

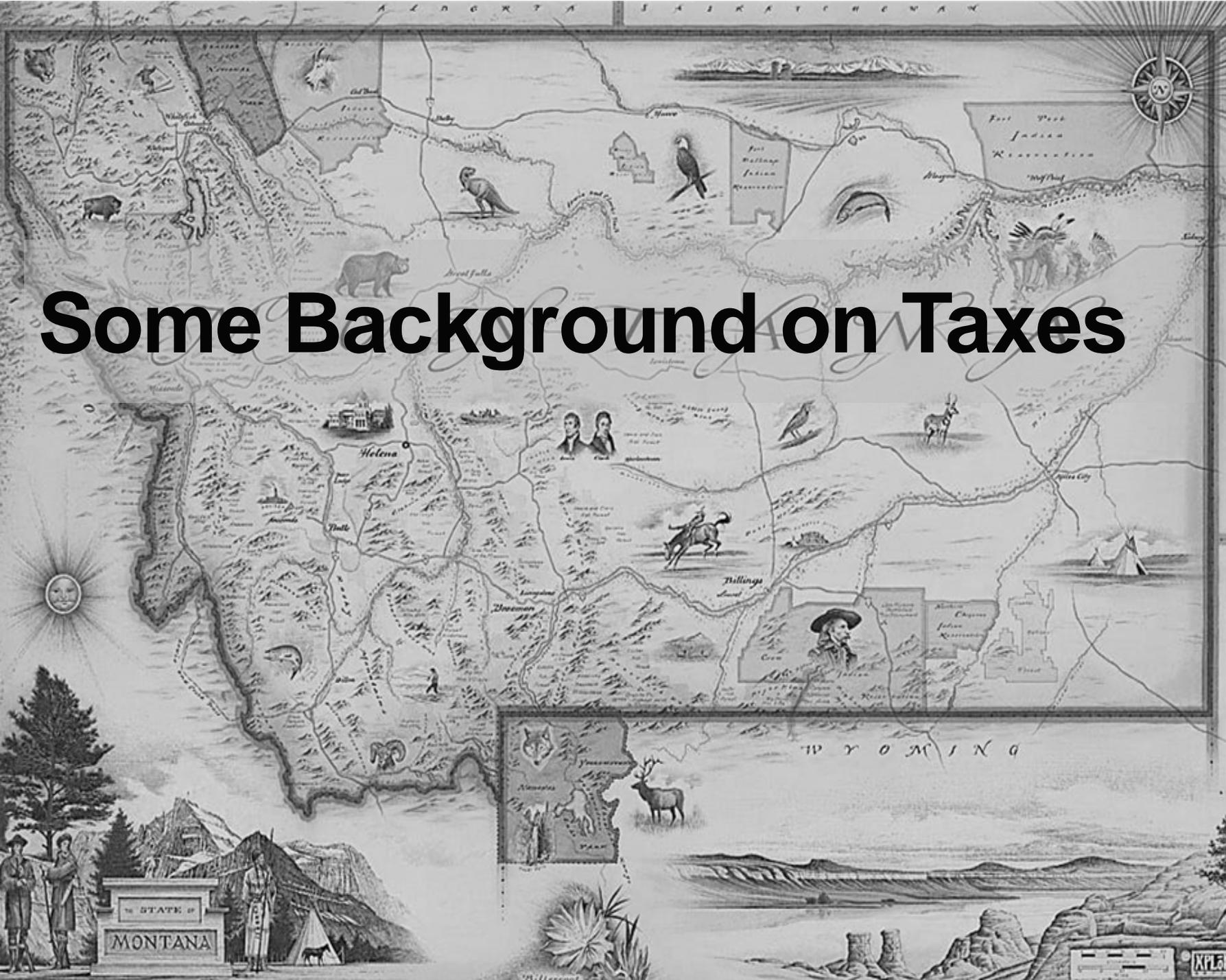
Montana Department of
REVENUE

2014 Property Reappraisal Presentation

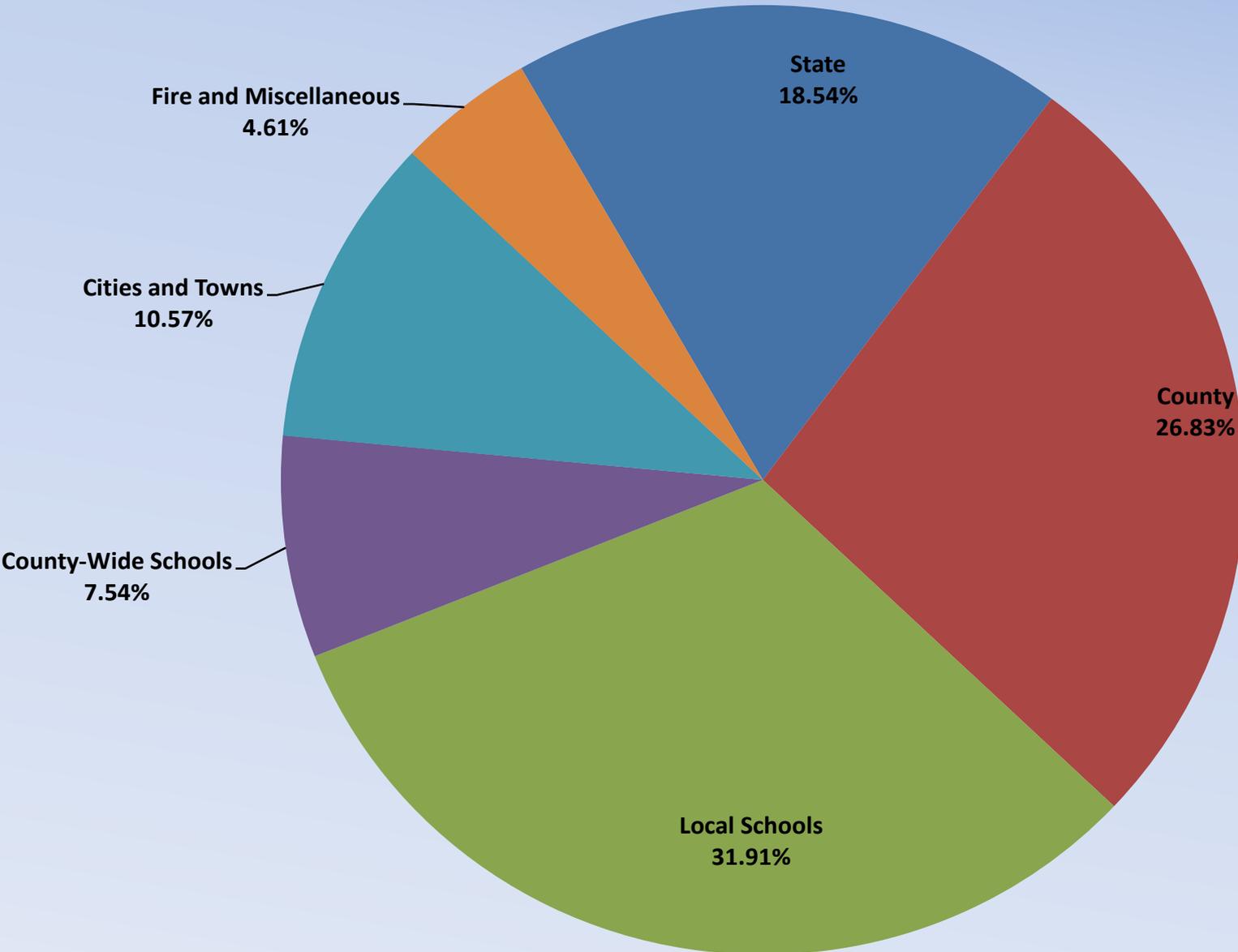
The Road Show Players

- Mike Kadas – Director of Department of Revenue
- Cynthia Monteau Moore – Administrator Property Assessment Division
- Gene Walborn – Administrator Business and Income Tax Division
- Ed Caplis – Director of Tax Policy and Research

