

MONTANA TAXPAYERS ASSOCIATION



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REVENUE INTERIM COMMITTEE

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Montana has one of the most complicated property tax classification systems in the country. The system is composed of 16 classes of property with tax rates varying from .37% to 100%. To compound the complexity, there are classes that have multiple tax rates applied to property within the class. For example, business equipment has two tax rates, 1.5% and 3%. Class 4 property has multiple rates based on the value of the property and its use such as residential or commercial.

The Legislature has, over time, adjusted the tax rates for some classes of property. Other class's tax rates have remained unchanged for decades. The charts that follow show the changes in statutory tax rates for the various classes of property over time. Other charts show the comparison of tax rates of all classes of property to the base residential tax rate. The charts show the constant downtrend in tax rates for residential and commercial property. They also show the increase in the comparative tax rate of all classes of property to residential property. In 1996 the class nine property rate of 12% was a little over 3 times the residential rate of 3.86%. In 2026 the class 9 rate of 12% is almost 16 times the residential rate of .76%. As the graphs show, similar increases in the rates of all other classes of property compared to residential property have also occurred. This is because residential rates have decreased and the tax rates in almost all other classes have remained the same as they were in 1996.

These inequities should concern policy makers. That is why the Montana Taxpayers Association and other business associations are requesting the Revenue Interim Committee to devote a portion of your interim work plan to looking at the property tax classification system, comparing it with other states, evaluating ways to bring balance back to the system, and contemplating alternative ways to finance some government services that are currently paid for with property taxes.

