Property Tax Incentives

The following information provides the exemptions and incentives classified under property tax.

Property Tax Abatements - State Options

Property tax abatements result in a reduction in the taxable value of the property. This is accomplished by directly reducing the taxable value of property or by applying a reduced tax rate to the property's assessed value.

New Industrial Property (15-6-135 MCA)

Eligibility: New industrial property, including real and personal property, is eligible for a reduced taxable valuation rate of 3% (normally 3.01% for real property) for the first three years of operation. Personal property is taxed at 3%.

"New industry" means any organization that establishes a new plant in Montana for the operation of a new industrial endeavor, as distinguished from a mere expansion, reorganization, or merger of an existing industry.

New industry includes only those industries that:

- Manufacture, mill, mine, produce, process, or fabricate materials;
- Do similar work, employing capital and labor, in which materials unserviceable in their natural state are extracted, processed, or made fit for use or are substantially altered or treated so as to create commercial products or materials;
- Engage in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the 1987 Standard Industrial Classification Manual prepared by the United States Office of Management and Budget;
- Engage in the transportation, warehousing, or distribution of commercial products or materials if 50% or more of the industry's gross sales or receipts are earned from outside the state; or
- Earn 50% or more of their annual gross income from out-of-state sales.

Qualifying Property: All real and personal property of the new industry.

It does *not* include property used by retail or wholesale merchants, commercial services of any type, agriculture, trades, or professions unless the business or profession meets the eligibility requirements; a plant that will create adverse impact on existing state, county, or municipal services; or property used or employed in any industrial plant that has been in operation in this state for 3 years or longer.

Benefit: The tax benefit received is a reduced taxable valuation rate of 3%. The tax benefit applies to all mills levied on the property.

Pollution Control Equipment (15-6-135-1(b) MCA)

Eligibility: Air and water pollution control equipment is eligible for a reduced taxable valuation rate of 3% (normally 3.01% for real property).

Qualifying Property: Facilities, machinery, or equipment used to reduce or control water or atmospheric pollution or contamination by removing, reducing, altering, disposing, or storing pollutants, contaminants, wastes, or heat.

Benefit: The tax benefit received is a reduced taxable valuation rate of 3%. The tax benefit applies to all mills levied on the property and does not phase-out with time.

Gasohol Producing Equipment (15-6-135-1(d) MCA)

Eligibility: Property used to produce ethanol-blended gasoline is eligible for a reduced taxable valuation rate of 3% (normally 3.30% for real property) for the first three years of its operation.

Qualifying Property: Any real or personal property used primarily in the production of gasohol.

Benefit: The tax benefit received is a reduced taxable valuation rate of 3%. The tax benefit applies to all mills levied on the property and is available during construction and the first three years of operation.

Electrolytic Reduction Facilities (15-6-135-1(f) MCA)

Eligibility: Machinery used in electrolytic reduction facilities is eligible for a taxable valuation rate of 3%.

Qualifying Property: Machinery used in electrolytic reduction facilities.

Benefit: The tax benefit received is a reduced taxable valuation rate of 3%. The tax benefit applies to all mills levied on the property and does not phase-out with time.

Research and Development (15-6-135-1(e) MCA)

Eligibility: Property devoted to research and development is eligible for a reduced taxable valuation rate of 3% (normally 3.01% for real property).

Qualifying Property: All land and improvements and personal property owned by a research and development firm and actively devoted to research and development.

Benefit: The tax benefit received is a reduced taxable valuation rate of 3%. The tax benefit applies to all mills levied on the property and does not phase-out with time.

Property Tax Abatements - Local Options

New or Expanding Industries (15-24-1402 MCA)

Eligibility: If approved by the local governing body, property used by certain new or expanding industries is eligible for reduced taxable valuation (up to 50% of their taxable value for the first 5 years) during the first 9 years after construction or expansion.

