



**MONTANA
ADMINISTRATIVE
REGISTER**



DEPARTMENT OF REVENUE

NOTICE OF PROPOSED RULEMAKING

MAR NOTICE NO. 2025-430.1

Summary

Adoption of NEW RULES 1 through 4 to Implement Property Tax Relief Legislation Enacted by the 69th Montana Legislature

Hearing Date and Time

Monday, December 1, 2025, at 11:00 a.m.

Hearing Information

Third Floor Reception Area Conference Room of the Sam W. Mitchell Building, located at 125 North Roberts, Helena, Montana

Comments

Comments may be submitted using the contact information below. Comments must be received by Monday, December 8, 2025, at 5:00 p.m.

Accommodations

The agency will make reasonable accommodations for persons with disabilities who wish to participate in this rulemaking process or need an alternative accessible format of this notice. Requests must be made by Friday, November 14, 2025, at 5:00 p.m.

Contact

General Reasonable Necessity Statement

The 69th Montana Legislature enacted two pieces of property tax relief legislation – House Bill 231 (HB 231) and Senate Bill 542 (SB 542) (the bills). The bills enact significant revisions to Montana property tax law, including:

- property tax rebates for principal residences based on tax year 2024
- reductions in class three agricultural property tax rates
- temporary and permanent reductions in class four residential property tax rates for certain owner-occupied residences and long-term rentals
- eligibility and application requirements for property owners to receive the reduced property tax rate(s), together with detailed application, eligibility, and appeal procedures

Based on the above-described legislative changes, it is necessary for the department to propose NEW RULES 1 through 4 to implement the plain intent of the bills through an administrative framework that addresses the department's application process, eligibility determinations, calculation methods for applying effective tax rates (ETR), property owner appeal rights, and program compliance.

While this general statement of reasonable necessity covers the basis for the proposed rule amendments, it is supplemented below to explain rule-specific proposals.

Rulemaking Actions

ADOPT

The rules proposed to be adopted are as follows:

NEW RULE 1 DEFINITIONS

The following definitions apply to this subchapter:

- (1) "Commercial rate" means the same as the commercial property tax rate provided in 15-6-134(3)(d), MCA.

- (2) “ETR,” for the purposes of administering the reduced tax rates, means the effective tax rate for a qualifying property which the department determines through the process described in [NEW RULE 4].
- (3) “Homestead rate” means the same as the homestead reduced tax rate provided in 15-6-402, MCA.
- (4) “Multifamily dwelling unit,” for the purposes of administering the rental rate for qualifying multifamily dwelling units provided in 15-6-134(3)(b)(ii), MCA, means two or more separate living spaces within a single building or group of buildings located on the same parcel and under one ownership; and includes the value of both the land and improvements. The term does not include separate living spaces within the same building or group of buildings when the separate living spaces are owned by separate individuals.
- (5) “Normal rate” means the same as the class four residential property tax rate provided in 15-6-134(3)(a), MCA.
- (6) “Owner” means the same as the term provided in 15-6-402, MCA.
- (7) “Reduced tax rates” means the homestead rate and rental rate which are collectively referenced for brevity in these rules.
- (8) “Rental rate” means the same as the rental property reduced tax rate provided in 15-6-402, MCA. Rental rate may also be used, where applicable, to describe either:
 - (a) the multifamily dwelling unit rental rate provided in 15-6-134(3)(b)(ii), MCA (“multifamily rental rate”); or
 - (b) the single-family dwelling rental rate described in 15-6-134(3)(b)(i), MCA (“single-family rental rate”).
- (9) “Secondary dwelling unit,” for the purposes of administering the reduced tax rates, means a single-family residential dwelling unit that is not a principal residence of the owner but is located on the same parcel of land as a principal residence. A secondary dwelling unit includes accessory dwelling units (ADUs) and may include other non-principal dwelling units, as determined by the department, regardless of its name or description.