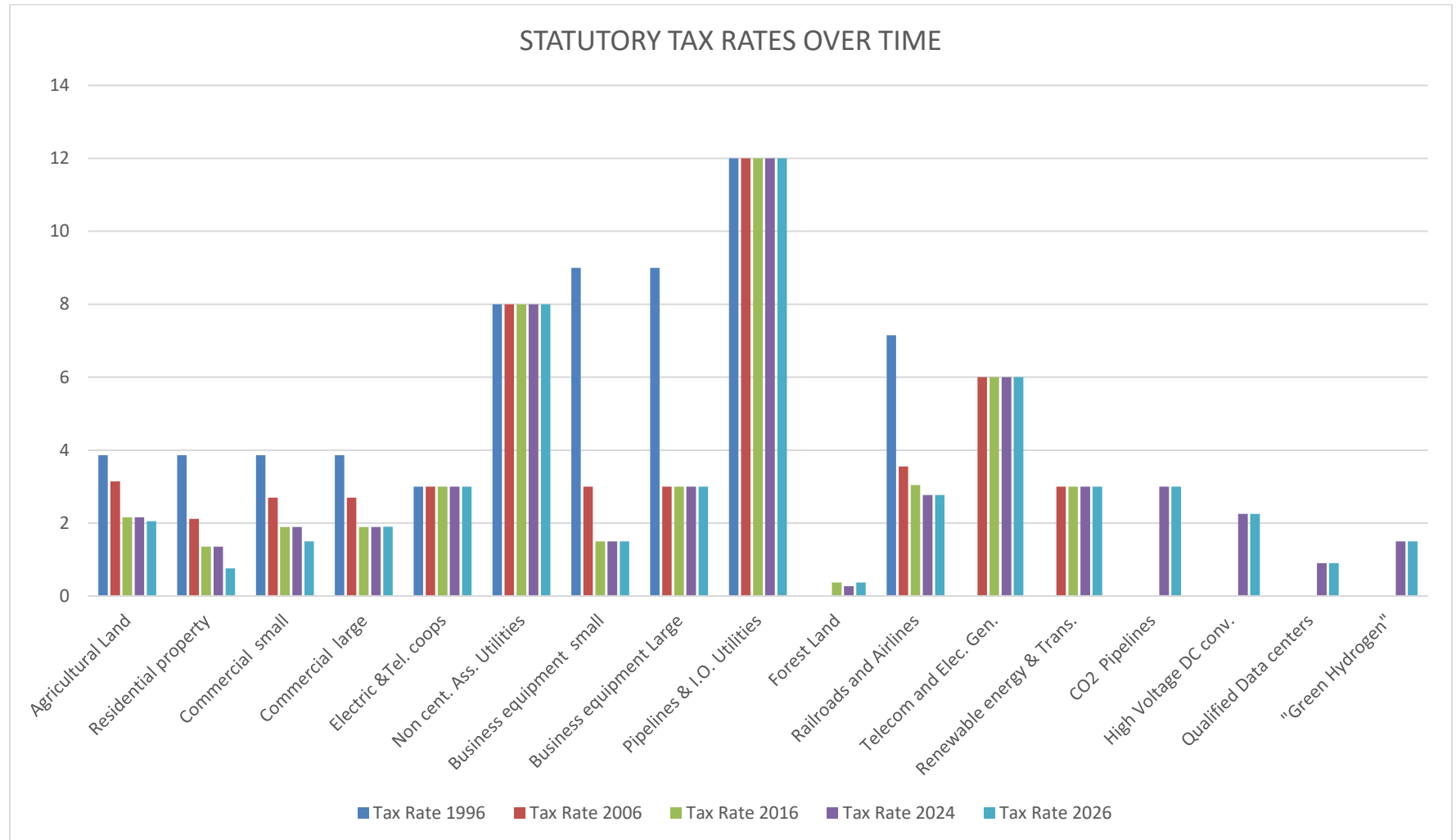
STATUTORY TAX RATES FOR SELECTED YEARS

Property Class	Description	Tax Rate 1996	Tax Rate 2006 *	Tax Rate 2016	Tax Rate 2024	Tax Rate 2026
3	Agricultural Land	3.86	3.14	2.16	2.16	2.05
4	Residential property	3.86	2.12	1.35	1.35	0.76
4	Commercial small	3.86	2.69	1.89	1.89	1.50
4	Commercial large	3.86	2.69	1.89	1.89	1.90
5	Electric & Tel. coops	3.00	3.00	3.00	3.00	3.00
7	Non cent. Ass. Utilities	8.00	8.00	8.00	8.00	8.00
8	Business equipment small	9.00	3.00	1.50	1.50	1.50
8	Business equipment Large	9.00	3.00	3.00	3.00	3.00
9	Pipelines & I.O. Utilities	12.00	12.00	12.00	12.00	12.00
10	Forest Land			0.37	0.27	0.37
12	Railroads and Airlines	7.15	3.55	3.04	2.77	2.77
13	Telecom and Elec. Gen.	N/A	6.00	6.00	6.00	6.00
14	Renewable energy & Trans.	N/A	3.00	3.00	3.00	3.00
15	CO2 Pipelines	N/A	N/A	N/A	3.00	3.00
16	High Voltage DC conv.	N/A	N/A	N/A	2.25	2.25
17	Qualified Data centers	N/A	N/A	N/A	0.90	0.90
18	"Green Hydrogen"	N/A	N/A	N/A	1.50	1.50

