduced tax rate or a rental property reduced tax rate, the owner may request an informal review of the denial by submitting an objection on written or electronic forms provided by the department for that purpose in a manner prescribed by the department. The objection must be made no later than 30 days after the date of the denial notification sent pursuant to [section 6(4) or 7(6)].

(b) The property owner may request that the department consider extenuating circumstances to grant an application for the homestead reduced tax rate or the rental property reduced tax rate. Extenuating circumstances include but are not limited to extraordinary, unusual, or infrequent events that are material in nature and of a character different from the typical or customary, and that are not expected to recur.

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

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

Section 10. Rulemaking authority. The department shall adopt rules that are necessary to implement and administer [sections 5 through 10].

Section 11. Reimbursement for loss of revenue from certain fixed mill levies. (1) The department shall reimburse each taxing entity as provided in this section for the revenue loss resulting from the tax rate reductions in 15-6-134 as amended by [this act] for the following levies:

(a) levies of a local government with a charter form of government that includes a mill levy limit of a specific number of mills that may be imposed in the charter; and

(b) levies stated as a specific mill levy authorized by voters before [the effective date of this section].

(2) (a) For fiscal year 2026, the reimbursement must be equal to the difference between the property tax revenue collected from the levies provided for in subsection (1) and the property tax revenue collected in fiscal year 2025. After fiscal year 2026, the reimbursement must be equal to the difference between the property tax revenue collected from the levies provided for in subsection (1) and the property tax revenue that would be collected in the current fiscal year using the mill levy that would raise the fiscal year 2025 tax revenue using the fiscal year 2026 taxable value.

(b) A reimbursement pursuant to this section must include any fines, penalties, or damages resulting from a judgment levy against the taxing entity in levying property taxes in accordance with [section 4].

(3) A taxing entity eligible to receive a reimbursement under this section shall report the loss in revenue from the tax rate reductions in 15-6-134 as amended by [this act] and any amount reimbursable under subsection (2)(b) to the department of revenue.

(4) A reimbursement provided for in this section may only be made for 4 years after [the effective date of this section].

(5) The department shall distribute the reimbursements with the entitlement share payments under 15-1-121(7).

Section 12. Section 15-1-121, MCA, is amended to read:

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

sending a portion to other local governments.

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

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

(b) vehicle, boat, and aircraft taxes and fees pursuant to:

(i) Title 23, chapter 2, part 5;

(ii) Title 23, chapter 2, part 6;

(iii) Title 23, chapter 2, part 8;

(iv) 61-3-317;

(v) 61-3-321;

(vi) Title 61, chapter 3, part 5, except for 61-3-509(3), as that subsection read prior to the amendment of 61-3-509 in 2001;

(vii) Title 61, chapter 3, part 7;

(viii) 5% of the fees collected under 61-10-122;

(ix) 61-10-130;

(x) 61-10-148; and

(xi) 67-3-205;

(c) gaming revenue pursuant to Title 23, chapter 5, part 6, except for the permit fee in 23-5-612(2)(a);

(d) district court fees pursuant to:

(i) 25-1-201, except those fees in 25-1-201(1)(d), (1)(g), and (1)(j);

(ii) 25-1-202;

(iii) 25-9-506; and

(iv) 27-9-103;

(e) certificate of title fees for manufactured homes pursuant to 15-1-116;

(f) financial institution taxes collected pursuant to the former provisions of Title 15, chapter 31, part 7;

- (g) all beer, liquor, and wine taxes pursuant to:
 - (i) 16-1-404;
 - (ii) 16-1-406; and
 - (iii) 16-1-411;
- (h) late filing fees pursuant to 61-3-220;
- (i) title and registration fees pursuant to 61-3-203;
- (j) veterans' cemetery license plate fees pursuant to 61-3-459;
- (k) county personalized license plate fees pursuant to 61-3-406;
- (l) special mobile equipment fees pursuant to 61-3-431;
- (m) single movement permit fees pursuant to 61-4-310;
- (n) state aeronautics fees pursuant to 67-3-101; and
- (o) department of natural resources and conservation payments in lieu of taxes pursuant to former

Title 77, chapter 1, part 5.

(3) Except as provided in subsection (7)(b), the total amount received by each local government in the prior fiscal year as an entitlement share payment under this section is the base component for the subsequent fiscal year distribution, and in each subsequent year the prior year entitlement share payment, including any reimbursement payments received pursuant to subsection (7), is each local government's base component. The sum of all local governments' base components is the fiscal year entitlement share pool.

(4) (a) Except as provided in subsections (4)(b)(iv) and (7)(b), the base entitlement share pool must be increased annually by an entitlement share growth rate as provided for in this subsection (4). The amount determined through the application of annual growth rates is the entitlement share pool for each fiscal year.

(b) By October 1 of each year, the department shall calculate the growth rate of the entitlement share pool for the next fiscal year in the following manner:

(i) The department shall calculate the entitlement share growth rate based on the ratio of two factors of state revenue sources for the first, second, and third most recently completed fiscal years as recorded on the statewide accounting, budgeting, and human resource system. The first factor is the sum of the revenue for the first and second previous completed fiscal years received from the sources referred to in

subsections (2)(b), (2)(c), and (2)(g) divided by the sum of the revenue for the second and third previous completed fiscal years received from the same sources multiplied by 0.75. The second factor is the sum of the revenue for the first and second previous completed fiscal years received from individual income tax as provided in Title 15, chapter 30, and corporate income tax as provided in Title 15, chapter 31, divided by the sum of the revenue for the second and third previous completed fiscal years received from the same sources multiplied by 0.25.

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

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

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

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

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

(A) for fiscal year 2018, 1.005;

(B) for fiscal year 2019, 1.0187;

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

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

(6) (a) The entitlement share pools calculated in this section, the amounts distributed under 15-1-

123(4) for local governments, the funding provided for in subsection (8) of this section, and the amounts distributed under 15-1-123(5) for tax increment financing districts are statutorily appropriated, as provided in 17-7-502, from the general fund to the department for distribution to local governments.

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

- (A) counties;
- (B) consolidated local governments; and
- (C) incorporated cities and towns.

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

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

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

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

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

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

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

(A) 50% of the growth amount must be allocated based upon each incorporated city's or town's

percentage of the prior fiscal year entitlement share pool for all incorporated cities and towns; and

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

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

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

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

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

(d) The growth rate provided for in subsection (4) does not apply to the portion of the entitlement share pool attributable to the reimbursement provided for in [section 11].

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

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

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

Flathead	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

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

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

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

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

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

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

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

(i) file a financial report required by 15-1-504;

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

Section 13. Section 15-6-133, MCA, is amended to read:

"15-6-133. Class three property -- description -- taxable percentage. (1) Class three property includes:

(a) agricultural land as defined in 15-7-202;

(b) nonproductive patented mining claims outside the limits of an incorporated city or town held by an owner for the ultimate purpose of developing the mineral interests on the property. For the purposes of this subsection (1)(b), the following provisions apply:

(i) The claim may not include any property that is used for residential purposes, recreational purposes as described in 70-16-301, or commercial purposes as defined in 15-1-101 or any property the surface of which is being used for other than mining purposes or has a separate and independent value for other purposes.

(ii) Improvements to the property that would not disqualify the parcel are taxed as otherwise provided in this title, including that portion of the land upon which the improvements are located and that is reasonably required for the use of the improvements.

(iii) Nonproductive patented mining claim property must be valued as if the land were devoted to agricultural grazing use.

(c) parcels of land of 20 acres or more but less than 160 acres under one ownership that are not eligible for valuation, assessment, and taxation as agricultural land under 15-7-202(1), which are considered to be nonqualified agricultural land. Nonqualified agricultural land may not be devoted to a commercial or industrial purpose. Nonqualified agricultural land is valued at the average productive capacity value of grazing land.

(2) Subject to subsection (3), class three property is taxed at ~~2.46%~~ 2.05% of its productive capacity value.

(3) The taxable value of land described in subsection (1)(c) is computed by multiplying the value of the land by seven times the taxable percentage rate for agricultural land."

Section 14. Section 15-6-134, MCA, is amended to read:

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

- (a) ~~subject to subsection (1)(e),~~ all land, except that specifically included in another class;
- (b) ~~subject to subsection (1)(e):~~
 - (i) all improvements, including single-family residences, trailers, manufactured homes, or mobile homes used as a residence, except those specifically included in another class;
 - (ii) appurtenant improvements to the residences, including the parcels of land upon which the residences are located and any leasehold improvements;
 - (iii) vacant residential lots; and
 - (iv) rental multifamily dwelling units.
- (c) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202, including ;

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

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

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

- ~~(e)(f)~~ all commercial and industrial property, as defined in 15-1-101, and including:
 - (i) all commercial and industrial property that is used or owned by an individual, a business, a trade, a corporation, a limited liability company, or a partnership and that is used primarily for the production of income;
 - (ii) all golf courses, including land and improvements actually and necessarily used for that

purpose, that consist of at least nine holes and not less than 700 lineal yards;

- (iii) commercial buildings and parcels of land upon which the buildings are situated; and
- (iv) vacant commercial lots.

(2) If a property includes both residential and commercial uses, the property is classified and appraised as follows:

(a) the land use with the highest percentage of total value is the use that is assigned to the property; and

(b) the improvements are apportioned according to the use of the improvements.

(3) (a) Except as provided in 15-24-1402, 15-24-1501, 15-24-1502, and subsection (3)(b), class four residential property described in subsections (1)(a) through (1)(d) of this section is taxed at ~~1.35% of market value.~~ a graduated rate as follows:

<u>Market Value</u>	<u>Tax Rate</u>
<u>first \$50,000</u>	<u>0.76%</u>
<u>\$50,001 to \$500,000</u>	<u>0.95%</u>
<u>\$500,001 to \$750,000</u>	<u>1.15%</u>
<u>\$750,001 to \$1 million</u>	<u>1.2%</u>
<u>\$1,000,001 to \$1.5 million</u>	<u>1.4%</u>
<u>\$1,500,001 to \$2 million</u>	<u>1.89%</u>
<u>greater than \$2 million</u>	<u>2.2%</u>

(b) ~~The tax rate for the portion of the market value of a single-family residential dwelling in excess of \$1.5 million is the residential property tax rate in subsection (3)(a) multiplied by 1.4.~~

(b) The maximum graduated rate for multifamily dwelling units described in subsection (1)(b)(iv) with a market value of greater than \$2 million is 1.89% if the dwelling units are leased at 150% or less of the county fair market rent. The property owner must certify lease rates to the department of revenue.

(e)(4) ~~The (a) Except as provided in subsection (4)(c), the tax rate for commercial and industrial property is the residential property tax rate in subsection (3)(a) multiplied by 1.4 described in subsections (1)(e) and (1)(f) in excess of \$400,000 is 1.89%.~~

(b) The tax rate for the first \$400,000 of market value for commercial and industrial property is 1.4%.

(4)(c) Property described in subsection (1)(e)(ii) (1)(f)(ii) is taxed at one-half the tax rate established in subsection (3)(e) (4).

(5) As used in this section, "fair market rent" means the fair market rent based on the size of the dwelling as published annually by the U.S. department of housing and urban development."

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

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

- (a) ~~subject to subsection (1)(e),~~ all land, except that specifically included in another class;
- (b) ~~subject to subsection (1)(e):~~
 - (i) all improvements, including single-family residences, trailers, manufactured homes, or mobile homes used as a residence, except those specifically included in another class;
 - (ii) appurtenant improvements to the residences, including the parcels of land upon which the residences are located and any leasehold improvements;
 - (iii) vacant residential lots; and
 - (iv) rental multifamily dwelling units.
- (c) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202;
- (d) ~~,including 1 acre of real property beneath residential improvements on land described in 15-6-133(1)(c),.The 1 acre must be valued at market value.~~
- (e) ~~and 1 acre of real property beneath an improvement used as a residence on land eligible for valuation, assessment, and taxation as forest land under 15-6-143. The 1 acre must be valued at market value.~~
- (e) real property beneath commercial improvements and as much of the surrounding land that is reasonably required to support the commercial improvements on land described in 15-6-133(1)(c) and real property beneath commercial improvements and as much of the surrounding land that is reasonably required to support the commercial improvements on land eligible for valuation, assessment, and taxation as forest land

under 15-6-143. The land must be valued at market value.

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

(i) all commercial and industrial property that is used or owned by an individual, a business, a trade, a corporation, a limited liability company, or a partnership and that is used primarily for the production of income;

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

(iii) commercial buildings and parcels of land upon which the buildings are situated; and

(iv) vacant commercial lots.

(2) If a property includes both residential and commercial uses, the property is classified and appraised as follows:

(a) the land use with the highest percentage of total value is the use that is assigned to the property; and

(b) the improvements are apportioned according to the use of the improvements.

(3) ~~(a) Except as provided in Subject to 15-24-1402, 15-24-1501, and 15-24-1502, and subsection class four property is taxed as follows:~~

~~(a) Except as provided in subsections (3)(b) and (3)(c), class four residential property described in subsections (1)(a) through (1)(d) of this section is taxed at 4.35%-1.9% of market value.~~

~~(b) The tax rate for the portion of the market value of a single-family residential dwelling in excess of \$1.5 million is the residential property tax rate in subsection (3)(a) multiplied by 1.4.~~

~~(b) (i) The tax rate for class four residential property described in subsections (1)(a), (1)(b)(i), (1)(b)(ii), and (1)(d) of this section that qualifies for the homestead reduced tax rate provided for in [section 6] or the rental property reduced tax rate provided for in [section 7] is:~~

~~(A) 0.76% for the market value that is less than or equal to the median residential value;~~

~~(B) 0.9% for the market value that is greater than the median residential value and less than 2 times the median residential value;~~

~~(C) 1.1% for the market value that is 2 times the median residential value or greater and less than 4 times the median residential value; and~~

(D) 1.9% for the market value that is 4 times the median residential value or greater.