Authorizing statute(s): 15-1-201, 15-6-425, MCA

Implementing statute(s): 15-1-201, 15-6-134, 15-6-402, 15-6-405, 15-6-411, MCA

Reasonable Necessity Statement

In addition to the department's general statement of reasonable necessity, the department proposes to adopt NEW RULE 1 to adopt definitions for terminology established in, or as an extension of, the department's implementation of the bills. Definitions of “homestead rate”

and “rental rate” are proposed to provide an abbreviated form of the lengthier statutory term without diminishing the original reference, which will generally improve readability of the rules. Rental rate also includes two distinct subsets of long-term rentals which are necessary to define/reference: the multifamily rental rate and single-family rental rate.

Definitions of “commercial rate,” “ETR,” “normal rate,” “reduced tax rates,” and “secondary dwelling unit” are proposed to allow for brevity through generalized statement(s) of applicability and to improve readability of the rules.

The proposed definition for “multifamily dwelling unit” is necessary because the bills include multifamily dwellings as a property type that qualifies for the reduced tax rates, but there are different combinations/types of multifamily dwelling units that require qualification through definition for the department to apply the appropriate reduced tax rates to each type of multifamily dwelling units.

NEW RULE 2 REDUCED TAX RATE APPLICATION PROCESS; DETERMINATIONS; APPEAL RIGHTS; AND PROGRAM COMPLIANCE

- (1) An owner must apply to the department in accordance with, and subject to the eligibility requirements of 15-6-405 or 15-6-411, MCA, as applicable, and this rule to receive the reduced tax rates.
- (2) The department will accept applications for the reduced tax rates, in the form provided by the department, through U.S. mail or electronically. The application is available through the department’s regional offices or through the department’s website at homestead.mt.gov.
 - (a) Mailed applications must be postmarked by March 1 of the year the reduced tax rates are claimed, and electronic applications must be submitted by 11:59:59 p.m. on March 1 of the year the reduced tax rates are claimed. Mailed applications postmarked after March 1 and electronic applications submitted after March 1 will be processed for the following year.
 - (b) The department may waive the application deadline in (a) when extenuating circumstances exist that meet the criteria in 15-6-418, MCA. Examples of extenuating circumstances include natural disaster, hospitalization, physical illness, or infirmity. The department must document its justification for a deadline waiver.
- (3) Temporary absences that affect occupancy of a principal residence such as admission to a hospital, nursing home, or similar facility for short-term medical or non-medical reasons, military deployments, or work assignments, do not change an owner’s principal residence for the purposes of the homestead rate.

- (4) An applicant for reduced tax rates must provide the information in 15-6-405 or 15-6-411, MCA, as applicable, and any other information required by the department that is relevant to the applicant's eligibility.
- (5) In accordance with 15-6-411, MCA, the department may:
 - (a) investigate the information provided in an application and an applicant's continued eligibility; and
 - (b) request an applicant to submit a new application or provide documentation to verify occupancy of their principal residence or property's use as a long-term rental.
- (6) An owner of a principal residence that has qualified for the homestead rate must notify the department, in writing through U.S. mail or electronically, within 30 days if any of the following events occurs:
 - (a) there is a change in ownership of the property;
 - (b) the owner no longer uses the dwelling as a principal residence; or
 - (c) the owner applies for a homestead reduced tax rate for a different principal residence.
- (7) An owner of a long-term rental property that has qualified for the rental rate must notify the department, in writing through U.S. mail or electronically, within 30 days if any of the following events occurs:
 - (a) there is a change in ownership of the property;
 - (b) the property is no longer rented to tenants as a dwelling; or
 - (c) the terms of the lease change and the property no longer qualifies as a long-term rental.

Authorizing statute(s): 15-1-201, 15-6-425, MCA

Implementing statute(s): 15-1-201, 15-6-134, 15-6-402, 15-6-405, 15-6-411, 15-6-415, 15-6-418, MCA

Reasonable Necessity Statement

In addition to the department's general statement of reasonable necessity, the department proposes to adopt NEW RULE 2 to include the following provisions:

- A detailed title for the rule to detail the rule's application, determination, and compliance requirements.

