



MONTANA DEPARTMENT OF REVENUE

Senate and House Taxation Committees

2015 Property Reappraisal

January 13, 2015

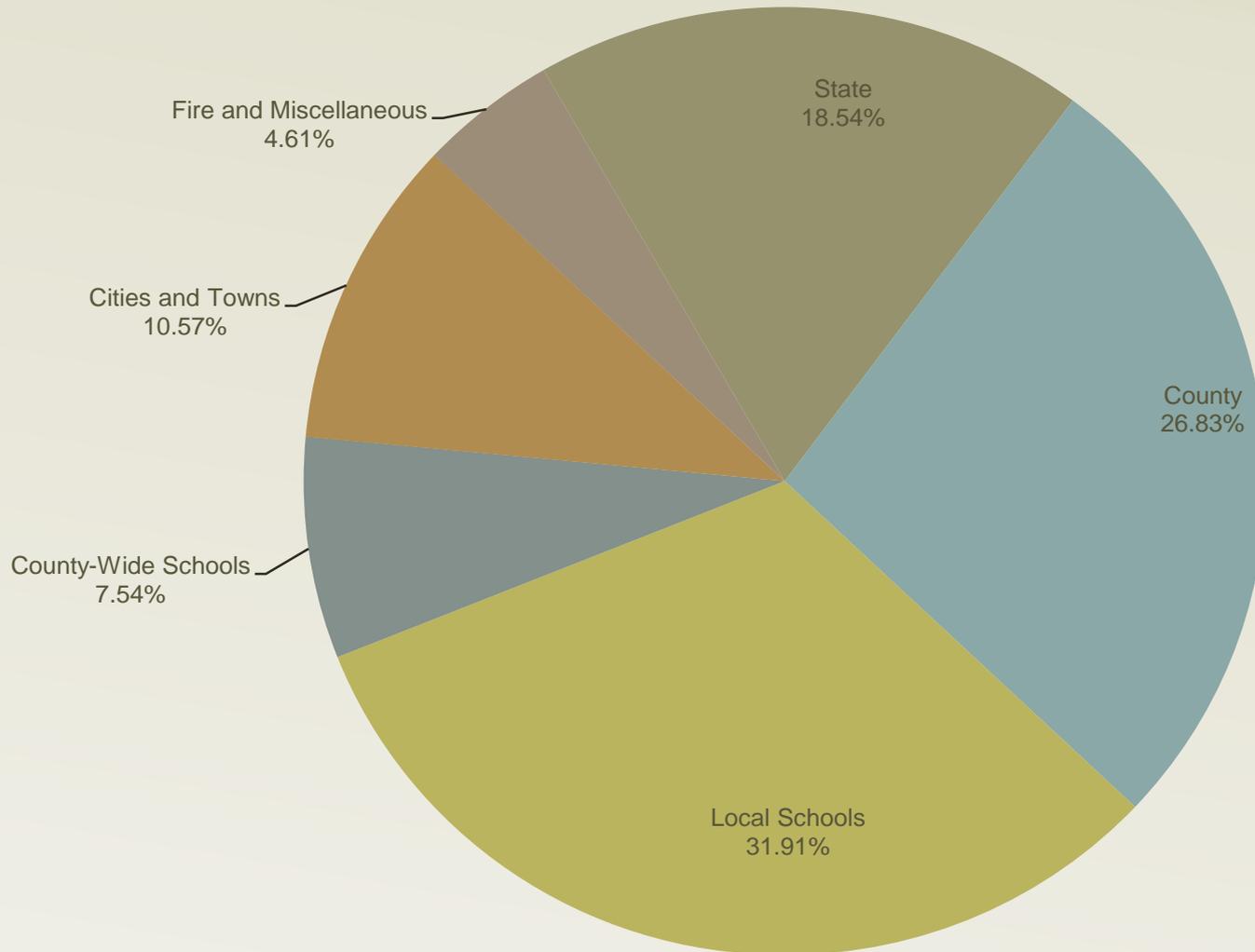
Department Personnel

- Mike Kadas – Director of Department of Revenue
- Gene Walborn – Deputy Director
- Ed Caplis – Director of Tax Policy and Research
- Rocky Haralson – PAD Regional Manager
- Cynthia Monteau Moore – Administrator Property Assessment Division
- Dan Whyte – Chief Legal Counsel

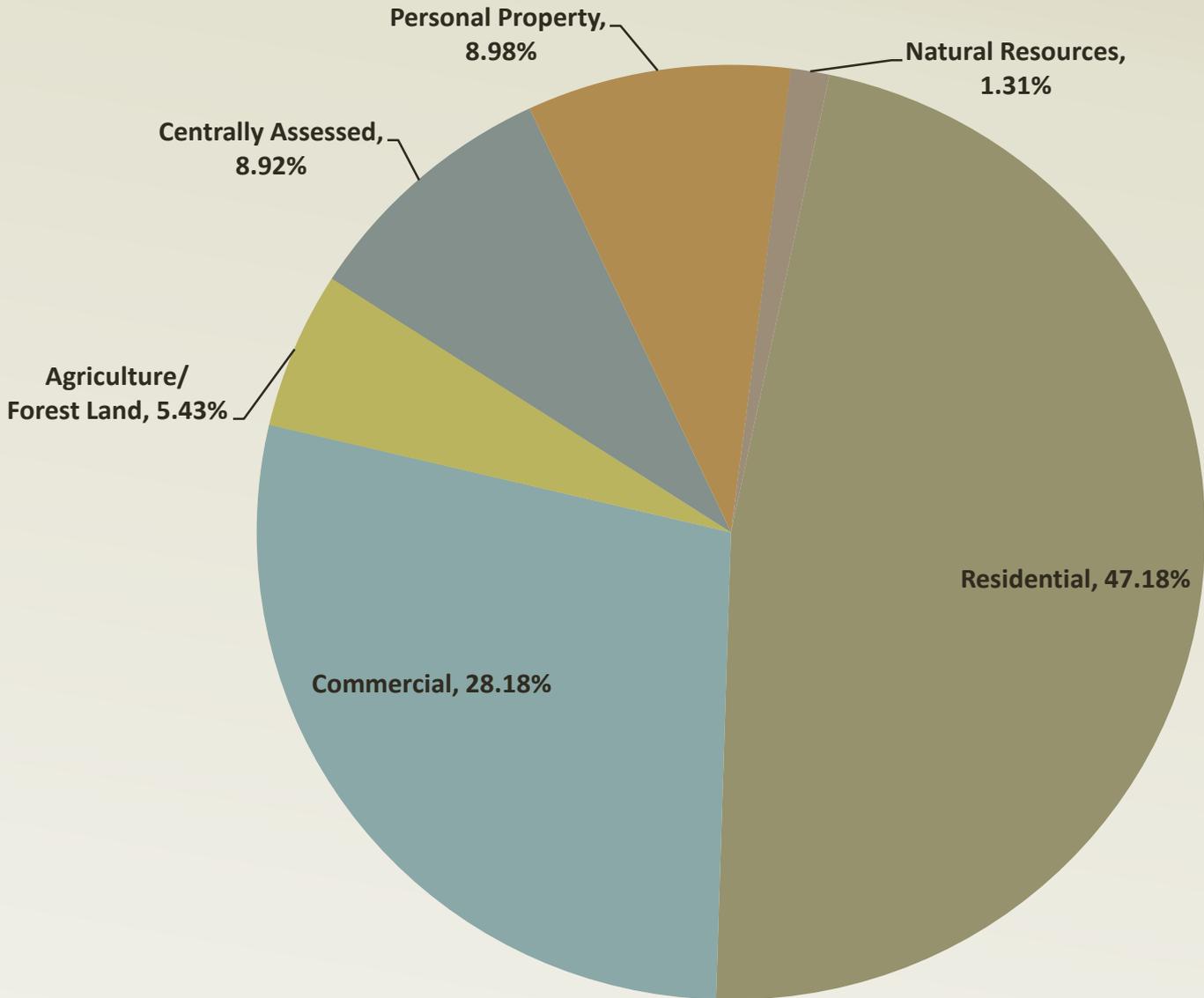
Some Background on Taxes



Allocation of Property Taxes by Taxing Jurisdiction Type in FY 2014



Percent of Taxes Paid By Class in FY 2014



Why can't we leave property values alone?

