

2015 Property Reappraisal
Montana Department of
Revenue

Who is responsible for Reappraisal?

- * The Montana Constitution:
 - * delegated the authority to the State to “appraise, assess, and equalize the valuation of all property”
 - * Required all taxing jurisdictions to use the assessed value established by the state
- * Statutory law authorized the department of revenue to classify and appraise property for tax purposes

What is Reappraisal?

- * The revaluation of class 3 (Agricultural), class 4 (Residential/Commercial/Industrial), and class 10 (Forest) properties
- * All other classes of property are revalued/reappraised annually

When is Reappraisal?

- * The law requires cyclical reappraisal every six years
- * The current reappraisal cycle began January 1, 2009, and will end December 31, 2014
- * The new cycle begins January 1, 2015, and will end December 31, 2020

Why is Reappraisal Required?

- * Fairness and equity in property taxes
- * To update the property values on a regular basis
- * The law requires property to be assessed at market value

How is Reappraisal Accomplished?

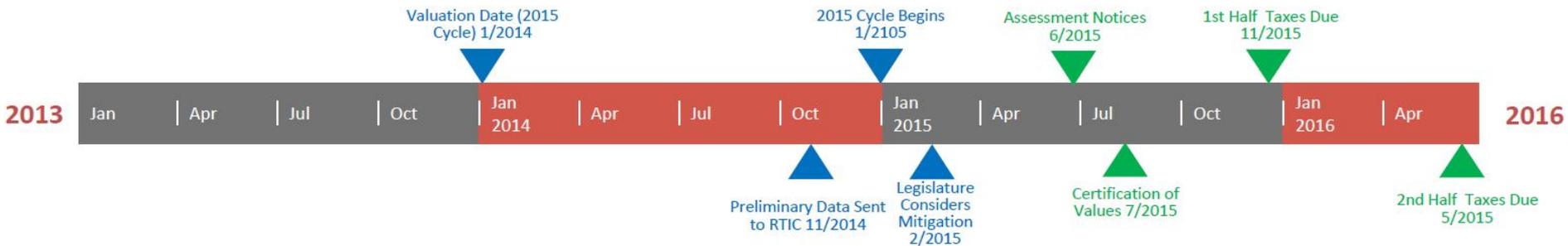
- * Mass Appraisal – the systematic appraisal of groups of properties as of a given date using standardized procedures and statistical testing

Difference between mass appraisal and fee appraisal

	Mass Appraisal	Single Appraisal
Date	Valuation of many properties as of a given date	Valuation of a specific property as of a given date
Scale	Requires many people researching the market, using standard procedures across many properties and statistical testing	One person performs all research and makes all appraisal judgments
Quality	Statistical methods are used to measure deviations of all sales in the population data base from their mass-appraised values; if sales fall within a predetermined average deviation from actual sales prices, work quality is considered good	Quality can usually be judged by a comparison with comparable sales

2015 Reappraisal Timeline

Property Assessment Division
2015 Reappraisal Work Timeline (Tentative)



What are the Roles of DOR, Legislature, and County/City Gov's?

- * **DOR**

- * Reappraise all taxable property

- * **Legislature**

- * Establish exemptions, i.e. Homestead and Comstead
- * Establish the tax rate per class of property

- * **County/City Governments**

- * Establish mills
- * Determine special fees and assessment charges
- * Bill and Collect taxes

The **citizens** of Montana receive services from the taxing jurisdictions.

DOR-PAD maintains a data base of ownership and property value information for all property subject to property taxation in the state of Montana.

Assessment notices are sent to taxpayers informing them of the value determined for their property. They have the opportunity to request a review or file an appeal.
May/June/July

Certified Taxable Values
DOR-PAD reports to each taxing jurisdiction the total value of taxable property within its boundaries. 15-10-202, MCA
1st Monday Aug

Each **taxing jurisdiction** uses that information to calculate a mill levy and establish their budget for the coming year.
Aug/Sept

Taxing Jurisdictions report their mill levies to the **County**.
1st Tues. Sep

County reports the mill levies to Department of Revenue 15-10-3-5(1), MCA.
2nd Mon. Sept/30

Department of Revenue computes taxes, fees and assessments to be levied and notifies County Clerk and Recorder and Treasurer. 15-10-305(2), MCA.
2nd Mon. Oct

Property tax bills are calculated based on the taxable value of each property \times the mill levies of the taxing jurisdictions that property is in.
Sept/Oct

County Treasurers produce and mail property tax bills to property owners 15-16-101, MCA.
1st of Nov

Property owners receive and pay their property tax bills.
Nov 30th

County Treasurers collect the taxes and distribute them to the taxing jurisdictions.
Dec/June



What Types of Property are included in the Reappraisal?

- * Agricultural Land
- * Residential Homes
- * Commercial Property
- * Forest Lands

What are the Methodologies?