- Section (1) to incorporate eligibility requirements used in statute or rule regarding the reduced tax rates.
- Section (2) to provide clear guidance for property owners of application due dates and the circumstances through which the department may waive an application deadline. The department has adopted this format in other rules (see ARM 42.19.401 and 42.19.407 (2023)) which has been well received, and its inclusion here is appropriate.
- Section (3) as a necessary cross-reference to 15-6-418, MCA, to implement the bill's hardship or extenuating circumstances for the department to waive an application deadline.
- Section (4) to provide minor, but necessary, eligibility guidance for property owners in the administration of the homestead rate. The department has adopted this guidance in other rules which has been well received, and its inclusion here is appropriate.
- Section (5) to disclose and describe the department's general authority for program compliance granted to it under the bills. Since the application and program are new and aspects are somewhat prospective, the department believes the general statements of compliance under the law are sufficient.
- Sections (6) and (7) to incorporate necessary reporting requirements for an owner when any of the events that impact qualification for a reduced tax rate, as stated in 15-6-405(2)(c) or 15-6-406(2)(d), MCA, occurs.

NEW RULE 3 ADMINISTRATION OF REDUCED TAX RATES

- (1) A qualifying property whose owner has applied for, and been granted, a homestead rate or rental rate will receive the respective reduced tax rate through an application of an ETR to the appraised market value of the property as determined by the process in [NEW RULE 4].
- (2) A qualifying property that receives a homestead rate, contains a single residential dwelling, and is used exclusively as a principal residence, will have the reduced tax rate applied to the entire market value of the property - including the land and all improvements situated upon the land.
- (3) Except as provided in (4), the homestead rate does not apply to separately described or assessed parcels of land that do not support the principal residential improvements regardless of whether those parcels are contiguous with or adjacent to the principal residence.
- (4) If the principal residence is a mobile home or manufactured home that is assessed separately from the land, the mobile home or manufactured home and the land may qualify for the homestead rate if both are owned by the applicant. If the land is not owned by the applicant, the reduced tax rate applies only to the mobile home or manufactured home.

- (5) A qualifying property that receives a homestead rate and contains one or more secondary dwelling units will have the reduced rate applied as follows, based upon the use of the secondary dwelling units:

- (a) If the secondary dwelling units are used as long-term rentals and the owner submits a completed rental rate application for the secondary dwelling units that is approved, the entire property value will receive one reduced tax rate.

Informational Example: The property contains a principal residence and a secondary dwelling unit that is used as a long-term rental. The homestead rate and rental rate are both approved. The entire property value will receive one reduced rate.

Total Property Value: \$600,000

Land: \$100,000

Principal Residence: \$350,000

Secondary Dwelling Unit - Long-term rental: \$150,000

Total Property Value: \$600,000 x Homestead/Single-family Rental Rate

- (b) If the secondary dwelling units are also used as a principal residence by an additional owner, and the additional owner also submits a completed application for a homestead rate that is approved, the entire property value will receive one reduced tax rate.

Informational Example: The property contains two separate houses and is jointly owned by two brothers, each residing in one as his principal residence. Both brothers apply for a homestead reduced rate and are approved. The entire property value will receive one homestead rate.

Total Property Value: \$600,000

Land: \$100,000

First Principal Residence: \$350,000

Second Principal Residence: \$150,000

Total Property Value: \$600,000 x Homestead Rate

- (c) If the secondary dwelling units do not qualify as a principal residence or long-term rental, then the portion of value attributable to the secondary dwelling units will be taxed at the rate provided in 15-6-134(3)(a), MCA.

Informational Example: The property contains a principal residence and a secondary dwelling unit that is used as a guest house and short-term rental. The owner applies for a homestead rate and is approved. The value of the land and principal residence will receive the homestead rate. The improvement value associated with the secondary dwelling unit will receive the normal rate.

Total Property Value: \$600,000
Land: \$100,000
Principal Residence: \$350,000
Secondary Dwelling Unit – Short-term Rental/Guest House: \$150,000
Land + Principal Residence = \$450,000 x Homestead Rate
Secondary Dwelling Unit – Short-Term Rental = \$150,000 x Normal Rate

- (6) A qualifying property that receives a homestead rate and is a unit of a multifamily dwelling unit will have the reduced tax rate applied as follows:
- (a) The rate will apply to the portion of the property value attributable to the principal residence expressed as a percentage of the overall property value of the total number of dwelling units.
 - (b) The remaining portion of the property value from (a) will be taxed on the use of the remaining multifamily dwelling units as follows:
 - (i) If one or more of the remaining multifamily dwelling units are also used as a principal residence for an additional owner of the property, and the additional owner submits a completed homestead rate application that is approved, the portion of value attributable to those remaining dwelling units will also receive the reduced tax rate that will be applied to the total value of the property.