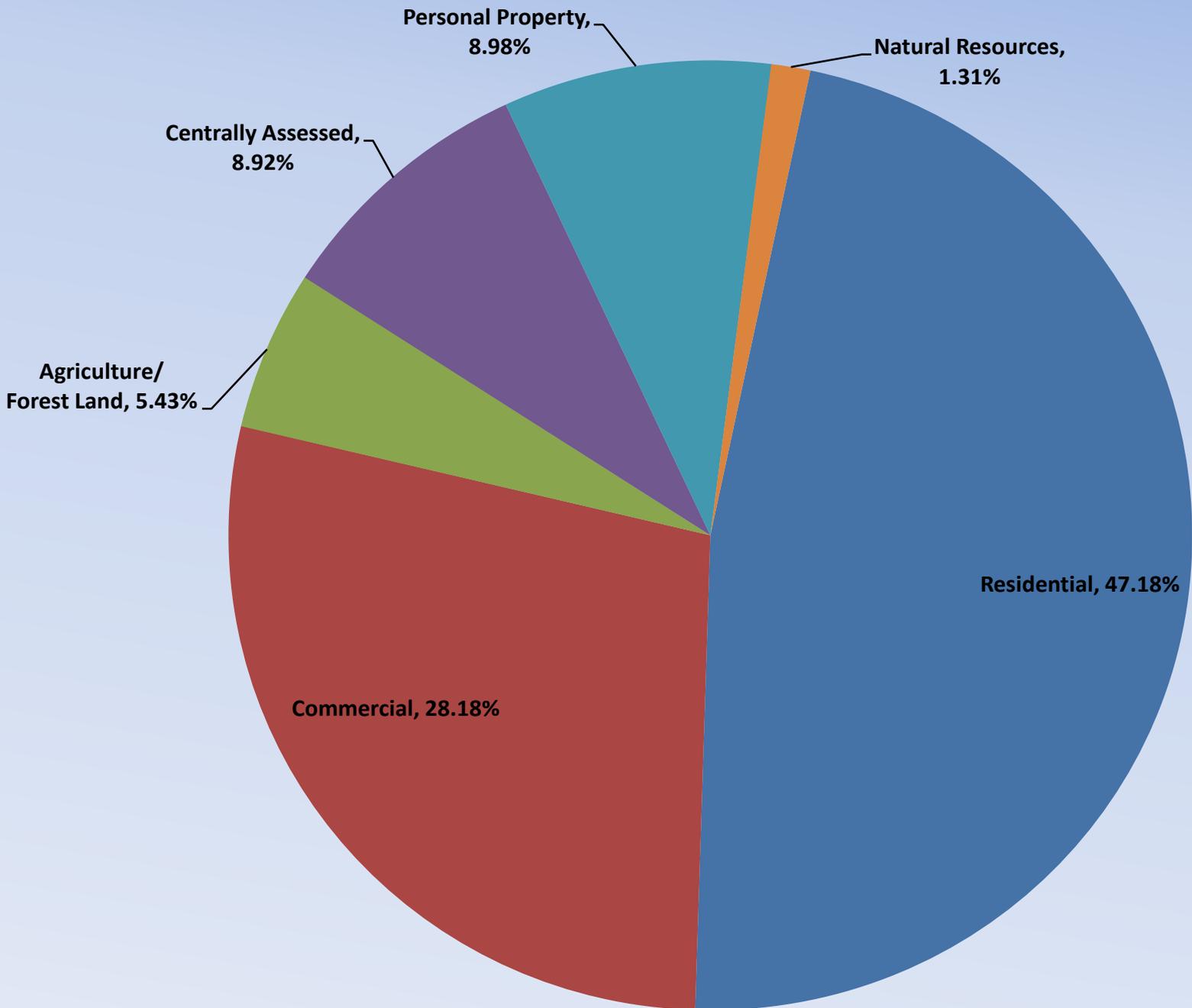
Some Background on Taxes



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

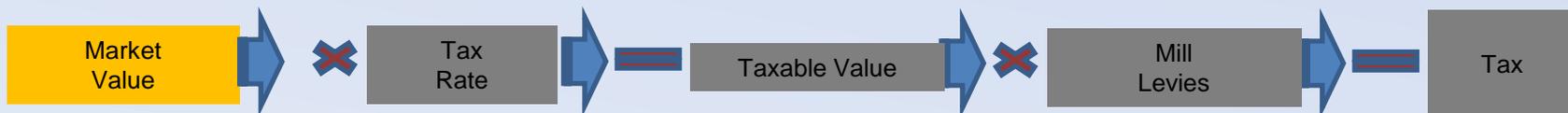
The Law

- 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

