Understanding Property Taxes 2007

As a property owner, the subject of property taxes is probably a familiar one. Yet it may be unclear just how your tax assessment is calculated, or where your tax dollars actually go. This brochure is designed to provide you with basic information on how the property tax process works.

Equitable Valuation for All Property Owners

Property taxes are part of a balanced revenue system. Your property is appraised and taxed so that you and other property owners can support – in proportion to the value of your property – school systems and local government services.

The State of Montana, through the Department of Revenue, is responsible for valuing all taxable real and personal property. Department of Revenue field offices accomplish this property valuation. State guidelines are followed to ensure property is appraised in a fair and equitable manner.

The amount of property tax you pay is not determined solely by your property's value. Your property's value is multiplied by a tax rate, set by the Montana Legislature, to determine its taxable value. The taxable value is then multiplied by the mill levy established by various taxing jurisdictions – city and county government, school districts and others – to provide services in your area.

The following calculations are used to determine general property tax:

Value X Tax Rate = Taxable Value

Taxable Value X Mill Levy = General Property Tax

The property tax process begins with an appraisal of your property. State law requires the Department of Revenue to reappraise property periodically. The most recent reappraisal was completed on December 31, 2002. The current statewide reappraisal will be completed on December 31, 2008. The new values will be used for property tax purposes in tax year 2009.

The 2003 Montana Legislature continued the mitigation of valuation increases due to reappraisal by phasing in the reappraised value at a rate of 16.66% per year, by continuing a partial exemption for residential and commercial properties, by providing for an extended property tax assistance program to qualifying taxpayers, and by reducing the tax rate.

Montana Department of

Revenue

2003 Law Changes

The 2003 legislation is summarized in the following points:

- All commercial properties receive a 13% exemption for tax year 2003. This comstead exemption gradually increases to 15% for tax year 2008 and succeeding years. (The exemptions will be 14.6% for 2007, 15% for 2008 and succeeding years.) The tax rate for 2003 will be 3.40%, and will be adjusted downward, annually, until it reaches 3.01% in 2008. (The tax rates will be 3.07% for 2007 and 3.01% for 2008 and succeeding years.)

- For properties that realized an increase in value due to reappraisal, 16.66 percent (16.66%) of the difference between the 2003 full reappraisal value and the 2002 value before reappraisal will be added to the 2002 value before reappraisal. This is also called a Phase-in Value. An additional 16.66% will be added each year until the property is at the full 2003 reappraisal value for tax year 2008.

- For properties that realized a decrease in value due to reappraisal, the value is set at the lower 2003 reappraisal value. There is no phase-down of values.

- All residential properties receive a 31% exemption for tax year 2003. This homestead exemption incrementally increases to 34% for tax year 2008 and succeeding years. The residential exemption will be 33.2% for 2007 and 34% for 2008 and succeeding years.

- After your property has been adjusted for the phase-in and the residential or commercial exemption, the figure that remains is identified on your assessment notice as the Taxable Market Value (TMV). The tax rate will be applied to this value to determine your taxable value.

Following are two examples. The first is a residential property; the second is a commercial property.

Example 1:

Residential Property Tax Calculation

$ 80,000	2003 full reappraisal value
- $60,000	2002 value before reappraisal
$ 20,000	increase from reappraisal
x .833	16.66% phase-in of increase
$ 16,660	per year x 5 years
+ $60,000	2002 value before reappraisal
$ 76,660	2007 phase-in value
x .668	2007 homestead exemption (33.2%)
$ 51,209	2007 taxable market value (TMV)
x .0307	(3.07 %) tax rate
$ 1,572	taxable value (approx.)
x .500	(500 mills) mill levy*
$ 786	general property tax (approx.)

*Mill levies vary by taxing jurisdiction

Example 2:

Commercial Property Tax Calculation

$ 1,900,000	2003 full reappraisal value
-$ 1,200,000	2002 value before reappraisal
$ 700,000	increase from reappraisal
x .833	16.66% phase-in of increase
$ 583,100	per year x 5 years
+$1,200,000	2002 value before reappraisal
$ 1,783,100	2007 phase-in value
x .854	2007 comstead exemption (14.6%)
$ 1,522,767	2007 taxable market value (TMV)
x .0307	(3.07%) tax rate
$ 46,749	taxable value (approx.)
x .500	(500 mills) mill levy*
$ 23,375	general property tax (approx.)

*Mill levies vary by taxing jurisdiction

The information about your property is maintained in the Department of Revenue field office located in your county. The information includes a legal description of your property, ownership information, land data and building characteristics.

What is Real Property?
Real property includes land and improvements to the land. Examples of improvements would be buildings and structures.

What is Personal Property?
Personal property is all other taxable property. Personal property includes farm machinery, heavy equipment and business equipment.