Informational Example: The property contains a duplex and is owned by two brothers who each reside in one of the units as their principal residence. Both brothers apply to receive the homestead rate for their respective units and are approved. The entire property value will receive one homestead rate.

Total Property Value: \$600,000
Land: \$100,000
Principal Residences: \$500,000
Total Property Value = \$600,000 x Homestead Rate

- (ii) If one or more of the remaining multifamily dwelling units are used as long-term rentals and the owner submits a completed rental rate application that is approved, then the portion of value attributable to those remaining dwelling units will be taxed at the rate provided in 15-6-134(3)(b)(ii), MCA.

Informational Example: The property is a fourplex: one unit is owner-occupied as the principal residence, and the remaining three units are used as long-term rentals. The owner applies for a homestead rate for the principal residence unit and also applies for a rental rate on the three long-term

rentals, and all are approved. The homestead rate will be applied to 25 percent of the property value associated with the principal residence and the multifamily rental rate will be applied to 75 percent of the total property value associated with the three long-term rentals.

Total Property Value: \$800,000

Land: \$100,000

Improvements: \$700,000

Principal Residence Unit: $\$800,000 \times 25\% (1/4) = \$200,000 \times$
Homestead Rate

Long-term Rental Units: $\$800,000 \times 75\% (3/4) = \$600,000 \times$ Multifamily
Rental Rate

- (iii) If the remaining multifamily dwelling units do not meet the conditions outlined in (i) or (ii), then the portion of value attributable to those remaining dwelling units will be taxed at the rate provided in 15-6-134(3)(a), MCA.

Informational Example: The property is a fourplex: one unit is owner occupied as the principal residence, two units are used as long-term rentals, and one unit is used as a short-term rental. The owner applies for a homestead rate for the principal residence unit and also applies for a rental rate on the two long-term rentals; both are approved. The homestead rate will be applied to 25 percent of the property value (associated with the principal residence), the multifamily rental rate will be applied to 50 percent of the property value (associated with the two long-term rentals), and 25 percent of the property value will receive the normal rate for the short-term rental.

Total Property Value: \$800,000

Land: \$100,000

Improvements: \$700,000

Principal Residence Unit: $\$800,000 \times 25\% (1/4) = \$200,000 \times$
Homestead Rate

Long-term Rental Units: $\$800,000 \times 50\% (2/4) = \$400,000 \times$ Multifamily
Rental Rate

Short-term Rental Unit: $\$800,000 \times 25\% (1/4) = \$200,000 \times$ Normal Rate

- (7) A property that has been granted a homestead rate and contains a mix of residential and commercial uses will have the homestead rate applied as follows:
- (a) The homestead rate will be applied to the portion of the property's value attributable to the principal residence, as determined by 15-6-134(2), MCA.

- (b) The remaining portion of property value attributable to the commercial use, as determined in 15-6-134(2), MCA, will be taxed at the rate provided in 15-6-134(3)(d), MCA.

Informational Example: The property has a residential dwelling used as the owner's principal residence and a large commercial shop used for the owner's auto repair business. The highest percentage of the total land value is associated with the auto repair business, so the entire land value is classified as commercial. The owner applies for a homestead rate for the principal residence that is approved. The homestead rate will be applied to the portion of the improvement value attributable to the principal residence. The total land value and portion of the improvement value associated with the auto repair shop will receive the commercial rate.

Total Property Value: \$800,000
Land - Commercial: \$100,000
Principal Residence Improvements: \$300,000
Commercial Improvements: \$400,000
 $\$300,000 \times \text{Homestead Rate}$
 $\$100,000 + \$400,000 \times \text{Commercial Rate}$

- (8) A property that has been granted a rental rate will have the rate applied as follows:
 - (a) If the property that receives the rental rate contains a single residential dwelling, the total property value, including the land and improvements, will receive the rental rate provided in 15-6-134(3)(b)(i), MCA.