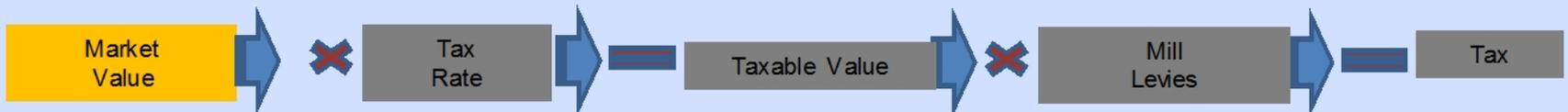
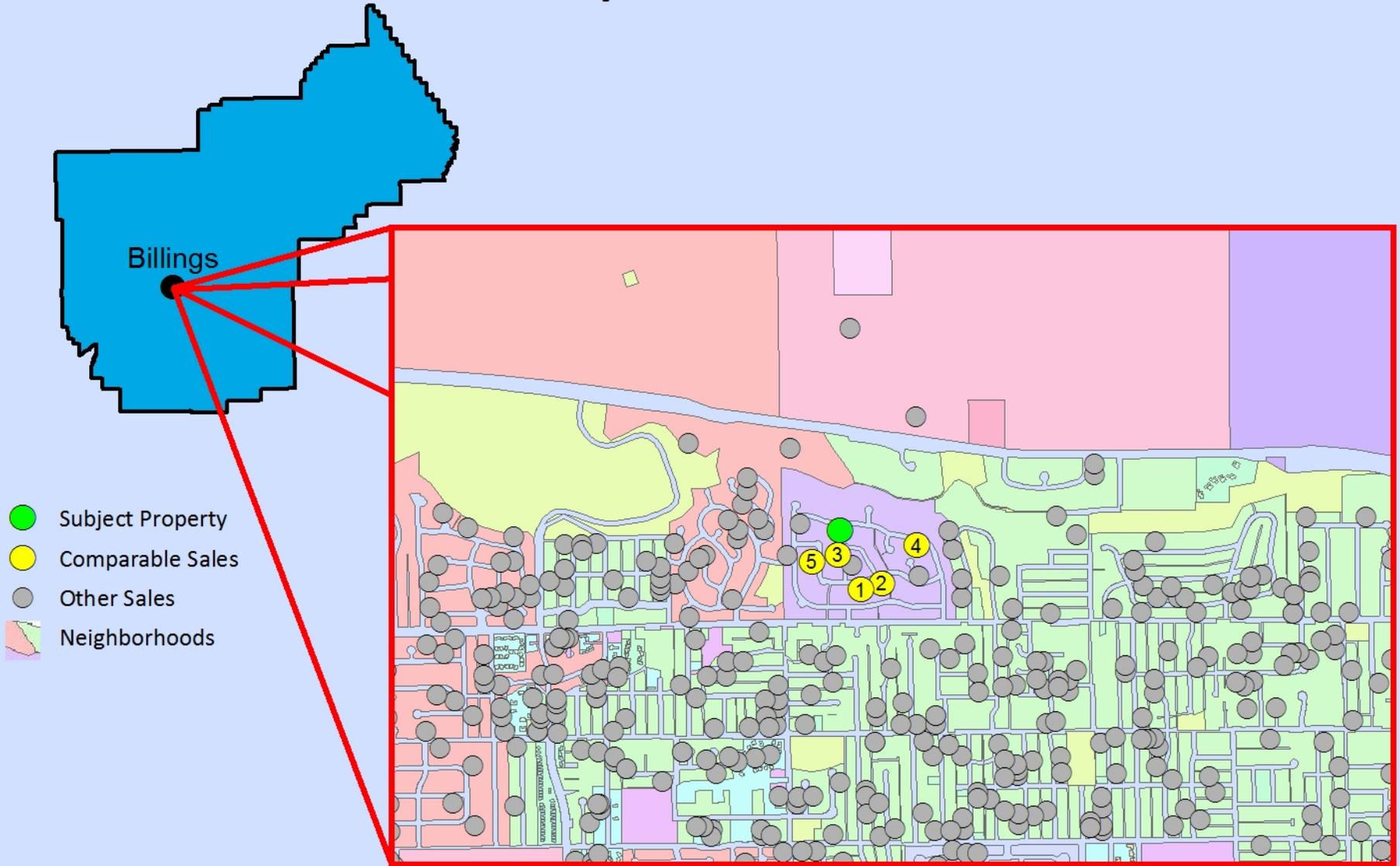
Commercial/Industrial → Sales Comparison
Commercial/Industrial → Cost Approach
Commercial/Industrial → Income Approach

