

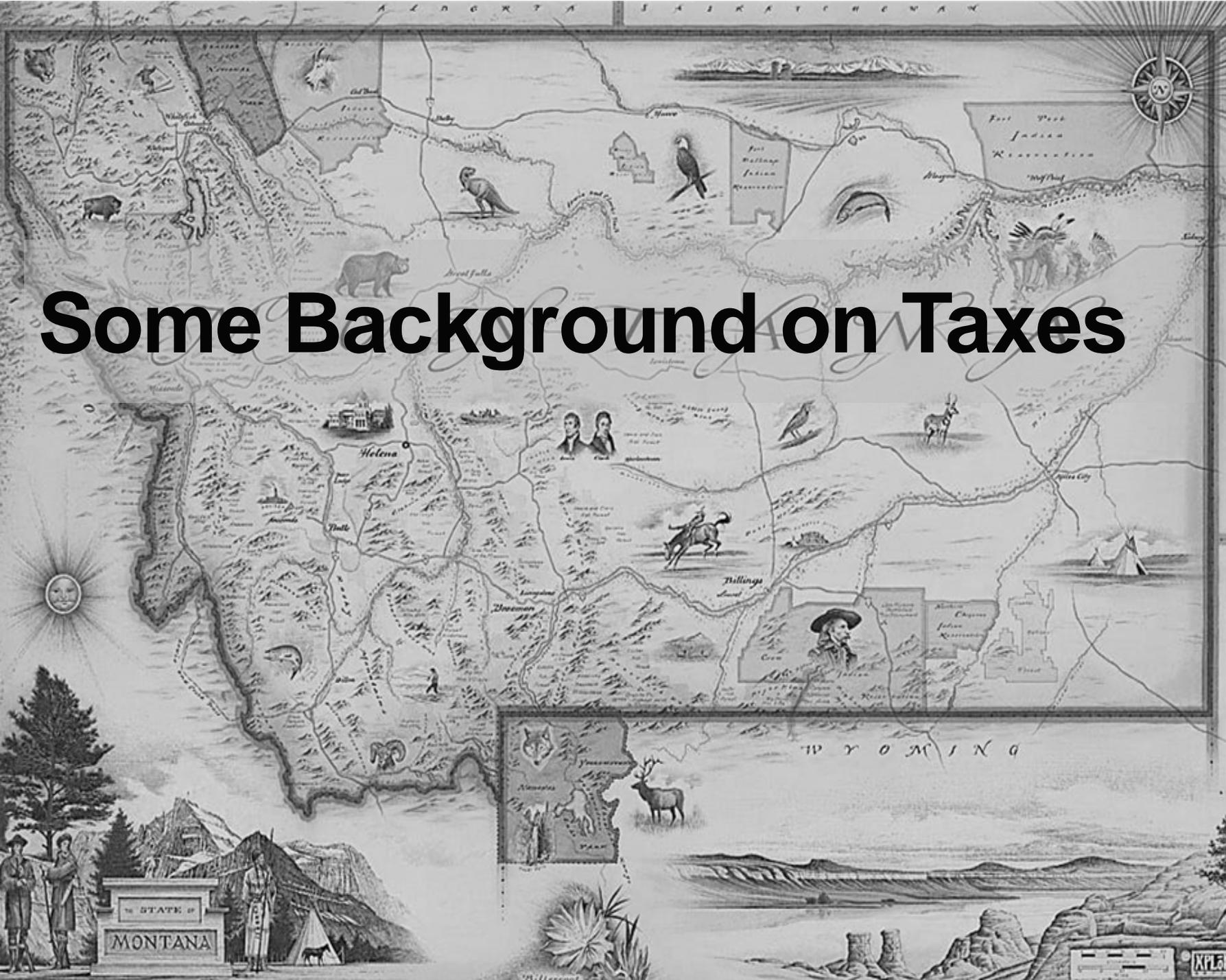


# *2014 Property Reappraisal Presentation*

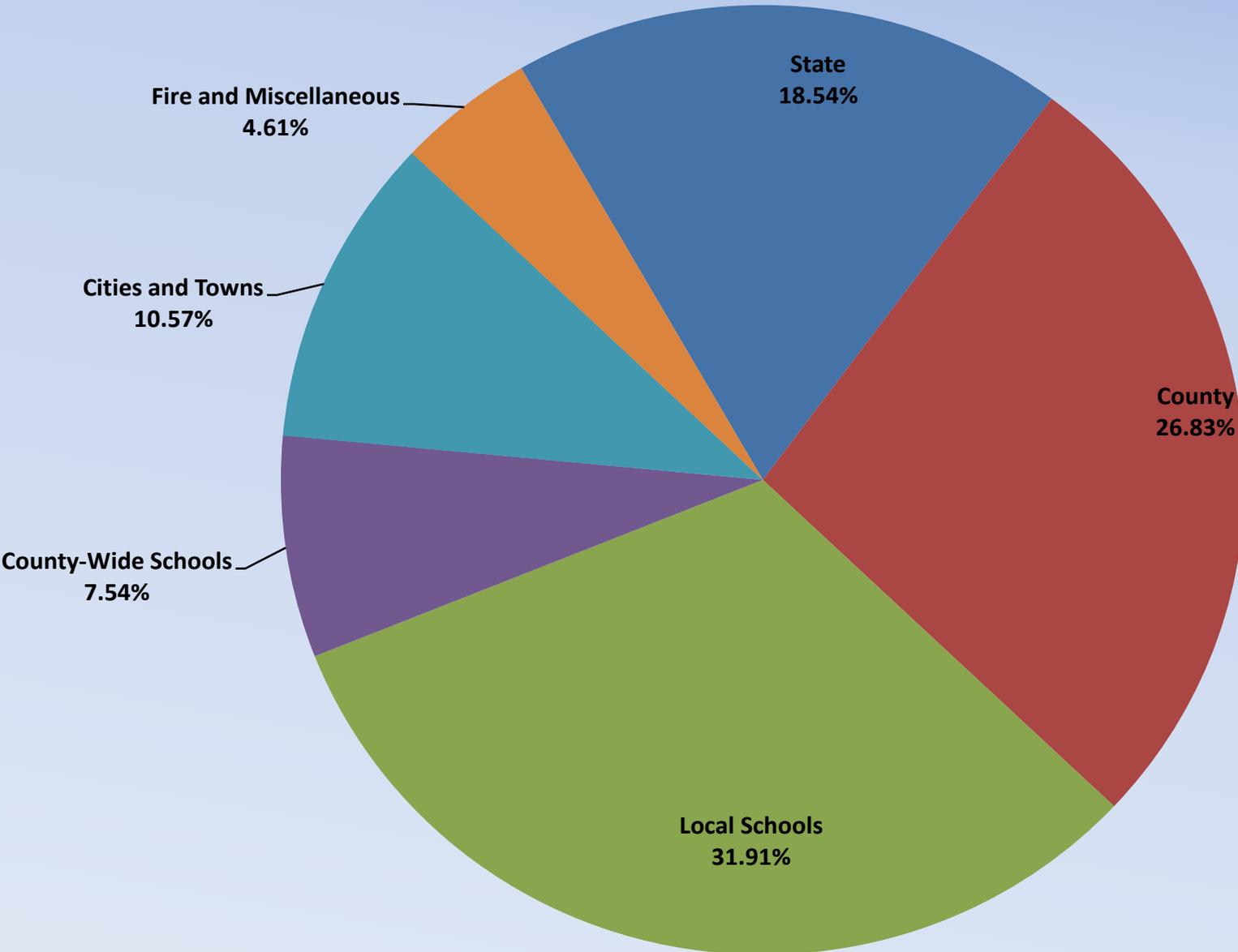
# The Road Show Players

- 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