What is an Appraisal?
An appraisal is an estimate of market value placed on all real property and mobile homes.

What is Market Value?
Market value is the most probable price a property would bring in the open market. The buyer and seller must be knowledgeable and not unduly pressured into buying. There must be sufficient time for the sale.

What is a Mill?
A mill is a monetary unit that equals 1/10th of a cent...or $1 tax on every $ 1,000 of a property's taxable value

Three Approaches Used to Determine Property Value

The sales comparison approach compares your property to others that have sold recently in your area and that have similar characteristics. Adjustments are made to account for any differences in your property.

The **cost approach** is a determination of current replacement cost of improvements, less depreciation, plus land value.

The **income approach** may be used in the valuation of commercial properties when income (rents) and expenses can be compared. This approach involves the capitalization of net operating income into value using a rate.

When You Receive Your Assessment Notice

Valuation Review and Appeal Process

The purpose of the assessment notice is to advise the property owner of any changes in ownership or value. Study it carefully. If the assessment notice reflects a value with which you disagree, or if you have any questions concerning the value or property characteristics, call the Department of Revenue field office immediately. **Do not wait until you receive your tax bill if you have questions about your property value.** By then, the deadline to appeal has passed.

You should give special attention to the total values in the shaded columns on the assessment notice. Those values will provide the best value change comparison due to reappraisal. They will also reflect the legislature's efforts to mitigate value changes by providing a phase-in of value, increasing the homestead/comstead exemption, and reducing the tax rate. Also, an asterisk in the column titled "2002 Value Before Reappraisal" indicates the 2002 Value Before Reappraisal (VBR) was adjusted to reflect new construction, destruction or a land use change that occurred to the property.

The field office provides an informal property review process. This allows you an opportunity to have your questions answered concerning the value placed on the property. The informal review is started by filling out an AB-26 form, available from the Department of Revenue field office. The form must be completed and filed within thirty days of receipt of the assessment notice. You will be provided with a written decision on your concerns.

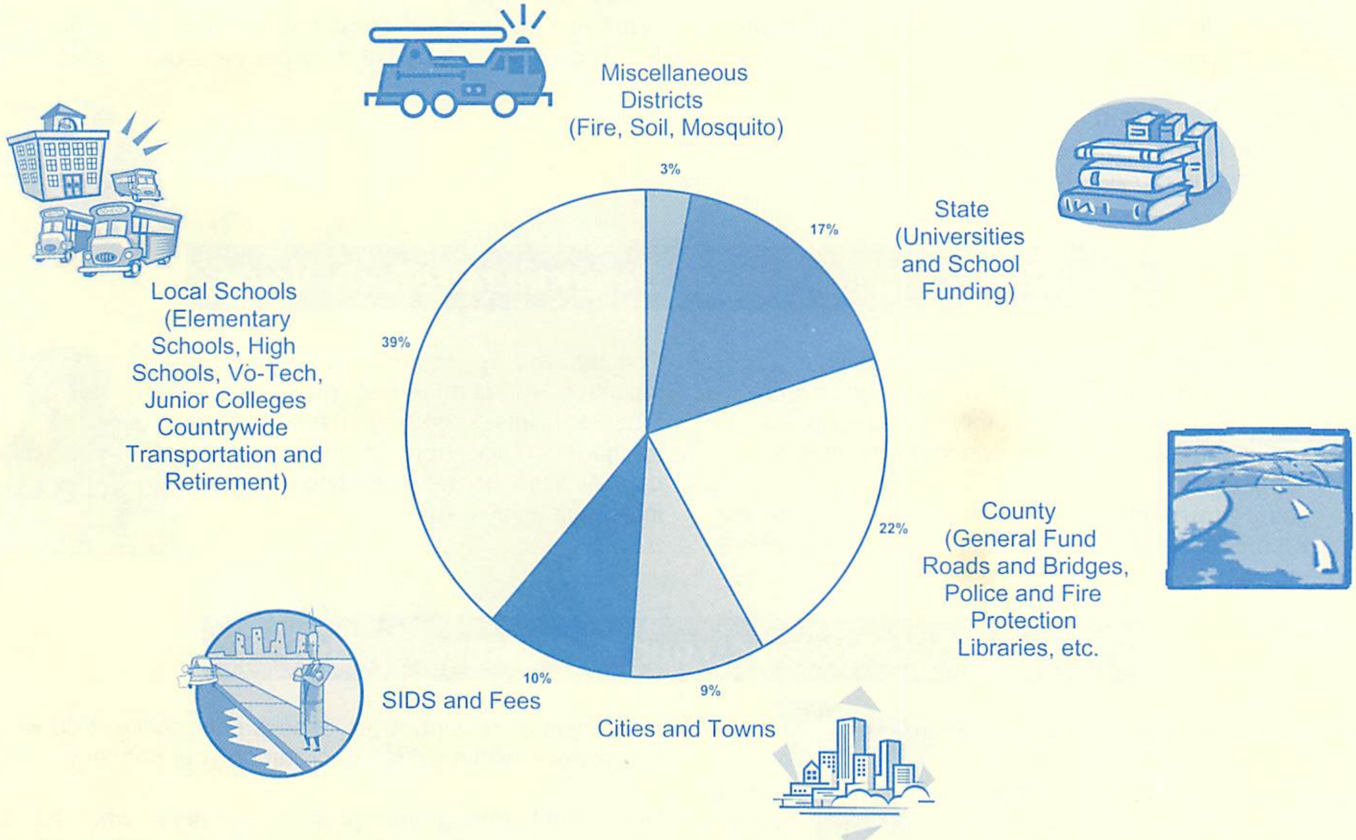
We would encourage property owners who have questions or concerns about their property values to use the AB-26 process. It's normal to reach a resolution at that stage. If you are not satisfied with the appraiser's decision on the AB-26 review, or if for some reason you don't want to use the AB-26 process to request a review of your value, you can appeal your value to the County Tax Appeal Board. Appeals to the County Tax Appeal Board must be filed within thirty days of the receipt of the assessment notice or the AB-26 decision.