Agricultural → Income Approach

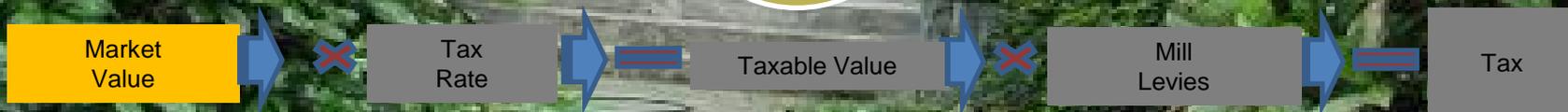
Forest → Income Approach



Sales Comparison Method

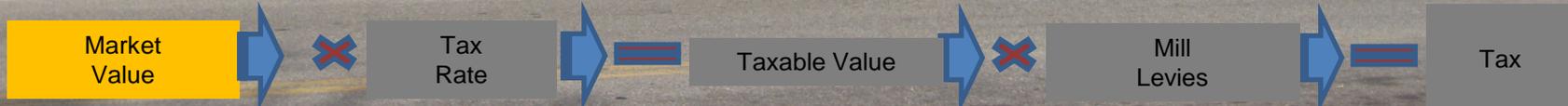


Comparing Subject Property to Comparable Property



Cost Approach to Value (Primarily Residential and Commercial Property)

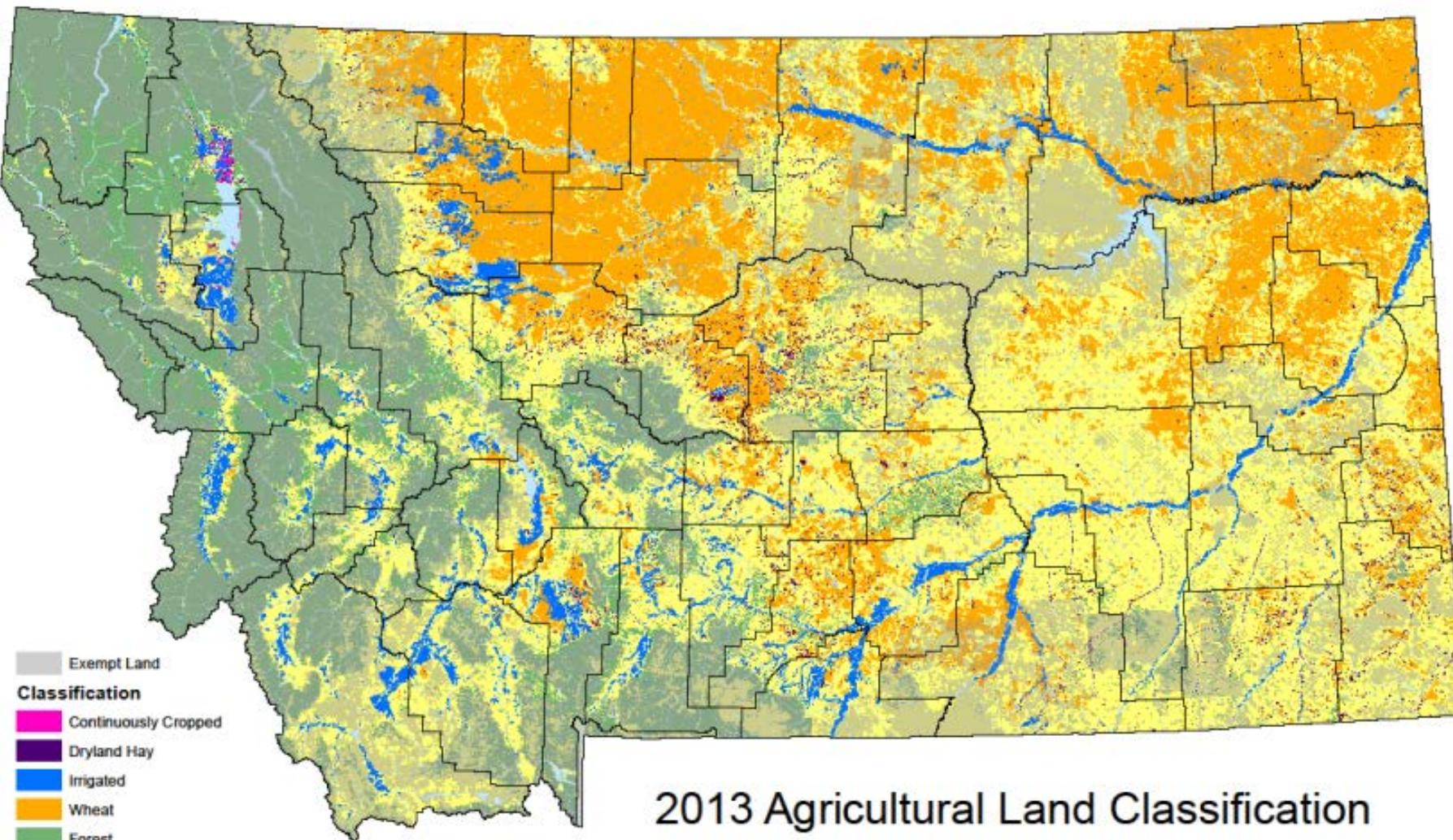
$$\begin{aligned} & \text{Land Value} \\ & + \\ & \text{Improvement Cost} \\ & - \\ & \text{Depreciation} \\ & = \\ & \text{Market Value} \end{aligned}$$