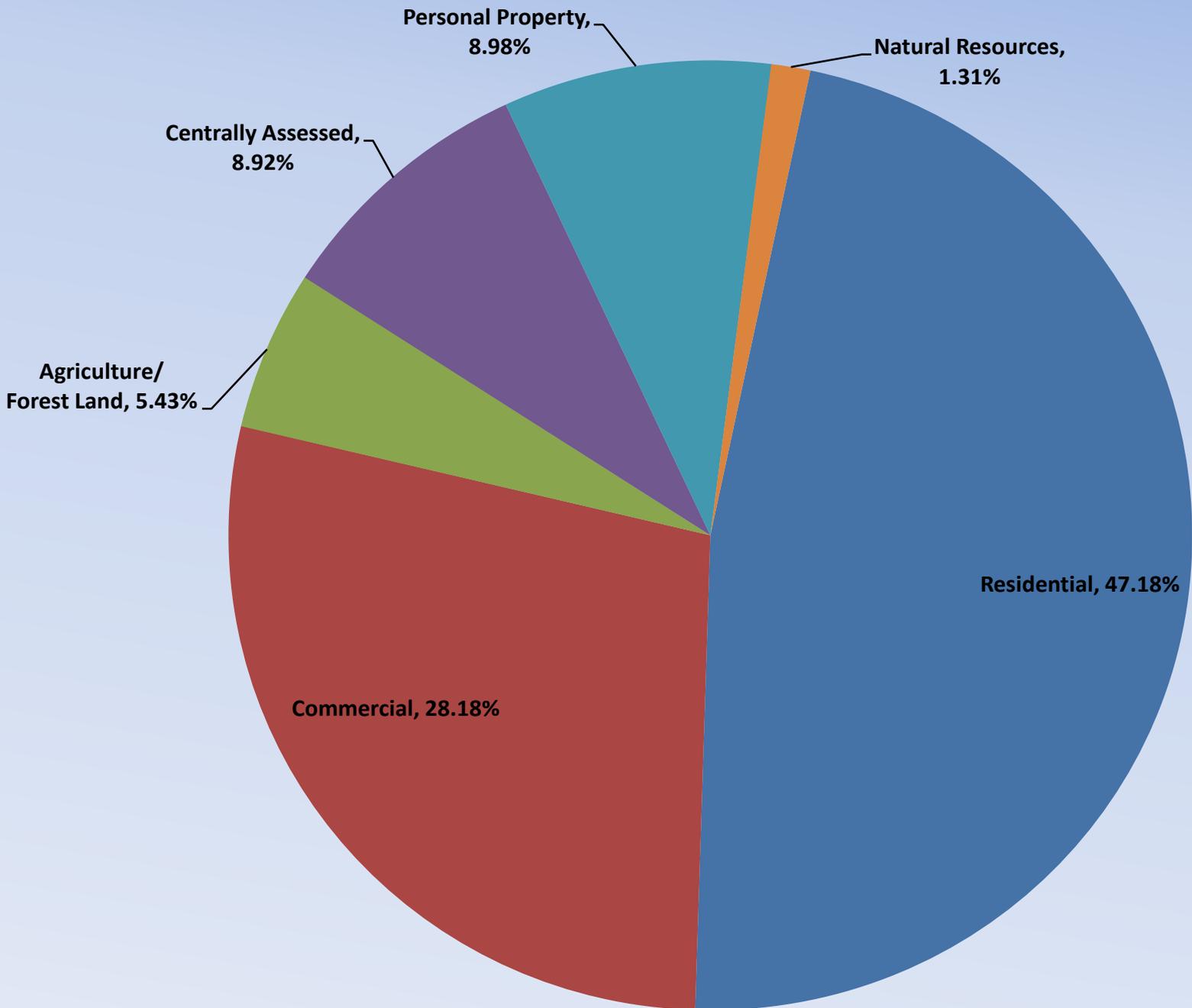
# Some Background on Taxes



# 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?



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



- 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