(ii) The tax rate for a rental multifamily dwelling unit described in subsection (1)(b)(iv) that qualifies for the rental property reduced tax rate is 1.1%.

(c) The tax rate for property described in subsection (1)(c) that does not qualify for the homestead reduced tax rate or the rental property reduced tax rate is 1.35%.

(e)(d) The tax rate for commercial and industrial property is the residential property tax rate in subsection (3)(a) multiplied by 1.4 described in subsections (1)(e) and (1)(f), except property described in subsection (1)(f)(ii), is:-

(i) for the market value less than 6 times the median commercial and industrial value, 1.5%; and

(ii) for the market value 6 times the median commercial and industrial value or greater, 1.9%.

(4)(e) Property described in subsection (1)(e)(ii) (1)(f)(ii) is taxed at one-half the tax rate established in subsection (3)(c) (3)(d).

(4) The department shall calculate the median residential value and median commercial and industrial value every 2 years as part of the periodic reappraisal provided for in 15-7-111.

(5) As used in this section, the following definitions apply:

(a) "Median commercial and industrial value" means the median value of class four commercial and industrial property located in the state of Montana rounded to the nearest thousand dollars.

(b) "Median residential value" means the median value of a single-family residence located in the state of Montana rounded to the nearest thousand dollars."

Section 16. Section 15-7-102, MCA, is amended to read:

"15-7-102. Notice of classification, market value, and taxable value to owners -- appeals. (1) (a) Except as provided in 15-7-138, the department shall mail or provide electronically to each owner or purchaser under contract for deed a notice that includes the land classification, market value, and taxable value of the land and improvements owned or being purchased. A notice must be mailed or, with property owner consent, provided electronically to the owner only if one or more of the following changes pertaining to the land or improvements have been made since the last notice:

(i) change in ownership;

- (ii) change in classification;
- (iii) change in valuation; or
- (iv) addition or subtraction of personal property affixed to the land.

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

(i) a notice of the availability of all the property tax assistance programs available to property taxpayers, including the intangible land value assistance program provided for in 15-6-240, the property tax assistance programs provided for in Title 15, chapter 6, part 3, the homestead reduced tax rate provided for in [section 6], the rental property reduced tax rate provided for in [section 7], and the residential property tax credit for the elderly provided for in 15-30-2337 through 15-30-2341;

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

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

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

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

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

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

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

(2) (a) Except as provided in subsection (2)(c), the department shall assign each classification and appraisal to the correct owner or purchaser under contract for deed and mail or provide electronically the notice in written or electronic form, adopted by the department, containing sufficient information in a comprehensible manner designed to fully inform the taxpayer as to the classification and appraisal of the property and of changes over the prior tax year.

(b) The notice must advise the taxpayer that in order to be eligible for a refund of taxes from an

appeal of the classification or appraisal, the taxpayer is required to pay the taxes under protest as provided in 15-1-402.

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

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

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

(ii) For class three property described in 15-6-133, class four property described in 15-6-134, and class ten property described in 15-6-143, the objection may be made only once each valuation cycle. An objection must be made in writing or by checking a box on the notice within 30 days from the date on the classification and appraisal notice for a reduction in the appraised value to be considered for both years of the 2-year valuation cycle. An objection made more than 30 days from the date of the classification and appraisal notice will be applicable only for the second year of the 2-year valuation cycle. For an objection to apply to the second year of the valuation cycle, the taxpayer shall make the objection in writing or by checking a box on the notice no later than June 1 of the second year of the valuation cycle or, if a classification and appraisal notice is received in the second year of the valuation cycle, within 30 days from the date on the notice.

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

(iv) (A) For centrally assessed property described in 15-23-101(2)(b) and (2)(c), an objection to the

valuation or classification may be made only once each valuation cycle. An objection must be made in writing within the time period specified in subsection (3)(a)(iii) for a reduction in the appraised value to be considered for both years of the 2-year valuation cycle. An objection made after the deadline specified in subsection (3)(a)(iii) will be applicable only for the second year of the 2-year valuation cycle. For an objection to apply to the second year of the valuation cycle, the taxpayer shall make the objection in writing no later than June 1 of the second year of the valuation cycle or, if a classification and appraisal notice is received in the second year of the valuation cycle, within the time period specified in subsection (3)(a)(iii).

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

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

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

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

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

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

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

(iii) if the cost approach was used by the department to value residential property, the

documentation required in 15-8-111(3) regarding why the comparable sales approach was not reliable.

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

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

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

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

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

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

(5) A taxpayer's written objection or objection made by checking a box on the notice and

supplemental information provided by a taxpayer that elects to check a box on the notice to a classification or appraisal and the department's notification to the taxpayer of its determination and the reason for that determination are public records. The department shall make the records available for inspection during regular office hours.

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

Section 17. Section 15-15-101, MCA, is amended to read:

"15-15-101. County tax appeal board -- meetings and compensation. (1) The board of county commissioners of each county shall appoint a county tax appeal board, with a minimum of three members and with the members to serve staggered terms of 3 years each. The members of each county tax appeal board must be residents of the county in which they serve. A person may not be a member of a county tax appeal board if the person was an employee of the department less than 36 months before the date of appointment.

(2) (a) The members receive compensation as provided in subsection (2)(b) and travel expenses, as provided for in 2-18-501 through 2-18-503, only when the county tax appeal board meets to hear taxpayers' appeals from property tax assessments or when they are attending meetings called by the Montana tax appeal board. Travel expenses and compensation must be paid from the appropriation to the Montana tax appeal board.

(b) (i) The daily compensation for a member is as follows:

- (A) \$45 for 4 hours of work or less; and
- (B) \$90 for more than 4 hours of work.
- (ii) For the purpose of calculating work hours in this subsection (2)(b), work includes hearing tax appeals, deliberating with other board members, and attending meetings called by the Montana tax appeal board.
- (3) Office space and equipment for the county tax appeal boards must be furnished by the county. All other incidental expenses must be paid from the appropriation of the Montana tax appeal board.
- (4) The county tax appeal board shall hold an organizational meeting each year on the date of its first scheduled hearing, immediately before conducting the business for which the hearing was otherwise scheduled. At the organizational meeting, the members shall choose one member as the presiding officer of the board. The county tax appeal board shall continue in session from July 1 of the current tax year until December 31 of the current tax year to hear protests concerning assessments made by the department until the business of hearing protests is disposed of and may meet after December 31 to hear an appeal at the discretion of the county tax appeal board.
- (5) In counties that have appointed more than three members to the county tax appeal board, only three members shall hear each appeal. The presiding officer shall select the three members hearing each appeal.
- (6) In connection with an appeal, the county tax appeal board may change any assessment or fix the assessment at some other level and determine eligibility for the homestead reduced tax rate provided for in [section 6] or the rental property reduced tax rate provided for in [section 7]. Upon notification by the county tax appeal board, the county clerk and recorder shall publish a notice to taxpayers, giving the time the county tax appeal board will be in session to hear scheduled protests concerning assessments and the latest date the county tax appeal board may take applications for the hearings. The notice must be published in a newspaper if any is printed in the county or, if none, then in the manner that the county tax appeal board directs. The notice must be published by May 15 of the current tax year.
- (7) Challenges to a department rule governing the assessment of property or to an assessment procedure apply only to the taxpayer bringing the challenge and may not apply to all similarly situated taxpayers unless an action is brought in the district court as provided in 15-1-406."

Section 18. Section 15-15-102, MCA, is amended to read:

"15-15-102. Application for reduction in valuation -- reduced tax rate. (1) The county tax appeal board may not reduce the valuation of property may not be reduced by the county tax appeal board or review eligibility for the homestead reduced tax rate provided for in [section 6] or the rental property reduced tax rate provided for in [section 7] unless either the taxpayer or the taxpayer's agent makes and files a written application for reduction with the county tax appeal board.

(2) The application for reduction may be obtained at the local appraisal office or from the county tax appeal board. The completed application must be submitted to the county clerk and recorder. The date of receipt is the date stamped on the appeal form by the county clerk and recorder upon receipt of the form. The county tax appeal board is responsible for obtaining the applications from the county clerk and recorder.

(3) One application for reduction may be submitted during each valuation cycle. The application must be submitted within the time periods provided for in 15-7-102(3)(a) and [section 9].

(4) A taxpayer who receives an informal review by the department of revenue as provided in 15-7-102(3)(a)(i) and (3)(a)(ii) or [section 9] may appeal the decision of the department of revenue to the county tax appeal board as provided in 15-7-102(6). The taxpayer may not file a subsequent application for reduction for the same property with the county tax appeal board during the same valuation cycle.

(5) If the department's determination after review is not made in time to allow the county tax appeal board to review the matter during the current tax year, the appeal must be reviewed during the next tax year, but the decision by the county tax appeal board is effective for the year in which the request for review was filed with the department. The application must state the post-office address of the applicant, specifically describe the property involved, and state the facts upon which it is claimed the reduction should be made."

Section 19. Section 15-15-103, MCA, is amended to read:

"15-15-103. Examination of applicant -- failure to hear application. (1) Before the county tax appeal board grants any application or makes any reduction applied for, it shall examine on oath the person or agent making the application with regard to the value of the property of the person or eligibility for the homestead reduced tax rate provided for in [section 6] or the rental property reduced tax rate provided for in

[section 7]. A reduction may not be made unless the applicant makes an application, as provided in 15-15-102, and attends the county board hearing. An appeal of the county board's decision may not be made to the Montana tax appeal board unless the person or the person's agent has exhausted the remedies available through the county board. In order to exhaust the remedies, the person or the person's agent shall attend the county board hearing. On written request by the person or the person's agent and on the written concurrence of the department, the county board may waive the requirement that the person or the person's agent attend the hearing. The testimony of all witnesses at the hearing and the deliberation of the county tax appeal board in rendering a decision must be electronically recorded and preserved for 1 year. If the decision of the county board is appealed, the record of the proceedings, including the electronic recording of all testimony and the deliberation of the county tax appeal board, must be forwarded, together with all exhibits, to the Montana board. The date of the hearing, the proceedings before the county board, and the decision must be entered upon the minutes of the county board, and the county board shall notify the applicant of its decision by mail within 3 days. A copy of the minutes of the county board must be transmitted to the Montana board no later than 3 days after the county board holds its final hearing of the year.

(2) (a) Except as provided in 15-15-201, if a county board refuses or fails to hear a taxpayer's timely application for a reduction in valuation of property or eligibility for a reduced tax rate, the taxpayer's application is considered to be granted on the day following the county board's final meeting for that year. The department shall enter the appraisal, ~~or~~ classification, or tax rate sought in the application in the property tax record. An application is not automatically granted for the following appeals:

(i) those listed in 15-2-302(1); and

(ii) if a taxpayer's appeal from the department's determination of classification or appraisal made pursuant to 15-7-102 was not received in time, as provided for in 15-15-102, to be considered by the county board during its current session.

(b) The county board shall provide written notification of each application that was automatically granted pursuant to subsection (2)(a) to the department, the Montana board, and any affected municipal corporation. The notice must include the name of the taxpayer and a description of the subject property.

(3) The county tax appeal board shall consider an independent appraisal provided by the taxpayer if the appraisal meets standards set by the Montana board of real estate appraisers and the appraisal was

conducted within 6 months of the valuation date. If the county tax appeal board does not use the appraisal provided by the taxpayer in conducting the appeal, the county board shall provide to the taxpayer the reason for not using the appraisal."

Section 20. Section 15-16-101, MCA, is amended to read:

"15-16-101. Treasurer to publish notice -- manner of publication. (1) Within 10 days after the receipt of the property tax record, the county treasurer shall publish a notice specifying:

(a) that one-half of all taxes levied and assessed will be due and payable before 5 p.m. on the next November 30 or within 30 days after the notice is postmarked and that unless paid prior to that time the amount then due will be delinquent and will draw interest at the rate of 5/6 of 1% a month from the time of delinquency until paid and 2% will be added to the delinquent taxes as a penalty;

(b) that one-half of all taxes levied and assessed will be due and payable on or before 5 p.m. on the next May 31 and that unless paid prior to that time the taxes will be delinquent and will draw interest at the rate of 5/6 of 1% a month from the time of delinquency until paid and 2% will be added to the delinquent taxes as a penalty; and

(c) the time and place at which payment of taxes may be made.

(2) (a) The county treasurer shall send to the last-known address of each taxpayer a written notice, postage prepaid, showing the amount of taxes and assessments due for the current year and the amount due and delinquent for other years. The written notice must include:

- (i) the taxable value of the property;
- (ii) the total mill levy applied to that taxable value;
- (iii) itemized city services and special improvement district assessments collected by the county;
- (iv) the number of the school district in which the property is located;
- (v) the amount of the total tax due itemized by mill levy that is levied as city tax, county tax, state tax, school district tax, and other tax;
- (vi) an indication of which mill levies are voted levies, including voted levies to impose a new mill levy, to increase a mill levy that is required to be submitted to the electors, or to exceed the mill levy limit provided for in 15-10-420;

(vii) except as provided in subsection (2)(c), an itemization of the taxes due for each mill levy and a comparison to the amount due for each mill levy in the prior year; and

(viii) a notice of the availability of all the property tax assistance programs available to property taxpayers, including the intangible land value assistance program provided for in 15-6-240, the property tax assistance programs under Title 15, chapter 6, part 3, the homestead reduced tax rate provided for in [section 6], the rental property reduced tax rate provided for in [section 7], and the residential property tax credit for the elderly under 15-30-2337 through 15-30-2341.

