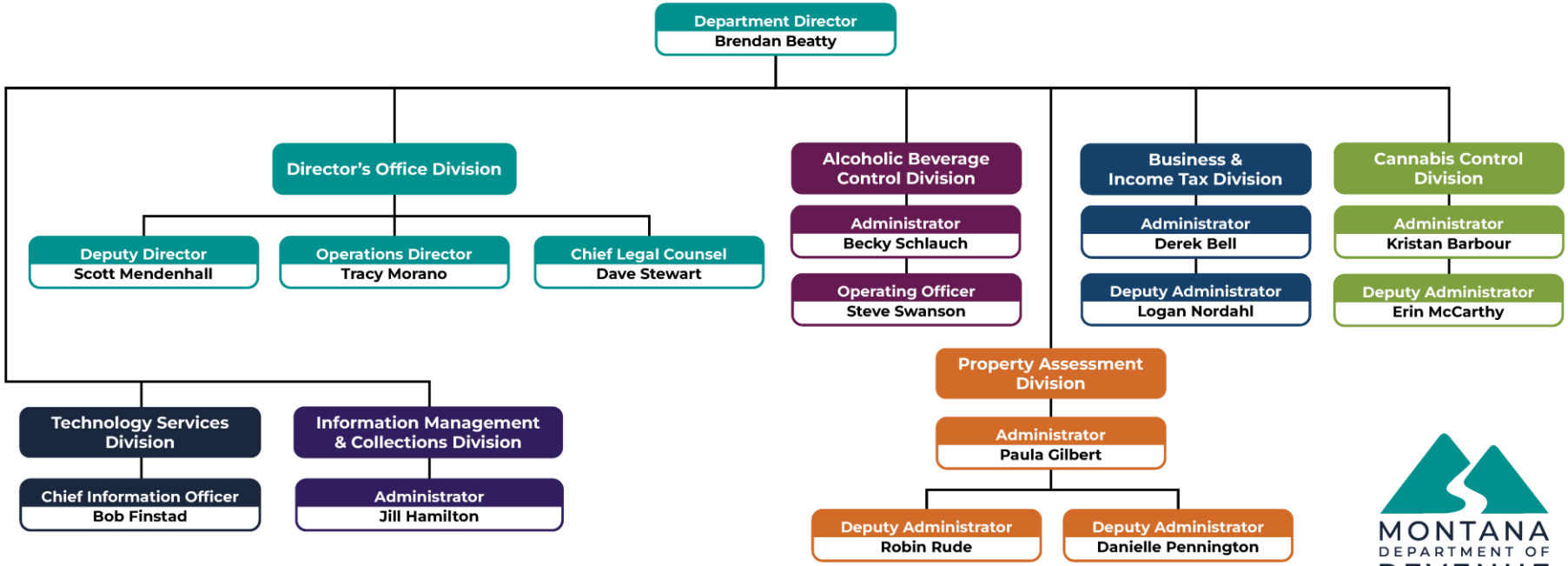
Overview of Centrally Assessed Property Valuation and Apportionment