If you are not satisfied with the County Tax Appeal Board's decision, you may appeal to the State Tax Appeal Board. Appeals to the State Tax Appeal Board must be filed within thirty days of receiving the County Tax Appeal Board's decision. The decision of the State Tax Appeal Board is final unless district court action is pursued.

If you have an AB-26 review or appeal pending, the law requires you to pay your taxes under protest in order to receive any refund and accrued interest. This must be done before your taxes become delinquent. The protest must be in writing, specifying your grounds for protest and listing the amount of the taxes you are paying under protest.

Where Do Property Tax Dollars Go?

Schools and many other services are funded by your property tax dollars. The following Fiscal Year 2007 pie chart displays basic areas where your property tax dollars are used.



For More Information

The Department of Revenue field offices are happy to provide you with additional information on the property tax process. All phone numbers listed are in Area Code 406.

Beaverhead	683-4000	Garfield	557-6164	Musselshell	323-1513	Sweet Grass	932-5149
Big Horn	665-9710	Glacier	873-3637	Park	222-4113	Teton	466-2908
Blaine	357-3210	Golden Valley	568-2371	Petroleum	429-5231	Toole	424-8370
Broadwater	266-9206	Granite	859-3521	Phillips	654-2123	Treasure	342-5540
Carbon	446-1223	Hill	265-5481	Pondera	271-4012	Valley	228-6236
Carter	775-8717	Jefferson	225-4001	Powder River	436-2407	Wheatland	632-4894
Cascade	454-7460	Judith Basin	566-2291	Powell	846-3680	Wibaux	796-2483
Chouteau	622-5261	Lake	883-7227	Prairie	635-5560	Yellowstone	896-4000
Custer	232-1295	Lewis & Clark	444-4000	Ravalli	375-2700		
Daniels	487-2791	Liberty	759-5126	Richland	433-6834		
Dawson	377-4256	Lincoln	293-6898	Roosevelt	653-6256		
Deer Lodge	563-4048	Madison	843-5335	Rosebud	346-2516		
Fallon	778-7172	McCone	485-3565	Sanders	827-6932		
Fergus	538-5723	Meagher	547-3653	Sheridan	765-2291		
Flathead	758-5700	Mineral	649-6660	Silver Bow	497-6280		
Gallatin	582-3400	Missoula	329-1400	Stillwater	322-8015		

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Property Tax Relief

There are several programs available that could reduce your property taxes. For information and applications, contact the Department of Revenue field office in the county in which the property is located.

Income-based Reduction

The Property Tax Assistance Program provides property tax relief to low income homeowners. The relief is in the form of a reduction in the taxable valuation for qualifying properties. It is applied only to residential real property and manufactured home owners. The reduction for qualifying properties is applied to the first $100,000 or less of taxable market value of the residence and appurtenant land not exceeding 5 acres. Eligibility requirements are as follows:

- There is no age limit for the applicant.
- The applicant must own or be purchasing under contract the property for which the relief is sought.
- The applicant must occupy the residence for at least 7 months a year as their primary residence.
- The income for the applicant(s) for tax year 2007 cannot exceed $18,801 (single) or $25,068 (married or head of household).

The income levels are adjusted each year for inflation.

The application deadline is March 15.