(b) If a tax lien is attached to the property, the notice must also include, in a manner calculated to draw attention, a statement that a tax lien is attached to the property, that failure to respond will result in loss of property, and that the taxpayer may contact the county treasurer for complete information.

(c) The information required in subsection (2)(a)(vii) may be posted on the county treasurer's website instead of being included on the written notice.

(3) The municipality shall, upon request of the county treasurer, provide the information to be included under subsection (2)(a)(iii) ready for mailing.

(4) The notice in every case must be given as provided in 7-1-2121. Failure to publish or post notices does not relieve the taxpayer from any tax liability. Any failure to give notice of the tax due for the current year or of delinquent tax will not affect the legality of the tax.

(5) If the department revises an assessment that results in an additional tax of \$5 or less, an additional tax is not owed and a new tax bill does not need to be prepared."

Section 21. Section 15-17-125, MCA, is amended to read:

"15-17-125. Attachment of tax lien and preparation of tax lien certificate. (1) (a) The county treasurer shall attach a tax lien no later than the first working day in August to properties on which the taxes are delinquent and for which proper notification was given as provided in 15-17-122 and subsection (4) of this section. Upon attachment of a tax lien, the county is the possessor of the tax lien unless the tax lien is assigned pursuant to 15-17-323.

(b) The county treasurer may not attach a tax lien to a property on which taxes are delinquent but for which proper notice was not given.

(2) After attaching a tax lien, the county treasurer shall prepare a tax lien certificate that must contain:

- (a) the date on which the property taxes became delinquent;
- (b) the date on which a property tax lien was attached to the property;
- (c) the name and address of record of the person to whom the taxes were assessed;
- (d) a description of the property on which the taxes were assessed;
- (e) a separate listing of the amount of the delinquent taxes, penalties, interest, and costs;
- (f) a statement that the tax lien certificate represents a lien on the property that may lead to the issuance of a tax deed for the property;
- (g) a statement specifying the date on which the county or an assignee will be entitled to a tax deed; and
- (h) an identification number corresponding to the tax lien certificate.

(3) The tax lien certificate must be signed by the county treasurer. A copy of the tax lien certificate must be filed by the treasurer in the office of the county clerk. A copy of the tax lien certificate must also be mailed to the person to whom the taxes were assessed, at the address of record, together with a notice that the person may contact the county treasurer for further information on property tax liens.

(4) Prior to attaching a tax lien to the property, the county treasurer shall send notice of the pending attachment of a tax lien to the person to whom the property was assessed. The notice must include the information listed in subsection (2), state that the tax lien may be assigned to a third party, and provide notice of the availability of all the property tax assistance programs available to property taxpayers, including the property tax assistance programs under Title 15, chapter 6, part 3, the homestead reduced tax rate provided for in [section 6], the rental property reduced tax rate provided for in [section 7], and the residential property tax credit for the elderly under 15-30-2337 through 15-30-2341. The notice must have been mailed at least 2 weeks prior to the date on which the county treasurer attaches the tax lien.

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

Section 22. Section 15-30-2120, MCA, is amended to read:

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

The items in subsection (2) are added to and the items in subsection (3) are subtracted from federal taxable income to determine Montana taxable income.

(2) The following are added to federal taxable income:

(a) to the extent that it is not exempt from taxation by Montana under federal law, interest from obligations of a territory or another state or any political subdivision of a territory or another state and exempt-interest dividends attributable to that interest except to the extent already included in federal taxable income;

(b) that portion of a shareholder's income under subchapter S. of Chapter 1 of the Internal Revenue Code that has been reduced by any federal taxes paid by the subchapter S. corporation on the income;

(c) depreciation or amortization taken on a title plant as defined in 33-25-105;

(d) the recovery during the tax year of an amount deducted in any prior tax year to the extent that the amount recovered reduced the taxpayer's Montana income tax in the year deducted;

(e) an item of income, deduction, or expense to the extent that it was used to calculate federal taxable income if the item was also used to calculate a credit against a Montana income tax liability;

(f) a deduction for an income distribution from an estate or trust to a beneficiary that was included in the federal taxable income of an estate or trust in accordance with sections 651 and 661 of the Internal Revenue Code, 26 U.S.C. 651 and 661;

(g) a withdrawal from a medical care savings account provided for in Title 15, chapter 61, used for a purpose other than an eligible medical expense or long-term care of the employee or account holder or a dependent of the employee or account holder;

(h) a withdrawal from a first-time home buyer savings account provided for in Title 15, chapter 63, used for a purpose other than for eligible costs for the purchase of a single-family residence;

(i) for a taxpayer that deducts the qualified business income deduction pursuant to section 199A of the Internal Revenue Code, 26 U.S.C. 199A, an amount equal to the qualified business income deduction claimed;

(j) for an individual taxpayer that deducts state income taxes pursuant to section 164(a)(3) of the Internal Revenue Code, 26 U.S.C. 164(a)(3), an additional amount equal to the state income tax deduction claimed, not to exceed the amount required to reduce the federal itemized amount computed under section 161

of the Internal Revenue Code, 26 U.S.C. 161, to the amount of the federal standard deduction allowable under section 63(c) of the Internal Revenue Code, 26 U.S.C. 63(c); and

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

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

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

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

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

(ii) railroad retirement benefits;

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

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

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

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

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

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

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

- (D) a reserve component, as defined in 38 U.S.C. 101, of the United States armed forces; and
- (ii) subject to subsection (9), up to 50% of all income received as survivor benefits for military service provided for in subsection (3)(n)(i)(A) through (3)(n)(i)(D); ~~and~~
- (o) the amount of the property tax rebate received under 15-1-2302; ~~and~~
- ~~(p) the amount of the property tax rebate received under [section 3].~~
- (4) (a) A taxpayer who, in determining federal taxable income, has reduced the taxpayer's business deductions:
- (i) by an amount for wages and salaries for which a federal tax credit was elected under sections 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 wages and salaries paid regardless of the credit taken; or
- (ii) for which a federal tax credit was elected under the Internal Revenue Code is allowed to deduct the amount of the business expense paid when there is no corresponding state income tax credit or deduction, regardless of the credit taken.
- (b) The deductions in subsection (4)(a) must be made in the year that the wages, salaries, or business expenses were used to compute the credit. In the case of a partnership or small business corporation, the deductions in subsection (4)(a) must be made to determine the amount of income or loss of the partnership or small business corporation.
- (5) (a) An individual who contributes to one or more accounts established under the Montana family education savings program or to a qualified tuition program established and maintained by another state 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 taxable income by the lesser of \$3,000 or the amount of the contribution. In the case of married taxpayers, each spouse is entitled to a reduction, not in excess of \$3,000, for the spouses' contributions to the accounts. Spouses may jointly elect to treat half of the total contributions made by the spouses as being made by each spouse. The reduction in taxable income under this subsection (5)(a) applies only with respect to contributions to an account of which the account owner is the taxpayer, the taxpayer's spouse, or the taxpayer's child or stepchild if the taxpayer's child or stepchild is a Montana resident. The provisions of subsection (2)(d) do not apply with respect to withdrawals of contributions that reduced federal taxable income.
- (b) Contributions made pursuant to this subsection (5) are subject to the recapture tax provided for

in 15-62-208.

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

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

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

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

- (i) the amount of Montana source wage income on the return; or
- (ii) 50% of the taxpayer's military pension or military retirement income.

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

- (i) wages, salary, tips, and other compensation for services performed in the state;
- (ii) net income from a trade, business, profession, or occupation carried on in the state; and
- (iii) net income from farming activities carried on in the state.

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

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

- (i) becomes a resident of the state after June 30, 2023; or
- (ii) was a resident of the state before receiving military pension or military retirement income and remained a resident after receiving military pension or military retirement income;

(b) may only be claimed for 5 consecutive years after satisfying the provisions of subsection (9)(a);
and

(c) are not available if a taxpayer claimed the exemption before becoming a nonresident.

(Subsection (3)(o) terminates June 30, 2025--sec. 10, Ch. 47, L. 2023; subsections (3)(n), (8), and (9) terminate December 31, 2033--sec. 4, Ch. 650, L. 2023.)"

Section 23. Section 17-7-502, MCA, is amended to read:

"17-7-502. Statutory appropriations -- definition -- requisites for validity. (1) A statutory appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the need for a biennial legislative appropriation or budget amendment.

(2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both of the following provisions:

(a) The law containing the statutory authority must be listed in subsection (3).

(b) The law or portion of the law making a statutory appropriation must specifically state that a statutory appropriation is made as provided in this section.

(3) The following laws are the only laws containing statutory appropriations: 2-17-105; 5-11-120; 5-11-407; 5-13-403; 5-13-404; 7-4-2502; 7-4-2924; 7-32-236; 10-1-108; 10-1-1202; 10-1-1303; 10-2-603; 10-2-807; 10-3-203; 10-3-310; 10-3-312; 10-3-314; 10-3-316; 10-3-802; 10-3-1304; 10-4-304; 10-4-310; 15-1-121; 15-1-142; 15-1-143; 15-1-218; 15-1-2302; [section 3]; [section 24]; 15-31-165; 15-31-1004; 15-31-1005; 15-35-108; 15-36-332; 15-37-117; 15-39-110; 15-65-121; 15-70-128; 15-70-131; 15-70-132; 15-70-433; 16-11-119; 16-11-509; 17-3-106; 17-3-212; 17-3-222; 17-3-241; 17-6-101; 17-6-214; 17-7-133; 17-7-215; 18-11-112; 19-3-319; 19-3-320; 19-6-410; 19-9-702; 19-13-604; 19-17-301; 19-18-512; 19-19-305; 19-19-506; 19-20-604; 19-20-607; 19-21-203; 20-3-369; 20-7-1709; 20-8-107; 20-9-250; 20-9-534; 20-9-622; [20-15-328]; 20-26-617; 20-26-1503; 22-1-327; 22-3-116; 22-3-117; [22-3-1004]; 23-4-105; 23-5-306; 23-5-409; 23-5-612; 23-7-301; 23-7-402; 30-10-1004; 37-43-204; 37-50-209; 37-54-113; 39-71-503; 41-5-2011; 42-2-105; 44-4-1101; 44-4-1506; 44-12-213; 44-13-102; 50-1-115; 53-1-109; 53-6-148; 53-9-113; 53-24-108; 53-24-206; 60-5-530; 60-11-115; 61-3-321; 61-3-415; 67-1-309; 69-3-870; 69-4-527; 75-1-1101; 75-5-1108; 75-6-214; 75-11-313; 75-26-308; 76-13-150; 76-13-151; 76-13-417; 76-17-103; 77-1-108; 77-2-362; 80-2-222; 80-4-416; 80-11-518; 80-11-1006;

81-1-112; 81-1-113; 81-2-203; 81-7-106; 81-7-123; 81-10-103; 82-11-161; 85-20-1504; 85-20-1505; [85-25-102]; 87-1-603; 87-5-909; 90-1-115; 90-1-205; 90-1-504; 90-6-331; and 90-9-306.

(4) There is a statutory appropriation to pay the principal, interest, premiums, and any costs or fees associated with issuing, paying, securing, redeeming, or defeasing all bonds, notes, or other obligations, as due in the ordinary course or when earlier called for redemption or defeased, that have been authorized and issued pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to sec. 10, Ch. 360, L. 1999, the inclusion of 19-20-604 terminates contingently when the amortization period for the teachers' retirement system's unfunded liability is 10 years or less; pursuant to sec. 73, Ch. 44, L. 2007, the inclusion of 19-6-410 terminates contingently upon the death of the last recipient eligible under 19-6-709(2) for the supplemental benefit provided by 19-6-709; pursuant to sec. 5, Ch. 383, L. 2015, the inclusion of 85-25-102 is effective on occurrence of contingency; pursuant to sec. 6, Ch. 423, L. 2015, the inclusion of 22-3-116 and 22-3-117 terminates June 30, 2025; pursuant to sec. 4, Ch. 122, L. 2017, the inclusion of 10-3-1304 terminates September 30, 2025; pursuant to sec. 1, Ch. 213, L. 2017, the inclusion of 90-6-331 terminates June 30, 2027; pursuant to sec. 10, Ch. 374, L. 2017, the inclusion of 76-17-103 terminates June 30, 2027; pursuant to secs. 11, 12, and 14, Ch. 343, L. 2019, the inclusion of 15-35-108 terminates June 30, 2027; pursuant to sec. 1, Ch. 408, L. 2019, the inclusion of 17-7-215 terminates June 30, 2029; pursuant to secs. 1, 2, 3, Ch. 139, L. 2021, the inclusion of 53-9-113 terminates June 30, 2027; pursuant to sec. 8, Ch. 200, L. 2021, the inclusion of 10-4-310 terminates July 1, 2031; pursuant to secs. 3, 4, Ch. 404, L. 2021, the inclusion of 30-10-1004 terminates June 30, 2027; pursuant to sec. 5, Ch. 548, L. 2021, the inclusion of 50-1-115 terminates June 30, 2025; pursuant to secs. 5 and 12, Ch. 563, L. 2021, the inclusion of 22-3-1004 is effective July 1, 2027; pursuant to sec. 1, Ch. 20, L. 2023, sec. 2, Ch. 20, L. 2023, and sec. 3, Ch. 20, L. 2023, the inclusion of 81-1-112, 81-1-113, and 81-7-106 terminates June 30, 2029; pursuant to sec. 9, Ch. 44, L. 2023, the inclusion of 15-1-142 terminates December 31, 2025; pursuant to sec. 10, Ch. 47, L. 2023, the inclusion of 15-1-2302 terminates June 30, 2025; pursuant to sec. 2, Ch. 374, L. 2023, the inclusion of 10-3-802 terminates June 30, 2031; pursuant to sec. 12, Ch. 558, L. 2023, the inclusion of 20-9-250 terminates December 31, 2029; pursuant to

sec. 4, Ch. 621, L. 2023, the inclusion of 22-1-327 terminates July 1, 2029; pursuant to sec. 24, Ch. 722, L. 2023, the inclusion of 17-7-133 terminates June 30, 2027; pursuant to sec. 10, Ch. 758, L. 2023, the inclusion of 44-4-1506 terminates June 30, 2027; and pursuant to sec. 10, Ch. 764, L. 2023, the inclusion of 15-1-143 terminates December 31, 2025.)"