Constitution

- Requires all property to be valued by the state
- Equalization-the state is required to value similar property in the same manner

The Law

- The law requires the state to value residential, commercial agricultural and forest property every six years

The Market Value of property is determined using one of three valuation methods:

- Sales
- Cost
- Income



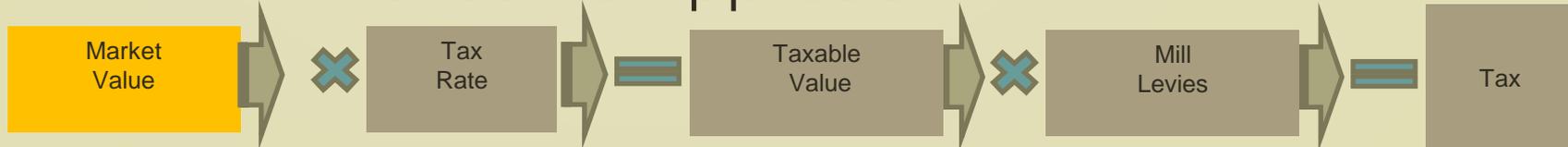
Valuation Methods Used by the Department by Property Type

Residential → Sales Comparison
Residential → Cost Approach

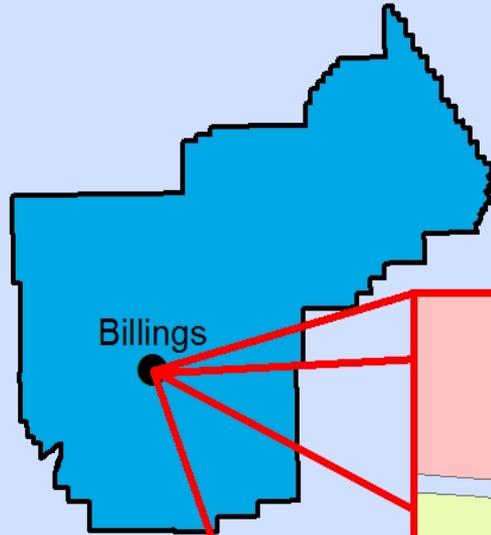
Commercial/Industrial → Sales Comparison
Commercial/Industrial → Cost Approach
Commercial/Industrial → Income Approach

Agricultural → Income Approach

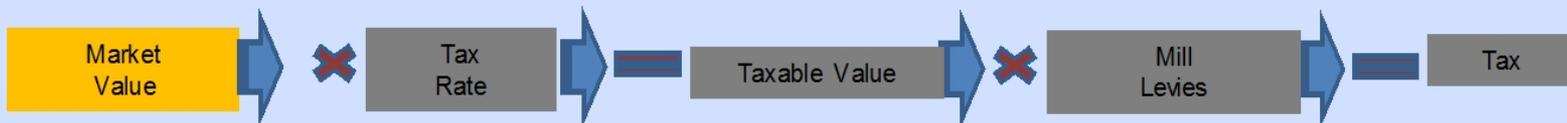
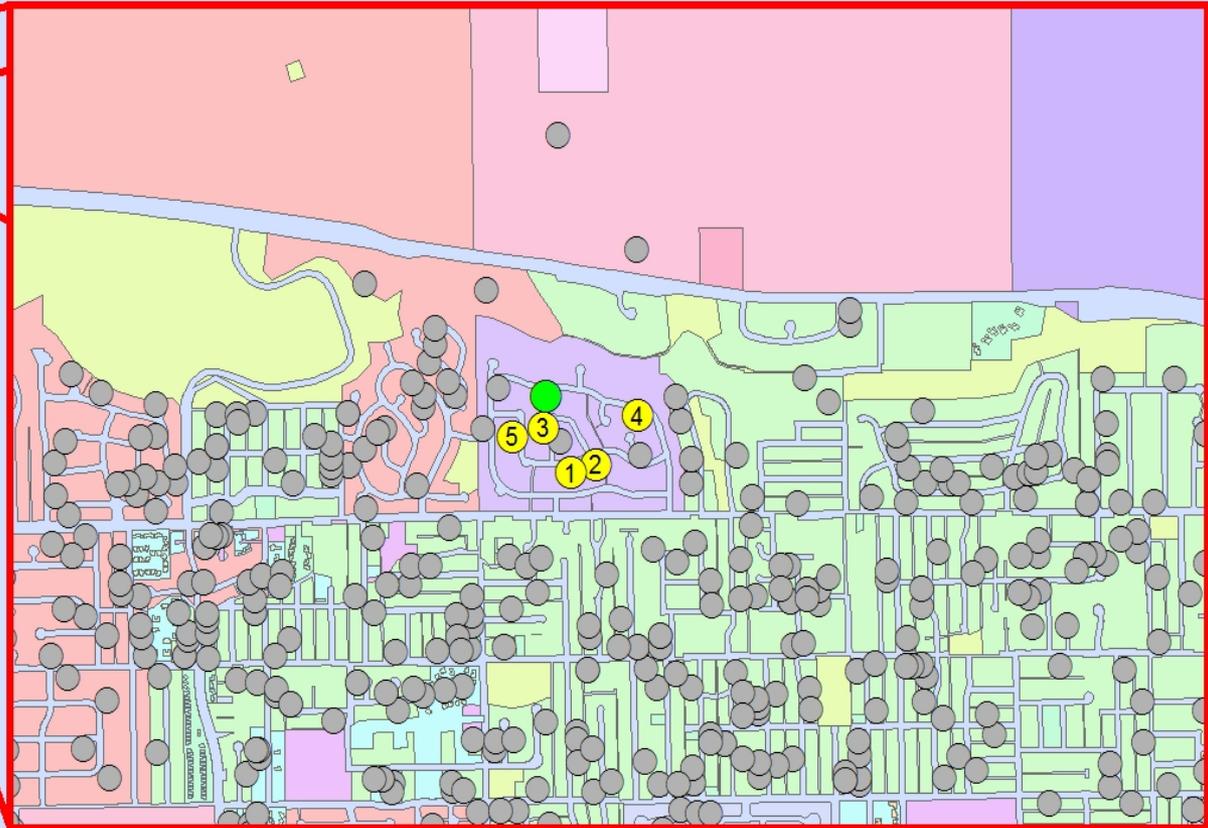
Forest → Income Approach



Sales Comparison Method



- Subject Property
- Comparable Sales
- Other Sales
- Neighborhoods



Comparing Subject Property to Similar Property



Cost Approach to Value (Primarily Residential and Commercial Property)