Income Approach Commercial Property

Income – Expenses
Rate of Return



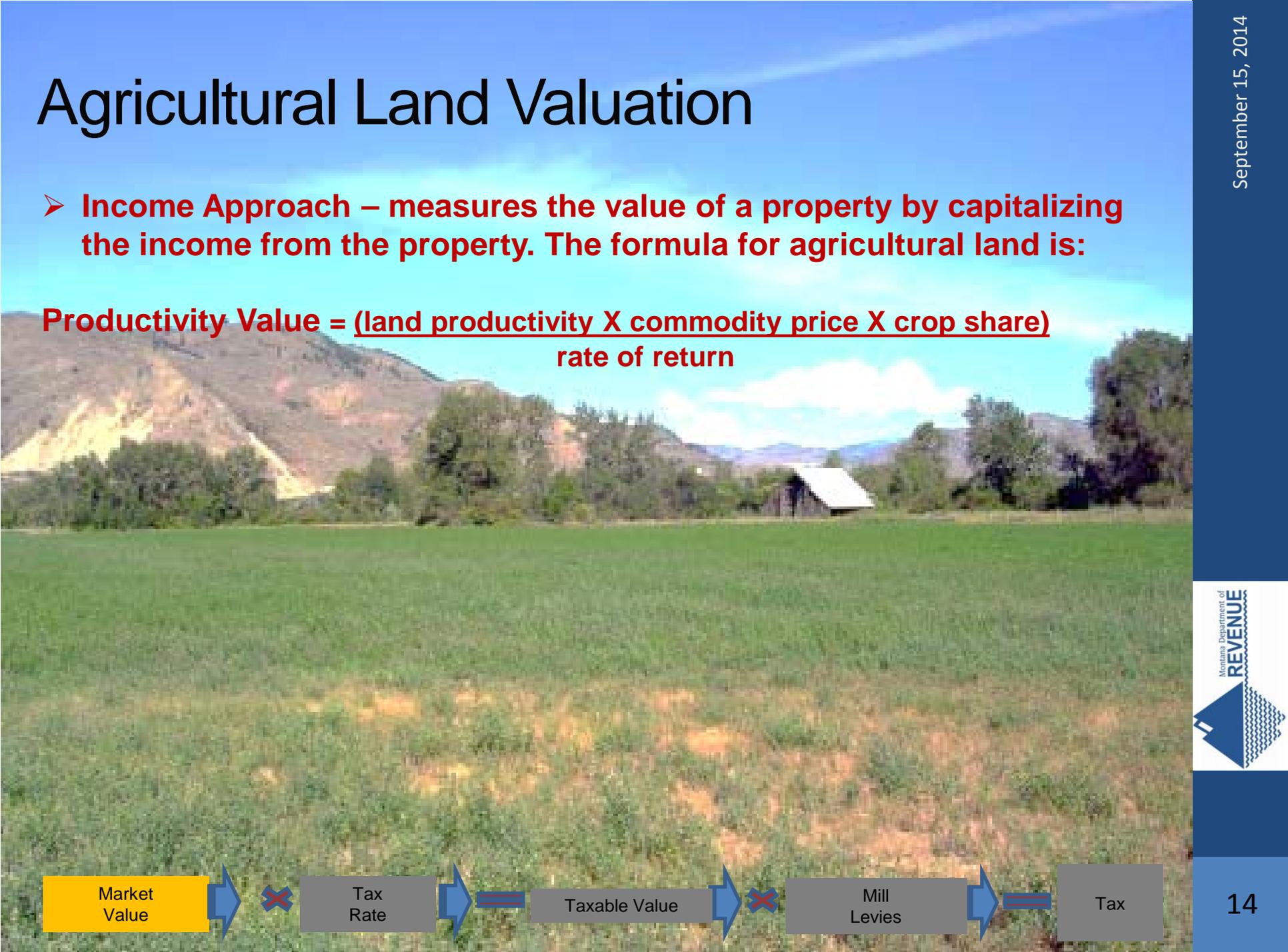


2013 Agricultural Land Classification

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**

And

- **Adjustments when appropriate to approximate average production**



Commodity Price



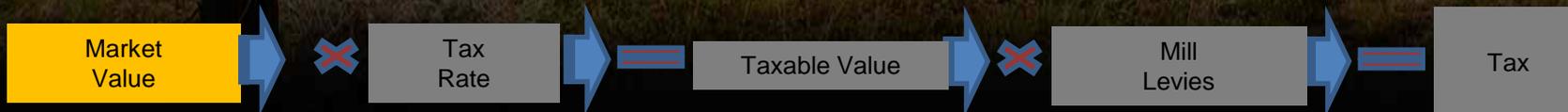
- **10 Year Olympic Average**
 - **Grazing Land**
 - Private Grazing Fee
 - **Non-irrigated farm land (Summer fallow and continuous crop farmland)**
 - Spring wheat
 - **Irrigated and non-irrigated hay land**
 - Spring Wheat or Alfalfa Hay



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%

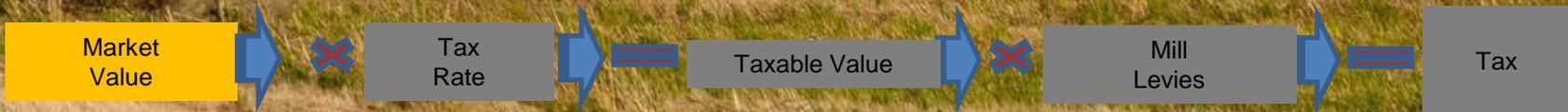


**Productivity Value = (land productivity X commodity price X crop share)
rate of return**

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:

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