Informational Example: The property contains a single residential dwelling that is used as a long-term rental. The owner applies for a rental rate which is approved. The single-family rental rate will be applied to the entire value of the property.

Total Property Value: \$450,000
Land: \$100,000
Single-family Dwelling Improvements: \$350,000
Total Property Value: $\$450,000 \times \text{Single-family Rental Rate}$

- (b) If the property that receives the rental rate contains a multifamily dwelling, then the rate will be applied as follows:
 - (i) If all multifamily dwelling units, whether contained in a single structure or multiple structures, qualify for the rental rate, then the entire property value, including the land and improvements, will receive the multifamily rental rate provided in 15-6-134(3)(b)(ii), MCA.

Informational Example: The property contains a fourplex and all four units are used as long-term rentals. The owner applies for a rental rate which is approved. The entire property value will receive the multifamily rental rate.

Total Property Value: \$800,000

Land: \$100,000

Multifamily Dwelling Improvements: \$700,000

Total Property Value: \$800,000 x Multifamily Rental Rate

- (ii) If only a portion of the dwelling units of a multi-family dwelling unit long-term rental property qualify for the rental rate, only the portion of value attributed to the dwelling units that qualify will receive the reduced tax rate provided for in 15-6-134(3)(b)(ii), MCA. The portion of value attributable to the dwelling units that do not qualify for the rental rate will be taxed at the rate provided in 15-6-134(3)(a), MCA.

Informational Example: The property contains a fourplex: three of the units are used as long-term rentals and one unit is used as a short-term rental. The owner applies for a rental rate on the three long-term rentals which is approved. The multifamily rental rate will be applied to 75 percent of the property value (associated with the three long-term rentals). The normal rate is applied to 25 percent of the property value (associated with the one short-term rental).

Total Property Value: \$800,000

Land \$100,000

Multifamily Dwelling Improvements: \$700,000

$\$800,000 \times 75\% (3/4) = \$600,000 \times \text{Multifamily Rental Rate}$

$\$800,000 \times 25\% (1/4) = \$200,000 \times \text{Normal Rate}$

- (iii) The portion of value that receives the rental rate is calculated by taking the total property value multiplied by a factor of qualifying dwelling units divided by the total number of dwelling units.
- (c) If the property that receives the rental rate contains a mix of residential and commercial uses, the rental rate will be applied as follows:
 - (i) The rental rate will be applied to the portion of the property's improvement value attributable to the long-term rental and will only apply to the land value if the residential use of the land is the highest percentage of the total value of the land in accordance with 15-6-134(2), MCA.

- (ii) A single unit long-term rental will receive the reduced rate provided in 15-6-134(3)(b)(i), MCA.

Informational Example: The property includes a residential dwelling used as a long-term rental and a large commercial shop where the owner runs an auto repair business. The highest percentage of the total land value is associated with the commercial use of the auto repair business, so the entire land value is classified as commercial. The owner applies for the rental rate for the residential dwelling that is approved. The rental rate for single-family dwellings will be applied to the portion of the improvement value attributable to the long-term rental. The total land value and portion of the improvement value associated with the commercial auto repair shop will receive the commercial rate.

Total Property Value: \$800,000
Land Value - Commercial: \$100,000
Single-family Dwelling Improvement Value: \$300,000
Commercial Improvement Value: \$400,000
 $\$300,000 \times \text{Single-family Rental Rate}$
 $\$100,000 + \$400,000 \times \text{Commercial Rate}$

- (iii) Units of a multifamily dwelling long-term rental will receive the reduced rate provided in 15-6-134(3)(b)(ii), MCA.

Informational Example: The property includes a fourplex, with all units used as long-term rentals, and a large commercial shop where the owner runs an auto repair business. The highest percentage of the total land value is associated with the residential use for the long-term rental units, so the entire land value is classified as residential. The owner applies for a rental rate for the fourplex that is approved. The multifamily rental rate will be applied to the entire land value and portion of the improvements value attributable to the long-term rentals. The portion of the improvement value associated with the commercial auto repair shop will receive the commercial rate.