Land Value

+

**Improvement
Cost**

-

Depreciation

=

Market Value

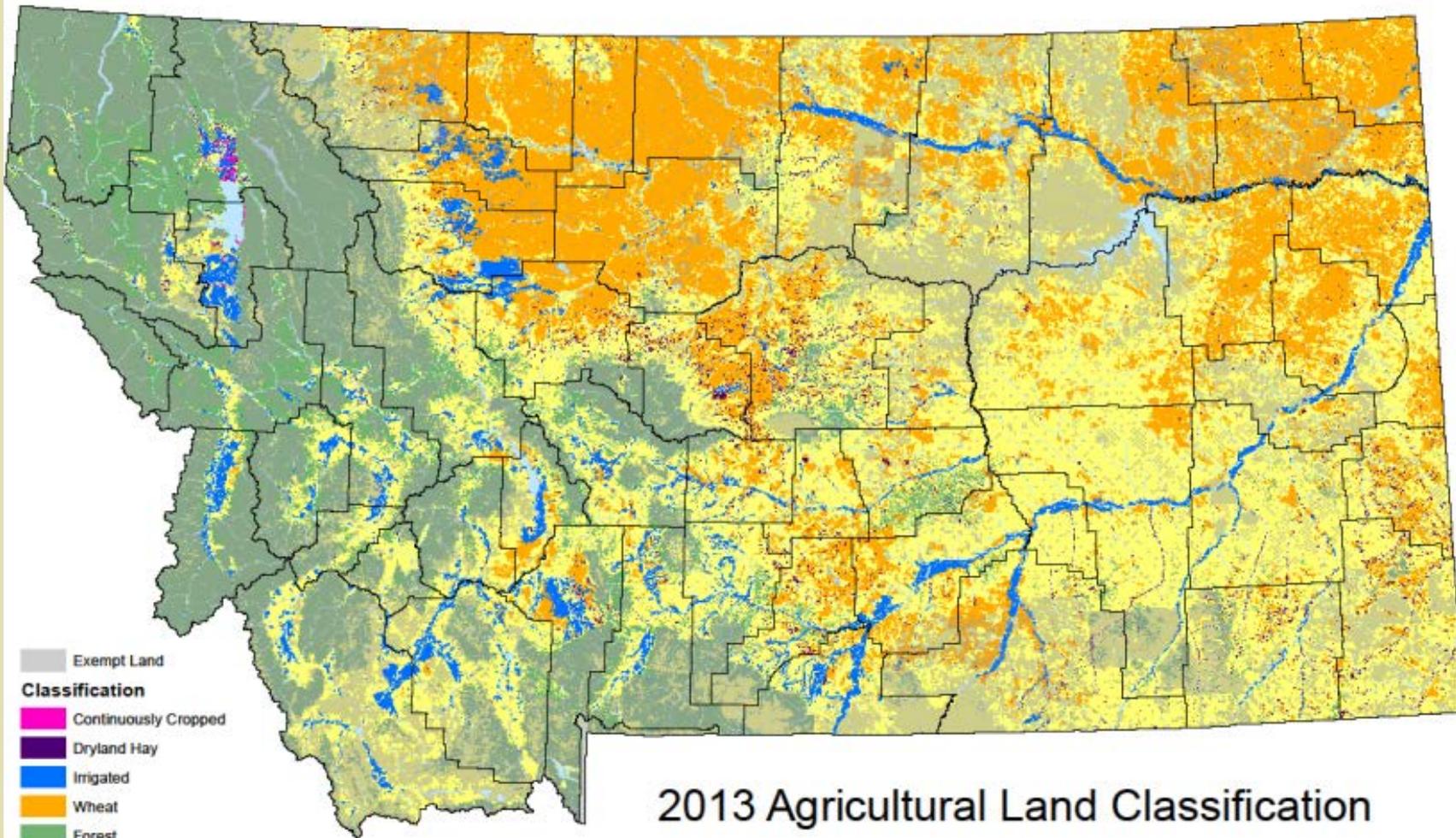


Income Approach Commercial Property



Income – Expenses Rate of Return





2013 Agricultural Land Classification

Agricultural Land Valuation

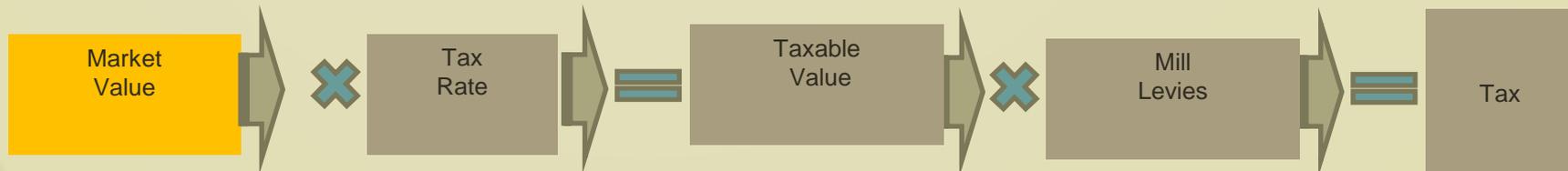
- **Income Approach** – measures the value of a property by capitalizing the income from the property. The formula for agricultural land is:

$$\text{Productivity Value} = \frac{\text{land productivity} \times \text{commodity price} \times \text{crop share}}{\text{rate of return}}$$



Productivity

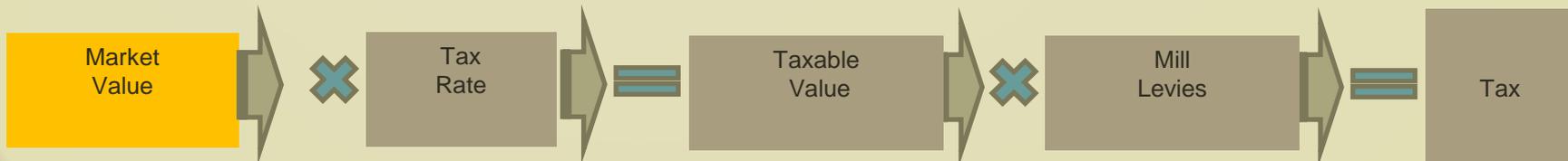
- **Natural Resource Conservation Service (NRCS) Soil Survey**
- **Adjustments when appropriate to approximate average production**



Commodity Price



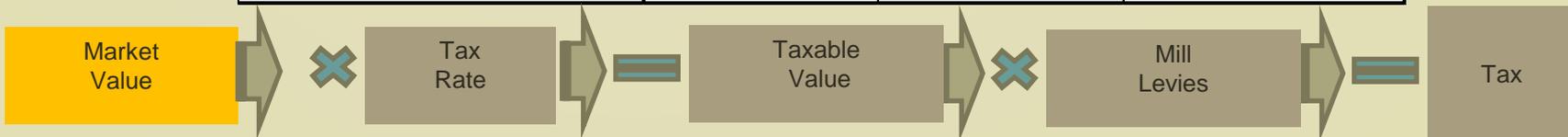
- **10 Year Olympic Average**
 - **Grazing Land**
 - **Private Grazing Fee**
 - **Non-irrigated farm land (Summer fallow and continuous crop farmland)**
 - **Spring Wheat**
 - **Irrigated and non-irrigated hay land**
 - **Spring Wheat or Alfalfa Hay**



Commodity Prices

(Current vs. 2015 Prices)

2015 (10 Year Olympic Average)	Indicates price not included in Average		
Commodity	Spring Wheat	Alfalfa	Private Grazing Fee
Year	Price	Price	Price
2013	\$6.70	\$141.00	\$21.00
2012	\$8.39	\$146.00	\$20.50
2011	\$8.36	\$98.00	\$19.40
2010	\$6.87	\$79.00	\$18.40
2009	\$5.72	\$96.00	\$18.00
2008	\$7.36	\$117.00	\$18.10
2007	\$7.49	\$79.00	\$17.80
2006	\$4.58	\$78.00	\$16.20
2005	\$3.80	\$71.00	\$16.20
2004	\$3.69	\$77.00	\$15.90
Olympic Avg	\$6.36	\$95.63	\$18.08
Adjustments	<i>No adjustment</i>	<i>15-7-202 stipulates a 20% reduction in the alfalfa price</i>	<i>No adjustment</i>
2015 Price	\$6.36	\$76.50	\$18.08
2009 Price	\$4.58	\$63.04	\$15.72
% change from current cycle	39%	21%	15%



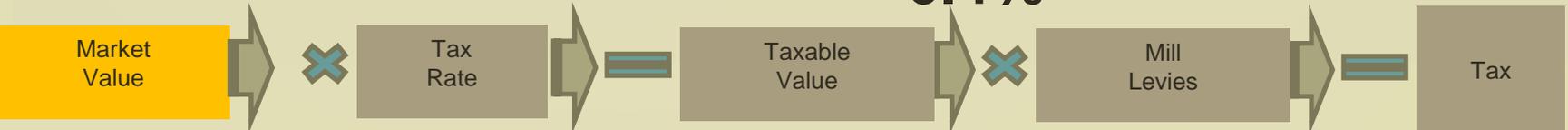


**Productivity Value = (land productivity X commodity price X crop share)
rate of return**

Summer Fallow Farmland - Wheat

- Land Productivity = 22 bu./ac
- Average price for spring wheat = \$6.36 /bu.
- Crop Share = 12.5%
- Rate of Return (Capitalization Rate) = 6.4%

**\$273.28/acre = 22 (bu./ac) X \$6.36 (/bu.) X 12.5%
6.4%**



Forest Land Valuation

- Income Approach – measures the value of a property by capitalizing the income from the property. The formula for forest land is:

$$\text{Productivity Value} = \frac{(\text{forest productivity} \times \text{stumpage value}) + \text{net ag. income}}{\text{rate of return}}$$



