



**Dan Bucks**  
Director

# Montana Department of Revenue



**Brian Schweitzer**  
Governor

December 2, 2009

Dear County Commissioner:

The latest property reappraisal process is now drawing to a close. Governor Schweitzer asked the 2009 Legislature to not raise state tax revenues as a result of reappraisal. The Legislature came within about \$3 million out of \$1.2 billion in property taxes—or one-fourth of 1 percent—of that goal for Fiscal Year (FY) 2010. The Governor was concerned not only about preventing a general increase in taxes, but also about individual property owners who might experience large increases in taxes. Consequently, he did not sign the Legislature's reappraisal bill.

Overall, the effect of reappraisal is to change the distribution of property taxes to match changes in property values. The estimated impact of the current reappraisal is as follows:

- According to preliminary property tax revenue projections for FY2010, additional revenue from homeowners experiencing tax increases will be \$10.1 million while revenue reductions from homeowners experiencing tax decreases will be \$10.8 million.
- About 51 percent of residences will experience an increase in their property taxes over the six years of the reappraisal cycle. By the sixth year, less than 1 percent of residences will have a tax increase of \$1,200 or more.
- About 49 percent of residences will experience a decrease in their property taxes over the six years of the reappraisal cycle. By the sixth year, less than 1 percent of residences will have a tax decrease of \$1,200 or more.

This year, Montana will experience the second lowest annual increase in property taxes in the last decade. Total property tax revenue will only change by 3.7 percent this year, compared to last year. This increase is attributable to new property construction and local budgeting decisions. Total property tax revenue in 2008 was about \$1.156 billion, and based upon the mill levels now set by all local governing jurisdictions this year, 2009 revenue will be about \$1.199 billion.

The overall level of property taxes is driven more by the expenditure decisions of governments than by property value changes stemming from reappraisal. About 81 percent of property tax revenue is directly controlled by local government, though a revenue cap limits these budgets. Because of this revenue cap, 26 counties lowered mills, but counties and schools are still providing the same general type of services.

Because this is a reappraisal year, it is important to consider these facts in the context of the latest cycle. The Montana Constitution requires periodic property reappraisal to ensure that property is appraised in a fair and equitable manner in the interest of equal taxation. State law requires the Department of Revenue to conduct a reappraisal of residential, commercial, industrial, agricultural and forestland property in the state every six years. We follow industry guidelines and consistently meet the targets established for accuracy and quality. Data shows that we have met or exceeded the targets yet again for the 2009 reappraisal.

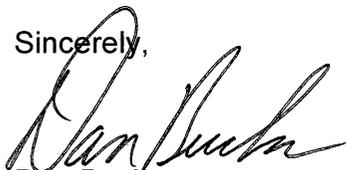
It is important to remember that reappraisal is neither intended to generate, nor does it produce, any significant increase of property tax revenue to state or local governments. The 2009 Montana Legislature reestablished the Extended Property Tax Assistance Program, which assists many homeowners whose values rose at the fastest rate.

Reappraisal represents a sharing of the property tax liability among Montana's citizens. Simply put, reappraisal results in a tax shift not an increase in government revenue. Neighbors share the property tax liability, with some paying more and others paying less. Again, as reflected in the statistics listed earlier, tax increases experienced by a portion of homeowners in FY2010 are more than offset by tax decreases for other homeowners. Over the six-year cycle, residences estimated to experience an increase in taxes are within 2 percent of those residences with a decrease.

Based on these facts, you can see that Montana's property tax collections are remaining fairly consistent, and government is not gaining a windfall from reappraisal. You can also see that there is some shifting of the tax liability, whereby the property tax increases experienced by some Montanans will go to cover the decreases experienced by other Montanans.

I appreciate the support you and your colleagues have shown during the past property tax year. If you have any questions or would like additional information please call me at (406) 444-1900.

Sincerely,



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c. The Honorable Brian Schweitzer, Governor  
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