Total Property Value: \$800,000
Land Value - Residential: \$100,000
Multifamily Dwelling Improvements Value -: \$400,000
Commercial Improvements Value: \$300,000
 $\$100,000 + \$400,000 \times \text{Multifamily Rental Rate}$
 $\$300,000 \times \text{Commercial Rate}$

- (iv) The remaining portion of property value attributable to the commercial use, as determined in 15-6-134(2), MCA, will be taxed at the rate provided in 15-6-134(3)(d), MCA.

- (9) Any property that has unusual or unique combinations of classifications, characteristics, and uses will be reviewed by the department on a case-by-case basis and the applicable reduced tax rate applied.

Authorizing statute(s): 15-1-201, 15-6-425, MCA

Implementing statute(s): 15-1-201, 15-6-134, 15-6-402, 15-6-405, 15-6-411, 15-6-415, 15-6-418, MCA

Reasonable Necessity Statement

In addition to the department's general statement of reasonable necessity, the department proposes to adopt NEW RULE 3 which is necessary for the department to explain its proposed administration, procedures, and application review criteria in its implementation of the bills so that the owners and property types that are eligible for property tax relief are described to the greatest extent practicable.

Proposed (1) describes the department's approach to calculating either the homestead rate or the long-term rental rate. The rule section also cross references NEW RULE 4 which is necessary since that rule and calculation of an ETR is a core component to determining the correct application of the respective rate(s).

Proposed (2) through (7) are provided as necessary guidance and examples for application of the homestead rate and rental rate to the most common types of class 4 residential property ownership and combinations of uses. Similarly, the department proposes (8) as necessary guidance and examples for application of the rental rate to single-family dwellings, multifamily dwellings, and mixed residential-commercial property ownership and uses.

The department proposes (9) as a means for the department to consider unusual or unique combinations property classifications, characteristics, and uses, not otherwise addressed in the rule.

NEW RULE 4 DETERMINING EFFECTIVE TAX RATES (ETR) FOR QUALIFYING CLASS FOUR PROPERTY

- (1) There is a graduated property tax rate reduction for class four property that also qualifies for the reduced tax rates provided in 15-6-134, MCA. For purposes of this rule, the term "qualifying property" or "property" will be used to describe this class four property.
- (2) To implement the reduced tax rates described in (1), the department will determine an ETR for each qualifying property. An ETR is determined by calculating the taxable value for each graduated tier of eligible market value and adding the

respective taxable values from each tier to arrive at a total eligible taxable value; then dividing the total eligible taxable value by the total eligible market value of the qualifying property.

- (3) If a qualifying property is enrolled in the statutory property tax assistance program (PTAP), a PTAP ETR will be calculated for the portion of the property's PTAP benefit by applying the respective rate reduction multiplier to the tiered tax rates first. Any portion of the property's value not eligible to receive the PTAP benefit will have a separate ETR calculated without any rate reductions applied.
- (4) A qualifying property receiving a partial exemption under Montana law will have an ETR calculated for only the non-exempt portion of the property's value.
- (5) A qualifying property receiving an abatement (such as a new or expanding industry (NEI) abatement) will have an ETR calculated for it as if it were fully taxable. Any reduction from the abatement will be applied to the overall ETR and used to determine the taxable value for the portion of value eligible to receive the abatement.
- (6) The department will compute all ETR percentages out to the third decimal place, but the final rate will be rounded to two decimal places to achieve consistency with all statutory and rule expressions of tax rates and historical practice.
 - (a) If the third decimal place is fewer than five, the second decimal place will be kept;
 - (b) If the third decimal place is equal to or greater than five, the second decimal place will round up.
- (7) A rounded ETR will be applied against the market value for each qualifying property to calculate the property's taxable value.
- (8) The following are examples of the ETR calculation and rounding processes described in this rule:
 - (a) A qualifying residential property has a market value of \$750,000. A graduated tax rate of .76% applies to the first \$378,000 of market value and a graduated tax rate of .9% applies to the remaining \$372,000.
$$\text{Taxable Value} = (\$378,000 * 0.0076) = \$2,873$$
$$\text{Taxable Value} = (\$372,000 * 0.009) = \$3,348$$
$$\text{Total Taxable Value} = \$2,873 + \$3,348 = \$6,221$$
$$\text{ETR} = \text{Total Taxable Value} / \text{Total Market Value}$$
$$\text{ETR} = \$6,221 / \$750,000 = .829\%$$
$$\text{Rounded ETR} = .83\%$$

