



**Dan Bucks**  
Director

# Montana Department of Revenue



**Brian Schweitzer**  
Governor

## Memorandum

To: Members of the Revenue and Transportation Interim Committee

From: Dan Bucks, Director of Revenue 

Date: December 4, 2009

Subject: Highlights of 2009 Property Tax Changes and Reappraisal

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.

The Legislature came close to the goal of preventing increases in state tax revenues due to reappraisal. State property tax revenues will increase due to reappraisal by about \$3 million out of total estimated state and local property taxes of \$1.2 billion for Fiscal Year (FY) 2010. This represents approximately a one-fourth of 1 percent increase in total property taxes.

With regard to reappraisal, the goal of the Department of Revenue is to value property as accurately and uniformly as possible. As is customary at the close of each reappraisal cycle, the Department has completed a "Quality of Reappraisal Report" for residential property. This year the Department has taken, for the first time, the additional step of having this report independently validated.

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.

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.

The reappraisal process continues through the informal review and protest process. The Department took care to publicize the availability of informal reviews and protest procedures this year. We are pleased that a significant number of Montanans have availed themselves of the opportunity for an informal review of their assessments. This process enables us to work with citizens in resolving appraisal issues and also helps build a broader public understanding of the property tax system.