Section 24. Refund for failure to claim homestead reduced tax rate -- statutory appropriation.

(1) A property owner who was eligible for the homestead reduced tax rate provided for in [section 6], but who failed to file an application to claim the homestead reduced tax rate may receive a refund as provided in this section.

(2) To claim a refund under this section, a property owner shall file an informal appeal with the department of revenue by May 31 of the year after the property owner did not receive the homestead reduced tax rate. The refund may only be claimed for 1 year.

(3) If the department determines the property owner is eligible for a refund under this section, the department shall calculate the difference between property taxes paid and property taxes that would have been due if the property owner received the homestead reduced tax rate in the prior year.

(4) The department shall issue a refund to the property owner of the amount calculated pursuant to subsection (3).

(5) The payment of property tax refunds under this section is statutorily appropriated, as provided in 17-7-502, from the general fund to the department of revenue for distribution to taxpayers.

Section 25. Codification instruction. (1) [Sections 1 through 3] are intended to be codified as an integral part of Title 15, chapter 1, and the provisions of Title 15, chapter 1, apply to [sections 1 through 3].

(2) [Sections 4 through 10 and 24] are intended to be codified as an integral part of Title 15, chapter 6, and the provisions of Title 15, chapter 6, apply to [sections 4 through 10 and 24].

(3) [Section 11] is intended to be codified as an integral part of Title 15, chapter 1, part 1, and the provisions of Title 15, chapter 1, part 1, apply to [section 11].

Section 26. Severability. If a part of [this act] is invalid, all valid parts that are severable from the

invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

Section 27. Effective dates -- contingency. (1) Except as provided in subsections (2) and (3), [this act] is effective on passage and approval

(2) [Sections 5 through 10, 15 through 21, and 24] are effective January 1, 2026.

(3) [Sections 11 and 12] are effective on the date that the department of revenue certifies to the code commissioner that a court of final disposition finds that [section 4] is invalid. The department of revenue shall submit certification within 30 days of the occurrence of the contingency.

Section 28. Applicability -- retroactive applicability. (1) Except as provided in subsection (2), [this act] applies retroactively, within the meaning of 1-2-109, to the property tax year beginning after December 31, 2024.

(2) [Sections 5 through 10, 15 through 21, and 24] apply to property tax years beginning after December 31, 2025.

Section 29. Termination. (1) [Section 14] terminates December 31, 2025.

(2) [Sections 1 through 3 and 22] and the inclusion of "[section 3]" in [section 23] terminate June 30, 2026.

Section 30. Coordination instruction. If House Bill No. 528 and [this act] are both passed and approved, then House Bill No. 528 is void.

Section 31. Contingent termination. [Sections 11 and 12] terminate on the date that the department of revenue certifies to the code commissioner that the reimbursements authorized pursuant to [section 11] have been completed. The department of revenue shall submit certification within 30 days of the occurrence of the contingency.

- END -

I hereby certify that the within bill,
SB 542, originated in the Senate.

Secretary of the Senate

President of the Senate

Signed this _____ day
of _____, 2025.

Speaker of the House

Signed this _____ day
of _____, 2025.

SENATE BILL NO. 542

INTRODUCED BY W. GALT

AN ACT GENERALLY REVISING TAX LAWS; PROVIDING FOR A PROPERTY TAX REBATE ON A PRINCIPAL RESIDENCE BASED ON A CERTAIN AMOUNT OF PROPERTY TAXES PAID FOR TAX YEAR 2024; REDUCING CLASS THREE AGRICULTURAL PROPERTY TAX RATES; REVISING CLASS FOUR RESIDENTIAL AND COMMERCIAL PROPERTY TAX RATES; PROVIDING A LOWER TAX RATE FOR CERTAIN OWNER-OCCUPIED RESIDENTIAL PROPERTY AND LONG-TERM RENTALS; PROVIDING A LOWER TAX RATE FOR A PORTION OF COMMERCIAL PROPERTY VALUE; PROVIDING ELIGIBILITY AND APPLICATION REQUIREMENTS; PROVIDING FOR AN APPEAL PROCESS; PROVIDING A REFUND FOR FAILURE TO CLAIM A HOMESTEAD REDUCED TAX RATE; PROVIDING STATUTORY APPROPRIATIONS; PROVIDING DEFINITIONS; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTIONS 15-1-121, 15-6-133, 15-6-134, 15-7-102, 15-15-101, 15-15-102, 15-15-103, 15-16-101, 15-17-125, 15-30-2120, AND 17-7-502, MCA; AND PROVIDING EFFECTIVE DATES, APPLICABILITY DATES, AND TERMINATION DATES.

EXHIBIT 6

(HB 231|as Enacted)



AN ACT GENERALLY REVISING PROPERTY TAX LAWS; PROVIDING FOR A PROPERTY TAX REBATE ON A PRINCIPAL RESIDENCE BASED ON A CERTAIN AMOUNT OF PROPERTY TAXES PAID FOR TAX YEAR 2024; TEMPORARILY REDUCING CLASS FOUR RESIDENTIAL PROPERTY TAX RATES; REVISING TAX RATES FOR CERTAIN CLASS FOUR RESIDENTIAL AND COMMERCIAL PROPERTY; PROVIDING A LOWER TAX RATE FOR CERTAIN OWNER-OCCUPIED RESIDENTIAL PROPERTY AND LONG-TERM RENTALS; PROVIDING A LOWER TAX RATE FOR A PORTION OF COMMERCIAL PROPERTY VALUE; PROVIDING ELIGIBILITY AND APPLICATION REQUIREMENTS; PROVIDING FOR AN APPEAL PROCESS; PROVIDING FOR THE ADJUSTMENT OF CERTAIN LOCAL GOVERNMENT FIXED MILL LEVIES; PROVIDING APPROPRIATIONS; PROVIDING DEFINITIONS; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTIONS 15-1-121, 15-6-134, 15-7-102, 15-15-101, 15-15-102, 15-15-103, 15-16-101, 15-17-125, AND 15-30-2120, MCA; AND PROVIDING EFFECTIVE DATES, APPLICABILITY DATES, AND TERMINATION DATES.

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

Section 1. Definitions. As used in [sections 1 through 6] and 15-6-134, the following definitions apply:

- (1) "Homestead reduced tax rate" means the tax rate provided for in 15-6-134(3)(b)(i).
- (2) "Long-term rental" means class four residential property:
 - (a) that is a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home, or mobile home and the parcel on which the long-term rental improvements are located but not including any contiguous or adjacent parcels;
 - (b) that an owner can demonstrate was:
 - (i) rented for periods of 28 days or more for at least 7 months in each tax year for which the rental

property reduced tax rate is claimed; or

(ii) vacant for not more than 5 months to complete documented property repairs;

(c) that is occupied by tenants who use the dwelling as a residence during the year in which the reduced tax rate is claimed; and

(d) for which the owner is current on payment of the assessed Montana property taxes when claiming the reduced tax rate.

(3) "Owner" includes a purchaser under contract for deed as defined in 70-20-115, a grantor of a trust indenture as defined in 71-1-303, and the trustee of a grantor trust that is revocable as defined in 72-38-103.

(4) (a) "Principal residence" means class four residential property:

(i) that is a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home, or mobile home and the parcel on which the principal residence improvements are located but not including any contiguous or adjacent parcels;

(ii) in which an owner can demonstrate the owner owned and lived for at least 7 months of the year for which the homestead reduced tax rate for a principal residence is claimed;

(iii) that is the only residence for which the owner claims the homestead reduced tax rate for that year; and

(iv) for which the owner made payment of the assessed Montana property taxes.

(b) An owner who cannot meet the requirements of subsection (4)(a)(ii) because the owner's principal residence changed during the tax year to another principal residence may still qualify for the homestead reduced tax rate if the owner paid the Montana property taxes while residing in each principal residence for a total of at least 7 consecutive months for each tax year.

(5) "Rental property reduced tax rate" means the tax rate provided for in 15-6-134(3)(b).

(6) "Tax year 2026" means the period from January 1, 2026, through December 31, 2026.

Section 2. Homestead reduced tax rate -- application -- limitations. (1) There is a homestead reduced tax rate provided for in 15-6-134(3)(b)(i) for a principal residence as provided in this section.

(2) (a) Beginning in tax year 2026, the owner of a principal residence may apply to the department

to receive the homestead reduced tax rate. The owner of a principal residence who applied for and received the rebate provided for in [sections 9 through 11] for tax year 2024 automatically qualifies for the homestead reduced tax rate unless subsections (2)(c)(i) through (2)(c)(iii) apply to the principal residence for which the rebate was claimed. The owner of a principal residence who did not receive a rebate under [sections 9 through 11], shall apply as provided in this section to receive the homestead reduced tax rate in tax year 2026.

(b) To receive the homestead reduced tax rate for the tax year in which the application is first made, the owner shall apply electronically through the department's website or by mail on a form prescribed by the department between December 1 of the immediately preceding year and March 1. Applications submitted by mail must be postmarked by March 1. Approved applications received electronically or postmarked after March 1 apply to the following tax year.

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

- (i) there is a change in ownership of the property;
- (ii) the owner no longer uses the dwelling as a principal residence; or
- (iii) the owner applies for a homestead reduced tax rate for a different principal residence.

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

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

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

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

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

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

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

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

(c) Class four residential property located on fee land within the exterior boundaries of an Indian reservation within this state is automatically eligible for the homestead reduced tax rate provided for in this section and is not required to submit an application pursuant to subsection (2).

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

Section 3. Rental property reduced tax rate -- application -- limitations. (1) There is a rental property reduced tax rate provided for in 15-6-134(3)(b) for a long-term rental as provided in this section.

(2) (a) Beginning in tax year 2026, the owner of a long-term rental may apply to the department to receive the rental property reduced tax rate. The application must be made by an individual owner or, for an entity owner, by an authorized representative of the entity.

(b) The department shall mail a notice to potential claimants by October 30, 2025, for tax year 2026. Receipt of a notice does not establish that a taxpayer or property owner is eligible to receive the rental property reduced tax rate, and a taxpayer who does not receive a notice may still be eligible to claim the rental property reduced tax rate. All taxpayers, regardless of the receipt of notice, shall apply for a reduced rate as provided in this subsection (2).

(c) To receive the rental property reduced tax rate for the tax year in which the application is first made, the owner or authorized representative shall apply electronically or by mail on a form prescribed by the department between December 1 of the immediately preceding year and March 1. Applications received electronically or postmarked after March 1 apply to the following tax year.

(d) Once approved, the rental property reduced tax rate remains effective until the end of the tax year in which any of the following events occur:

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

- (ii) the property is no longer rented to tenants as a dwelling;
 - (iii) the terms of the lease change and the property no longer qualifies as a long-term rental as defined in [section 1]; or
 - (iv) the owner fails to submit a ~~complete~~-reapplication to the department as required in subsection (4).
- ~~(d)~~(e) If a rental property reduced tax rate is terminated pursuant to subsection (2)(d) or [section 4], any remaining property taxes due for the year in which the rental property reduced tax rate is terminated must be based on the tax rate in effect on January 1 of the year in which the rental property reduced tax rate was terminated.
- (3) An application for a rental property reduced tax rate must be submitted on a form prescribed by the department and must contain:
- (a) a written declaration made under penalty of perjury that the applicant owns and maintains the land and improvements as a long-term rental as defined in [section 1]. The application must state the penalty provided for in [section 4].
 - (b) the geocode or other property identifier for the long-term rental for which the applicant is requesting the rental property reduced tax rate;
 - (c) the social security number or taxpayer identification number of the applicant;
 - (d) the income and expense information for the long-term rental for the immediately preceding year, including the amount of rent charged each month; and
 - (e) any other information required by the department that is relevant to the applicant's eligibility.
- (4) To continue receiving the rental property reduced tax rate, the owner of a qualifying long-term rental shall reapply as required by the department. Beginning in 2028, the department shall require reapplication of 20% of long-term rentals each year.
- (5) Periods of short-term vacancy not exceeding ~~3~~ 5 months in a 12-month period do not disqualify a long-term rental from receiving the rental property reduced tax rate.
- (6) The department shall notify the owner if the rental property reduced tax rate is applied to the property or if the application was denied.