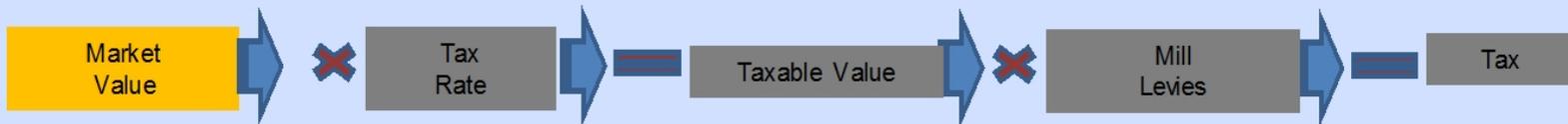
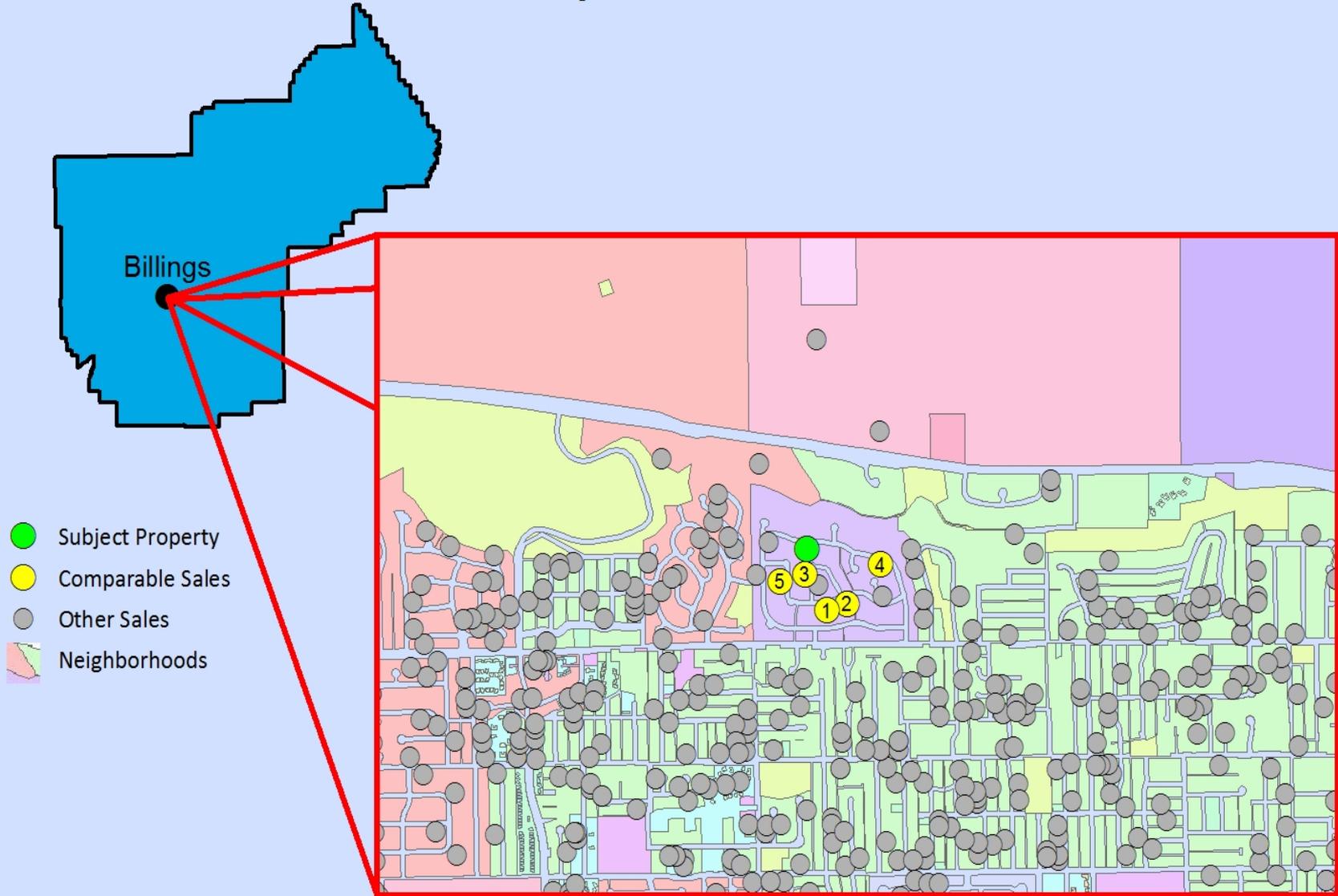
Commercial/Industrial → Sales Comparison  
Commercial/Industrial → Cost Approach  
Commercial/Industrial → Income Approach

