

Montana Personal Property Assessment

Aggregation, Exemption and Tax Rate Adjustment Thresholds

In an effort to reduce the tax burden on businesses, Montana law exempts a portion of a taxpayer's class eight personal property value. Additionally, a lower tax rate is applied to the portion of value that is under a second threshold.

- The first \$100,000 of taxable market value is exempt. This is the **exemption threshold**.
- A lower tax rate is applied to the next \$6 million of taxable market value. This is the **tax rate adjustment threshold (TRAT)**.

Personal property assessment is based on **statewide aggregate value**, that is, the combined value from all of a taxpayer's locations throughout the state. Values are aggregated by taxpayer ID.

The department makes an effort to identify the **parent company**. A parent company is one that has an ownership interest of 50% or more in another entity.¹ If a parent company is identified, values are aggregated by the parent company's taxpayer ID.

Market value, aggregate market value and aggregate *taxable* market value

Class eight property includes most business equipment.²

Market value of class eight property is the depreciated value determined as described in Montana law and administrative rules.

Taxable market value is the total market value minus any exempt market value.
 $\text{total market value} - \text{exempt market value} = \text{taxable market value}$

Aggregate market value is the total market value of class eight property that a person or entity owns at all locations, statewide. The amount of any penalty on a taxpayer's property assessment record(s) is *not* included when determining the taxpayer's aggregate market value.

Aggregate taxable market value is the total market value of class eight property that a person or entity owns at all locations, statewide **minus** the exempt class eight market value.
 $\text{aggregate market value} - \text{exempt market value} = \text{aggregate taxable market value}$

¹ ARM 42.21.158 <http://www.mtrules.org/gateway/ruleno.asp?RN=42%2E21%2E158>

² 15-6-138, MCA <http://leg.mt.gov/bills/mca/15/6/15-6-138.htm>

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2014 and Subsequent Years

- the *first* \$100,000 of aggregate taxable market value of class eight property is exempt,
- the next \$6 million in taxable market value is taxed at 1.5%,
- any taxable market value in excess of \$6,100,000 is taxed at 3%

The exemption threshold and TRAT threshold are allocated amongst the taxpayer's property locations.

- a) Each location's contribution to the total aggregate market value is calculated as a percentage.
- b) Each location's contribution percentage is applied to the exemption threshold, \$100,000, to calculate the location's share of the exemption threshold.
- c) The location's share of the exemption threshold **and** any other exempt class eight value is subtracted from the location's total market value to calculate the location's *taxable* market value.
- d) The percentage of the taxpayer's taxable market value that is **over** the TRAT threshold is calculated by first subtracting the TRAT threshold, \$6 million, from the taxpayer's total taxable market value, then dividing the taxpayer's total taxable market value **over** the TRAT threshold by the taxpayer's total taxable market value.
- e) The percentage **under** TRAT is calculated by subtracting the percent **over** TRAT from 100%.
- f) Each location's taxable market value **over** the TRAT threshold is calculated by multiplying the over TRAT percentage by the location's taxable market value.
- g) Each location's base **taxable value** is calculated by multiplying the normal tax rate by the location's taxable market value.
- h) The **over** TRAT taxable value is calculated by multiplying the **additional** TRAT tax rate by the location's taxable market value **over** TRAT.
- i) The location's total taxable value is calculated by adding together the base taxable value and the **over** TRAT taxable value.

The examples on the following page illustrate personal property assessment calculations for various aggregation and threshold scenarios.

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Examples

taxable value calculation - under exemption threshold															
county	location	Total market value	location's contribution to total aggregate value	location's share of \$100,000 exemption threshold	value of exempt class eight property other than the exemption threshold	Taxable market value	% Under TRAT	% Over TRAT	Taxable market value Over TRAT	Normal tax rate	Additional Over TRAT tax rate	Total Over TRAT tax rate	Taxable value	Additional Over TRAT taxable value	Total taxable value
1	1	25,000	29%	28,736	2,000	0	100%	0%	0	1.5%	1.5%	3%	0	0	0
1	2	10,000	11%	11,494	0	0	100%	0%	0	1.5%	1.5%	3%	0	0	0
2	1	15,000	17%	17,241	500	0	100%	0%	0	1.5%	1.5%	3%	0	0	0
3	1	24,000	28%	27,586	1,200	0	100%	0%	0	1.5%	1.5%	3%	0	0	0
4	1	13,000	15%	14,943	0	0	100%	0%	0	1.5%	1.5%	3%	0	0	0
		87,000	100%	100,000	3,700	0			0				0	0	0
					minus \$6 million TRAT threshold	6,000,000									
					taxable market value over TRAT threshold	0									

taxable value calculation - over exemption threshold, under TRAT threshold															
county	location	Total market value	location's contribution to total aggregate value	location's share of \$100,000 exemption threshold	value of exempt class eight property other than the exemption threshold	Taxable market value	% Under TRAT	% Over TRAT	Taxable market value Over TRAT	Normal tax rate	Additional Over TRAT tax rate	Total Over TRAT tax rate	Taxable value	Additional Over TRAT taxable value	Total taxable value
1	1	120,000	24%	24,242	5,000	90,758	100%	0%	0	1.5%	1.5%	3%	1,361	0	1,361
1	2	80,000	16%	16,162	1,200	62,638	100%	0%	0	1.5%	1.5%	3%	940	0	940
2	1	150,000	30%	30,303	1,100	118,597	100%	0%	0	1.5%	1.5%	3%	1,779	0	1,779
3	1	115,000	23%	23,232	800	90,968	100%	0%	0	1.5%	1.5%	3%	1,365	0	1,365
4	1	30,000	6%	6,061	400	23,539	100%	0%	0	1.5%	1.5%	3%	353	0	353
		495,000	100%	100,000	8,500	386,500			0				5,798	0	5,798
					minus \$6 million TRAT threshold	6,000,000									
					taxable market value over TRAT threshold	0									

taxable value calculation - over exemption threshold, over TRAT threshold															
county	location	Aggregate Total market value	location's contribution to total aggregate value	location's share of \$100,000 exemption threshold	value of exempt class eight property other than the exemption threshold	Taxable market value	% Under TRAT	% Over TRAT	Taxable market value Over TRAT	Normal tax rate	Additional Over TRAT tax rate	Total Over TRAT tax rate	Base taxable value	Additional Over TRAT taxable value	Total taxable value
1	1	2,120,000	22%	21,867	10,000	2,088,133	63%	37%	777,315	1.5%	1.5%	3%	31,322	11,660	42,982
1	2	1,180,000	12%	12,171	5,000	1,162,829	63%	37%	432,867	1.5%	1.5%	3%	17,442	6,493	23,935
2	1	2,150,000	22%	22,176	6,000	2,121,824	63%	37%	789,857	1.5%	1.5%	3%	31,827	11,848	43,675
3	1	3,115,000	32%	32,130	12,000	3,070,870	63%	37%	1,143,142	1.5%	1.5%	3%	46,063	17,147	63,210
4	1	1,130,000	12%	11,655	4,000	1,114,345	63%	37%	414,819	1.5%	1.5%	3%	16,715	6,222	22,937
		9,695,000	100%	100,000	37,000	9,558,000			3,558,000				143,370	53,370	196,740
					minus \$6 million TRAT threshold	6,000,000									
					taxable market value over TRAT threshold	3,558,000									