- (b) A qualifying commercial property has a market value of \$3,000,000. A graduated tax rate of 1.5% applies to the first \$2,274,000 of market value and a graduated tax rate of 1.9% applies to the remaining \$726,000.

$$\text{Taxable Value} = (\$2,274,000 * 0.015) = \$34,110$$

$$\text{Taxable Value} = (\$726,000 * 0.019) = \$13,794$$

$$\text{Total Taxable Value} = \$34,110 + \$13,794 = \$47,904$$

$$\text{ETR} = \text{Total Taxable Value} / \text{Total Market Value}$$

$$\text{ETR} = \$47,904 / \$3,000,000 = 1.596\%$$

$$\text{Rounded ETR} = 1.6\%$$

- (c) A qualifying residential property receives the PTAP benefit at an 80% reduction and is valued at \$618,000. The first \$418,000 in value is eligible to receive the 80% reduction for PTAP.

$$\text{Taxable Value} = (.76\% * .2) = (.15\% * \$378,000) = \$567$$

$$\text{Taxable Value} = (.9\% * .2) = (.18\% * \$40,000) = \$72$$

$$\text{PTAP Taxable Value} = 567 + 72 = 639$$

$$\text{PTAP Effective Tax Rate} = 655 / \$418,000 = .152\%$$

$$\text{Rounded Effective Tax Rate for PTAP Value} = .15\%$$

$$\text{Taxable Value} = (.9\% * \$200,000) = \$1,800$$

$$\text{Effective Tax Rate for Non-PTAP Value} = .9\%$$

- (d) A qualifying commercial property has a market value of \$4,000,000 and is receiving a partial nonprofit healthcare exemption on \$1,000,000 of property value. The \$1,000,000 in value that is exempt will be subtracted from the total value of \$4,000,000, leaving \$3,000,000 in taxable market value. A graduated tax rate of 1.5% applies to the first \$2,274,000 of taxable market value and a graduated tax rate of 1.9% applies to the remaining \$726,000.

$$\text{Taxable Value} = (\$2,274,000 * 0.015) = \$34,110$$

$$\text{Taxable Value} = (\$726,000 * 0.019) = \$13,794$$

$$\text{Total Taxable Value} = \$34,110 + \$13,794 = \$47,904$$

$$\text{ETR} = \text{Total Taxable Value} / \text{Total Market Value}$$

$$\text{ETR} = \$47,904 / \$3,000,000 = 1.596\%$$

$$\text{Rounded ETR} = 1.6\%$$

- (e) A qualifying commercial property has a market value of \$3,000,000 and is receiving a 50% NEI abatement on \$1,000,000 of market value. A graduated tax rate of 1.5% applies to the first \$2,274,000 of market value and a graduated tax rate of 1.9% applies to the remaining \$726,000 to calculate an overall ETR. The NEI abatement reduction is then applied to the overall ETR for the \$1,000,000 in market value receiving the abatement.

$$\text{Taxable Value} = (\$2,274,000 * 0.015) = \$34,110$$

$$\text{Taxable Value} = (\$726,000 * 0.019) = \$13,794$$

$$\text{Total Taxable Value} = \$34,110 + \$13,794 = \$47,904$$

$$\text{ETR} = \text{Total Taxable Value} / \text{Total Market Value}$$

$$\text{ETR} = \$47,904 / \$3,000,000 = 1.596\%$$

$$\text{Rounded ETR} = 1.6\%$$

$$\text{NEI Abatement} (1.6\% * 50\% = .8\%)$$

$$\text{Abated Taxable Value} = (\$1,000,000 * .008) = \$8,000$$

$$\text{Non-Abated Taxable Value} = (\$2,000,000 * .016) = \$32,000$$

Authorizing statute(s): 15-1-201, 15-6-425, MCA

Implementing statute(s): 15-1-201, 15-6-134, 15-6-402, 15-6-405, 15-6-411, 15-6-415, MCA