Agricultural → Income Approach

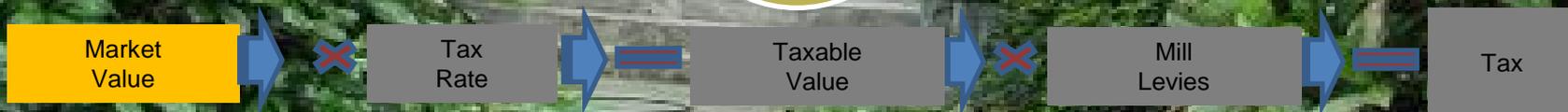
Forest → Income Approach



# Sales Comparison Method

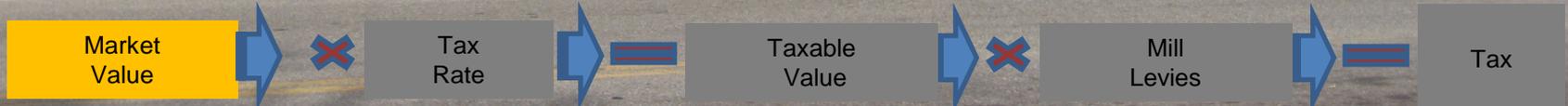


# Comparing Subject Property to Comparable Property



# Cost Approach to Value (Primarily Residential and Commercial Property)

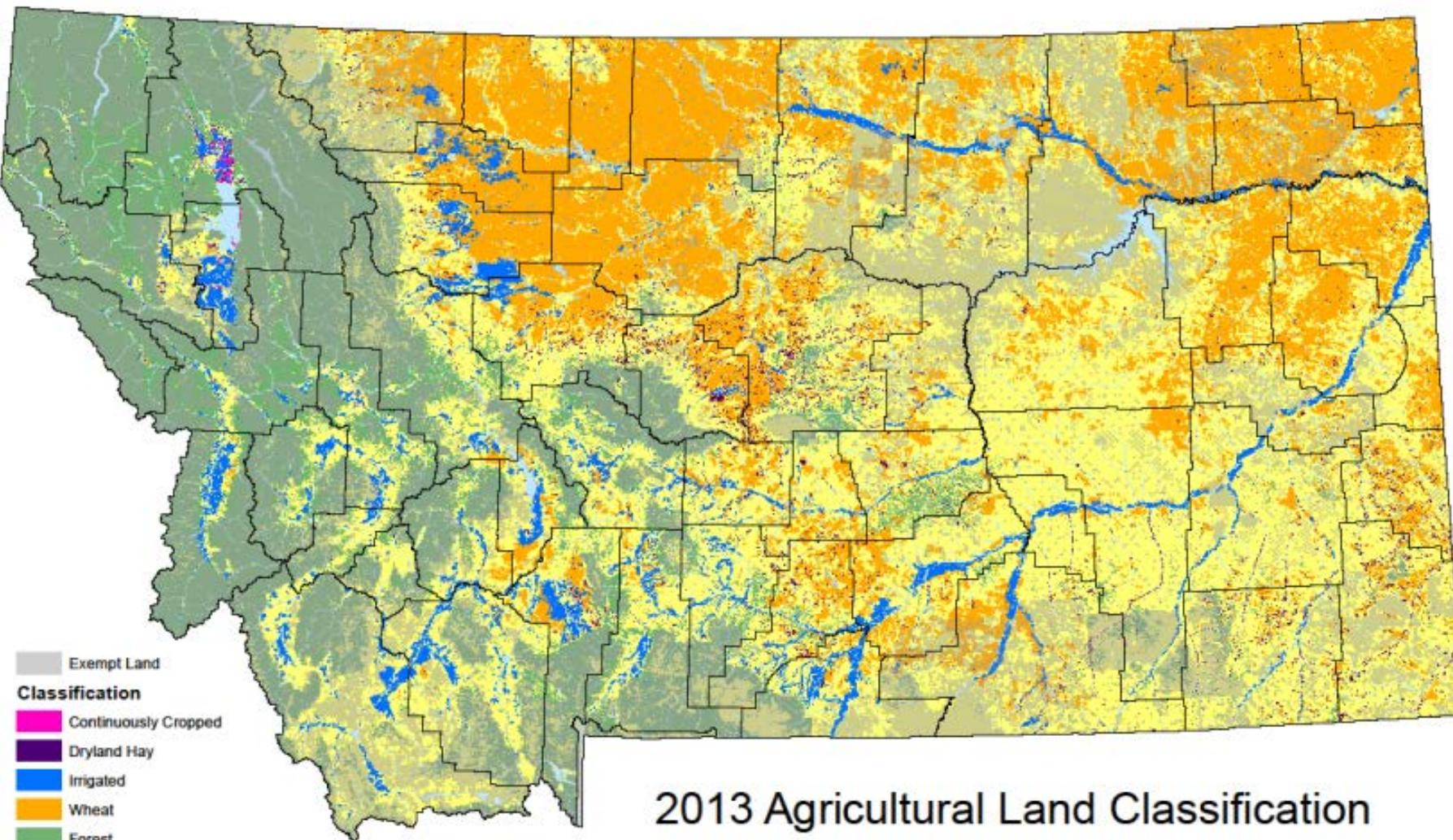
$$\begin{aligned} & \text{Land Value} \\ & + \\ & \text{Improvement Cost} \\ & - \\ & \text{Depreciation} \\ & = \\ & \text{Market Value} \end{aligned}$$



