Property Valuation Process

Quality of 2023 Reappraisal

MONTANA
DEPARTMENT OF
REVENUE

PROPERTY ASSESSMENT DIVISION

MONTANA

Valuation Process

General Assessment Date

- January 1

The department values all residential, commercial, and industrial land and improvements as of January 1*.

- Construction or destruction as of January 1st
- Percent complete
- Land splits

All property in Montana (except forest land) was valued as of January 1, 2022, for the 2023-2024 valuation cycle. 15-7-111, MCA

*Property ownership is independent of the January 1 general assessment date. The department can change ownership until tax billing occurs.

The department's assessed value is 100% of market value.

Market Value is…

"The value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts."

15-8-111,MCA

Three Approaches to Value

COST APPROACH

SALES COMPARISON
APPROACH

INCOME APPROACH

Cost Approach

The department

- Develops cost tables using nationally recognized valuation manuals, such as Marshall & Swift, to calculate replacement cost new (RCN) of improvements.

- Applies depreciation

- Applies multipliers to replacement cost new less depreciation (RCNLD)

- Adds land value

Market Value = (Replacement Cost New – Depreciation) + Land Value

Comparable Sales Approach

01

The department obtains sales information about properties that have sold from Realty Transfer Certificates (RTC) collected by county clerk & recorders when deeds are filed.

02

The department verifies sales data to ensure each transaction is "arms length" and the property was offered on the open market. The department also reviews property records for accuracy.

03

The department builds models using its sales database. A property's value is estimated by statistically analyzing the sale prices of similar properties. 3 to 5 comparable sales are selected and then adjusted for differences in property characteristics through multiple regression analysis (MRA)

Income Approach

The department collects income and expense data from commercial property owners who self report rents and expenses for the operation of the property.

The department develops income models for 8 primary commercial building types – apartments, hotel/motel, retail, office, restaurant, mini warehouses, warehouse, mobile home parks and other units.

For each income model, the department develops rent ranges and typical expense percentages.

The department estimates market value by capitalizing a *property's* net income into a present worth (market value) of the future income stream of the property.

The income/profits of a business are not used to value the property. Property value is based on the rents less expenses that a property can generate.

Net Operating Income (NOI) ÷ Capitalization Rate = Market Value

Valuation Results

Sales Ratios

- Measures appraisal accuracy
- Level of Appraisal: 100% of Market Value as of 1/1/2022
- Sales Ratio = Assessed Value / Sales Price
- The closer to 1, or 100%, the closer the assessed value is to the sales price
- IAAO standard: median sales ratio between 0.90 and 1.10
- Outliers trimmed in calculations

- Example:
  - Time-Adjusted Sale Price = $440,000
  - Assessed Value = $430,000
  - Sale Ratio = $430,000 / $440,000 = .98, meaning about 2% lower than the sale price

2023 STATISTICS FOR IMPROVED RESIDENTIAL PROPERTY

Location	Sales Count	Median Ratio
Statewide	17,250	97.42%

2023 STATISTICS FOR COMMERCIAL PROPERTY

Location	Sales Count	Median Ratio
Statewide	1,602	96.35%

2023 STATISTICS FOR IMPROVED RESIDENTIAL PROPERTY

Valuation Method	Sales Count	Mean Ratio	Median Ratio
Comparable Sales	16,020	97.17%	97.79%
Cost	976	95.11%	93.06%

Urban vs. Rural	Sales Count	Mean Ratio	Median Ratio
Urban	11,043	98.05%	98.64%
Rural	6,264	93.99%	94.95%

Sales date range: 07/01/2021 – 06/30/2022

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2023 STATISTICS FOR COMMERCIAL PROPERTY

Valuation Method	Sales Count	Mean Ratio	Median Ratio
Income	1,288	95.09%	96.72%
Cost	313	93.91%	95.45%

Urban vs. Rural	Sales Count	Mean Ratio	Median Ratio
Urban	1,229	95.21%	96.86%
Rural	301	94.09%	94.30%

Sales date range: 07/01/2021 – 06/30/2022

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Questions

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