Industry includes, but is not limited to, a firm that engages in the:

- Mechanical or chemical transformation of materials or substances into products in the manner defined as manufacturing in the 1987 Standard Industrial Classification Manual prepared by the United States Office of Management and Budget;
- Extraction or harvesting of minerals, ore, or forestry products;
- Processing of Montana raw materials such as minerals, ore, agricultural products, and forestry products;
- Transportation, warehousing, or distribution of commercial products or materials if 50% or more of the industry's gross sales or receipts are earned from outside the state; or
- Earning of 50% or more of their annual gross income from out-of-state sales.
- Engages in the production of electric energy of one (1) megawatt or more by means of an alternative renewable energy source as defined in 90-4-102, MCA.

New means that a firm is new to the jurisdiction approving the abatement and has invested a minimum of $125,000 worth of qualifying improvements or modernized processes within the jurisdiction. Property that qualifies as new industry property under the state option discussed above cannot qualify as new industry property under the local option.

Expanding means that the industry has added a minimum of $50,000 worth of improvements or modernized processes to its property within the same taxing jurisdiction.

The governing body of the affected county or the incorporated city or town must have approved by resolution the abatement.

Qualifying Property: The added improvements and/or added modernized processes.

Benefit: The tax benefit received is a percentage multiplier applied to the increase in taxable value of the qualifying improvements or modernized processes. The tax benefit applies to the number of mills levied and assessed for high school district and elementary school district purposes and to the number of mills levied and assessed by the local governing body approving the benefit.

First through fifth year following construction - 50%
Sixth year following construction - 60%
Seventh year following construction - 70%

Eighth year following construction - 80%
Ninth year following construction - 90%
Tenth and following years - 100%

Expanding "Value-Added" Machinery and Equipment (15-24-2401 MCA to 15-24-2405 MCA)

Eligibility: If approved by the local governing bodies, an existing value-added industry that expands to include value-added machinery and equipment is entitled to receive a decrease in the tax rate for the value-added machinery and equipment.

"Value-added industry" is a firm that engages in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the North American Industry Classification System Manual prepared by the United States Office of Management and Budget and engages in:

- Processing of Montana raw materials such as minerals, ore, oil, gas, coal, agricultural products, and forestry products; or the
- Processing of semi-finished products produced in Montana that is used by the industry as a raw material in further manufacturing.

The new value-added machinery and equipment must directly result in the creation of new jobs. Local governing bodies must approve by resolution the abatement.

Qualifying Property: Machinery and equipment used for value-added manufacturing and processing that result in the hiring of new full-time employees.

Benefit: The tax benefit received is a reduced tax rate to as low as 3%, for the qualifying property. The number of new full-time employees determines the amount of reduction. The tax benefit applies to the number of mills levied and assessed by each local governing body approving the benefit. The benefit also applies to statewide levies if the governing body approving the benefit is a county, consolidated government, or incorporated city or town.

Reduced Rate for Remodeling of Building or Structures (15-24-1501 MCA)

Eligibility: Remodeling of existing buildings or structures is eligible for a reduced tax rate for five years following construction.

Qualifying Property: Remodeling, reconstruction, or expansion of existing buildings or structures, which increases their taxable value by at least 2.5%

Benefit: The tax benefit received is a percentage multiplier applied to the increase in taxable value of the qualifying improvements.

Construction period - 0%
First year following construction - 20%
Second year following construction - 40%
Third year following construction - 60%

Fourth year following construction - 80%
Fifth year following construction - 100%
Following years - 100%

Exempt From Property Taxation (15-6-201 MCA to 15-6-229 MCA)

The following is a general list of items that are exempt from property taxation:

- Property owned by local governments, state government and federal government
- Public libraries
- Fire districts and some volunteer fire departments
- Property owned by a church and used for religious worship, or clergy, or for educational or youth recreational activities (if open to the general public), not to exceed 15 acres of land
- Non profit agricultural and horticultural societies
- Specific educational facilities not to exceed 80 acres of land
- Non-profit health care facilities
- Cemeteries
- Institutions of purely public charity
- Public museum, art galleries, zoos and observatories operated not for profit
- All household goods and furniture
- Intangible personal property
- All bicycles
- Truck canopy cover or topper weighing less than 300 pounds with no accommodations attached
- Business inventories and freeport merchandise
- Certain leased and rental equipment
- All down-hole equipment in oil and gas wells
- All property used for the exclusive purpose of filming motion pictures or television commercials, provided the property is not in the state in excess of 180 consecutive days
- Title plant owned by a title insurer or title agent
- Business equipment with an aggregate market value of less than $20,000
- First $15,000 or less of value of hand-held tools
- First $100,000 or less of the value of non-fossil forms of energy generation for a multifamily residential dwelling or a non-residential structure or $20,000 or less for a single family residential dwelling
- Space vehicles and the fixtures and equipment used to manufacture or maintain the space vehicles
- Certain mineral exemptions
- Improvements made to commercial buildings to remove barriers to persons with disabilities
- Personal property used by an industrial dairy or an industrial milk processor and dairy livestock used by an industrial dairy

- Machinery and equipment used in a canola seed processing facility or a malting barley facility
- Manufacturing machinery and equipment used for production of ethanol from grain (10 year exemption)
- Machinery and equipment of a qualifying electrical generating facility using an alternative renewable energy source (5 year property tax exemption) and certain noncommercial electrical generation machinery and equipment
- Right of entry
- Farm buildings valued at less than $500
- Agricultural implements valued at less than $100
- Harnesses, saddlery and tack
- Irrigation and drainage facilities
- Nonprocessed agricultural products
- Beet implements
- Livestock, poultry, bees, and biological control insects
- State water conservation projects
- Nonprofit veteran's clubhouses
- Any nonprofit facilities used for training, practice, or competition in international sports and athletic events
- Any nonprofit corporation organized to furnish potable water to its members (other than ag irrigation)
- Any nonprofit corporation providing care for the developmentally disabled, mentally ill, vocationally handicapped, retired, aged, or chronically ill
- Any nonprofit community services buildings, with land up to three acres
- Qualifying property on railroad land leased by nonprofit organization
- Motor vehicles subject to registration fee
- Vehicles of certain health care professionals
- Land that is within 660 feet on either side of a qualifying transmission right-of-way constructed after January 1, 2007.
- Low income housing owned by a partnership with a non-profit as the general partner

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Property Tax Exemptions - Disabled Veterans

Disabled American Veterans (DAV) Property Tax Benefits- Fact Sheet

Disabled American Veteran Application (PPB-8A)

Property Tax Exemptions - Local Options

Exemption for New or Expanding Industry (15-24-1402 MCA)

Exemption and Abatement for Remodeling or Expansion of Certain Commercial Property (15-24-1502 MCA)

Eligibility: Remodeling, reconstruction or expansion of an existing commercial building or structure is eligible for an exemption during the construction period (not to exceed 12 months) and for up to 5 years following completion of construction. The buildings and structures may receive a property tax reduction for 4 years following the exemption period.

Qualifying Property: Remodeling, reconstruction or expansion of existing commercial buildings or structures, which increases their taxable value by at least 5%. The property may not have been used in a business for at least 6 months immediately preceding the application for the benefit and the property taxes may not be delinquent.

Benefit: The tax exemption and reduction is limited to 100% of the increase in taxable value caused by remodeling, reconstruction or expansion.

Construction period (12 months or less) - 0%
Five years following completion of construction - 0%
First year following exemption period - 20%
Second year following exemption period - 40%
Third year following exemption period - 60%
Fourth year following exemption period - 80%
Following years - 100%

Remodeling, reconstruction, or expansion of buildings or structures - levy limitations (15-24-1501 MCA)

Exemption for Business Incubators (15-24-1801 MCA to 15-24-1802 MCA)

Eligibility: If approved by the local governing body, a business incubator owned or leased and operated by a local economic development organization is eligible for an exemption from property taxes.