Section 4. Homestead and rental property reduced tax rates -- improper approval -- penalty for false or fraudulent application. (1) Except as provided in subsection (2), if the department determines that an application for a homestead reduced tax rate or a rental property reduced tax rate was improperly approved or that the property no longer qualifies for the reduced rate, the department shall revise the assessment for each year the homestead reduced tax rate or the rental property reduced tax rate was improperly granted subject to the assessment revision procedure established in 15-8-601.

(2) (a) A person who files a false or fraudulent application for a homestead reduced tax rate provided for in [section 2 ~~or~~ 3] or for a rental property reduced tax rate provided for in [section 4 3] is subject to criminal prosecution under the provisions of 45-7-202.

(3) (a) If a person is determined to have filed a false or fraudulent application, the department shall revise the assessment of the property subject to the assessment revision procedure established in this section and 15-8-601 and assess a penalty as provided in this subsection (3). The penalty is equal to three times the base penalty amount calculated under subsection (3)(b) plus interest at the rate provided in 15-16-102 calculated from the original due date of the taxes, until paid.

(b) The base penalty amount is equal to the property tax due for each year the homestead reduced tax rate or the rental property reduced tax rate was improperly received, determined using the tax rate provided for in 15-6-134(3)(a), the appraised value, and the mill levies in effect for the year, less the actual property taxes paid in the year.

(c) The revised assessment and penalty must be assessed against a person who filed a false or fraudulent application even if the person no longer owns the property.

(4) If the person who filed a false or fraudulent application no longer owns the property associated with the false or fraudulent application, the penalty plus interest provided for in subsection (3) may be recovered as any other tax owed the state. If the penalty plus interest becomes due and owing, the department may issue a warrant for distraint as provided in Title 15, chapter 1, part 7.

(5) Except as provided in subsection (4), if the department determines that a false or fraudulent application was made, the department shall send the revised assessment with the additional penalty amount as determined under subsection (3) to the county treasurer in the county where the property is located.

(6) The county treasurer shall distribute property taxes, penalty, and interest collected under this

section proportionally to the affected taxing jurisdictions.

(7) A revised assessment made under this section must be made within 10 years after the end of the calendar year in which the original application was made.

Section 5. Appeal of denial of reduced tax rate. (1) (a) If the department denies an application for a homestead reduced tax rate or a rental property reduced tax rate, the owner may request an informal review of the denial by submitting an objection on written or electronic forms provided by the department for that purpose in a manner prescribed by the department. The objection must be made no later than 30 days after the date of the denial notification sent pursuant to [section 2-(4) or 3(6)].

(b) The property owner may request that the department consider extenuating circumstances to grant an application for the homestead reduced tax rate or the rental property reduced tax rate. Extenuating circumstances include but are not limited to extraordinary, unusual, or infrequent events that are material in nature and of a character different from the typical or customary, and that are not expected to recur.

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

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

Section 6. Rulemaking authority. The department shall adopt rules that are necessary to implement and administer [sections 1 through 6].

Section 7. Legislative findings -- local government charters and fixed mill levy limits

superseded -- definition. (1) (a) The legislature finds that most local governments set mill levies that adjust downward when taxable value increases under 15-10-420. This floating mill levy concept automatically lowers the number of mills levied against a taxpayer when property values increase, which mitigates increases in property values. However, when mill levies are fixed, the opposite occurs when property values increase, and property taxes are not automatically mitigated for taxpayers that are levied based on a fixed mill levy.

(b) The legislature finds further that it is prohibited under Article VIII, section 2, of the Montana constitution, from suspending or contracting away the power to tax. The legislature also recognizes and respects the power of local governments under Article XI, section 5, of the Montana constitution to adopt, amend, revise, or abandon a charter.

(2) As a matter of policy, the legislature intends to supersede local government charters that fix mill levy limits for the limited purpose of exercising the power to tax while also maintaining local government revenue sources without raising taxes on residential taxpayers. Having considered all options on a statewide basis, the legislature finds the statutory structure of the property tax has evolved significantly since the passage of Initiative Measure No. 105 on November 4, 1986, and the enactment of 15-10-420 by the legislature in 1999. Given the significant change in the structure of the property tax and the rising cost of residential property in the last 5 years, there is a compelling interest to all the citizens of the state to lower residential property tax rates for primary residences, which can only be accomplished by this section and 15-10-420.

(3) A local government with a charter form of government that includes a mill levy limit of a specific number of mills that may be imposed in the charter shall levy the number of mills in fiscal year 2026 and subsequent tax years that will generate the amount of property taxes assessed in fiscal year 2025, without amending or revising the charter. In fiscal years after 2026, the local government shall levy the number of mills levied in fiscal year 2026.

(4) A taxing entity with a local mill levy limit of a specific number of mills that may be imposed for public safety that was authorized by the voters before [the effective date of this section] may:

(a) elect to transition a voted mill public safety levy to a dollar-based mill levy equal to the amount of property taxes assessed in fiscal year 2025 and thereafter subject to the provisions of 15-10-420(1)(a); or

(b) levy the number of mills in fiscal year 2026 that will generate the amount of property taxes assessed in fiscal year 2025. In fiscal years after 2026, the local government shall levy the number of mills

levied in fiscal year 2026.

- (5) As used in this section, "public safety" means police, fire, and emergency medical services.

Section 8. Reimbursement for loss of revenue from certain fixed mill levies -- definition. (1) The department shall reimburse each taxing entity as provided in this section for the revenue loss resulting from the tax rate reductions in 15-6-134 as amended by [this act] for the following levies:

(a) levies of a local government with a charter form of government that includes a mill levy limit of a specific number of mills that may be imposed in the charter; and

(b) levies stated as a specific mill levy authorized by voters for public safety before [the effective date of this act].

(2) (a) For fiscal year 2026, the reimbursement must be equal to the difference between the property tax revenue collected from the levies provided for in subsection (1) and the property tax revenue collected in fiscal year 2025. After fiscal year 2026, the reimbursement must be equal to the difference between the property tax revenue collected from the levies provided for in subsection (1) and the property tax revenue that would be collected in the current fiscal year using the mill levy that would raise the fiscal year 2025 tax revenue using the fiscal year 2026 taxable value.

(b) A reimbursement pursuant to this section must include any fines, penalties, or damages resulting from a judgment levy against the taxing entity in levying property taxes in accordance with [section 7].

(3) A taxing entity eligible to receive a reimbursement under this section shall report the loss in revenue from the tax rate reductions in 15-6-134 as amended by [this act] and any amount reimbursable under subsection (2)(b) to the department of revenue.

(4) A reimbursement provided for in this section may only be made for 4 years after [the effective date of this section].

(5) The department shall distribute the reimbursements with the entitlement share payments under 15-1-121(7).

- (6) As used in this section, "public safety" means police, fire, and emergency medical services.

Section 9. Definitions. As used in [sections 9 through 11], the following definitions apply:

(1) "Montana property taxes" means the ad valorem property taxes, special assessments, and other fees imposed on property classified under 15-6-134 that is a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home, or mobile home and as much of the surrounding land, not exceeding 1 acre, as is reasonably necessary for its use as a dwelling and that were assessed and paid by the taxpayer for tax year 2024. The amount of Montana property taxes assessed and paid is equal to the total amount billed by the local government for the dwelling as shown on the 2024 property tax bill received by the taxpayer with a first-half payment due in or around November 2024 and a second-half payment due in or around May 2025.

(2) "Owned" includes purchasing under a contract for deed and being the grantor or grantors under a revocable trust indenture.

(3) (a) "Principal residence" means, subject to the provisions of subsection (3)(b), a dwelling:

(i) in which an owner can demonstrate the owner owned and lived for at least 7 months of the year for which the property tax rebate is claimed;

(ii) that is the only residence for which the taxpayer claims the property tax rebate; and

(iii) for which the taxpayer made payment of the assessed Montana property taxes during tax year 2024.

(b) A taxpayer who cannot meet the requirements of subsection (3)(a)(i) because the owner's principal residence changed during the tax year to another principal residence may still claim the property tax rebate if the taxpayer paid the Montana property taxes while residing in each principal residence for a total of at least 7 consecutive months for the 2024 tax year.

(4) "Tax year 2024" means the period January 1, 2024, through December 31, 2024.

Section 10. Property tax rebate -- manner of claiming -- limitations -- appeals. (1) Subject to the conditions provided for in [sections 9 through 11], there is a rebate of Montana property taxes in the amount of \$400 or the amount of total property taxes paid, whichever is less, for tax year 2024.

(2) The rebate provided for in subsection (1) is for Montana property taxes assessed to and paid by a taxpayer or taxpayers on property they owned and occupied as a principal residence during tax year 2024.

(3) The department shall mail a notice to potential claimants by June 30, 2025, for tax year 2024. Receipt of a notice does not establish that a taxpayer or property owner is eligible for a rebate, and a taxpayer

who does not receive a notice may still be eligible to claim a rebate. All taxpayers, regardless of the receipt of notice, shall claim a rebate as provided in subsection (5).

(4) Except as provided in subsections (5)(c) and (5)(d), a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home, or mobile home and as much of the surrounding land, not exceeding 1 acre that is owned by an entity is not eligible to claim the rebate.

(5) (a) (i) All claims for this property tax rebate must be submitted to the department electronically or by mail.

(ii) Electronic claims must be submitted between August 15, 2025, and October 1, 2025, through the department's website.

(iii) Claims submitted by mail must be made on a form prescribed by the department and postmarked by October 1.

(iv) The department may grant an extension of time if the claimant establishes good cause for missing the October 1 deadline. The department's authority to consider an application terminates on December 1, 2025, and any applications or requests for extension received after that date may not be processed.

(b) Subject to subsections (5)(c) and (5)(d), a claim for rebate must be submitted, under penalty of false swearing and the penalties provided in [section 11], on a form prescribed by the department and must contain:

(i) an affirmation that the claimant owns and maintains the land and improvements as the principal residence as defined in [section 9];

(ii) the geocode or other property identifier for the principal residence that the claimant is requesting the rebate on;

(iii) the social security number of the claimant and the claimant's spouse; and

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

(c) The personal representative of the estate of a deceased taxpayer may execute and file the claim for rebate on behalf of a deceased taxpayer who qualifies for the rebate.

(d) The trustee of a grantor revocable trust may file a claim on behalf of the trust if the dwelling meets the definition of a principal residence for the grantor.

(6) Only one rebate will be issued to a taxpayer for the Montana property taxes paid by the

taxpayer for tax year 2024.

(7) If a debt is due and owing to the state, the department may offset the rebate in this section as provided in sections 15-30-2629, 15-30-2630, 17-4-105, or as otherwise provided by law.

(8) If a property tax rebate is denied by the department, the claimant is entitled to a written explanation why the application was denied. A claimant may make a written appeal of a denial to a management level employee of the department, who shall issue a final decision that is not appealable. Appeals occurring under this subsection (8) are not subject to the provisions contained in 15-1-211.

Section 11. Property tax rebate -- penalty for false or fraudulent claim. (1) Except as provided in subsection (2), if the department discovers that a rebate paid to a taxpayer exceeded the amount allowed by [sections 9 through 11], the department may, within 1 year from the date the rebate was transmitted to the taxpayer, assess the taxpayer for the difference. The assessment is subject to the uniform dispute review procedure established in 15-1-211.

(2) A person who files a false or fraudulent claim for a property tax rebate under [sections 9 through 11] is subject to criminal prosecution under the provisions of 45-7-202. If a false or fraudulent claim has been paid by the department, the amount paid may be recovered as any other tax owed the state, together with a penalty of 300% of the rebate claimed and interest on the amount of the rebate claimed plus penalty at the rate of 12% a year, until paid. If this rebate plus penalty becomes due and owing, the department may issue a warrant for distraint as provided in Title 15, chapter 1, part 7.

Section 12. Section 15-1-121, MCA, is amended to read:

"15-1-121. Entitlement share payment -- purpose -- appropriation. (1) As described in 15-1-120(3), each local government is entitled to an annual amount that is the replacement for revenue received by local governments for diminishment of property tax base and various earmarked fees and other revenue that, pursuant to Chapter 574, Laws of 2001, amended by section 4, Chapter 13, Special Laws of August 2002, and later enactments, were consolidated to provide aggregation of certain reimbursements, fees, tax collections, and other revenue in the state treasury with each local government's share. The reimbursement under this section is provided by direct payment from the state treasury rather than the ad hoc system that offset certain

state payments with local government collections due the state and reimbursements made by percentage splits, with a local government remitting a portion of collections to the state, retaining a portion, and in some cases sending a portion to other local governments.