# Income Approach Commercial Property

Income – Expenses  
Rate of Return





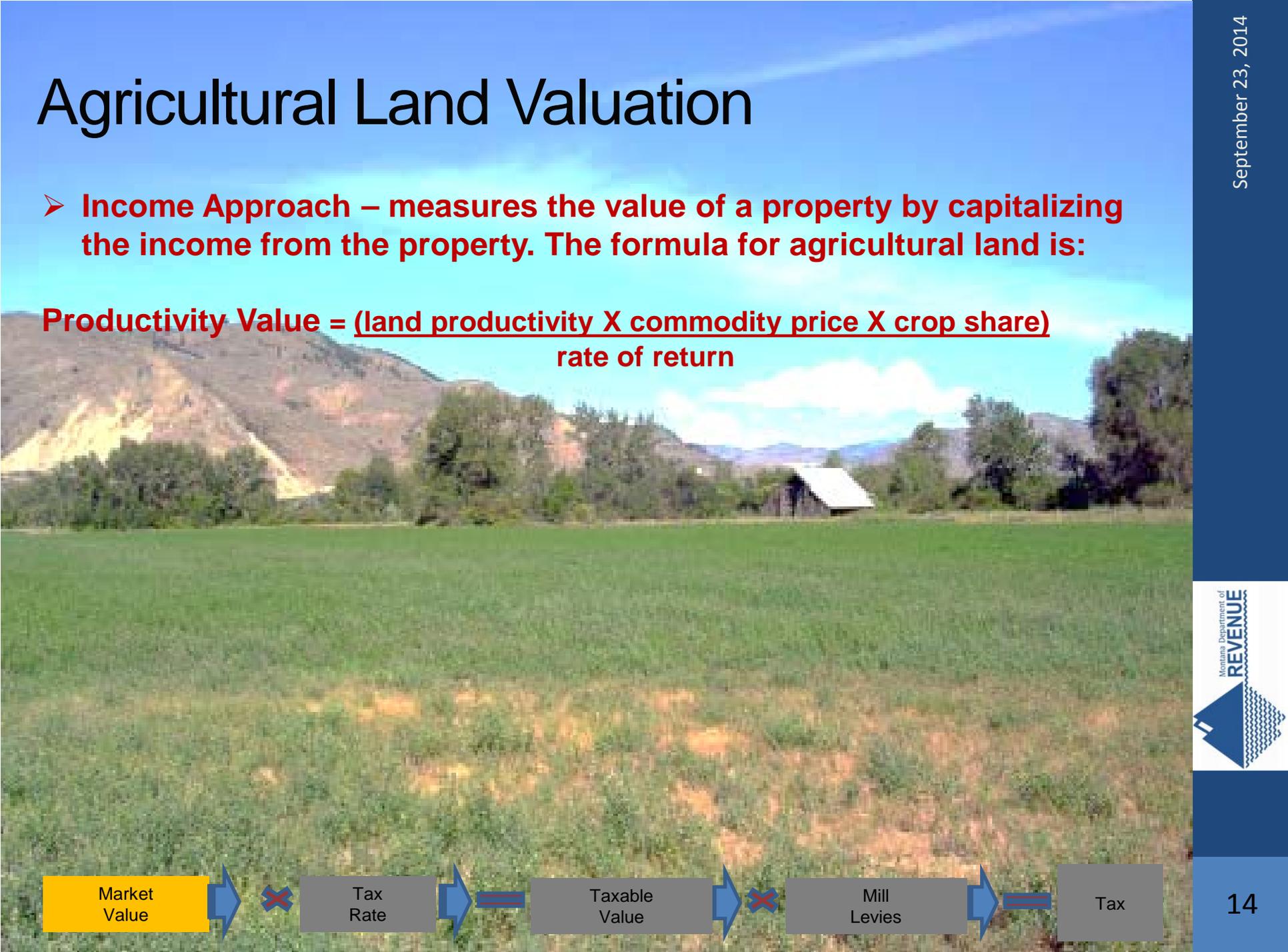
- Exempt Land
- Classification**
- Continuously Cropped
- Dryland Hay
- Irrigated
- Wheat
- Forest
- All other land is classified as Grazing

## 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



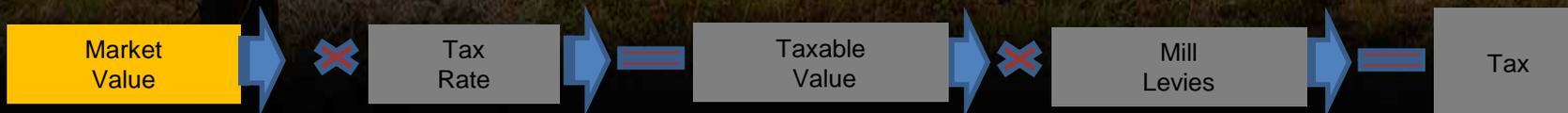
- **10 Year Olympic Average**
  - **Grazing Land**
    - Private Grazing Fee
  - **Non-irrigated farm land (Summer fallow and continuous crop farmland)**
    - Spring wheat
  - **Irrigated and non-irrigated hay land**
    - Spring wheat or Alfalfa Hay



# 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
<b>Olympic Avg</b>	<b>\$6.36</b>	<b>\$95.63</b>	<b>\$18.08</b>
<b>Adjustments</b>	<i>No adjustment</i>	<i>15-7-202 stipulates a 20% reduction in the alfalfa price</i>	<i>No adjustment</i>
<b>2015 Price</b>	<b>\$6.36</b>	<b>\$76.50</b>	<b>\$18.08</b>
<b>2009 Price</b>	<b>\$4.58</b>	<b>\$63.04</b>	<b>\$15.72</b>
<b>% change from current cycle</b>	<b>39%</b>	<b>21%</b>	<b>15%</b>



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

### Summer Fallow Farmland

Land Productivity = 22 bu./ac

Average price for spring wheat = \$6.36 /bu.

Crop Share = 12.5%

Rate of Return (Capitalization Rate) = 6.4%

$\$273.28/\text{acre} = \frac{22 \text{ (bu./ac)} \times \$6.36 \text{ (/bu.)} \times 12.5\%}{6.4\%}$



# Forest Land Valuation

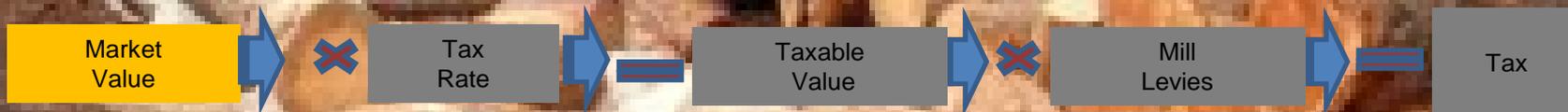
- Income Approach – measures the value of a property by capitalizing the income from the property. The formula for forest land is:

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



# Estimated Change in Forest Property Value

Zone	Average Productivity	2009 value/Acre	2015 value/acre	% change
1	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%