"Business incubator" means a facility that leases space to and provides shared services (receptionist, copying, secretarial, etc.) and business assistance (marketing plans, business plans, accounting, administration to new businesses) in order to improve their chances of success.

"Local economic development organization" means a private nonprofit organization exempt from taxation under section 501(C)(3) or 501 (c)(6) of the Internal Revenue Code whose primary purposes are to develop the economy of its area and to provide assistance to businesses in that area.

The governing body of the affected county, consolidated government, incorporated city or town, or school district in which the property is located must have approved the tax exemption by resolution.

Qualifying Property: All real and personal property of the business incubator.

Benefit: The tax benefit received is complete exemption from the number of mills levied and assessed by the governing body approving the exemption. If the governing body approving the exemption is a county, consolidated government or incorporated city or town, the exemption applies to the state levied mills.

Industrial Parks (15-24-1901 MCA thru 15-24-1902 MCA)

Eligibility: If approved by the local governing body, an industrial park owned and operated by a local economic development organization or port authority is eligible for an exemption from property taxes.

"Industrial park" means property zoned for light and heavy industry. The term includes fully developed or partially developed land and improvements and undeveloped land.

"Local economic development organization" means a private, nonprofit organization exempt from taxation under section 501(C)(3) or 501 (c)(6) of the Internal Revenue Code whose primary purposes are to develop the economy of its area and to provide assistance to businesses in that area.

The governing body of the affected county, consolidated government, incorporated city or town, or school district must have approved the tax-exemption by resolution.

Qualifying Property: All real and personal property of the industrial park.

Benefit: The tax benefit received is complete exemption from the number of mills levied and assessed by the governing body approving the exemption. If the governing body approving the exemption is a county, consolidated government or incorporated city or town, the exemption applies to the state levied mills.

Historic Properties (15-24-1601 MCA thru 15-24-1607 MCA)

Eligibility: A property that meets the design review criteria in MCA 15-24-1605 is eligible for a property tax abatement if it is:

- Located with the boundaries of a national register historic district and contributes to the district
- A newly constructed property within the boundaries of a national register historic district that meets design criteria for being architecturally compatible with the district;
- Listed individually in the National Register of Historic Places.

Qualifying Property: Properties located in a national register historic district or listed individually on the National Register of Historic Places that are restored, rehabilitated, expanded or newly constructed within the district and that meet certain design review criteria.

Benefit: An eligible property can be allowed an abatement of 100% of the taxable value increase attributed to the rehabilitation, restoration, expansion or new construction for a period of up to five years.

Local Economic Development Organization (15-24-2001 MCA thru 15-24-2002 MCA)

Eligibility: Commercial improvements and land sold or donated to a local economic development organization for subsequent sale or lease to a profit-oriented employment-stimulating business. The property must have not been used in business for the 6 months preceding the sale or donation.

"Local economic development organization" means a private, nonprofit organization whose primary purposes are to develop the economy of an area and to provide assistance to businesses in the area.

Qualifying Property: Commercial property that has not been used in business for the 6-month period immediately preceding the donation or sale to a local economic development organization.

Benefit: If the approving governing body is a county government, consolidated government or incorporated city or town, the mills under Title 15, Chapter 10, MCA (6 mill university levy), MCA 20-9-331 (33 mill elementary equalization levy), MCA 20-9-333 (22 mill high school equalization levy) and the number of mills levied, and at the sole discretion of the approving governing body, can be exempted.

Suspension, Cancellation of Delinquent Taxes (15-24-1701 MCA thru 15-24-1703 MCA)

Eligibility: If approved by the local governing body, delinquent property taxes on commercial property may be suspended to facilitate the purchase and continued operation of a business utilizing the commercial property.

Value-Added Manufacturing (15-24-2401 MCA thru 15-24-2405 MCA)

Eligibility: If approved by the local governing body, an existing industry with qualifying property that represents an expansion of the industry is entitled to receive a decrease in the tax rate for class eight property if the property results in the hiring of full-time qualifying employees for each year in which the taxable value decrease is in effect.