Estimated Change in Forest Property Value

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



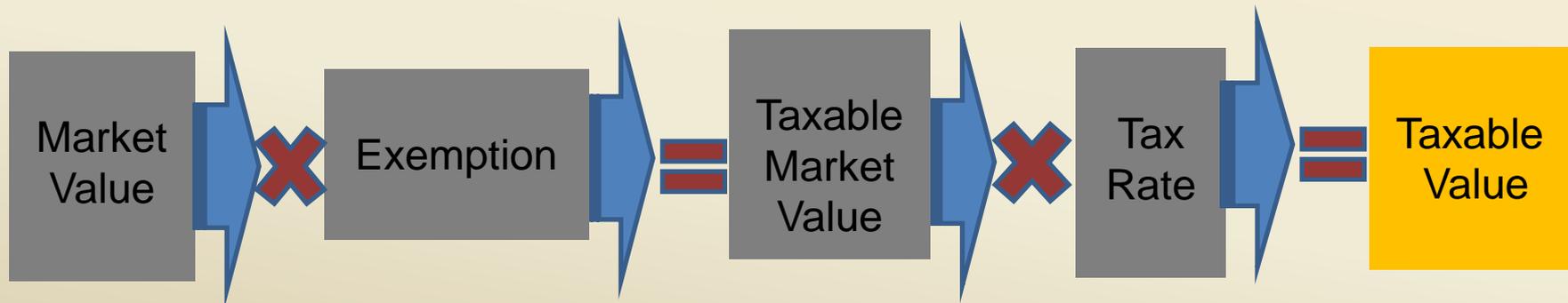
Tax Rate/Exemptions

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

Estimated

Taxable Value Neutral Tax Rate & Exemptions, 2015 Values Fully Phased-in

Property Type	2008 Market Value	2014 Taxable Value	2015 Market Value	Exemption Rate	Tax Rate	2015 Taxable Value
Agricultural	5,835,395	143,897	6,381,551	0.00%	2.25%	143,897
Residential	89,855,931	1,176,304	85,679,744	39.11%	2.25%	1,176,304
Commercial	18,075,350	350,472	21,791,364	28.67%	2.25%	350,472

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

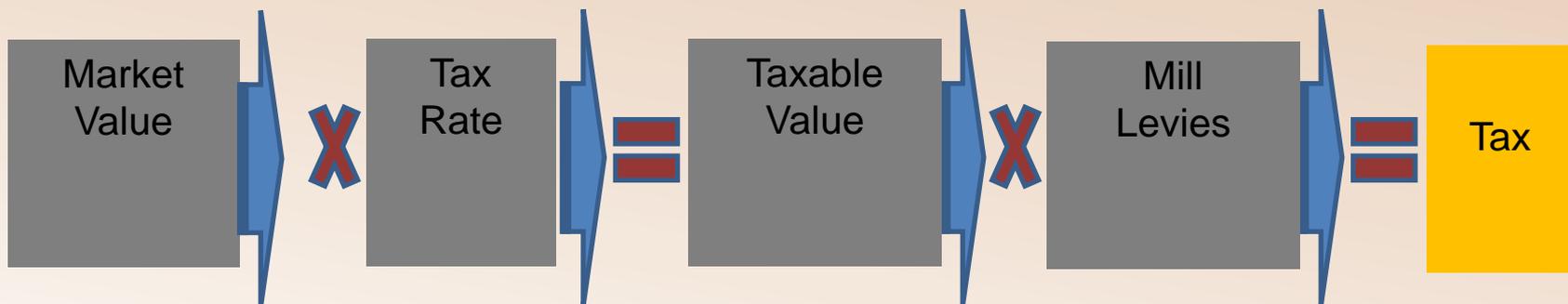
- School mills are limited by school budgeting laws
- Local government mills are limited by voted levies or the maximum mill limit (15-10-420, MCA)