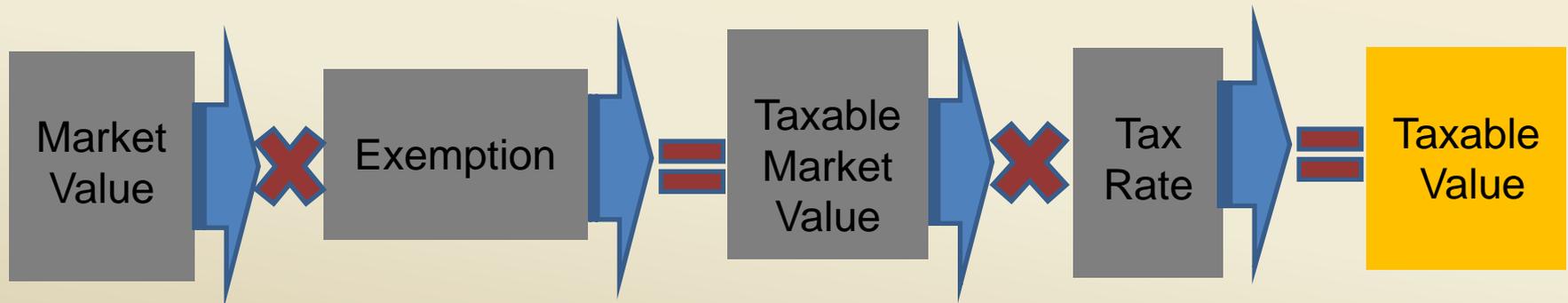
# Tax Rate/Exemptions

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

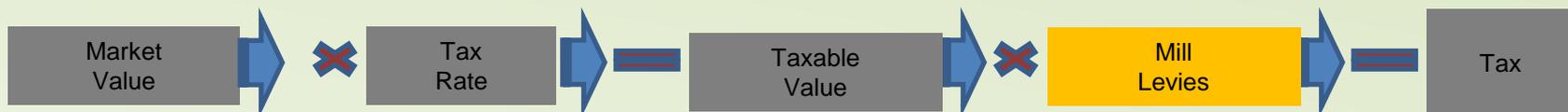
Legislature sets the rates and exemptions required to balance the 2014 taxable value with the reappraised 2015 market value.



# Mill Levies

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

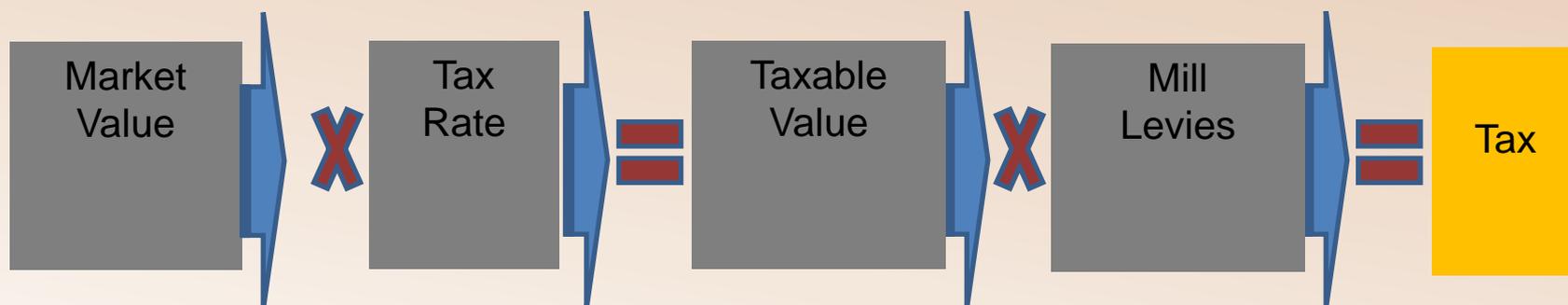
- Local government mills are limited by voted levies or the maximum mill limit (15-10-420, MCA)
- School mills are limited by school budgeting laws



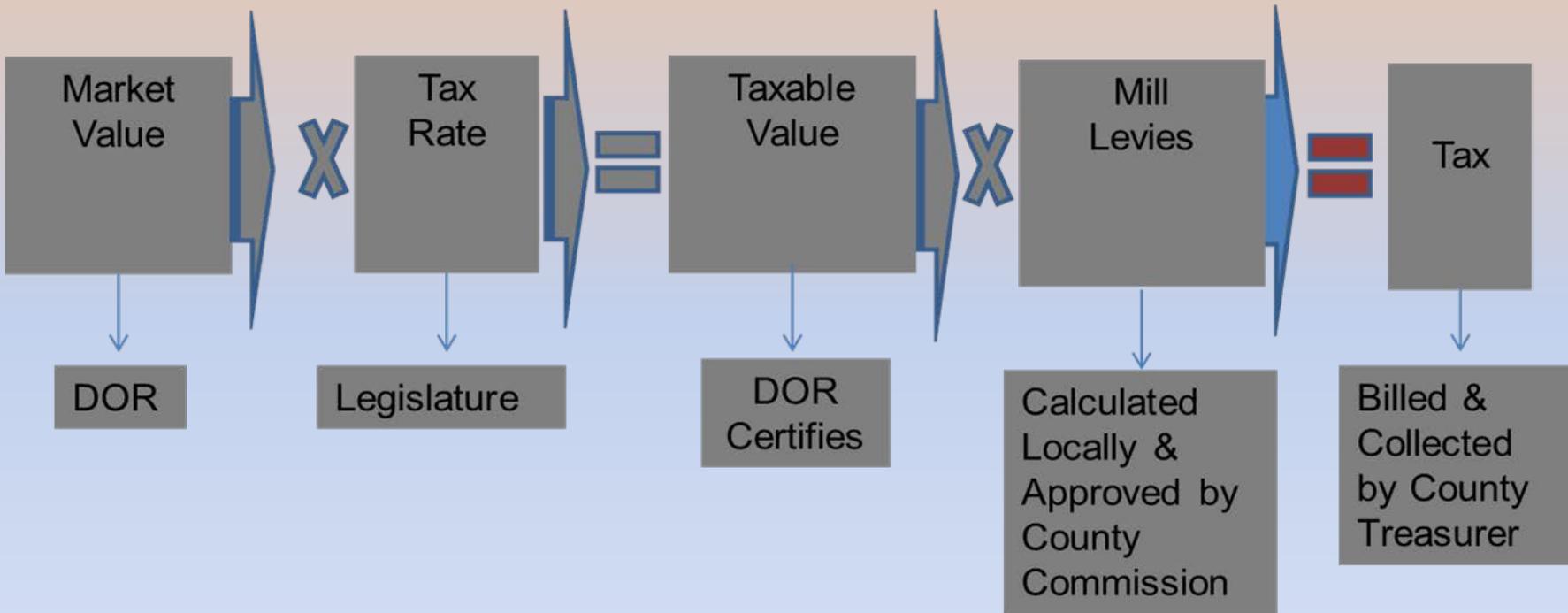
# Property Taxes

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.