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

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

(b) vehicle, boat, and aircraft taxes and fees pursuant to:

(i) Title 23, chapter 2, part 5;

(ii) Title 23, chapter 2, part 6;

(iii) Title 23, chapter 2, part 8;

(iv) 61-3-317;

(v) 61-3-321;

(vi) Title 61, chapter 3, part 5, except for 61-3-509(3), as that subsection read prior to the amendment of 61-3-509 in 2001;

(vii) Title 61, chapter 3, part 7;

(viii) 5% of the fees collected under 61-10-122;

(ix) 61-10-130;

(x) 61-10-148; and

(xi) 67-3-205;

(c) gaming revenue pursuant to Title 23, chapter 5, part 6, except for the permit fee in 23-5-612(2)(a);

(d) district court fees pursuant to:

(i) 25-1-201, except those fees in 25-1-201(1)(d), (1)(g), and (1)(j);

(ii) 25-1-202;

(iii) 25-9-506; and

(iv) 27-9-103;

(e) certificate of title fees for manufactured homes pursuant to 15-1-116;

- (f) financial institution taxes collected pursuant to the former provisions of Title 15, chapter 31, part 7;
- (g) all beer, liquor, and wine taxes pursuant to:
 - (i) 16-1-404;
 - (ii) 16-1-406; and
 - (iii) 16-1-411;
- (h) late filing fees pursuant to 61-3-220;
- (i) title and registration fees pursuant to 61-3-203;
- (j) veterans' cemetery license plate fees pursuant to 61-3-459;
- (k) county personalized license plate fees pursuant to 61-3-406;
- (l) special mobile equipment fees pursuant to 61-3-431;
- (m) single movement permit fees pursuant to 61-4-310;
- (n) state aeronautics fees pursuant to 67-3-101; and
- (o) department of natural resources and conservation payments in lieu of taxes pursuant to former Title 77, chapter 1, part 5.

(3) Except as provided in subsection (7)(b), the total amount received by each local government in the prior fiscal year as an entitlement share payment under this section is the base component for the subsequent fiscal year distribution, and in each subsequent year the prior year entitlement share payment, including any reimbursement payments received pursuant to subsection (7), is each local government's base component. The sum of all local governments' base components is the fiscal year entitlement share pool.

(4) (a) Except as provided in subsections (4)(b)(iv) and (7)(b), the base entitlement share pool must be increased annually by an entitlement share growth rate as provided for in this subsection (4). The amount determined through the application of annual growth rates is the entitlement share pool for each fiscal year.

(b) By October 1 of each year, the department shall calculate the growth rate of the entitlement share pool for the next fiscal year in the following manner:

(i) The department shall calculate the entitlement share growth rate based on the ratio of two factors of state revenue sources for the first, second, and third most recently completed fiscal years as

recorded on the statewide accounting, budgeting, and human resource system. The first factor is the sum of the revenue for the first and second previous completed fiscal years received from the sources referred to in subsections (2)(b), (2)(c), and (2)(g) divided by the sum of the revenue for the second and third previous completed fiscal years received from the same sources multiplied by 0.75. The second factor is the sum of the revenue for the first and second previous completed fiscal years received from individual income tax as provided in Title 15, chapter 30, and corporate income tax as provided in Title 15, chapter 31, divided by the sum of the revenue for the second and third previous completed fiscal years received from the same sources multiplied by 0.25.

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

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

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

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

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

(A) for fiscal year 2018, 1.005;

(B) for fiscal year 2019, 1.0187;

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

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

2002.

(6) (a) The entitlement share pools calculated in this section, the amounts distributed under 15-1-123(4) for local governments, the funding provided for in subsection (8) of this section, and the amounts distributed under 15-1-123(5) for tax increment financing districts are statutorily appropriated, as provided in 17-7-502, from the general fund to the department for distribution to local governments.

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

- (A) counties;
- (B) consolidated local governments; and
- (C) incorporated cities and towns.

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

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

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

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

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

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

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

follows:

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

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

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

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

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

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

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

(8) (a) Except for a tax increment financing district entitled to a reimbursement under 15-1-123(5),

if a tax increment financing district was not in existence during the fiscal year ending June 30, 2000, then the tax increment financing district is not entitled to any funding. If a tax increment financing district referred to in subsection (8)(b) terminates, then the funding for the district provided for in subsection (8)(b) terminates.

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

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

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

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

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

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

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

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

government fails to:

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

Section 13. Section 15-6-134, MCA, is amended to read:

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

- (a) ~~subject to subsection (1)(e),~~ all land, except that specifically included in another class;
- (b) ~~subject to subsection (1)(e):~~
 - (i) all improvements, including single-family residences, trailers, manufactured homes, or mobile homes used as a residence, except those specifically included in another class;
 - (ii) appurtenant improvements to the residences, including the parcels of land upon which the residences are located and any leasehold improvements;
 - (iii) vacant residential lots; and
 - (iv) rental multifamily dwelling units.
- (c) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202;

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

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

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

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

(i) all commercial and industrial property that is used or owned by an individual, a business, a trade, a corporation, a limited liability company, or a partnership and that is used primarily for the production of income;

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

(iii) commercial buildings and parcels of land upon which the buildings are situated; and

(iv) vacant commercial lots.

(2) If a property includes both residential and commercial uses, the property is classified and appraised as follows:

(a) the land use with the highest percentage of total value is the use that is assigned to the property; and

(b) the improvements are apportioned according to the use of the improvements.

(3) ~~(a) Except as provided in Subject to 15-24-1402, 15-24-1501, and 15-24-1502, and subsection class four property is taxed as provided in this subsection (3).~~

(a) Except as provided in subsections (3)(b) and (3)(c), class four residential property described in subsections (1)(a) through (1)(d) of this section is taxed at 1.35% 1.9% of market value.

(b) (i) The tax rate for class four residential property described in subsections (1)(a), (1)(b)(i), (1)(b)(ii), and (1)(d) of this section that qualifies for the homestead reduced tax rate provided for in [section 2] or the rental property reduced tax rate provided for in [section 3] is:

(A) 0.76% for the market value that is less than or equal to the median residential value;

(B) 0.9% for the market value that is greater than the median residential value and less than 2 times the median residential value;

(C) 1.1% for the market value that is 2 times the median residential value or greater and less than 4 times the median residential value; and

(D) 1.9% for the market value that is 4 times the median residential value or greater.

(ii) The tax rate for a rental multifamily dwelling unit described in subsection (1)(b)(iv) that qualifies for the rental property reduced tax rate is 1.1%.

~~(b) The tax rate for the portion of the market value of a single-family residential dwelling in excess of~~

\$1.5 million is the residential property tax rate in subsection (3)(a) multiplied by 1.4.

(c) The tax rate for a property described in subsection (1)(c) that does not qualify for the homestead reduced tax rate or the rental property reduced tax rate is 1.35%.

(e)(d) The tax rate for commercial and industrial property described in subsections (1)(e) and (1)(f), except property described in subsection (1)(f)(ii), is: the residential property tax rate in subsection (3)(a) multiplied by 1.4

(i) for the market value less than 6 times the median commercial and industrial value, 1.5%; and

(ii) for the market value 6 times the median commercial and industrial value or greater, 1.9%.

(4)(e) Property described in subsection (1)(e)(ii) (1)(f)(ii) is taxed at one-half the tax rate established in subsection (3)(e) (3)(d).

(4) The department shall calculate the median residential value and median commercial and industrial value every 2 years as part of the periodic reappraisal provided for in 15-7-111.

(5) As used in this section, the following definitions apply:

(a) "Median commercial and industrial value" means the median value of class four commercial and industrial property located in the state of Montana rounded to the nearest thousand dollars.

(b) "Median residential value" means the median value of a single-family residence located in the state of Montana rounded to the nearest thousand dollars."

Section 14. Section 15-6-134, MCA, is amended to read:

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

- (a) subject to subsection (1)(e), all land, except that specifically included in another class;
- (b) subject to subsection (1)(e):
 - (i) all improvements, including single-family residences, trailers, manufactured homes, or mobile homes used as a residence, except those specifically included in another class;
 - (ii) appurtenant improvements to the residences, including the parcels of land upon which the residences are located and any leasehold improvements;
 - (iii) vacant residential lots; and

- (iv) rental multifamily dwelling units.
- (c) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202, including 1 acre of real property beneath improvements on land described in 15-6-133(1)(c). The 1 acre must be valued at market value.
- (d) 1 acre of real property beneath an improvement used as a residence on land eligible for valuation, assessment, and taxation as forest land under 15-6-143. The 1 acre must be valued at market value.
- (e) all commercial and industrial property, as defined in 15-1-101, and including:
 - (i) all commercial and industrial property that is used or owned by an individual, a business, a trade, a corporation, a limited liability company, or a partnership and that is used primarily for the production of income;
 - (ii) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least nine holes and not less than 700 lineal yards;
 - (iii) commercial buildings and parcels of land upon which the buildings are situated; and
 - (iv) vacant commercial lots.
- (2) If a property includes both residential and commercial uses, the property is classified and appraised as follows:
 - (a) the land use with the highest percentage of total value is the use that is assigned to the property; and
 - (b) the improvements are apportioned according to the use of the improvements.
- (3) (a) Except as provided in 15-24-1402, 15-24-1501, 15-24-1502, and subsection (3)(b), class four residential property described in subsections (1)(a) through (1)(d) of this section is taxed at ~~4.35%~~ 0.76% of market value.
 - (b) The tax rate for the portion of the market value of a single-family residential dwelling in excess of \$1.5 million is the residential property tax rate in subsection (3)(a) multiplied by 1.4.
 - (c) The tax rate for commercial property is ~~the residential property tax rate in subsection (3)(a)~~ multiplied by 1.4 1.89%.
 - (4) Property described in subsection (1)(e)(ii) is taxed at one-half the tax rate established in subsection (3)(c)."

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

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

Except as provided in 15-7-138, the department shall mail or provide electronically to each owner or purchaser under contract for deed a notice that includes the land classification, market value, and taxable value of the land and improvements owned or being purchased. A notice must be mailed or, with property owner consent, provided electronically to the owner only if one or more of the following changes pertaining to the land or improvements have been made since the last notice:

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

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

(i) a notice of the availability of all the property tax assistance programs available to property taxpayers, including the intangible land value assistance program provided for in 15-6-240, the property tax assistance programs provided for in Title 15, chapter 6, part 3, the homestead reduced tax rate provided for in [section 2], the rental property reduced tax rate provided for in [section 3], and the residential property tax credit for the elderly provided for in 15-30-2337 through 15-30-2341;

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

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

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

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

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

(c) When the department uses an appraisal method that values land and improvements as a unit, including the sales comparison approach for residential condominiums or the income approach for commercial

property, the notice must contain a combined appraised value of land and improvements.

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

(2) (a) Except as provided in subsection (2)(c), the department shall assign each classification and appraisal to the correct owner or purchaser under contract for deed and mail or provide electronically the notice in written or electronic form, adopted by the department, containing sufficient information in a comprehensible manner designed to fully inform the taxpayer as to the classification and appraisal of the property and of changes over the prior tax year.

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

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

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

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

(ii) For class three property described in 15-6-133, class four property described in 15-6-134, and class ten property described in 15-6-143, the objection may be made only once each valuation cycle. An objection must be made in writing or by checking a box on the notice within 30 days from the date on the classification and appraisal notice for a reduction in the appraised value to be considered for both years of the

2-year valuation cycle. An objection made more than 30 days from the date of the classification and appraisal notice will be applicable only for the second year of the 2-year valuation cycle. For an objection to apply to the second year of the valuation cycle, the taxpayer shall make the objection in writing or by checking a box on the notice no later than June 1 of the second year of the valuation cycle or, if a classification and appraisal notice is received in the second year of the valuation cycle, within 30 days from the date on the notice.

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

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

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

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

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

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

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

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

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

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

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

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

(f) After the review, the department shall determine the correct appraisal and classification of the land or improvements and notify the taxpayer of its determination by mail or electronically. The department may not determine an appraised value that is higher than the value that was the subject of the objection unless the reason for an increase was the result of a physical change in the property or caused by an error in the description of the property or data available for the property that is kept by the department and used for calculating the appraised value. In the notification, the department shall state its reasons for revising the

classification or appraisal. When the proper appraisal and classification have been determined, the land must be classified and the improvements appraised in the manner ordered by the department.

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

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

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

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

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

Section 16. Section 15-15-101, MCA, is amended to read:

"15-15-101. County tax appeal board -- meetings and compensation. (1) The board of county commissioners of each county shall appoint a county tax appeal board, with a minimum of three members and

with the members to serve staggered terms of 3 years each. The members of each county tax appeal board must be residents of the county in which they serve. A person may not be a member of a county tax appeal board if the person was an employee of the department less than 36 months before the date of appointment.

(2) (a) The members receive compensation as provided in subsection (2)(b) and travel expenses, as provided for in 2-18-501 through 2-18-503, only when the county tax appeal board meets to hear taxpayers' appeals from property tax assessments or when they are attending meetings called by the Montana tax appeal board. Travel expenses and compensation must be paid from the appropriation to the Montana tax appeal board.

(b) (i) The daily compensation for a member is as follows:

(A) \$45 for 4 hours of work or less; and

(B) \$90 for more than 4 hours of work.

(ii) For the purpose of calculating work hours in this subsection (2)(b), work includes hearing tax appeals, deliberating with other board members, and attending meetings called by the Montana tax appeal board.

(3) Office space and equipment for the county tax appeal boards must be furnished by the county. All other incidental expenses must be paid from the appropriation of the Montana tax appeal board.

(4) The county tax appeal board shall hold an organizational meeting each year on the date of its first scheduled hearing, immediately before conducting the business for which the hearing was otherwise scheduled. At the organizational meeting, the members shall choose one member as the presiding officer of the board. The county tax appeal board shall continue in session from July 1 of the current tax year until December 31 of the current tax year to hear protests concerning assessments made by the department until the business of hearing protests is disposed of and may meet after December 31 to hear an appeal at the discretion of the county tax appeal board.

(5) In counties that have appointed more than three members to the county tax appeal board, only three members shall hear each appeal. The presiding officer shall select the three members hearing each appeal.