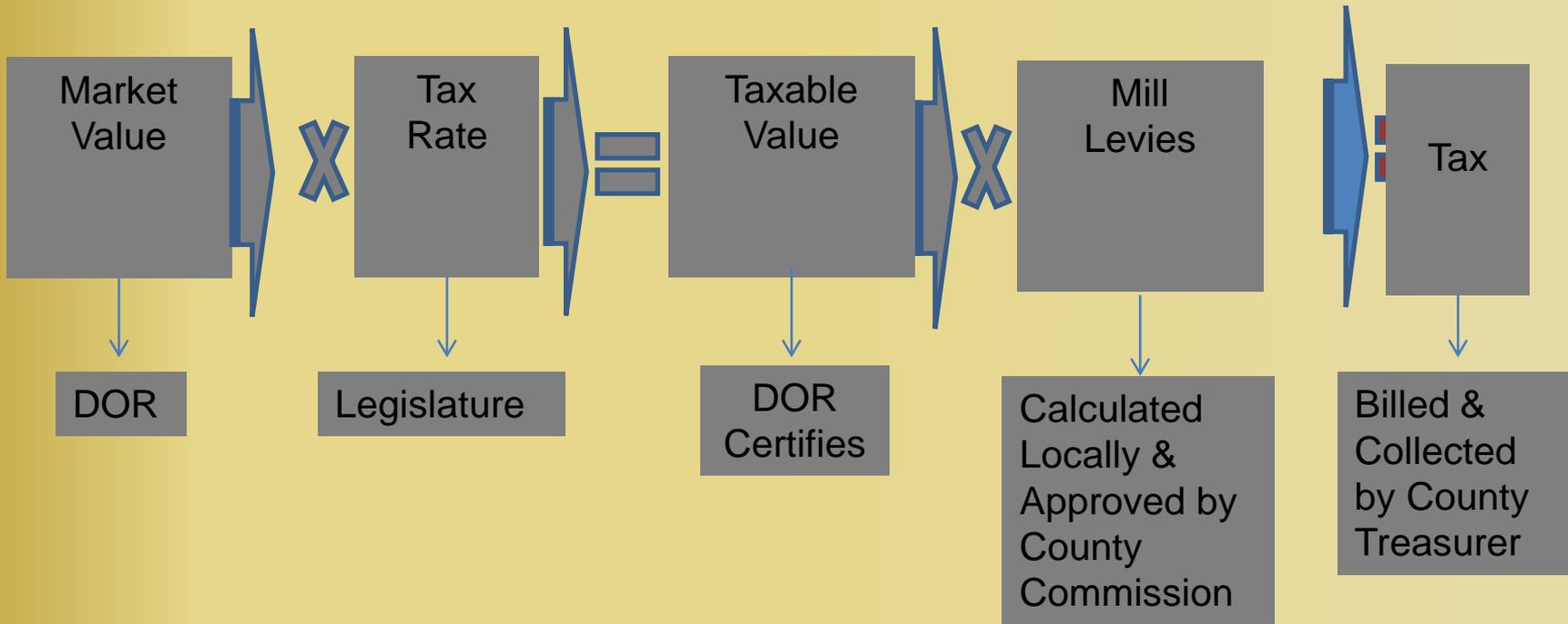
Property Taxes

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.