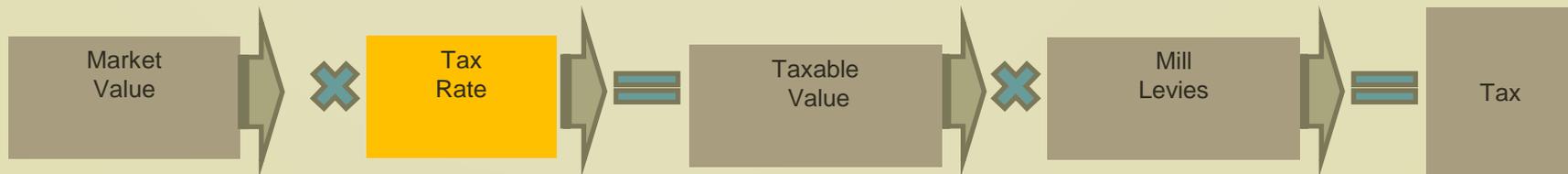
Estimated Change in Forest Property Value

Zone	Average Productivity	2009 value/Acre	2015 value/acre	% change
1(NW)	260.75	\$938.00	\$436.53	-53%
2(SW)	170.86	\$421.00	\$251.71	-50%
3(CM)	154.22	\$307.00	\$171.56	-44%
4(E)	129.18	\$195.00	\$32.52	-83%



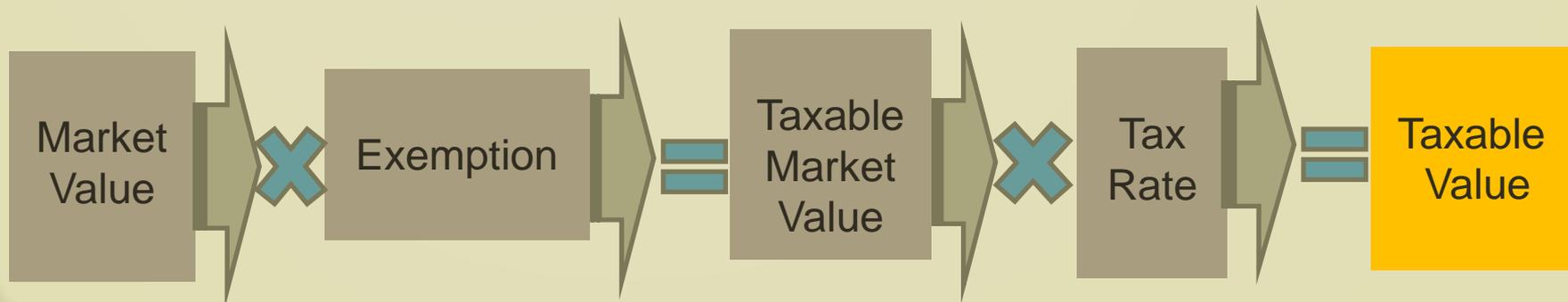
Tax Rate/Exemptions

The Legislature sets the tax rate and exemptions for each type of property.



Taxable Value

Once the Department determines the value of property and applies the tax rate and exemptions set by the Legislature the taxable value of property is established.



Taxable Value Neutrality

Taxable Value Neutral Tax Rate & Exemption, 2015 Values Fully Phased-In

Property Type	"2008" Market Value	2014 Taxable Value	2015 Market Value	Exemption Rate	Tax Rate	2015 Taxable Value
Agriculture	5,467,385,501	143,690,455	6,621,679,960	0.00%	2.17%	143,690,455
Residential	89,778,076,147	1,168,415,790	86,026,594,670	37.41%	2.17%	1,168,415,790
Commercial	18,294,152,043	350,588,593	18,438,891,088	12.38%	2.17%	350,588,593
Forrest	2,155,929,245	6,252,195	1,059,694,036	0.00%	0.59%	6,252,195

Legislature sets the rates and exemptions required to balance the 2014 taxable value with the reappraised 2015 market value.



Mill Levies

Mill Levies are set by state and local taxing jurisdictions or approved as ballot measures

- Local government mills are limited by voted levies or the maximum mill limit (15-10-420, MCA)
- School mills are limited by school budgeting laws



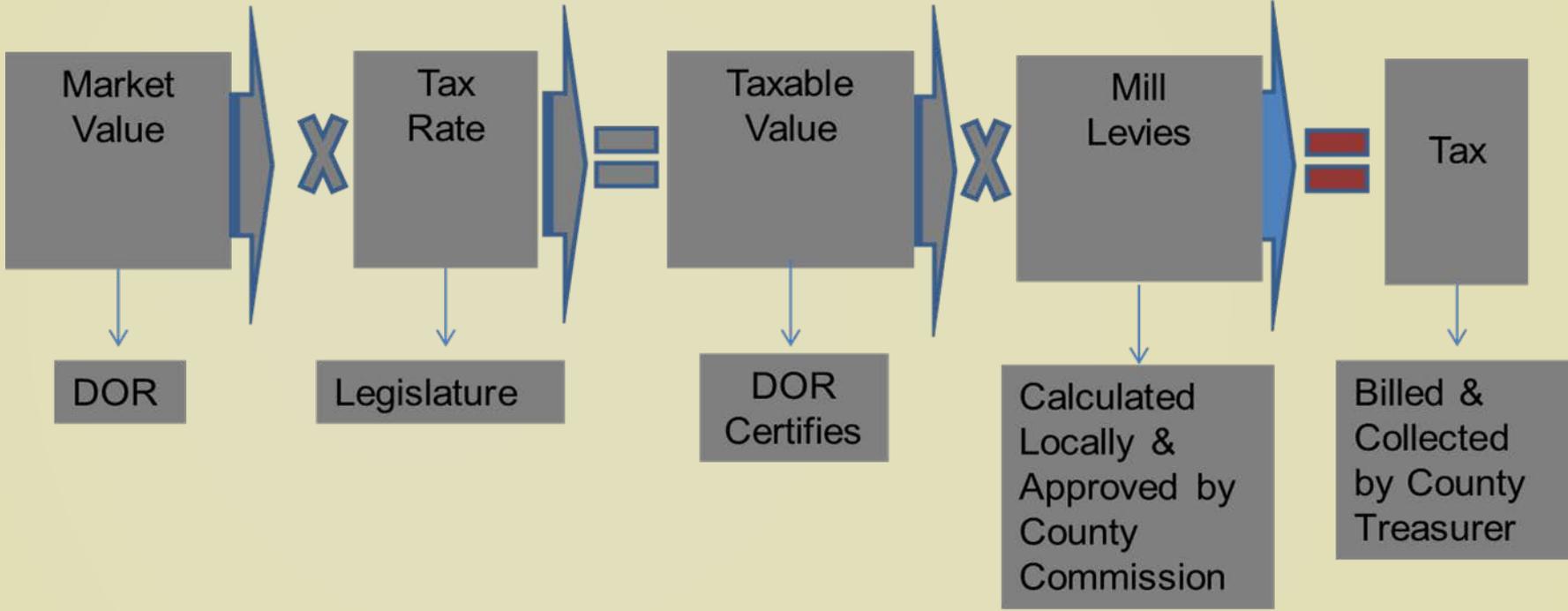
Property Taxes

The County Treasurer applies the mill levies approved by the County Commissioners to the taxable value of property from the Department of Revenue, which determines the amount of property tax owned by each property.

The County Treasurer then bills and collect the property tax from the property owner.