Revenue Interim Committee
November 13, 2025

Doug Roehm, Unit Manager
Centrally Assessed Property

BUSINESS & INCOME TAXES DIVISION
MONTANA

Montana Department of Revenue
Organizational Chart

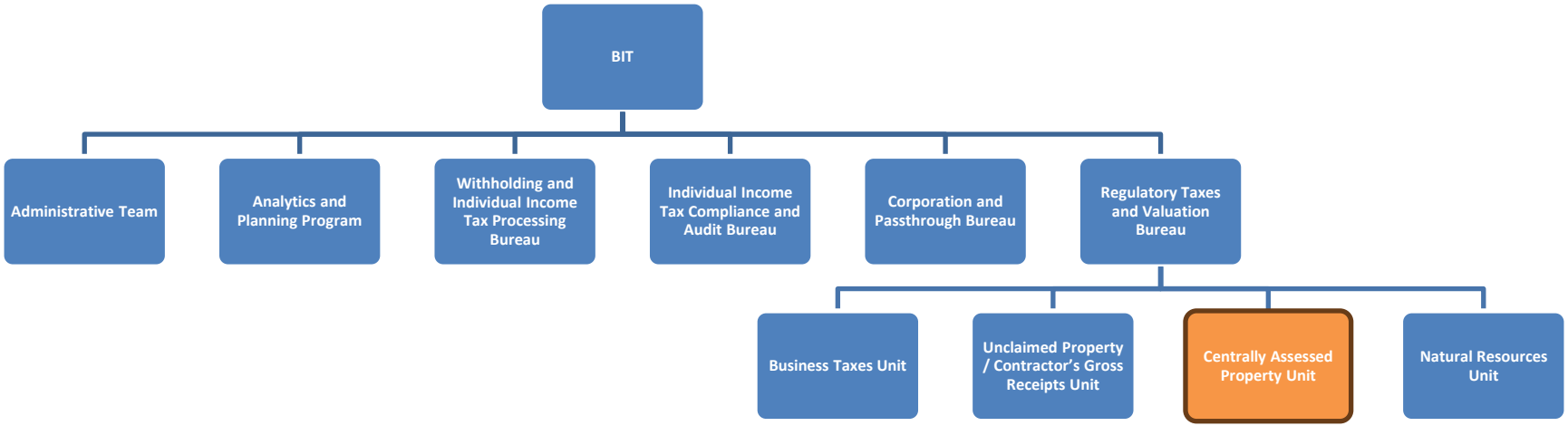


MONTANA DEPARTMENT OF REVENUE

Updated 05-29-2025

Business and Income Taxes Division Organizational Chart

(https://revenue.mt.gov/about/business-and-income-tax)



Centrally Assessed Property High Level Stats

Doug Roehm, *Unit Manager*

Angie Haller, *Lead Utility Appraiser*

Jonathan Rosling, *Utility Appraiser*

Kelli Willhardt, *Utility Appraiser*

Don Erdman, *Utility Appraiser*

- **134** Appraisal Units
  - **178** Companies
- **253** Railcar Assessments
- **7** Classes of property
- **$15.108B** in Market Value
- **$1.003B** in Taxable Value
- Apportioned Value to **all counties** and to **1,221** taxing jurisdictions

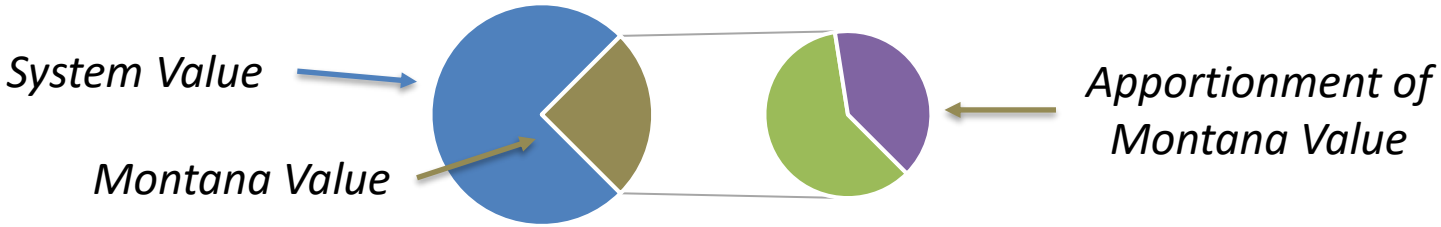
Definitions

Unit or System Value – the market value of all assets owned by the company being appraised

Allocation – the process of assigning a portion of the unit or system market value to Montana

Montana Allocated Value – the portion of the unit or system market value allocated to Montana

Apportionment – the process of assigning the Montana market value to taxing jurisdictions where the property is located. Property is split between situs and mileage for distribution.