Reasonable Necessity Statement

In addition to the department's general statement of reasonable necessity, the department proposes NEW RULE 4 as necessary guidance to illustrate how the graduated tax rates in 15-6-134, MCA, as amended by SB 542, are applied to class four residential property and multifamily dwelling units which also qualify for the homestead rate, and also for the rental rate.

Section (1) informs taxpayers of the existence of the graduated rate, in addition to the reduced tax rates under SB 542.

Section (2) explains the department's proposed determination of an effective tax rate (ETR) for each qualifying property by calculating the taxable value for each graduated tier of eligible market value and adding the respective taxable values from each tier to arrive at a total eligible taxable value; then dividing the total eligible taxable value by the total eligible market value of the qualifying property. Without an ETR, the department cannot apply the correct amount of tax reduction that a property is entitled to under the graduated rate table in 15-6-134(3), MCA.

The department proposes (3) through (5) because Montana law provides other statutory relief from taxation such as the Property Tax Assistance Program (PTAP), property tax exemptions, and property tax abatements; and SB 542 does not exclude these properties from receiving the reduced tax rates in addition to the assistance, exemption, or abatement. Section (3) addresses how the PTAP rate reduction multiplier is first applied to arrive at a PTAP ETR, then the remaining non-PTAP portion of a property's market value receives its ETR and application of the graduated rate. Section (4) confirms exempt property valuation protocols that an ETR is calculated for only the non-exempt portion of the property's value prior to the process described in (2). And similar to (3) and (4), the department proposes (5) to confirm that properties receiving an abatement of tax will have an ETR calculated as if the property were fully taxable, and then apply the requisite abatement.

The department proposes (6) and (7) for the rule to conform to statutory and rule expressions of tax rates and historical practice because a two decimal calculation of tax rate becomes difficult to administer equitably as the market value of property increases. Stated differently, rounding percentages of tax rates, either up or down, for a property valued at \$750,000 is less significant than for a property valued at \$7.5 million. The proposed rounding procedure is consistent with that of many taxing jurisdictions across tax types and its inclusion here is appropriate.

Lastly, the department proposes (8) which continues the department's long-standing practice of including guidance, in the form of examples, of more complex tax types in their most common applications. The property types and uses described in the subsections – and the ETR calculation and rounding processes - address a vast majority of taxpayer scenarios.

Small Business Impact

With regard to the small business impact analysis requirements of 2-4-111, MCA, as amended by HB 592 (2025), the department has analyzed the proposed rule adoptions and the groups or class of businesses directly affected by this rulemaking if they meet the definition of a small business under 2-4-102(13), MCA.

The department contends that any small business impact directly related to NEW RULES 1 through 4 does not arise from the proposed rulemaking but through the legislature's enactment of public policy under the bills. Further, the department's property tax records do not track the number of employees these businesses have because it is generally not pertinent to the valuation and taxation of property and asset intensity of industries and companies varies too widely.

Documentation of the small business impact analysis is available upon request.

Bill Sponsor Notification

The primary bill sponsors of House Bill 231 and Senate Bill 542 were contacted by electronic mail on October 16, 2025, and on October 24, 2025. The department received no comments from the bill sponsors to incorporate into the proposal notice.

Interested Persons

The Department of Revenue maintains a list of interested persons who wish to receive notices of rulemaking actions proposed by this agency. Persons who wish to have their name added to the list shall make a written request, which includes the name and e-mail or mailing address of the person to receive notices and specifies that the person wishes to receive notice regarding particular subject matter or matters. Notices will be sent by e-mail unless a mailing preference is noted in the request. A written request may be mailed or delivered to the contact person in this notice or may be made by completing a request form at any rules hearing held by the Department of Revenue.

Rule Reviewer

Todd Olson

Approval

Scott Mendenhall, Deputy Director of Revenue