- * **Sales Comparison Approach to Value** – used primarily for residential property
- * **Income Approach to Value** – used primarily for commercial property
- * **Cost Approach to Value** – used primarily for residential and commercial property
- * **Productivity** – used for agricultural and forest land

Sales Comparison Approach to Value

- * Uses sale price as evidence of the value of similar properties
- * If competitive market conditions were approximated, and conditions have not changed greatly, a similar property would sell at approximately the same price
- * No two real properties are exactly alike, systematic methods must be used to adjust the prices of sold properties, i.e. comparable sales
- * Known prices are adjusted by adding or subtracting the value of a given feature. For example, a comparison house with 3-car garage and a subject property with a 2-car garage

Income Approach to Value

- * Based on the theory that the market value of income-producing property is related to the amount, duration, and certainty of its income-producing capacity
- * Requires the appraiser to estimate the income from a property and capitalize the income into an estimate of current value

* $\text{Income} = \text{Value} \times \text{Rate}$

* $\text{Value} = \frac{\text{Income}}{\text{Rate}}$

Cost Approach to Value

- * Based on the principal of substitution
- * Based on the idea that the value of an existing property is the value of the land plus the replacement cost of the improvements less depreciation (not based on number of years used but loss of value caused by physical deterioration, functional obsolescence, or changes in the economy or neighborhood)
- * Appraiser determines the replacement cost of a new property functionally equivalent to the subject property, not necessarily an exact replica.

Productivity

- * Agricultural Land – based on Natural Resource and Conservation soil data (NRCS) which determines the amount of ag commodity that can be produced from the land measured in animal unit months, spring wheat, or hay
- * Forest Land – the timber that can be produced from the land measured in board feet

What are the major Impacts per property in 2015?

Property Class	Property Type	Methodology	Impacts to Value
3	Agricultural	<ul style="list-style-type: none"> • Productivity • Improvement 	<ul style="list-style-type: none"> • Commodity Prices • Construction Costs
4	Residential	<ul style="list-style-type: none"> • Sales Comparison • Cost 	<ul style="list-style-type: none"> • Home Sales • Construction Costs
4	Commercial	<ul style="list-style-type: none"> • Income • Cost 	Reported Income and Expense Data
4	Industrial		
10	Forest Land	¹⁷ Productivity	Timber sales

Preliminary Analysis Indicates Statewide Impacts of...

- * Commodity Prices – increase the value by approximately 50%
- * Construction Costs – increased by approximately 10%,-15% but value also considers depreciation, local index, and economic condition factors
- * Timber sales – stumpage values decrease the value by approximately 50%
- * Income and expense data – increase the value by an average of 23%

Commodity Prices

(Current vs. Estimated 2015 Prices)

2015 Estimate		Indicates price not included in average	
	Spring Wheat	Alfalfa	Private Grazing Fee
Year	Price	Price	Price
2013 (9 months)	\$7.99	\$154.00	No Estimate Available
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
Olympic Avg	\$7.61	\$107.20	\$18.88
Adjustments	<i>\$0.00</i>	<i>15-7-202, MCA stipulates a 20% reduction in the alfalfa price</i>	\$0.00
Current Estimate	\$7.61	\$85.76	\$18.38
2009	\$4.58	\$63.04	\$15.72
% Change	66%	36%	20%