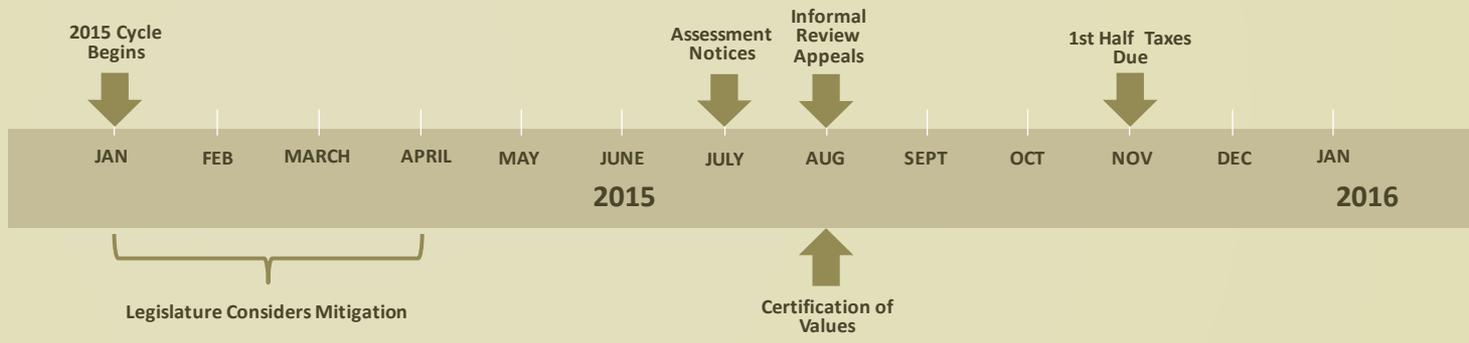


Property Tax in a Nutshell



Property Tax Timeline

REAPPRAISAL TIMELINE



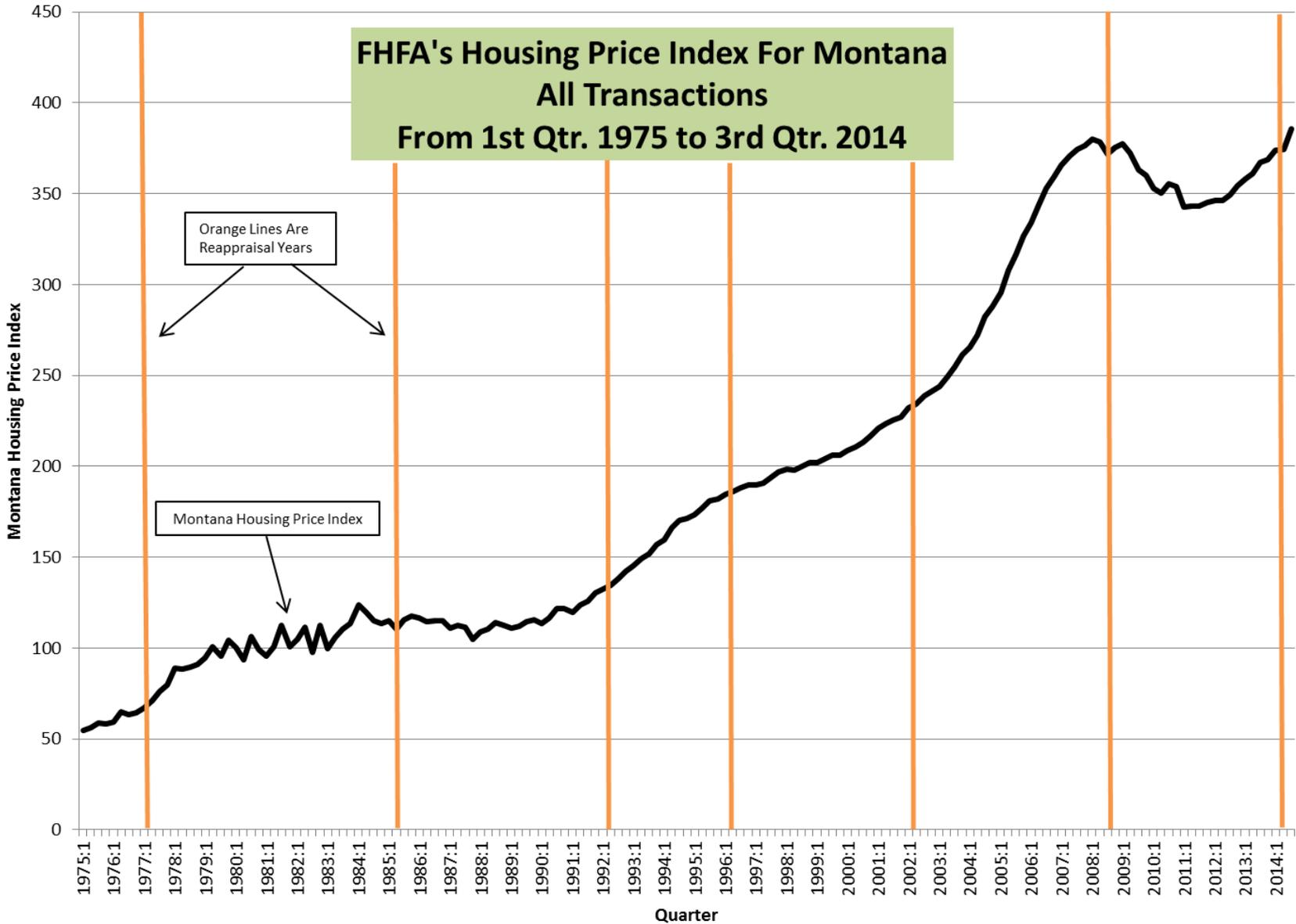
Appeal Process

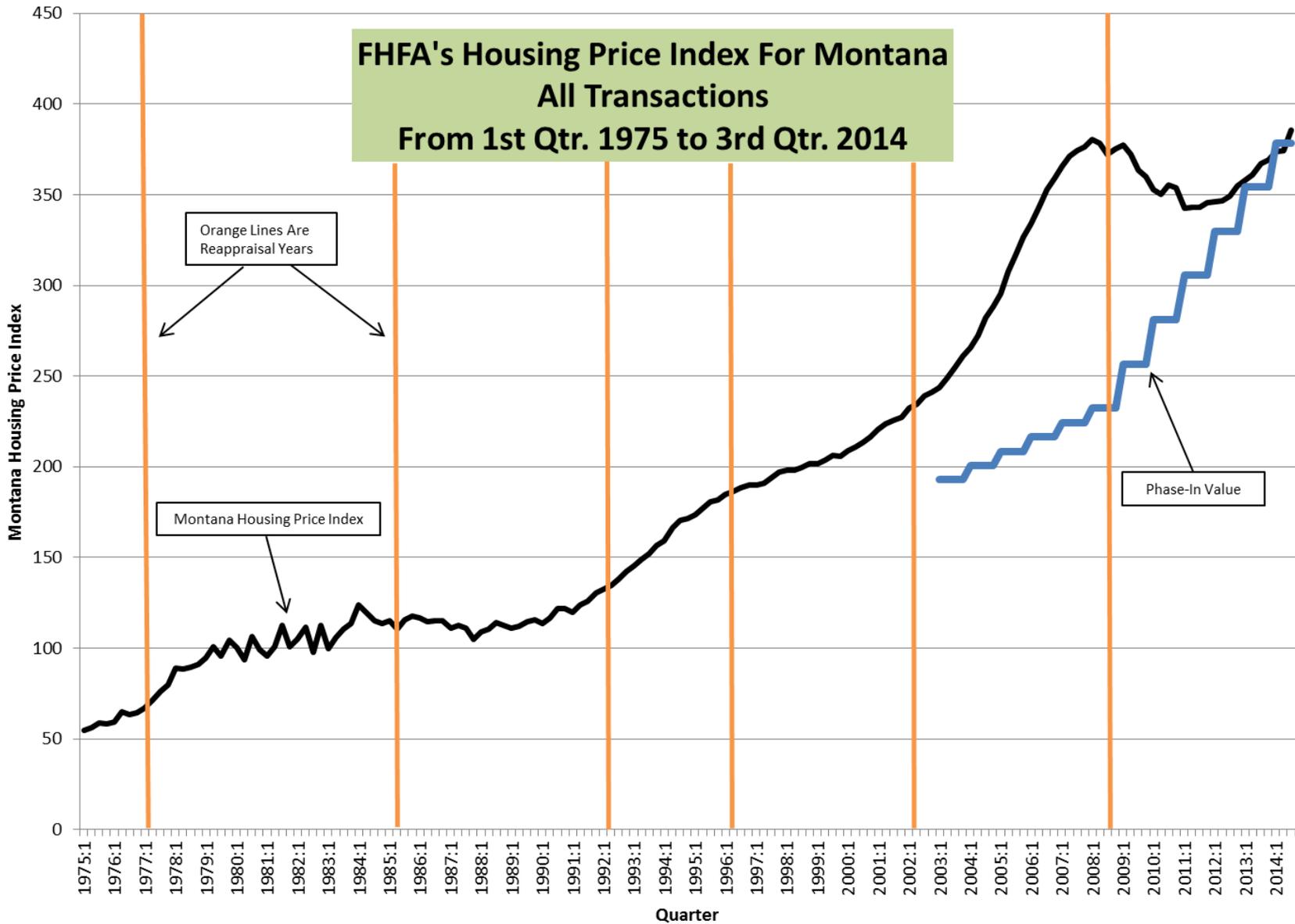
Informal Review

- May request an informal review on or before the *first Monday in June* of the current tax year or within 30 days after receiving the assessment notice.
- Request is made using a *Request for Informal Assessment Review (Form AB-26)*
- Department will review request and determine if the property's market value should be adjusted.
- If property owner is dissatisfied with the Department's response the property owner can appeal to the County Tax Appeal Board *within 30 days* after the Department's determination.