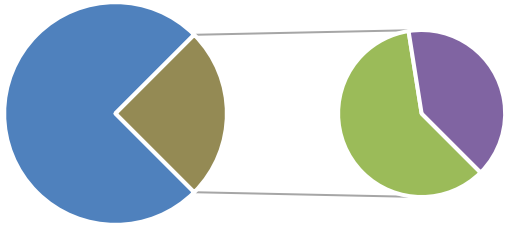
Properties That Are Centrally Assessed

- Montana law provides criteria for determining properties that are centrally assessed and includes property of certain industries that operate in more than one county or state (15-23-101, MCA).
- Senate Bill 54, enacted in 2023, established a 2-year reappraisal cycle for centrally assessed property starting in tax year 2024. This resulted in properties being reappraised every even-year, odd-year, or annually depending on the industry they operate in.
- The table below lists centrally assessed industries and their corresponding reappraisal cycle.

Annual appraisal	Even-year appraisal	Odd-year appraisal
Railroad, & Railcar	Electric Utilities, Electric Coops, & Airlines	Telecommunications, Telephone Coops, & Oil & Gas Pipelines

Unit Method of Valuation

- The Unit method of valuation is used to value centrally assessed property, this involves appraising, as a going concern and as a single entity, the entire unit, wherever located, then deducting the intangible personal property value and then ascertaining the part thereof in this state. The resulting value is referred to as the state allocated value.
- Unit valuation involves “appraising the whole pie and then taking Montana’s slice”
  1. Determine the Market Value of the System
  2. Remove Intangible Personal Property
  3. Allocate a part of the system value to the state
  4. Apportion the state value to taxing jurisdictions where the property is located (15-23-105, MCA)



Unit Method of Valuation Relies on all Three Approaches to Value

- **Cost Approach:**
  Original or historic cost less depreciation
  Information comes from the balance sheet and other audited financial records
- **Income Approach:**
  Capitalization of an income stream
  Information comes from income statements and financial markets
- **Market Approach:**
  Stock and debt approach, or based on other
  Comparable sales data of Guideline Public Companies
  Information comes directly from the market

Description	Indicated Market Value	Weight in Reconciliation
Cost Approach	$125,000,000	25%
Income Approach	$132,000,000	50%
Market Approach	$146,000,000	25%
Reconciled System Value	**$133,750,000**	
MT Allocation %	40%	
Montana Allocated Value	**$53,500,000**	

- **Reconciliation:**
  Once all approaches are completed, they are reconciled into one system value based on the quality and quantity of data that went into each approach.
- **Allocation:**
  A portion of the reconciled value is allocated to Montana using an allocation factor. The allocation factor is different for each industry but in general is primarily weighted on cost in the state vs the system and to a lesser degree based on a use factor such as earnings or volume.

Apportionment and Classification

- Once we have a Montana market value we can move on to apportionment (to distribute the market value to taxing jurisdictions) and then to classification (to determine a taxable value).

Centrally Assessed Classes of Property

Class 5 (15-6-135) | Tax Rate 3%

- Electric cooperatives
- Telephone cooperatives
- Rural telecommunications
- Telecommunications in 3 or less counties
- Pollution control and carbon capture equipment

Class 8 (15-6-138) | Tax Rate 1.5% - 3%

- Flow lines and gathering lines

Class 9 (15-6-141) | Tax Rate 12%

- Electric power, transmission or distribution
- Electric cooperatives in markets formerly served by electric utility
- Natural gas distribution utilities
- Gas and oil transmission pipelines

Class 12 (15-6-145) | Tax Rate calculated annually 2.82% for TY25

- Railroads and rail car
- Airlines

Class 13 (15-6-156) | Tax Rate 6%

- Electric generation
- Telecommunications services
- Dedicated communications infrastructure