(6) In connection with an appeal, the county tax appeal board may change any assessment or fix the assessment at some other level and determine eligibility for the homestead reduced tax rate provided for in

[section 2] or the rental property reduced tax rate provided for in [section 3]. Upon notification by the county tax appeal board, the county clerk and recorder shall publish a notice to taxpayers, giving the time the county tax appeal board will be in session to hear scheduled protests concerning assessments and the latest date the county tax appeal board may take applications for the hearings. The notice must be published in a newspaper if any is printed in the county or, if none, then in the manner that the county tax appeal board directs. The notice must be published by May 15 of the current tax year.

(7) Challenges to a department rule governing the assessment of property or to an assessment procedure apply only to the taxpayer bringing the challenge and may not apply to all similarly situated taxpayers unless an action is brought in the district court as provided in 15-1-406."

Section 17. Section 15-15-102, MCA, is amended to read:

"15-15-102. Application for reduction in valuation -- reduced tax rate. (1) The county tax appeal board may not reduce the valuation of property may not be reduced by the county tax appeal board or review eligibility for the homestead reduced tax rate provided for in [section 2] or the rental property reduced tax rate provided for in [section 3] unless either the taxpayer or the taxpayer's agent makes and files a written application ~~for reduction~~ with the county tax appeal board.

(2) The application ~~for reduction~~ may be obtained at the local appraisal office or from the county tax appeal board. The completed application must be submitted to the county clerk and recorder. The date of receipt is the date stamped on the appeal form by the county clerk and recorder upon receipt of the form. The county tax appeal board is responsible for obtaining the applications from the county clerk and recorder.

(3) One application ~~for reduction~~ may be submitted during each valuation cycle. The application must be submitted within the time periods provided for in 15-7-102(3)(a) and [section 5].

(4) A taxpayer who receives an informal review by the department of revenue as provided in 15-7-102(3)(a)(i) and (3)(a)(ii) or [section 5] may appeal the decision of the department of revenue to the county tax appeal board as provided in 15-7-102(6). The taxpayer may not file a subsequent application ~~for reduction~~ for the same property with the county tax appeal board during the same valuation cycle.

(5) If the department's determination after review is not made in time to allow the county tax appeal board to review the matter during the current tax year, the appeal must be reviewed during the next tax year,

but the decision by the county tax appeal board is effective for the year in which the request for review was filed with the department. The application must state the post-office address of the applicant, specifically describe the property involved, and state the facts upon which it is claimed the reduction should be made."

Section 18. Section 15-15-103, MCA, is amended to read:

"15-15-103. Examination of applicant -- failure to hear application. (1) Before the county tax appeal board grants any application or makes any reduction applied for, it shall examine on oath the person or agent making the application with regard to the value of the property of the person or eligibility for the homestead reduced tax rate provided for in [section 2] or the rental property reduced tax rate provided for in [section 3]. A reduction may not be made unless the applicant makes an application, as provided in 15-15-102, and attends the county board hearing. An appeal of the county board's decision may not be made to the Montana tax appeal board unless the person or the person's agent has exhausted the remedies available through the county board. In order to exhaust the remedies, the person or the person's agent shall attend the county board hearing. On written request by the person or the person's agent and on the written concurrence of the department, the county board may waive the requirement that the person or the person's agent attend the hearing. The testimony of all witnesses at the hearing and the deliberation of the county tax appeal board in rendering a decision must be electronically recorded and preserved for 1 year. If the decision of the county board is appealed, the record of the proceedings, including the electronic recording of all testimony and the deliberation of the county tax appeal board, must be forwarded, together with all exhibits, to the Montana board. The date of the hearing, the proceedings before the county board, and the decision must be entered upon the minutes of the county board, and the county board shall notify the applicant of its decision by mail within 3 days. A copy of the minutes of the county board must be transmitted to the Montana board no later than 3 days after the county board holds its final hearing of the year.

(2) (a) Except as provided in 15-15-201, if a county board refuses or fails to hear a taxpayer's timely application for a reduction in valuation of property or eligibility for a reduced tax rate, the taxpayer's application is considered to be granted on the day following the county board's final meeting for that year. The department shall enter the appraisal, or classification, or tax rate sought in the application in the property tax record. An application is not automatically granted for the following appeals:

- (i) those listed in 15-2-302(1); and
 - (ii) if a taxpayer's appeal from the department's determination of classification or appraisal made pursuant to 15-7-102 was not received in time, as provided for in 15-15-102, to be considered by the county board during its current session.
- (b) The county board shall provide written notification of each application that was automatically granted pursuant to subsection (2)(a) to the department, the Montana board, and any affected municipal corporation. The notice must include the name of the taxpayer and a description of the subject property.
- (3) The county tax appeal board shall consider an independent appraisal provided by the taxpayer if the appraisal meets standards set by the Montana board of real estate appraisers and the appraisal was conducted within 6 months of the valuation date. If the county tax appeal board does not use the appraisal provided by the taxpayer in conducting the appeal, the county board shall provide to the taxpayer the reason for not using the appraisal."

Section 19. Section 15-16-101, MCA, is amended to read:

"15-16-101. Treasurer to publish notice -- manner of publication. (1) Within 10 days after the receipt of the property tax record, the county treasurer shall publish a notice specifying:

- (a) that one-half of all taxes levied and assessed will be due and payable before 5 p.m. on the next November 30 or within 30 days after the notice is postmarked and that unless paid prior to that time the amount then due will be delinquent and will draw interest at the rate of 5/6 of 1% a month from the time of delinquency until paid and 2% will be added to the delinquent taxes as a penalty;
 - (b) that one-half of all taxes levied and assessed will be due and payable on or before 5 p.m. on the next May 31 and that unless paid prior to that time the taxes will be delinquent and will draw interest at the rate of 5/6 of 1% a month from the time of delinquency until paid and 2% will be added to the delinquent taxes as a penalty; and
 - (c) the time and place at which payment of taxes may be made.
- (2) (a) The county treasurer shall send to the last-known address of each taxpayer a written notice, postage prepaid, showing the amount of taxes and assessments due for the current year and the amount due and delinquent for other years. The written notice must include:

- (i) the taxable value of the property;
 - (ii) the total mill levy applied to that taxable value;
 - (iii) itemized city services and special improvement district assessments collected by the county;
 - (iv) the number of the school district in which the property is located;
 - (v) the amount of the total tax due itemized by mill levy that is levied as city tax, county tax, state tax, school district tax, and other tax;
 - (vi) an indication of which mill levies are voted levies, including voted levies to impose a new mill levy, to increase a mill levy that is required to be submitted to the electors, or to exceed the mill levy limit provided for in 15-10-420;
 - (vii) except as provided in subsection (2)(c), an itemization of the taxes due for each mill levy and a comparison to the amount due for each mill levy in the prior year; and
 - (viii) a notice of the availability of all the property tax assistance programs available to property taxpayers, including the intangible land value assistance program provided for in 15-6-240, the property tax assistance programs under Title 15, chapter 6, part 3, the homestead reduced tax rate provided for in [section 2], the rental property reduced tax rate provided for in [section 3], and the residential property tax credit for the elderly under 15-30-2337 through 15-30-2341.
- (b) If a tax lien is attached to the property, the notice must also include, in a manner calculated to draw attention, a statement that a tax lien is attached to the property, that failure to respond will result in loss of property, and that the taxpayer may contact the county treasurer for complete information.
- (c) The information required in subsection (2)(a)(vii) may be posted on the county treasurer's website instead of being included on the written notice.
- (3) The municipality shall, upon request of the county treasurer, provide the information to be included under subsection (2)(a)(iii) ready for mailing.
- (4) The notice in every case must be given as provided in 7-1-2121. Failure to publish or post notices does not relieve the taxpayer from any tax liability. Any failure to give notice of the tax due for the current year or of delinquent tax will not affect the legality of the tax.
- (5) If the department revises an assessment that results in an additional tax of \$5 or less, an additional tax is not owed and a new tax bill does not need to be prepared."

Section 20. Section 15-17-125, MCA, is amended to read:

"15-17-125. Attachment of tax lien and preparation of tax lien certificate. (1) (a) The county treasurer shall attach a tax lien no later than the first working day in August to properties on which the taxes are delinquent and for which proper notification was given as provided in 15-17-122 and subsection (4) of this section. Upon attachment of a tax lien, the county is the possessor of the tax lien unless the tax lien is assigned pursuant to 15-17-323.

(b) The county treasurer may not attach a tax lien to a property on which taxes are delinquent but for which proper notice was not given.

(2) After attaching a tax lien, the county treasurer shall prepare a tax lien certificate that must contain:

- (a) the date on which the property taxes became delinquent;
- (b) the date on which a property tax lien was attached to the property;
- (c) the name and address of record of the person to whom the taxes were assessed;
- (d) a description of the property on which the taxes were assessed;
- (e) a separate listing of the amount of the delinquent taxes, penalties, interest, and costs;
- (f) a statement that the tax lien certificate represents a lien on the property that may lead to the issuance of a tax deed for the property;
- (g) a statement specifying the date on which the county or an assignee will be entitled to a tax deed; and
- (h) an identification number corresponding to the tax lien certificate.

(3) The tax lien certificate must be signed by the county treasurer. A copy of the tax lien certificate must be filed by the treasurer in the office of the county clerk. A copy of the tax lien certificate must also be mailed to the person to whom the taxes were assessed, at the address of record, together with a notice that the person may contact the county treasurer for further information on property tax liens.

(4) Prior to attaching a tax lien to the property, the county treasurer shall send notice of the pending attachment of a tax lien to the person to whom the property was assessed. The notice must include the information listed in subsection (2), state that the tax lien may be assigned to a third party, and provide notice of

the availability of all the property tax assistance programs available to property taxpayers, including the property tax assistance programs under Title 15, chapter 6, part 3, the homestead reduced tax rate provided for in [section 2], the rental property reduced tax rate provided for in [section 3], and the residential property tax credit for the elderly under 15-30-2337 through 15-30-2341. The notice must have been mailed at least 2 weeks prior to the date on which the county treasurer attaches the tax lien.

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

Section 21. Section 15-30-2120, MCA, is amended to read:

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

The items in subsection (2) are added to and the items in subsection (3) are subtracted from federal taxable income to determine Montana taxable income.

- (2) The following are added to federal taxable income:

(a) to the extent that it is not exempt from taxation by Montana under federal law, interest from obligations of a territory or another state or any political subdivision of a territory or another state and exempt-interest dividends attributable to that interest except to the extent already included in federal taxable income;

(b) that portion of a shareholder's income under subchapter S. of Chapter 1 of the Internal Revenue Code that has been reduced by any federal taxes paid by the subchapter S. corporation on the income;

(c) depreciation or amortization taken on a title plant as defined in 33-25-105;

(d) the recovery during the tax year of an amount deducted in any prior tax year to the extent that the amount recovered reduced the taxpayer's Montana income tax in the year deducted;

(e) an item of income, deduction, or expense to the extent that it was used to calculate federal taxable income if the item was also used to calculate a credit against a Montana income tax liability;

(f) a deduction for an income distribution from an estate or trust to a beneficiary that was included in the federal taxable income of an estate or trust in accordance with sections 651 and 661 of the Internal Revenue Code, 26 U.S.C. 651 and 661;

(g) a withdrawal from a medical care savings account provided for in Title 15, chapter 61, used for a purpose other than an eligible medical expense or long-term care of the employee or account holder or a

dependent of the employee or account holder;

(h) a withdrawal from a first-time home buyer savings account provided for in Title 15, chapter 63, used for a purpose other than for eligible costs for the purchase of a single-family residence;

(i) for a taxpayer that deducts the qualified business income deduction pursuant to section 199A of the Internal Revenue Code, 26 U.S.C. 199A, an amount equal to the qualified business income deduction claimed;

(j) for an individual taxpayer that deducts state income taxes pursuant to section 164(a)(3) of the Internal Revenue Code, 26 U.S.C. 164(a)(3), an additional amount equal to the state income tax deduction claimed, not to exceed the amount required to reduce the federal itemized amount computed under section 161 of the Internal Revenue Code, 26 U.S.C. 161, to the amount of the federal standard deduction allowable under section 63(c) of the Internal Revenue Code, 26 U.S.C. 63(c); and

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

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

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

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

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

(ii) railroad retirement benefits;

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

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

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

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

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

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

(d) annual contributions and income in a medical care savings account provided for in Title 15, chapter 61, and any withdrawal for payment of eligible medical expenses or for the long-term care of the employee or account holder or a dependent of the employee or account holder;

(e) contributions or earnings withdrawn from a family education savings account provided for in Title 15, chapter 62, or from a qualified tuition program established and maintained by another state as provided in section 529(b)(1)(A)(ii) of the Internal Revenue Code, 26 U.S.C. 529(b)(1)(A)(ii), for qualified education expenses, as defined in 15-62-103, of a designated beneficiary;

(f) interest and other income related to contributions that were made prior to January 1, 2024, that are retained in a first-time home buyer savings account provided for in Title 15, chapter 63, and any withdrawal for payment of eligible costs for the first-time purchase of a single-family residence;

(g) for each taxpayer that has attained the age of 65, an additional subtraction of \$5,500;

(h) the amount of a scholarship to an eligible student by a student scholarship organization pursuant to 15-30-3104;

(i) a payment received by a private landowner for providing public access to public land pursuant to Title 76, chapter 17, part 1;

(j) the amount of any refund or credit for overpayment of income taxes imposed by this state or any other taxing jurisdiction to the extent included in gross income for federal income tax purposes but not previously allowed as a deduction for Montana income tax purposes;

(k) the recovery during the tax year of any amount deducted in any prior tax year to the extent that

the recovered amount did not reduce the taxpayer's Montana income tax in the year deducted;

(l) the amount of the gain recognized from the sale or exchange of a mobile home park as provided in 15-31-163;

(m) payments from the Montana end of watch trust as provided in 2-15-2041;

(n) (i) subject to subsection (9), a portion of military pensions or military retirement income as calculated pursuant to subsection (8) that is received by a retired member of:

(A) the armed forces of the United States, as defined in 10 U.S.C. 101;

(B) the Montana army national guard or the army national guard of other states;

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

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

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

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

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

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

(i) by an amount for wages and salaries for which a federal tax credit was elected under sections 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 wages and salaries paid regardless of the credit taken; or

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

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

(5) (a) An individual who contributes to one or more accounts established under the Montana family education savings program or to a qualified tuition program established and maintained by another state

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 taxable income by the lesser of \$3,000 or the amount of the contribution. In the case of married taxpayers, each spouse is entitled to a reduction, not in excess of \$3,000, for the spouses' contributions to the accounts. Spouses may jointly elect to treat half of the total contributions made by the spouses as being made by each spouse. The reduction in taxable income under this subsection (5)(a) applies only with respect to contributions to an account of which the account owner is the taxpayer, the taxpayer's spouse, or the taxpayer's child or stepchild if the taxpayer's child or stepchild is a Montana resident. The provisions of subsection (2)(d) do not apply with respect to withdrawals of contributions that reduced federal taxable income.