Formal Review

- Appeals from the County Tax Appeal Board precede to the State Tax Appeal Board, then to District Court, then to the Montana Supreme Court
- If the appeal is not resolved prior to the date tax bills are due (November 30 and May 31) the property owner *must pay a portion of the tax bill under protest.*





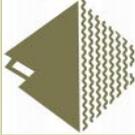
Policy Decisions

Range of Mitigation Options:

Taxable Value Neutral Rates to Current Tax Rates

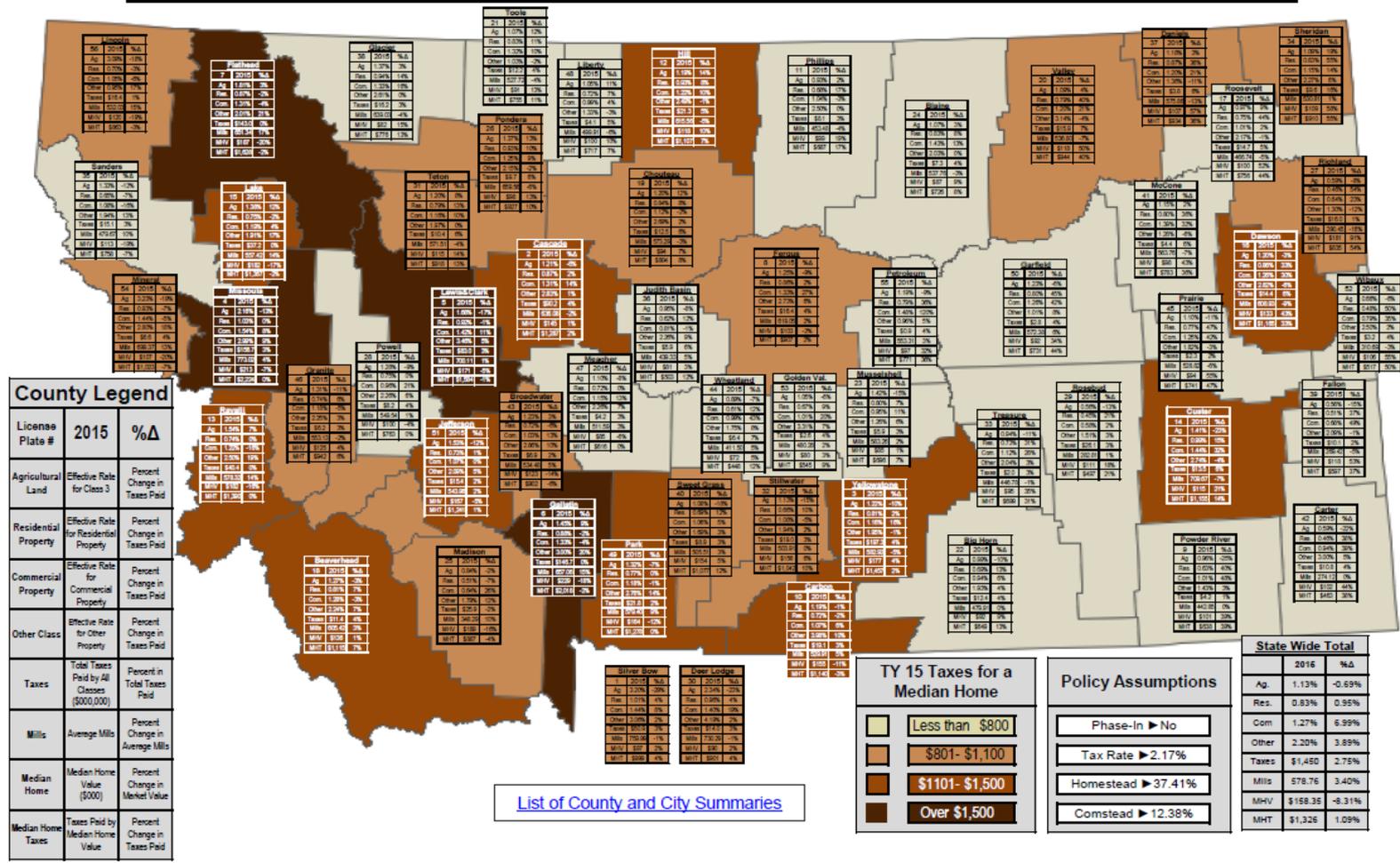
Range of Phase-in Options:

Put New Values on Immediately or Continue With Value Phase-in



Estimated Impacts of Reappraisal - Taxable Value Neutral and No Phase-In

Estimated Impacts of Reappraisal-(Taxable Value Neutral and No Phase-In)



List of County and City Summaries

Change In Market Value Relative to TY14 Est.

Tax Class	2014	2015	% Change
Class 3-Ag.	\$32,665	\$37,410	14.53%
Class 4-Res.	\$14,228,836	\$11,423,373	-19.72%
Median Home*	\$231,983	\$186,243	-19.72%
Class 4-Com.	\$2,155,326	\$1,805,522	-16.23%
Other Classes	\$1,133,179	\$972,995	-14.14%
Total	\$17,550,006	\$14,239,301	-18.86%

Change In Taxable Value Relative to TY14 Est.

Tax Class	2014	2015	% Change
Class 3-Ag.	\$1.269	\$1.117	-11.97%
Class 4-Res.	\$185,581	\$154,430	-16.79%
Median Home*	\$3,037	\$2,525	-16.84%
Class 4-Com.	\$41,342	\$33,948	-17.89%
Other Classes	\$29,127	\$30,001	3.00%
Total	\$257,319	\$219,497	-14.70%

County & School Taxes Relative to TY14 Est.

Tax Class	2014	2015	% Change
Class 3-Ag.	\$0.522	\$0.559	7.09%
Class 4-Res.	\$76.329	\$77.267	1.23%
Median Home*	\$1,249	\$1,264	1.16%
Class 4-Com.	\$17.004	\$16,985	-0.11%
Other Classes	\$11,980	\$15,011	25.30%
Total	\$105,835	\$109,822	3.77%

City Taxes Relative to TY14 Est.

Tax Class	2014	2015	% Change
Class 3-Ag.	\$0.003	\$0.004	15.24%
Class 4-Res.	\$6.258	\$6.304	0.73%
Median Home*	\$102	\$103	0.67%
Class 4-Com.	\$3.365	\$3.190	-5.20%
Other Classes	\$1,246	\$1,479	18.71%
Total	\$10,872	\$10,977	0.96%

State Taxes Relative to TY14 Est.

Tax Class	2014	2015	% Change
Class 3-Ag.	\$0.128	\$0.113	-11.97%
Class 4-Res.	\$18.744	\$15.597	-16.79%
Median Home*	\$307	\$255	-16.84%
Class 4-Com.	\$4.176	\$3.429	-17.89%
Other Classes	\$2,942	\$3,030	3.00%
Total	\$25,989	\$22,169	-14.70%

Total Taxes Relative to TY14 Est.

Tax Class	2014	2015	% Change
Class 3-Ag.	\$0.653	\$0.676	3.39%
Class 4-Res.	\$101.331	\$99.169	-2.13%
Median Home*	\$1,658	\$1,622	-2.20%
Class 4-Com.	\$24.544	\$23,604	-3.83%
Other Classes	\$16,168	\$19,520	20.73%
Total	\$142,697	\$142,968	0.19%

Statewide Map

Flathead



Change In County & School Mills Relative to TY14 Est.