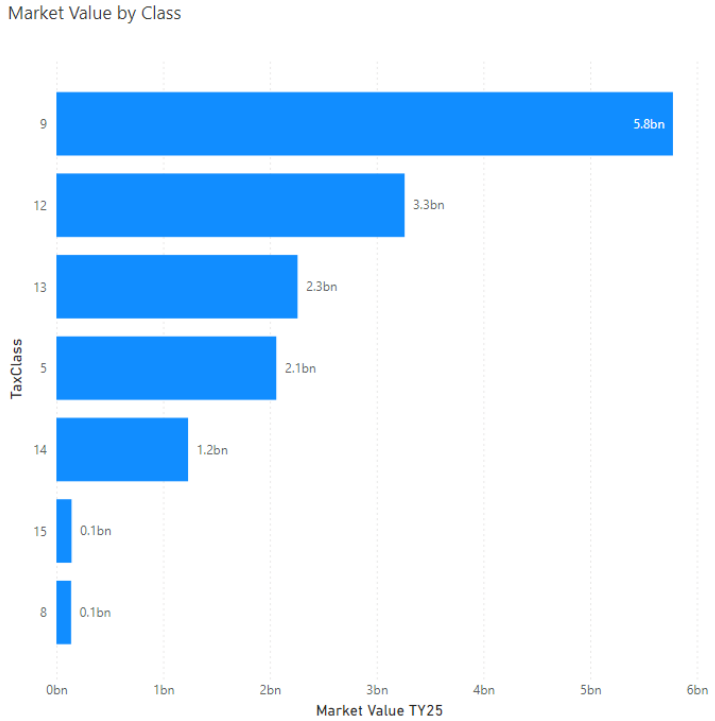
Class 14 (15-6-157) | Tax Rate 3%

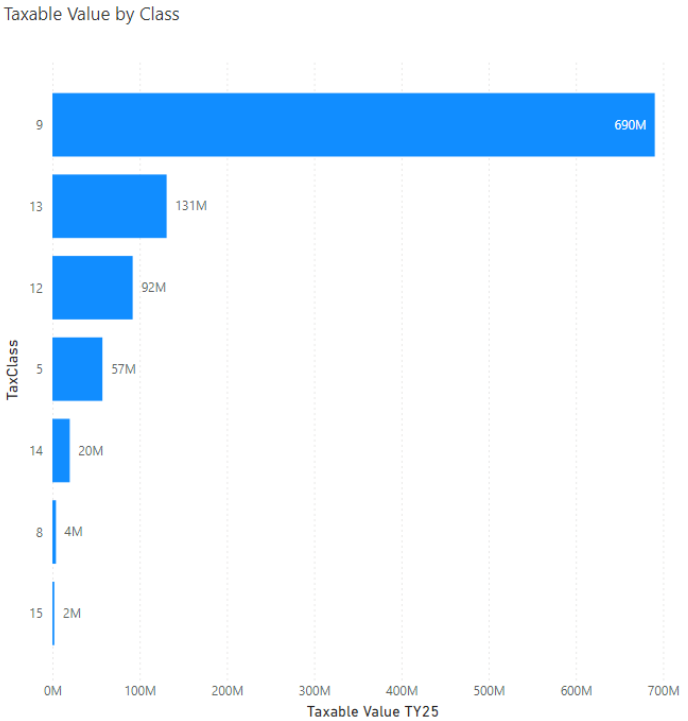
- Wind generation facilities
- Biomass generation up to 25 MWs
- Energy storage facilities
- Battery energy storage
- High-voltage direct-current transmission lines
- Electric transmission serving class 14 generation

Class 15 (15-6-158) | Tax Rate 3%

- Carbon Sequestration

Centrally Assessed Value by Class





Apportionment Overview

Apportionment is the process of distributing the total market value of a company's property within a state to individual taxing jurisdictions, based on the location and type of property. In most instances the distribution is based on a ratio of gross cost of asset within a jurisdiction compared to the total gross cost of all assets owned by the company in the state.

Because not all property can be directly tied to a single geographic location, property is categorized for apportionment as Situs Property or Mileage Property, with each category apportioned differently:

Situs property consists of identifiable, location-specific assets such as buildings, land, machinery, and equipment. *Market value is apportioned directly to the jurisdiction where the property is physically located*.

Mileage property includes assets that span multiple jurisdictions and cannot be pinpointed to a single site, such as rail lines, pipelines, transmission lines, or fiber-optic infrastructure. *Market value is apportioned based on the proportion of miles located in each jurisdiction*.