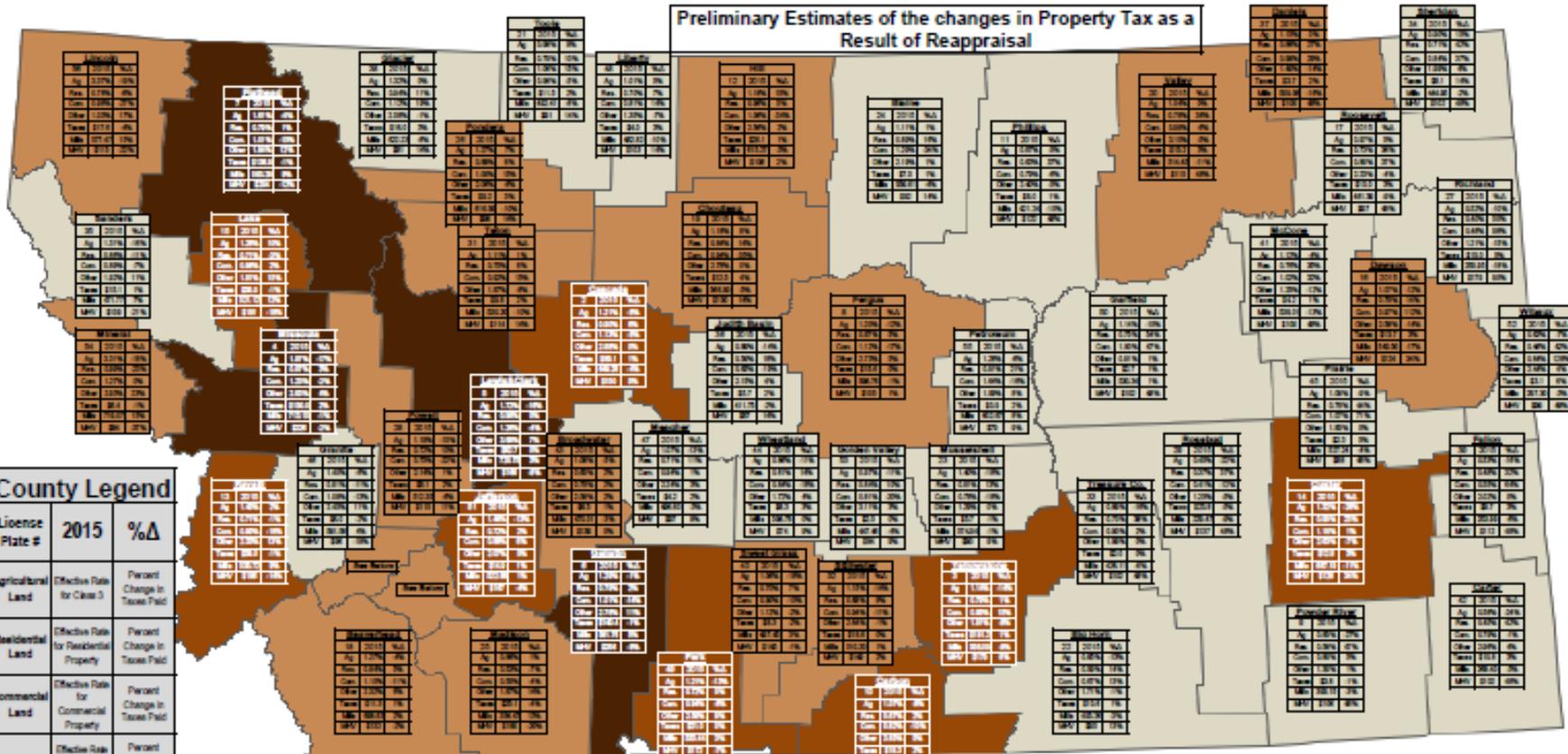
The County Treasurer then bills and collect the property tax from the property owner.



# Property Tax in a Nutshell



### 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 (\$100,000)	Percent of Total Taxes Paid
Mills	Average Mills	Percent Change in Average Mills
Median Home	Median Home Value (\$100)	Percent Change in Median Value

#### 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%	-4.30%
Res.	0.80%	2.18%
Com.	1.02%	-1.59%
Other	2.13%	0.07%
Taxes	\$1,369	0.80%
Mills	548.27	-0.64%
MHV	\$164.02	-4.57%



Change in Market Value Relative to TY14 Est.			
Tax Class	2014	2015	% Change
Class 3-Ag.	\$5,467,388	\$6,381,551	16.72%
Class 4-Res.	\$89,778,370	\$85,679,744	-4.57%
Median Home*	\$172,700	\$164,816	-4.57%
Class 4-Corn.	\$18,328,218	\$21,791,364	18.91%
Other Classes	\$20,812,258	\$19,820,179	-4.77%
<b>Total</b>	<b>\$134,384,232</b>	<b>\$133,872,838</b>	<b>-0.53%</b>

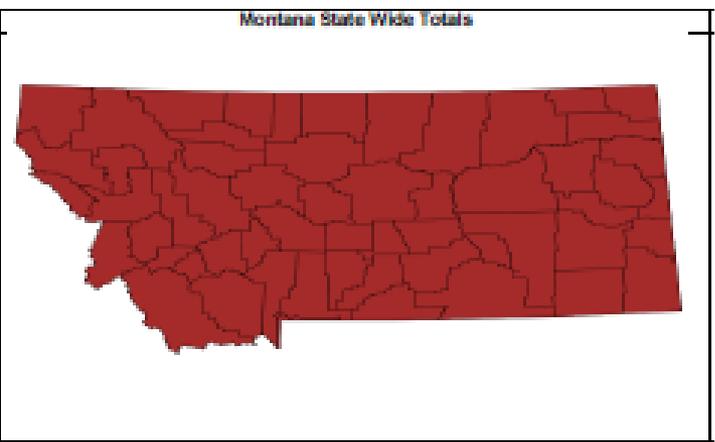
Change in Taxable Value Relative to TY14 Est.			
Tax Class	2014	2015	% Change
Class 3-Ag.	\$143,897	\$143,897	0.00%
Class 4-Res.	\$1,178,304	\$1,178,301	0.00%
Median Home*	\$2,281	\$2,219	-1.86%
Class 4-Corn.	\$350,472	\$350,473	0.00%
Other Classes	\$658,068	\$680,820	3.68%
<b>Total</b>	<b>\$2,528,741</b>	<b>\$2,580,290</b>	<b>1.28%</b>