Tax Class	2014	2015	% Change	2014 Eff. Rate	2015 Eff. Rate
Class 3-Ag.	411.30	500.34	21.65%	1.60%	1.49%
Class 4-Res.	411.30	500.34	21.65%	0.54%	0.68%
Median Home*	411.30	500.34	21.65%	0.54%	0.68%
Class 4-Com.	411.30	500.34	21.65%	0.79%	0.94%
Other Classes	411.30	500.34	21.65%	1.06%	1.54%
Average	411.30	500.34	21.65%	0.60%	0.77%

Change In City Mills Relative to TY14 Est.

Tax Class	2014	2015	% Change	2014 Eff. Rate	2015 Eff. Rate
Class 3-Ag.	2.46	3.22	30.91%	0.01%	0.01%
Class 4-Res.	33.72	40.82	21.05%	0.04%	0.06%
Median Home*	33.72	40.82	21.05%	0.04%	0.06%
Class 4-Com.	81.39	93.96	15.44%	0.16%	0.18%
Other Classes	42.78	49.30	15.26%	0.11%	0.15%
Total	42.25	50.01	18.36%	0.06%	0.08%

Change In State Mills Relative to TY14 Est.

Tax Class	2014	2015	% Change	2014 Eff. Rate	2015 Eff. Rate
Class 3-Ag.	101.00	101.00	0.00%	0.39%	0.30%
Class 4-Res.	101.00	101.00	0.00%	0.13%	0.14%
Median Home*	101.00	101.00	0.00%	0.13%	0.14%
Class 4-Com.	101.00	101.00	0.00%	0.19%	0.19%
Other Classes	101.00	101.00	0.00%	0.26%	0.31%
Total	101.00	101.00	0.00%	0.15%	0.16%

Change In Total Mills Relative to TY14 Est.

Tax Class	2014	2015	% Change	2014 Eff. Rate	2015 Eff. Rate
Class 3-Ag.	514.76	604.56	17.44%	2.00%	1.81%
Class 4-Res.	546.02	642.16	17.61%	0.71%	0.87%
Median Home*	546.02	642.16	17.61%	0.71%	0.87%
Class 4-Com.	593.69	695.30	17.11%	1.14%	1.31%
Other Classes	555.08	650.64	17.22%	1.43%	2.01%
Total	554.55	651.34	17.45%	0.81%	1.00%

Assumptions

Phase-In: No	Class 3 & Class 4 Rate: 2.17%	HomeStead: 37.41%	CommStead: 12.38%
--------------	-------------------------------	-------------------	-------------------

List of County and City Summaries

Change In Market Value Relative to TY14 Est.

Tax Class	2014	2015	% Change
Class 3-Ag.	\$148,359	\$185,890	25.30%
Class 4-Res.	\$427,771	\$816,596	90.90%
Median Home*	\$94,450	\$180,301	90.90%
Class 4-Com.	\$162,179	\$257,846	58.99%
Other Classes	\$702,721	\$736,300	4.78%
Total	\$1,441,030	\$1,996,631	38.56%

Change In Taxable Value Relative to TY14 Est.

Tax Class	2014	2015	% Change
Class 3-Ag.	\$3,761	\$4,098	8.95%
Class 4-Res.	\$5,567	\$11,022	98.00%
Median Home*	\$1,236	\$2,445	97.73%
Class 4-Com.	\$3,131	\$4,881	55.87%
Other Classes	\$33,633	\$35,242	4.78%
Total	\$46,092	\$55,243	19.85%

County & School Taxes Relative to TY14 Est.

Tax Class	2014	2015	% Change
Class 3-Ag.	\$0.807	\$0.676	-16.17%
Class 4-Res.	\$1.194	\$1.819	52.35%
Median Home*	\$265	\$404	52.15%
Class 4-Com.	\$0.672	\$0.806	19.94%
Other Classes	\$7.215	\$5.818	-19.37%
Total	\$9.888	\$9.119	-7.78%

City Taxes Relative to TY14 Est.

Tax Class	2014	2015	% Change
Class 3-Ag.	\$0.000	\$0.000	-33.78%
Class 4-Res.	\$0.670	\$0.805	20.28%
Median Home*	\$149	\$179	20.12%
Class 4-Com.	\$0.348	\$0.345	-0.94%
Other Classes	\$0.316	\$0.196	-37.88%
Total	\$1.334	\$1.347	0.96%

State Taxes Relative to TY14 Est.

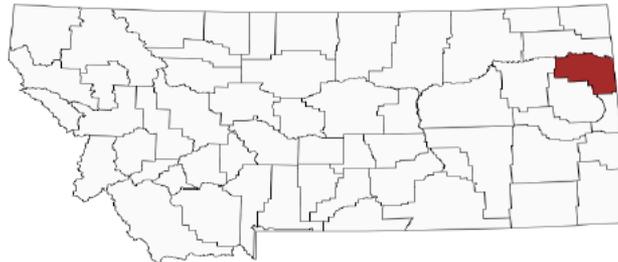
Tax Class	2014	2015	% Change
Class 3-Ag.	\$0.380	\$0.414	8.95%
Class 4-Res.	\$0.562	\$1.113	98.00%
Median Home*	\$125	\$247	97.73%
Class 4-Com.	\$0.316	\$0.493	55.87%
Other Classes	\$3.397	\$3.559	4.78%
Total	\$4.655	\$5.580	19.85%

Total Taxes Relative to TY14 Est.

Tax Class	2014	2015	% Change
Class 3-Ag.	\$1.187	\$1.090	-8.13%
Class 4-Res.	\$2,426	\$3,738	54.08%
Median Home*	\$539	\$829	53.87%
Class 4-Com.	\$1,336	\$1,644	23.00%
Other Classes	\$10,928	\$9,573	-12.40%
Total	\$15,878	\$16,045	1.06%

Statewide Map

Richland



Change In County & School Mills Relative to TY14 Est.

Tax Class	2014	2015	% Change	2014 Eff. Rate	2015 Eff. Rate
Class 3-Ag.	214.53	165.07	-23.06%	0.54%	0.36%
Class 4-Res.	214.53	165.07	-23.06%	0.28%	0.22%
Median Home*	214.53	165.07	-23.06%	0.28%	0.22%
Class 4-Com.	214.53	165.07	-23.06%	0.41%	0.31%
Other Classes	214.53	165.07	-23.06%	1.03%	0.79%
Average	214.53	165.07	-23.06%	0.69%	0.46%

Change In City Mills Relative to TY14 Est.

Tax Class	2014	2015	% Change	2014 Eff. Rate	2015 Eff. Rate
Class 3-Ag.	0.08	0.05	-39.22%	0.00%	0.00%
Class 4-Res.	120.30	73.08	-39.25%	0.16%	0.10%
Median Home*	120.30	73.08	-39.25%	0.16%	0.10%
Class 4-Com.	111.25	70.70	-36.45%	0.21%	0.13%
Other Classes	9.39	5.57	-40.72%	0.04%	0.03%
Total	28.94	24.38	-15.76%	0.09%	0.07%

Change In State Mills Relative to TY14 Est.

Tax Class	2014	2015	% Change	2014 Eff. Rate	2015 Eff. Rate
Class 3-Ag.	101.00	101.00	0.00%	0.26%	0.22%
Class 4-Res.	101.00	101.00	0.00%	0.13%	0.14%
Median Home*	101.00	101.00	0.00%	0.13%	0.14%
Class 4-Com.	101.00	101.00	0.00%	0.20%	0.19%
Other Classes	101.00	101.00	0.00%	0.48%	0.48%
Total	101.00	101.00	0.00%	0.32%	0.28%

Change In Total Mills Relative to TY14 Est.

