



**Mike Kadas**  
Director

# Montana Department of Revenue



**Steve Bullock**  
Governor

## MEMORANDUM

To: Ed Caplis, Director of Tax Policy and Research  
 From: Steve Cleverdon, Economist  
 Date: August 19, 2013  
 Subject: Discussion of Property Tax Mills

### Introduction

In response to a request from Director Kadas for background information on mills and their use in other jurisdictions, I have drafted a brief paper on the topic. This paper describes the role that mills play in arriving at a property tax amount and a brief description of mills in Montana. I also conducted a thorough investigation of each state to determine whether mills are used there, and if mills are not used, then an account of the alternative used.

### Mills Explained

In Montana, the property tax rate is denoted as a mill. One mill is equal to 1/1000 of a dollar, so one mill is 0.1% or .001. A property owner's property tax is calculated by multiplying the taxable value by applicable mills divided by 1000, or *Property Tax = Taxable Value*  $\times \left(\frac{\text{Mills}}{1000}\right)$ .

### Example:

Taxable Value = \$2,400  
 Mills = 525

### Solution:

$$\$2,400 \times \left(\frac{525}{1000}\right) = \$1,260$$

Mills are levied by the state, cities, counties, school districts, fire and cemetery districts, and other miscellaneous local government districts (mosquito, lighting, soil, etc.). A taxpayer is levied mills against his or her taxable value of property by the jurisdictions of where the property is located. The sum of mills levied by each taxing jurisdiction in

which a property is located is the total mill amount that is levied against a given property. For TY 2012 the average statewide total mill levy was 548.83, with 17.1% attributable to the state, 38.0% to schools, and 44.9% to local governments. Montana is one of thirteen states that levy statewide mills that provide revenue to fund services statewide (e.g. education).

### Mill Usage

Property taxation exists in every state, and no two states tax property in the same manor. There are many similarities, but many, many more dissimilarities. A survey of every state showed that property tax rates – expressed as mills in Montana – are not uniformly defined.

There are basically four ways that the property tax rate is displayed:

1. as mills, where one mill is equal to 1/1000 of a dollar,
2. as a tax rate, where one is equal to 1/100 of a dollar, and is displayed as a whole number,
3. as a percent,
4. or as a decimal, where a mill is divided by 1000.

A survey of each state was conducted to determine the prevalence of the different methods of displaying property tax rates. This survey revealed that Montana is in the majority, as the mill is the most common method of describing property tax rates. Jurisdictions in 30 states use mills, while the remaining 20 employ some other way of characterizing property tax rates. The table below displays the types of rates used, prevalence of usage, and an example of how each rate type would display 550 mills.

Usage of Different Types of Property Tax Rates by State		
Type	Notation	Count by State
Mill	550	30
Tax Rate	55	16
Decimal	0.055	3
Percent	55%	1