

**Comparative Analysis of 2003 Interim Study
Non-Profits and Property Tax Exemptions
Department of Revenue - PAD**

2003 INTERIM STUDY

PURPOSE	REASONS FOR STUDY	COMMITTEE ACTION	FINDINGS
Determine whether property tax exemption contribute or impede an equitable property tax system and determine whether existing property tax exemption laws should be modified or repealed to achieve a more equitable property tax system	Property has been and continues to be taken off the property tax rolls under the property tax exemption laws	Reviewed the existing property tax process and exemptions	Property tax exemptions are based in the Montana Constitution. The legislature has a great amount of latitude to exempt
	Local governments and school districts experience financial constraints because of property tax exemptions	Department provided a report explaining the assessment and taxation process and how exemptions shift the tax burden to other classes of property within taxing jurisdictions	Determined that most exemptions fall into the categories of governmental, educational, religious, charitable, economic incentive or exempting property from taxes but imposing a fee in lieu of taxes
	Other taxpayers bear a larger tax burden because of property tax exemptions	Examined the property tax exemption laws and the origins of exempt classes of property	Found that the only properties that are automatically exempt are properties owned by governmental entities and the remaining properties must apply and qualify through an exemption process
	It is the goal of the Legislature to ensure that Montana has an equitable property tax system		Some properties receive only a partial exemption due to non-qualifying uses of portions of the property
	It is the desire of the Legislature to determine whether existing property tax exemptions contribute to or impede the goal of an equitable property tax system		501(c)3 corporations are not automatically exempt from property tax until a purely public charitable use is demonstrated through the application process
			Reviewed the department's types of exemptions and abatements granted on real and personal properties, the numbers of exemptions granted, and estimated reduction in 2003 property tax revenues due to the exemptions. Statewide reduction was 1.7%
			Addressed the concerns of the rise in the exemption applications and the excessive dollar amount of exemptions being granted. Compared tax years 1993 and 2003 and the percentage increase in the number of exemption applications for that 10 year span was 12%. The percentage of exemptions granted during that same time period actually decreased by 3%.
			Committee looked at how the types of exemptions compares to exemptions granted by other states. Comparison was made to 9 other neighboring western states, which determined that each state had exemptions for governmental, educational, religious, and charitable properties, along with specific exemptions for economic development

CONCLUSION

"It is not nearly the problem it is perceived to be." A revision of existing exemption statutes would be less confusing and more user friendly.

RECOMMENDATION REVISIONS

The committee recommended the development of exemption categories and the following revisions:

- 1) limiting the amount of property acreage that is tax exempt for churches and parsonages;
- 2) providing a definition of "clergy" for property tax exemption process;
- 3) limiting the acreage exemption for educational property and requiring an attendance policy, curriculum and instruction;
- 4) providing that property purchased for charitable use is exempt at the time of purchase, providing that if exempt property is not used for a charitable purpose within 8 years, or is sold then lost tax revenue must be reimbursed, and providing that the reimbursement amount is a lien upon the property;
- 5) deleting the tax exemption for property in the state used exclusively for filming motion pictures, 6) limiting the agricultural acreage for the purely public charity exemption to 160 acres for exemptions applied for after 12-31-04.

The 2005 Legislature passed the above recommendations into law.