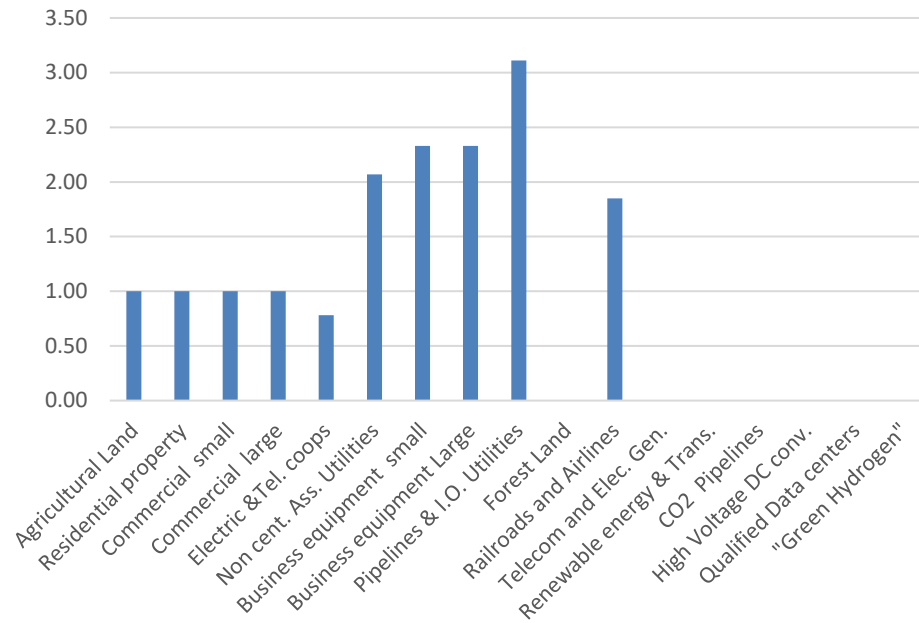
Source: Montana Department of Revenue

*Residential and Commercial Tax Rates in 2006 reflect property value exemptions.

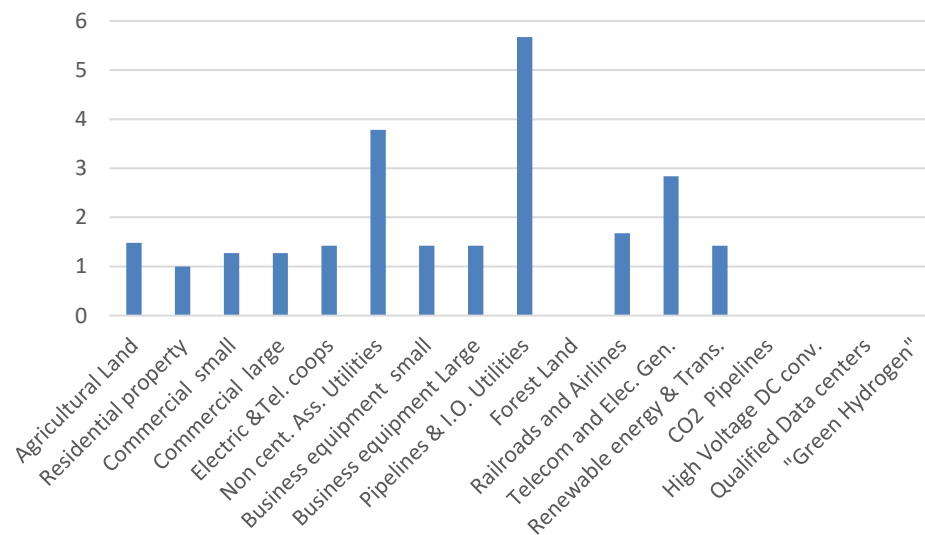
This table shows the change in tax rates for the various classes of property from 1996 – 2026. Tax rate changes were made to agricultural, residential, commercial, business equipment, and forest land. Airline and railroad tax rates are controlled by federal law and adjust annually.