Apportionment Example – Objective

Objective is to apportion the total allocated market value of $53.5M, from slide 8, to property in the state described below:

- A 30 MW generation plant with a gross cost of $35M located in Jurisdiction A.
- A 100-mile segment of transmission lines with a gross cost of $15M located as follows:
  - 60 miles in Jurisdiction A
  - 30 miles in Jurisdiction B
  - 10 miles in Jurisdiction C
- Additional buildings and equipment as follows:
  - $7M of property in Jurisdiction A
  - $2M of property in Jurisdiction B
  - $1M of property in Jurisdiction C

Apportionment Example – Additional Assumptions

- Total market value allocated to state: $53.5M
- Total gross cost of property in state: $60M
- Total gross cost of situs property: $45M
  - 30 MW generation plant: $35M
  - Buildings and equipment: $10M
- Total mileage property gross cost: $15M

Apportionment Example – Situs Property (Generation Plant)

The generation plant is situs property and would be apportioned as follows:

Reminder of key assumptions
- Cost of plant = $35M
- Total cost of all property in state = $60M
- Total value to be apportioned = $53.5M

Step 1: Calculate ratio of cost

$$\text{Cost Ratio} = \frac{\$35{,}000{,}000}{\$60{,}000{,}000} = 58.3\%$$

Step 2: Use cost ratio to apportion market value

Market Value to Jurisdiction A = 58.3% x $53,500,000 = $31,208,333

$31,208,333 in market value would be apportioned to the generation plant in Jurisdiction A

Apportionment Example – Mileage Property

The transmission lines are mileage property and would be apportioned as follows:

Reminder of key assumptions

- Cost of mileage segment = $15M
- Length of mileage segment = 100 miles
- Mileage by Jurisdiction A/B/C = 60/30/10
- Total cost of all property in state = $60M
- Total value to be apportioned = $53.5M

Step 1: Calculate ratio of cost

$$\text{Cost Ratio} = \frac{\$15{,}000{,}000}{\$60{,}000{,}000} = 25\%$$

Step 2: Use cost ratio to apportion value

Value of Mileage Seg. = 25% x $53,500,000 = $13,375,000

Step 3: Determine Value per Mile

$$\text{Value per Mile} = \frac{\$13{,}375{,}000}{100} = \$133{,}750$$

Step 4: Apportion by mileage

Jurisdiction	Miles	Value per Mile	Market Value
A	60	$133,750	$8,025,000
B	30	$133,750	$4,012,500
C	10	$133,750	$1,337,500
Total	100		$13,375,000

$13,375,000 in market value would be apportioned to the transmission lines and would be further distributed to each jurisdiction based on miles.

Apportionment Example – Situs Property (Buildings and Equipment)

The buildings and equipment are situs property and would be apportioned as follows:

Reminder of key assumptions
- Cost of buildings and equipment = $10M
- By Jurisdictions A/B/C = $7M/$2M/$1M
- Total cost of all property in state = $60M
- Total value to be apportioned = $53.5M