County & School Taxes Relative to TY14 Est.			
Tax Class	2014	2015	% Change
Class 3-Ag.	\$57,031	\$53,917	-5.48%
Class 4-Res.	\$473,817	\$485,841	2.58%
Median Home*	\$910	\$915	0.57%
Class 4-Corn.	\$147,227	\$144,534	-1.83%
Other Classes	\$308,799	\$306,005	-0.90%
<b>Total</b>	<b>\$998,874</b>	<b>\$990,298</b>	<b>-0.37%</b>

City Taxes Relative to TY14 Est.			
Tax Class	2014	2015	% Change
Class 3-Ag.	\$0,027	\$0,023	-14.14%
Class 4-Res.	\$78,770	\$81,139	3.01%
Median Home*	\$151	\$153	1.00%
Class 4-Corn.	\$42,728	\$41,883	-1.97%
Other Classes	\$25,498	\$25,389	-0.43%
<b>Total</b>	<b>\$147,022</b>	<b>\$148,434</b>	<b>0.96%</b>

State Taxes Relative to TY14 Est.			
Tax Class	2014	2015	% Change
Class 3-Ag.	\$14,550	\$14,549	-0.01%
Class 4-Res.	\$119,412	\$119,450	0.03%
Median Home*	\$230	\$225	-1.83%
Class 4-Corn.	\$35,857	\$35,883	0.07%
Other Classes	\$87,014	\$90,208	3.67%
<b>Total</b>	<b>\$258,834</b>	<b>\$259,890</b>	<b>1.27%</b>

Total Taxes Relative to TY14 Est.			
Tax Class	2014	2015	% Change
Class 3-Ag.	\$71,608	\$68,489	-4.38%
Class 4-Res.	\$671,799	\$688,430	2.18%
Median Home*	\$1,291	\$1,298	0.28%
Class 4-Corn.	\$225,811	\$222,100	-1.58%
Other Classes	\$421,511	\$421,802	0.07%
<b>Total</b>	<b>\$1,390,329</b>	<b>\$1,398,822</b>	<b>0.60%</b>



Change in County & School Mills Relative to TY14 Est.					
Tax Class	2014	2015	% Change	2014 Eff. Rate	2015 Eff. Rate
Class 3-Ag.	396.33	374.69	-5.48%	1.04%	0.84%
Class 4-Res.	402.63	413.02	2.58%	0.53%	0.57%
Median Home*	402.63	413.02	2.58%	0.53%	0.58%
Class 4-Corn.	420.08	412.40	-1.83%	0.80%	0.68%
Other Classes	359.88	343.67	-4.42%	1.48%	1.54%
<b>Average</b>	<b>390.18</b>	<b>388.79</b>	<b>-0.87%</b>	<b>0.73%</b>	<b>0.74%</b>

Change in City Mills Relative to TY14 Est.					
Tax Class	2014	2015	% Change	2014 Eff. Rate	2015 Eff. Rate
Class 3-Ag.	0.19	0.18	-14.14%	0.00%	0.00%
Class 4-Res.	68.68	68.68	3.01%	0.09%	0.09%
Median Home*	68.68	68.68	3.01%	0.09%	0.09%
Class 4-Corn.	121.91	119.50	-1.97%	0.23%	0.19%
Other Classes	29.72	28.54	-3.96%	0.12%	0.12%
<b>Total</b>	<b>58.14</b>	<b>57.68</b>	<b>-0.28%</b>	<b>0.11%</b>	<b>0.11%</b>

Change in State Mills Relative to TY14 Est.					
Tax Class	2014	2015	% Change	2014 Eff. Rate	2015 Eff. Rate
Class 3-Ag.	101.11	101.10	-0.01%	0.27%	0.23%
Class 4-Res.	101.51	101.55	0.03%	0.13%	0.14%
Median Home*	101.51	101.55	0.03%	0.13%	0.14%
Class 4-Corn.	101.74	101.81	0.07%	0.19%	0.18%
Other Classes	101.41	101.40	-0.01%	0.42%	0.48%
<b>Total</b>	<b>101.49</b>	<b>101.51</b>	<b>0.02%</b>	<b>0.19%</b>	<b>0.19%</b>

Change in Total Mills Relative to TY14 Est.					
Tax Class	2014	2015	% Change	2014 Eff. Rate	2015 Eff. Rate
Class 3-Ag.	497.64	475.98	-4.38%	1.31%	1.07%
Class 4-Res.	571.11	583.55	2.18%	0.75%	0.80%
Median Home*	571.11	583.55	2.18%	0.75%	0.79%
Class 4-Corn.	643.73	633.72	-1.58%	1.23%	1.02%
Other Classes	491.00	473.91	-3.48%	2.02%	2.13%
<b>Total</b>	<b>549.81</b>	<b>548.27</b>	<b>-0.64%</b>	<b>1.03%</b>	<b>1.08%</b>

Assumptions			
Phase-In: No	Class 3 & Class 4 Rate: 2.20%	HomeStead: 38.88%	CommStead: 27.72%



## 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
- Preliminary Estimates of Property Tax Changes Due to 2015 Reappraisal - Statewide and By County
- Preliminary Estimates of Property Tax Changes Due to 2015 Reappraisal - Assumptions for All Map Models





# Questions?