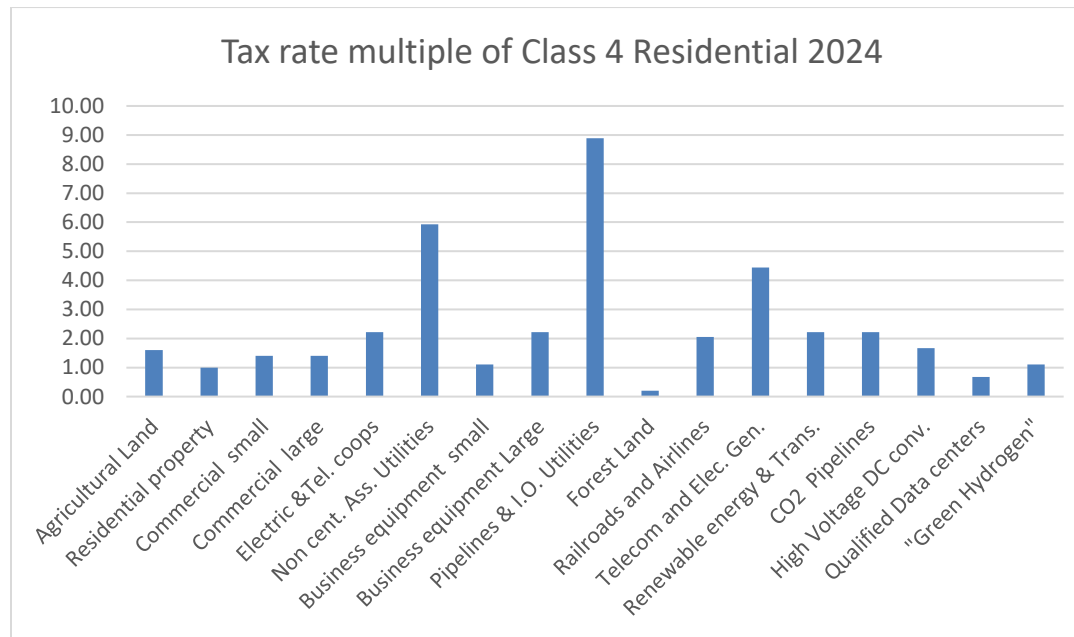
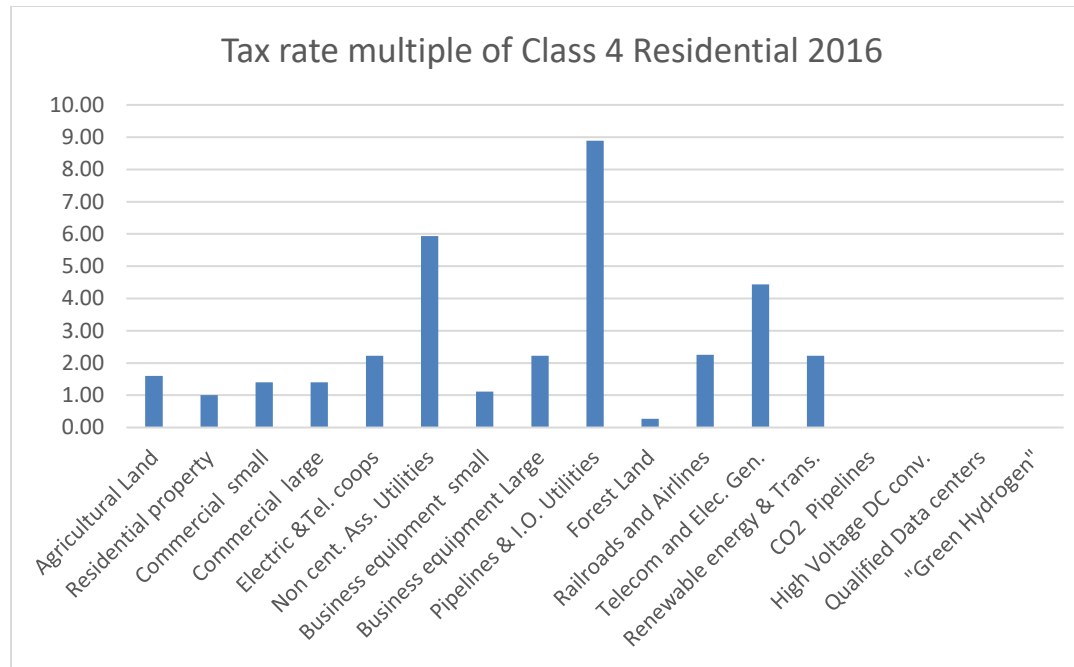


Tax rate multiple of Class 4 Residential 1996



Tax rate multiple of Class 4 Residential 2006







The following graph shows the comparative increase in tax rates of all classes of property compared to residential tax rates from 1996 through 2026.