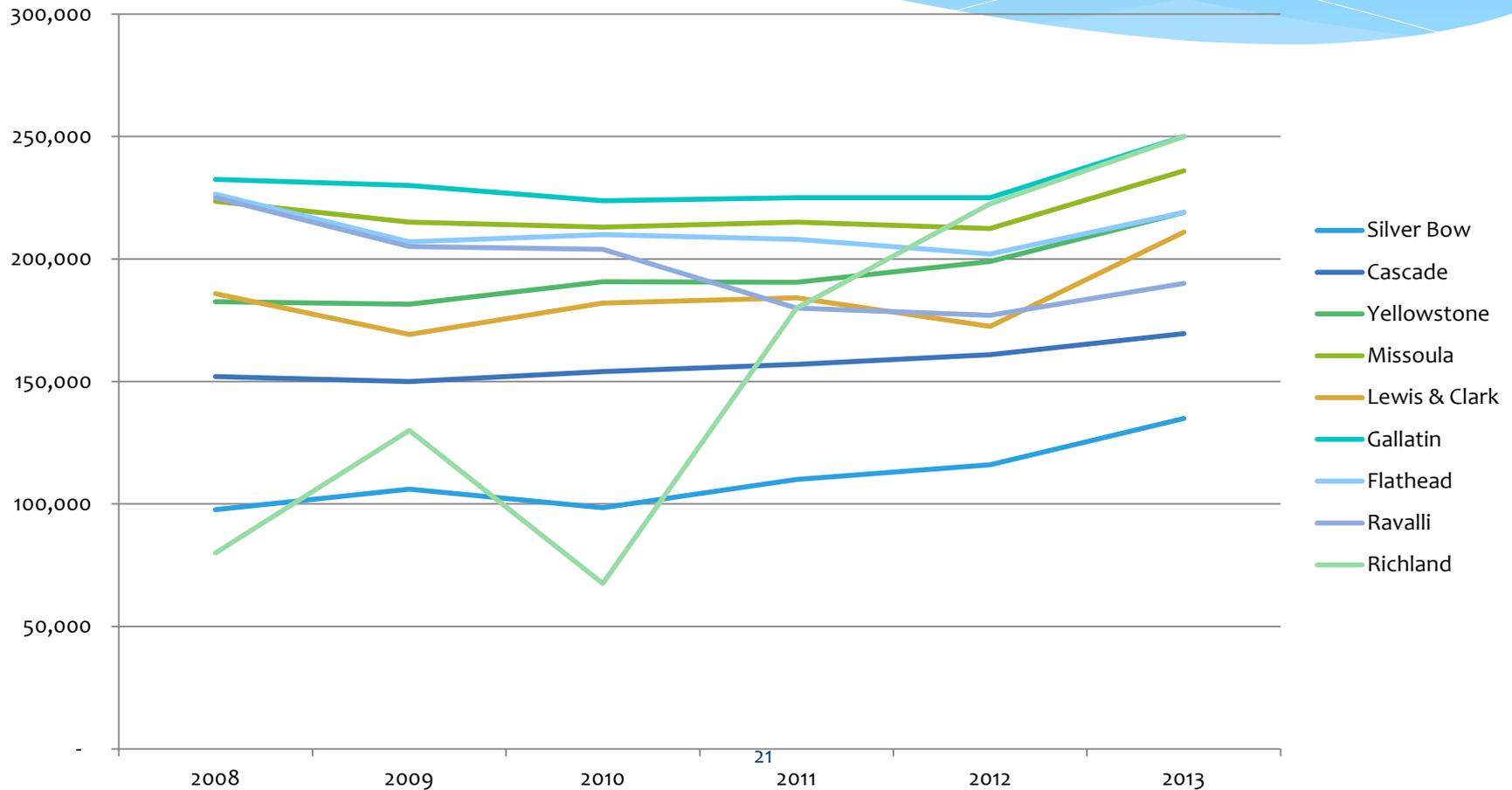
Residential Homes Estimated Changes

Median Residential Sale Price

	2008	2009	2010	2011	2012	2013	% Change (1/1/08 – 12/31/13)
Silver Bow	97,600	106,000	98,400	110,000	116,000	134,900	38.22%
Cascade	151,950	150,000	154,000	157,000	160,972	169,575	11.60%
Yellowstone	182,550	181,500	190,750	190,500	199,000	219,000	19.97%
Missoula	223,500	215,000	213,000	215,000	212,500	236,019	5.60%
Lewis & Clark	185,800	169,200	182,000	184,100	172,500	211,000	13.56%
Gallatin	232,500	230,000	223,760	225,000	225,000	250,000	7.53%
Flathead	226,525	207,000	210,000	208,000	202,048	219,000	-3.32%
Ravalli	225,000	205,143	204,000	180,000	177,000	190,000	-15.56%
Richland	80,000	130,000	67,500	180,000	222,500	250,000	212.50%

Residential Homes Estimated Changes

Median Residential Sale Price



Median Residential Sale Prices

- * Median sales prices are heavily influenced by changes in the mix of properties that sold in different time periods.
- * They are more of a macro-economic view of a larger area and represents the population of what is selling and may not be reflective of certain types of properties.
- * For instance, the market may be changing in that buyers are purchasing more expensive homes which will drive up the median sale price. This does **not** mean that the same property that sold 5 years ago will sell for a higher amount today. The median sale prices are good for analyzing the type of market activity that is occurring and the type of properties that are selling.

Examples of Expected Market Value Changes

- * Flathead - The market in Flathead county saw a large decrease due to the recession and it has been recovering since the beginning of 2013, with construction numbers reaching 2005 levels. Residential lots county wide have experienced on average 50% loss in value due to excess supply of lots, however the improved sales are approaching previous levels due to demand. The biggest decrease in land value throughout the region is small acreage tracts <20 acres, but they were some of the biggest increases last cycle.
- * Lewis & Clark – residential values have slightly decreased during the current cycle. Commercial improved values declined in 2009 thru 2011 and have increased noticeably during 2012 and 2013, slightly higher than the 2008 level

Examples of Expected Market Value Changes

- * Gallatin – significant decrease in residential and commercial property from 2009 thru 2012. Values have gradually started to increase and recover during 2012 and 2013. Residential is steadily improving toward the high in 2008
- * Butte-Silver Bow – slight decrease during the recession, sale prices remain below 2008 levels but remain steady
- * Cascade – remained fairly steady (with slight increases) for commercial and residential property
- * Yellowstone – remained steady in Billings with commercial increases of approximately 15% and residential property increases of approximately 4%

Questions?