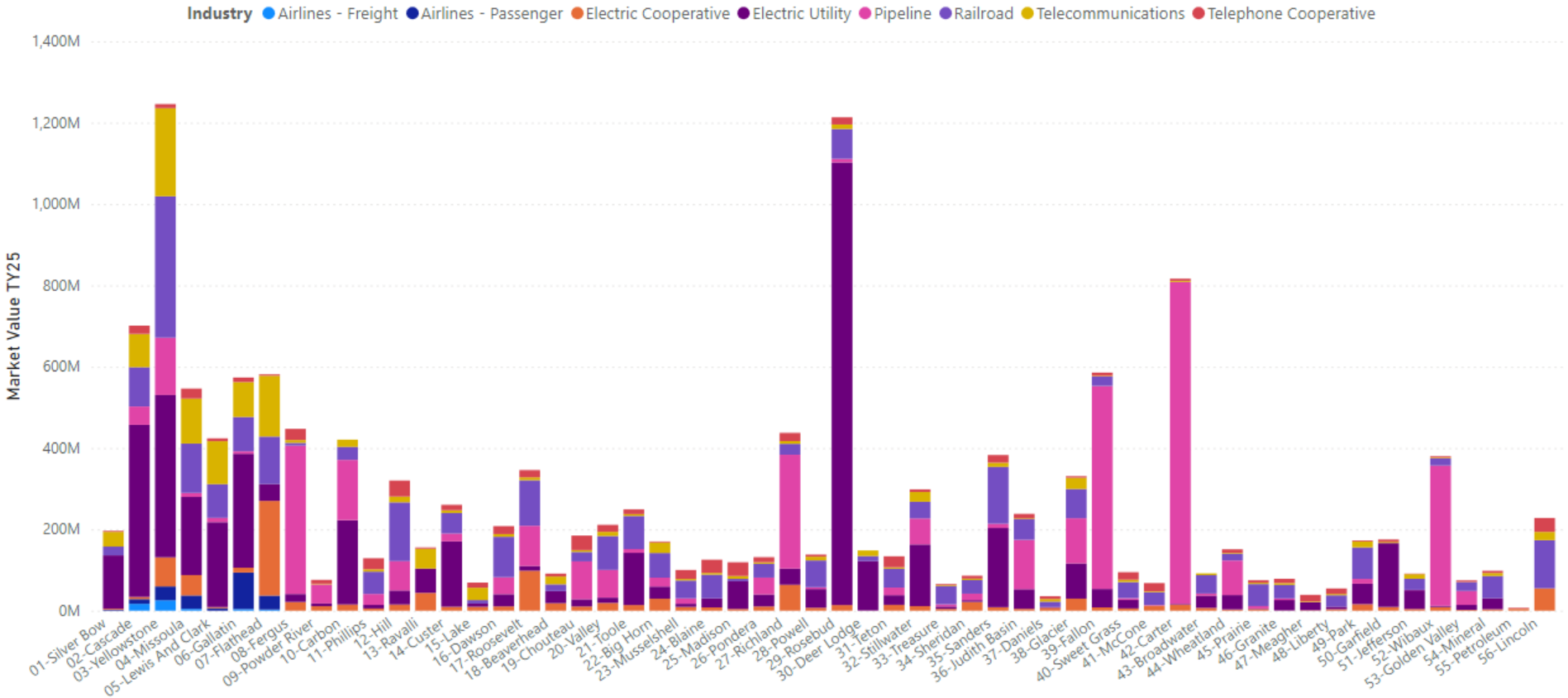
Jurisdiction	Cost	Total Cost	% of Total Cost	State Market Value	Apportioned Market Value
A	$7,000,000	$60,000,000	11.7%	$53,500,000	$6,241,667
B	$2,000,000	$60,000,000	3.3%	$53,500,000	$1,783,333
C	$1,000,000	$60,000,000	1.7%	$53,500,000	$891,667
Total	$10,000,000				$8,916,667

$8,916,667 in market value would be apportioned to buildings and equipment based on which jurisdiction the property was located in.