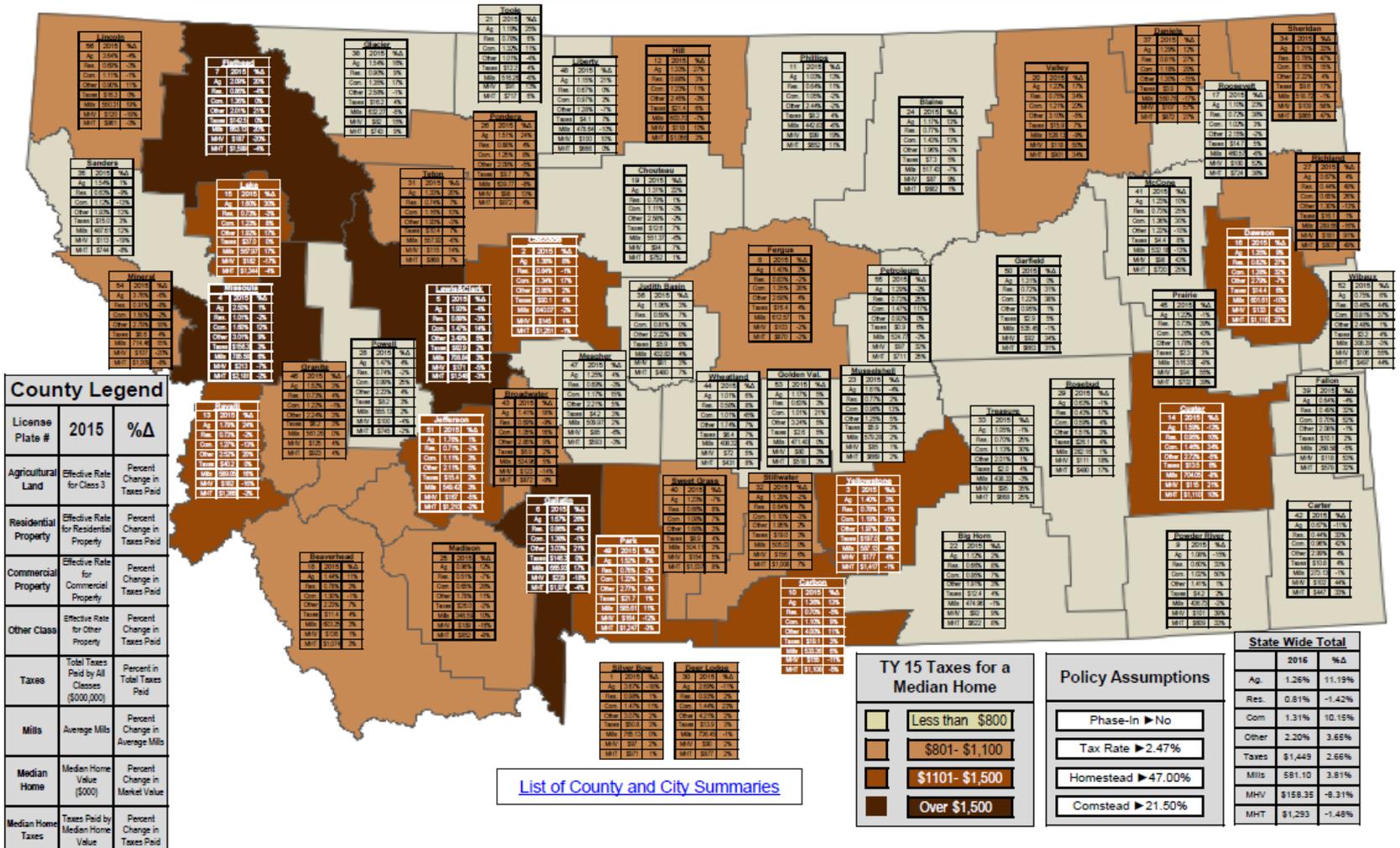
Tax Class	2014	2015	% Change	2014 Eff. Rate	2015 Eff. Rate
Class 3-Ag.	315.61	266.12	-15.68%	0.80%	0.59%
Class 4-Res.	435.83	339.15	-22.18%	0.57%	0.46%
Median Home*	435.83	339.15	-22.18%	0.57%	0.46%
Class 4-Com.	426.79	336.77	-21.09%	0.82%	0.64%
Other Classes	324.92	271.64	-16.40%	1.56%	1.30%
Total	344.48	290.45	-15.68%	1.10%	0.80%

Assumptions

Phase-In: No	Class 3 & Class 4 Rate: 2.17%	HomeStead: 37.41%	CommStead: 12.38%
--------------	-------------------------------	-------------------	-------------------

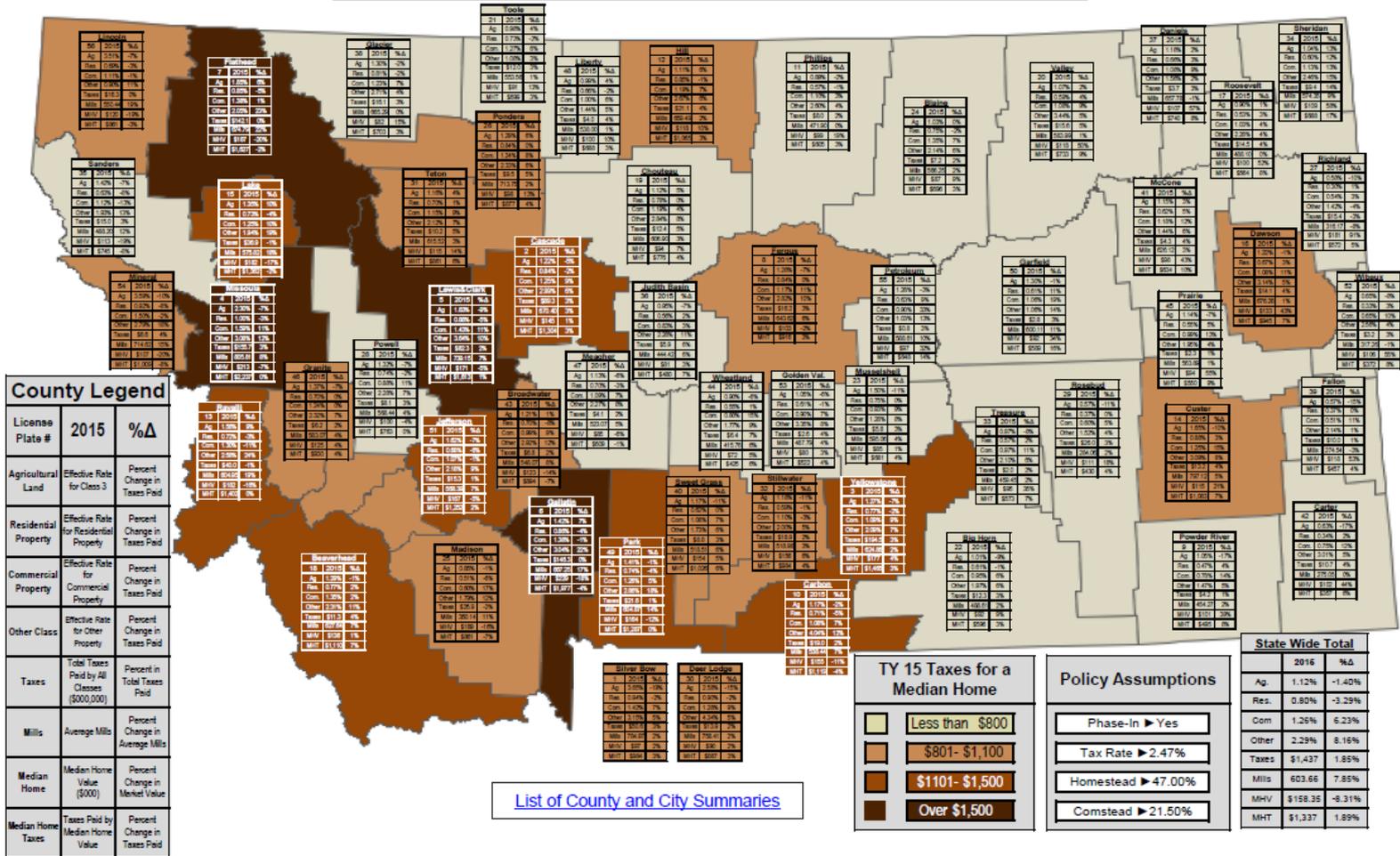
Estimated Impacts of Reappraisal – Current Rates and No Phase-In

Estimated Impacts of Reappraisal-(Current Rates and No Phase-In)



Estimated Impacts of Reappraisal – Current Law

Estimated Impacts of Reappraisal-(Current Law)



Questions?