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

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

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

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

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

- (i) the amount of Montana source wage income on the return; or
- (ii) 50% of the taxpayer's military pension or military retirement income.

- (b) For the purposes of subsection (8)(a)(i), "Montana source wage income" means:
 - (i) wages, salary, tips, and other compensation for services performed in the state;
 - (ii) net income from a trade, business, profession, or occupation carried on in the state; and
 - (iii) net income from farming activities carried on in the state.
 - (9) The subtractions in subsection (3)(n):
 - (a) may only be claimed by a person who:
 - (i) becomes a resident of the state after June 30, 2023; or
 - (ii) was a resident of the state before receiving military pension or military retirement income and remained a resident after receiving military pension or military retirement income;
 - (b) may only be claimed for 5 consecutive years after satisfying the provisions of subsection (9)(a); and
 - (c) are not available if a taxpayer claimed the exemption before becoming a nonresident.
- (Subsection (3)(o) terminates June 30, 2025--sec. 10, Ch. 47, L. 2023; subsections (3)(n), (8), and (9) terminate December 31, 2033--sec. 4, Ch. 650, L. 2023.)"

Section 22. Property tax assistance account. (1) There is a state property tax assistance account in the state special revenue fund established in 17-2-102 to the credit of the department of revenue. The revenue allocated to the account must be used to provide property tax assistance.

- (2) The department shall use money in the account to provide rebates pursuant to [section 10].

Section 23. Codification instruction. (1) [Sections 1 through 7] are intended to be codified as an integral part of Title 15, chapter 6, and the provisions of Title 15, chapter 6, apply to [sections 1 through 7].

- (2) [Section 8] is intended to be codified as an integral part of Title 15, chapter 1, part 1, and the provisions of Title 15, chapter 1, part 1, apply to [section 8].

- (3) [Sections 9 through 11] are intended to be codified as an integral part of Title 15, chapter 1, and the provisions of Title 15, chapter 1, apply to [sections 9 through 11].

- (4) [Section 22] is intended to be codified as an integral part of Title 15, chapter 1, and the provisions of Title 15, chapter 1, apply to [section 22].

Section 24. Effective dates -- contingency. (1) Except as provided in subsections (2) and (3), [this act] is effective on passage and approval.

(2) [Sections 1 through 6, 13, and 15 through 20] are effective January 1, 2026.

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

Section 25. Transfer of funds. The state treasurer shall transfer \$90 million from the general fund to the property tax assistance account provided for in [section 22] by July 1, 2025.

Section 26. Severability. If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

Section 27. Coordination instruction. If both Senate Bill No. 542 and [this act] are passed and approved, then [sections 1 through 23 and 25, 33, and 34 of this act] are void and [section 14 of Senate Bill No. 542] must be amended as follows:

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

- (a) ~~subject to subsection (1)(e),~~ all land, except that specifically included in another class;
- (b) ~~subject to subsection (1)(e):~~
 - (i) all improvements, including single-family residences, trailers, manufactured homes, or mobile homes used as a residence, except those specifically included in another class;
 - (ii) appurtenant improvements to the residences, including the parcels of land upon which the residences are located and any leasehold improvements;
 - (iii) vacant residential lots; and
 - (iv) rental multifamily dwelling units.

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

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

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

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

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

(i) all commercial and industrial property that is used or owned by an individual, a business, a trade, a corporation, a limited liability company, or a partnership and that is used primarily for the production of income;

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

(iii) commercial buildings and parcels of land upon which the buildings are situated; and

(iv) vacant commercial lots.

(2) If a property includes both residential and commercial uses, the property is classified and appraised as follows:

(a) the land use with the highest percentage of total value is the use that is assigned to the property; and

(b) the improvements are apportioned according to the use of the improvements.

(3) (a) Except as provided in 15-24-1402, 15-24-1501, 15-24-1502, and subsection (3)(b), class four residential property described in subsections (1)(a) through (1)(d) of this section is taxed at ~~4.35%~~ of market value a graduated rate as follows:

(i) 0.76% for the first \$400,000 of market value;

(ii) 1.1% for the market value that is greater than \$400,000 and up to \$1.5 million; and

(iii) 2.2% for the market value that is greater than \$1.5 million.

~~(b) The tax rate for the portion of the market value of a single-family residential dwelling in excess of \$1.5 million is the residential property tax rate in subsection (3)(a) multiplied by 1.4.~~

(b) The maximum graduated rate for multifamily dwelling units described in subsection (1)(b)(iv) with a market value of greater than \$2 million is 1.89%.

~~(e)(4) (a) The Except as provided in subsection (4)(c), the tax rate for commercial and industrial property is the residential property tax rate in subsection (3)(a) multiplied by 1.4 described in subsections (1)(e) and (1)(f) in excess of \$400,000 is 1.89%.~~

(b) The tax rate for the first \$400,000 of market value for commercial and industrial property is 1.4%.

~~(4)(c) Property described in subsection (1)(e)(ii) (1)(f)(ii) is taxed at one-half the tax rate established in subsection (3)(e) (4)."~~

Section 28. Coordination instruction. If Senate Bill No. 542, House Bill No. 863, and [this act] are passed and approved, then the section in House Bill No. 863 that coordinates with [this act] is void.

Section 29. Coordination instruction. If both Senate Bill No. 542 and [this act] are passed and approved, then [sections 1 through 23 and 25 of this act] are void and [section 4 of Senate Bill No. 542] must be amended as follows:

Section 4. Legislative findings -- local government charters and fixed mill levy limits superseded. (1) (a) The legislature finds that most local governments set mill levies that adjust downward when taxable value increases under 15-10-420. This floating mill levy concept automatically lowers the number of mills levied against a taxpayer when property values increase, which mitigates increases in property values. However, when mill levies are fixed, the opposite occurs when property values increase, and property taxes are not automatically mitigated for taxpayers that are levied based on a fixed mill levy.

(b) The legislature finds further that it is prohibited under Article VIII, section 2, of the Montana constitution, from suspending or contracting away the power to tax. The legislature also recognizes and

respects the power of local governments under Article XI, section 5, of the Montana constitution to adopt, amend, revise, or abandon a charter.

(2) As a matter of policy, the legislature intends to supersede local government charters that fix mill levy limits for the limited purpose of exercising the power to tax while also maintaining local government revenue sources without raising taxes on residential taxpayers. Having considered all options on a statewide basis, the legislature finds the statutory structure of the property tax has evolved significantly since the passage of Initiative Measure No. 105 on November 4, 1986, and the enactment of 15-10-420 by the legislature in 1999. Given the significant change in the structure of the property tax and the rising cost of residential property in the last 5 years, there is a compelling interest to all the citizens of the state to lower residential property tax rates for primary residences, which can only be accomplished by this section and 15-10-420.

(3) A local government with a charter form of government that includes a mill levy limit of a specific number of mills that may be imposed in the charter shall levy the number of mills in fiscal year 2026 and subsequent tax years that will generate the amount of property taxes assessed in fiscal year 2025, without amending or revising the charter. In fiscal years after 2026, the local government ~~shall~~may levy an amount not to exceed the number of mills levied in fiscal year 2026.

(4) A taxing entity with a local mill levy limit of a specific number of mills that may be imposed that was authorized by the voters before [the effective date of this section], shall:

(a) elect to transition a voted mill levy to a dollar-based mill levy equal to the amount of property taxes assessed in fiscal year 2025 and thereafter subject to the provisions of 15-10-420(1)(a); or

(b) levy the number of mills in fiscal year 2026 that will generate the amount of property taxes assessed in fiscal year 2025. In fiscal years after 2026, the local government ~~shall~~may levy an amount not to exceed the number of mills levied in fiscal year 2026."

Section 30. Appropriation. (1) There is appropriated \$500,000 from the general fund to the department of revenue for the fiscal year ending June 30, 2025, to implement [this act]. The legislature intends this to be an addition to the "Property Tax Revision Implementation" appropriation in House Bill No. 2.

(2) There is appropriated \$3.5 million from the general fund to the department of revenue for the fiscal year ending June 30, 2026, to implement [this act]. The legislature intends this to be an addition to the

"Property Tax Revision Implementation" appropriation in House Bill No. 2.

Section 31. Coordination instruction. If Senate Bill No. 542 and [this act] are both passed and approved, then [sections 1 through 23, 25, and 30 of this act] are void and Senate Bill No. 542 must be amended to include a new section that reads:

Section 32. Appropriation. (1) There is appropriated \$500,000 from the general fund to the department of revenue for the fiscal year ending June 30, 2025, to implement [this act]. The legislature intends this to be an addition to the "Property Tax Revision Implementation" appropriation in House Bill No. 2.

(2) There is appropriated \$3.5 million from the general fund to the department of revenue for the fiscal year ending June 30, 2026, to implement [this act]. The legislature intends this to be an addition to the "Property Tax Revision Implementation" appropriation in House Bill No. 2."

Section 32. Applicability -- retroactive applicability. (1) Except as provided in subsection (2), [this act] applies retroactively to property tax years beginning after December 31, 2024.

(2) [Sections 1 through 6, 13, and 15 through 20] apply to property tax years beginning after December 31, 2025.

Section 33. Termination. (1) [Section 14] terminates December 31, 2025.

(2) [Sections 9 through 11 and 21] terminate June 30, 2026.

Section 34. Contingent termination. [Sections 8 and 12] terminate on the date that the department of revenue certifies to the code commissioner that reimbursements authorized pursuant to [section 8] have been completed. The department of revenue shall submit certification within 30 days of the occurrence of the contingency.

- END -

I hereby certify that the within bill,
HB 231, originated in the House.

Chief Clerk of the House

Speaker of the House

Signed this _____ day
of _____, 2025.

President of the Senate

Signed this _____ day
of _____, 2025.

HOUSE BILL NO. 231

INTRODUCED BY L. JONES, B. LER, S. ESSMANN, R. MINER, W. MCKAMEY, D. FERN, J. KASSMIER, M.
BERTOGLIO, C. SPRUNGER, S. MORIGEAU, G. HUNTER, C. COCHRAN, S. FITZPATRICK, M.
NIKOLAKAKOS, G. HERTZ, C. SCHOMER, E. TILLEMANN, R. TEMPEL, J. DARLING, G. PARRY, K. WALSH,
G. NIKOLAKAKOS, B. BARKER, M. CUFFE, T. MCGILLVRAY, B. GILLESPIE, D. BEDEY

AN ACT GENERALLY REVISING PROPERTY TAX LAWS; PROVIDING FOR A PROPERTY TAX REBATE ON A PRINCIPAL RESIDENCE BASED ON A CERTAIN AMOUNT OF PROPERTY TAXES PAID FOR TAX YEAR 2024; TEMPORARILY REDUCING CLASS FOUR RESIDENTIAL PROPERTY TAX RATES; REVISING TAX RATES FOR CERTAIN CLASS FOUR RESIDENTIAL AND COMMERCIAL PROPERTY; PROVIDING A LOWER TAX RATE FOR CERTAIN OWNER-OCCUPIED RESIDENTIAL PROPERTY AND LONG-TERM RENTALS; PROVIDING A LOWER TAX RATE FOR A PORTION OF COMMERCIAL PROPERTY VALUE; PROVIDING ELIGIBILITY AND APPLICATION REQUIREMENTS; PROVIDING FOR AN APPEAL PROCESS; PROVIDING FOR THE ADJUSTMENT OF CERTAIN LOCAL GOVERNMENT FIXED MILL LEVIES; PROVIDING APPROPRIATIONS; PROVIDING DEFINITIONS; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTIONS 15-1-121, 15-6-134, 15-7-102, 15-15-101, 15-15-102, 15-15-103, 15-16-101, 15-17-125, AND 15-30-2120, MCA; AND PROVIDING EFFECTIVE DATES, APPLICABILITY DATES, AND TERMINATION DATES.