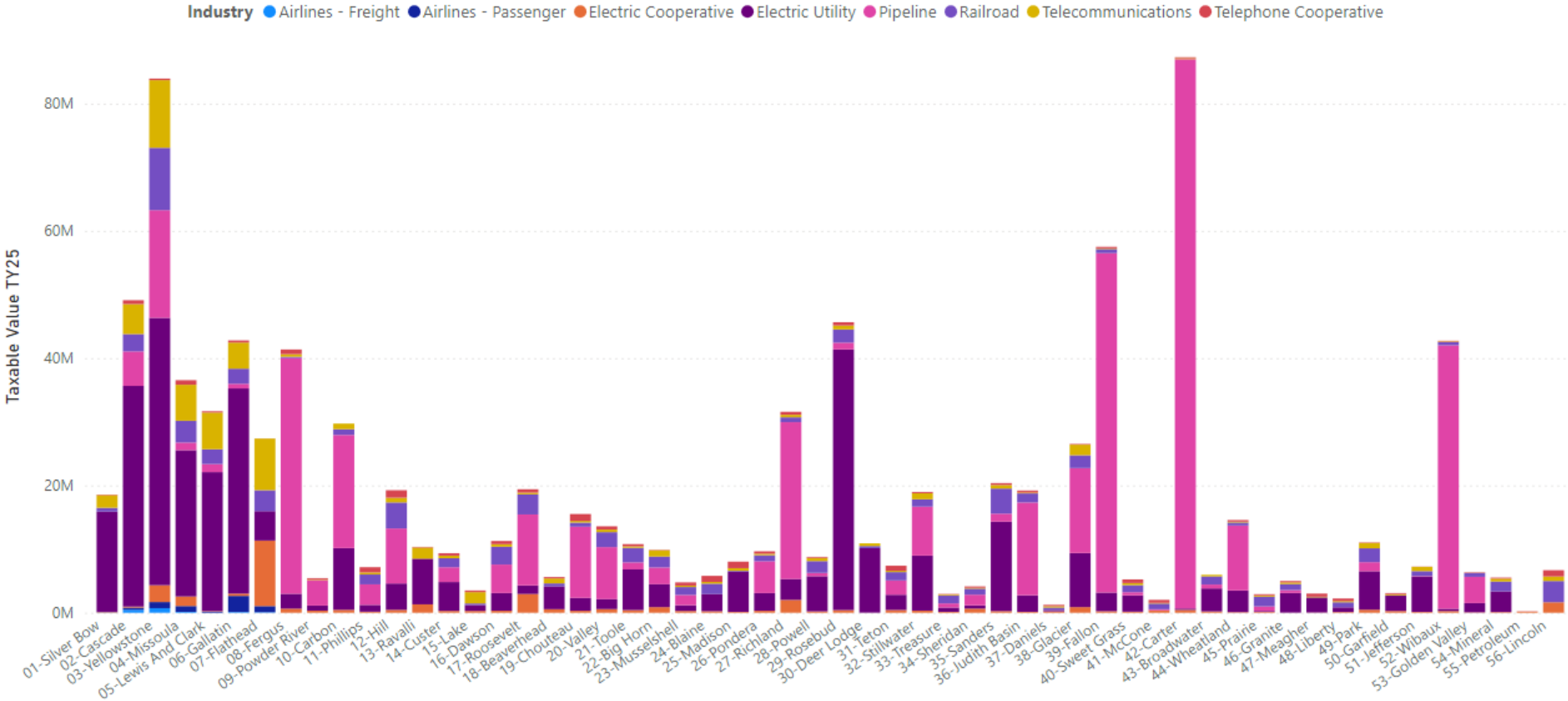
Apportionment Example – Summary Table

Property Description	Jurisdiction	Apportioned Market Value	Class	Tax Rate	Taxable Value
Generation Plant	A	$31,208,333	13	6.0%	$1,872,500
Mileage Property	A	$8,025,000	9	12.0%	$963,000
Mileage Property	B	$4,012,500	9	12.0%	$481,500
Mileage Property	C	$1,337,500	9	12.0%	$160,500
Buildings & Equipment	A	$6,241,667	9	12.0%	$749,000
Buildings & Equipment	B	$1,783,333	9	12.0%	$214,000
Buildings & Equipment	C	$891,667	9	12.0%	$107,000
Total		**$53,500,000**		**8.5%**	**$4,547,500**
Total for Jurisdiction	A	$45,475,000			$3,584,500
Total for Jurisdiction	B	$5,795,833			$695,500
Total for Jurisdiction	C	$2,229,167			$267,500

Centrally Assessed Market Value by County TY25



Centrally Assessed Taxable Value by County TY25



Link to Centrally Assessed Property

Link to Centrally Assessed Property page on Revenue Website
https://revenue.mt.gov/property/centrally-assessed/

Provides useful information on:

- What is Centrally Assessed Property
- Requirements for Central Assessment
- Appraisal of Centrally Assessed Property
- Reports and Resources
- Etc.

Centrally Assessed Property Contact

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