Extended Property Tax Assistance

This is a program passed by the 2003 Montana Legislature. The program offers a reduction to the tax rate used to determine tax liability on a residence and up to five acres of appurtenant land for those persons or entities who meet the following criteria:

- The taxable value of the property must have increased by more than 24% as a result of the 2003 reappraisal;
- The property tax liability must have the potential to increase by $250 or more (based on use of the 2002 mill levy);
- The property owner must have owned the residence as of December 31, 2002;
- The property owner must continue to own the same residence they owned as of December 31, 2002, and;
- The owners' total household income may not exceed $75,000.

The filing deadline is April 15, and only applies to those property owners that meet all five of the previous criteria.

100% Disabled Veterans Reduction

A benefit of a reduced property tax rate is available by application, for Disabled Veterans and the Surviving Spouse of a veteran that was killed while on active duty or died as a result of a service-connected disability. The exemption or reduction applies to the land up to five acres in size, veteran's residence, and one attached or detached garage. Additional buildings do not receive the reduction or exemption. Eligibility requirements are as follows:

If the veteran is living, the veteran:

- Must have been honorably discharged from active service.
- Must currently be rated at 100% disabled or is paid at 100% disabled rate,
- Must own and occupy the dwelling as a primary residence.
- The adjusted gross income for tax year 2007 is not more than $43,218 (single) or $49,867 (married).

The income levels are adjusted each year for inflation.

If the veteran was killed while on active duty or died as a result of a service-connected disability, the living spouse can receive the benefit if he or she:

- Is the owner/occupant of the home,
- Is unmarried,
- Has obtained a letter from the VA indicating the veteran was 100% disabled at the time of death, or died on active duty,
- The adjusted gross income for tax year 2007 is not more than $37,678.

The income level is adjusted each year for inflation.

The reduction in tax rate is based on the income of the individual. Depending on the marital status and income of the homeowner, the tax rate is reduced to 0%, 20%, 30% or 50% of the normal tax rate. The income ranges are established in 15-6-211, MCA and are updated each year for inflation.

The application deadline is April 15 each year.

Non-fossil Energy Reduction

Using non-fossil forms of energy may also qualify you for a property tax exemption. These types of energy include, but are not limited to, solar heat systems and ground source heat pumps.

The application deadline is March 1 each year.

Property Tax Relief (Continued)

Reverse Annuity Mortgage Loan Program

The reverse annuity mortgage loan program is a loan available through the Montana Board of Housing, to enable senior Montana homeowners to provide for their own in-home support.

The property eligible for the loan program is owner-occupied single family dwellings and up to a four family living unit. Mobile homes/manufactured homes may be excluded, although some exceptions may apply.

Eligibility requirements are as follows:

- Homeowner must be 68 years or older,
- Annual family income cannot exceed the Montana Board of Housing income limits,
- Homeowner must have completed the reverse annuity mortgage loan program counseling,
- The spouse must also be 68 years or older,
- The spouse must be co-applicant on the loan, and be a joint owner with right of survivorship.

Natural Disaster Tax Relief

Natural Disaster Tax Relief is available if your property has been destroyed by a natural disaster to such an extent that the improvements have been rendered unsuitable for their previous use. Natural disaster includes fire, flood, earthquake or wind.

This application is available from your local Department of Revenue field office.

Income Tax Relief

Elderly Homeowner/Renter Credit (Form 2EC)

Qualifying persons are eligible to receive relief from property taxes through the elderly homeowner/renter program (Section 15-30-171 through 179, MCA). This relief is provided through an income tax credit. Individuals who are not required to file income taxes may still take advantage of this program.

Individuals may qualify if they are homeowners who have paid property taxes on their dwelling, or if they are renters, in which case credit is calculated based on a "rent equivalency" amount of property tax paid.

Eligibility requirements are as follows:

- Applicant must be 62 or older during the claim period,
- Applicant must have resided in Montana for at least 9 months,
- Applicant must have occupied at least one dwelling in Montana as an owner, renter, or lessee for 6 months,
- Applicant must have less than $45,000 of gross household income.

Household income less than $35,000 receives full credit and between $35,000 - $45,000 receives reduced credit.

The Budget Process

Each year, the Department of Revenue field offices must certify the taxable value of all properties incorporated within the boundaries of each taxing jurisdiction or school district. This valuation is then submitted to the taxing jurisdictions and the county commissioners.

The taxing jurisdictions then set mill levies based on these values and the budget required to provide the necessary services. The levy is calculated by dividing the necessary budget by the taxable value. You may attend budget meetings to learn about services provided by your taxing jurisdictions.

In addition to the local levies, there are statewide mills mandated by the Montana Legislature to provide school equalization and funding for the university system.

Real property tax bills are typically mailed the end of October. Most tax bills contain the owner's name, legal description of the property, total taxable value and the amount of general property tax. The special fees that are levied against the property, such as street maintenance, irrigation, sewer, fire service, garbage and city special assessments, are then added to the general property tax.