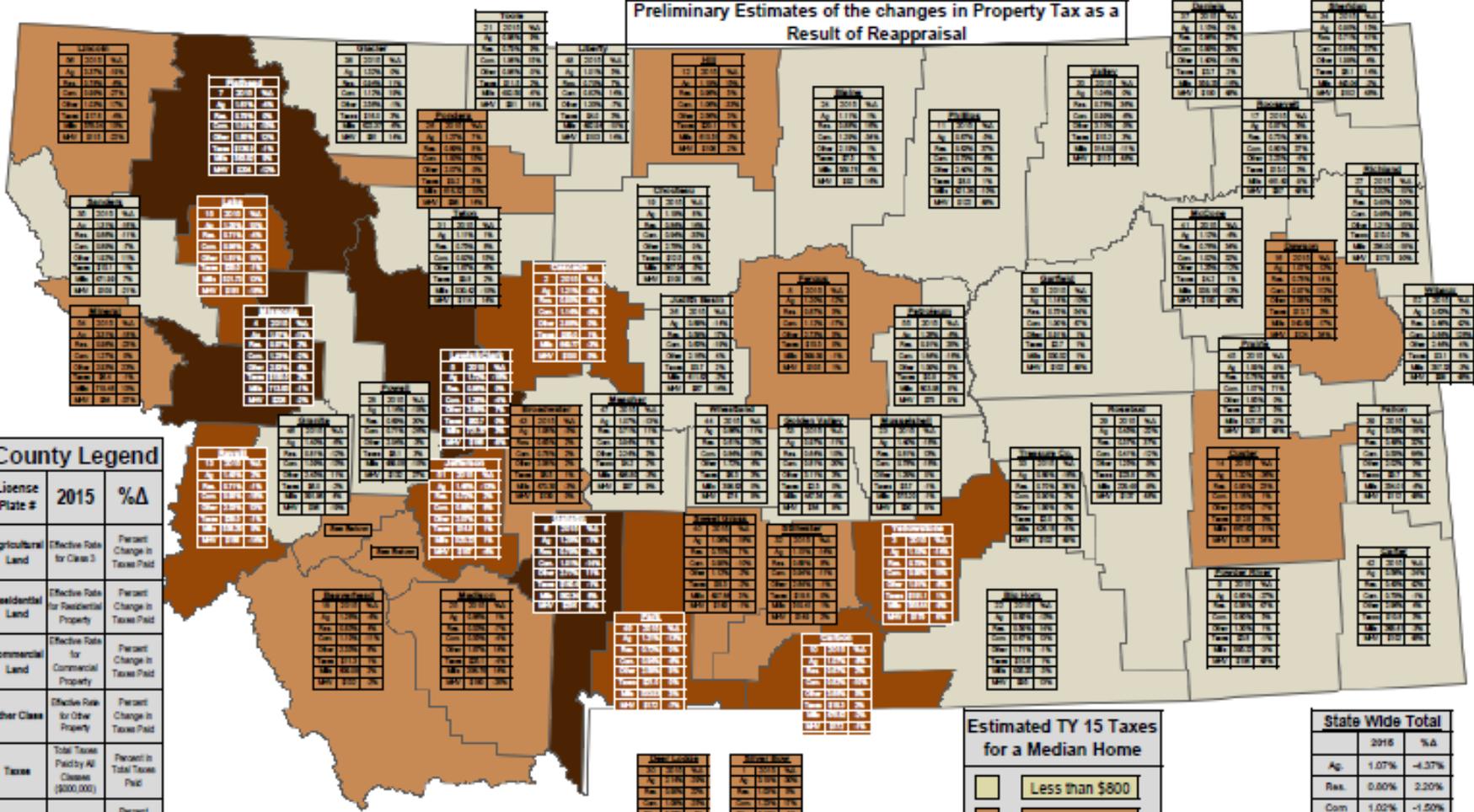


Property Tax in a Nutshell





Preliminary Estimates of the changes in Property Tax as a Result of Reappraisal



County Legend		
License Plate #	2015	%Δ
Agricultural Land	Effective Rate for Class 3	Percent Change in Taxes Paid
Residential Land	Effective Rate for Residential Property	Percent Change in Taxes Paid
Commercial Land	Effective Rate for Commercial Property	Percent Change in Taxes Paid
Other Class	Effective Rate for Other Property	Percent Change in Taxes Paid
Taxes	Total Taxes Paid by All Classes (\$200,000)	Percent of Total Taxes Paid
Mills	Average Mills	Percent Change in Average Mills
Median Home	Median Home Value (\$200)	Percent Change in Market Value

Estimated TY 15 Taxes for a Median Home	
	Less than \$800
	\$801-\$1,100
	\$1,100-\$1,500
	Over \$1,500

State Wide Total		
	2015	%Δ
Ag.	1.07%	-4.37%
Res.	0.00%	2.20%
Com.	1.02%	-1.59%
Other	2.13%	0.00%
Taxes	\$1,369	0.00%
Mills	546.28	-0.64%
MHV	\$185.10	-4.40%

Property Reappraisal.



- Overview
- Reappraisal Roadshow Schedule**
- Approaches to Value
- Phase-In
- Manuals

REAPPRAISAL ROADSHOW SCHEDULE

In advance of the 2015 reappraisal cycle, officials from the Montana Department of Revenue will be traveling to 18 different cities and towns throughout Montana to present informational sessions about how the state determines property values.

The sessions will include information about the 2015 reappraisal cycle timeline and highlight methods that the department uses to determine market values of residential property, commercial and industrial property, agricultural land, and forest land. The sessions will also highlight key components and trends in housing values and illustrate how property tax dollars are used.

For a list of all roadshow dates, times and locations:

[Reappraisal Roadshow Schedule](#)

Roadshow Materials

- Presentation - Coming Soon
- [-Preliminary Estimates of Property Tax Changes Due to 2015 Reappraisal - Statewide and By County](#)
- [-Preliminary Estimates of Property Tax Changes Due to 2015 Reappraisal - City of Billings](#)
- [-Preliminary Estimates of Property Tax Changes Due to 2015 Reappraisal - Miles City](#)
- [-Preliminary Estimates of Property Tax Changes Due to 2015 Reappraisal - Glendive](#)
- [-Preliminary Estimates of Property Tax Changes Due to 2015 Reappraisal - Wolf Point](#)
- [-Preliminary Estimates of Property Tax Changes Due to 2015 Reappraisal - Culbertson](#)

A painting of a man and a woman standing in front of a church. The man is on the right, wearing a dark suit and glasses, holding a white folder. The woman is on the left, wearing a dark dress with a white collar. The church has a prominent arched window. The word "Questions?" is written in large blue letters across the center of the image.

Questions?