Property Classification Overview & History

REVENUE INTERIM COMMITTEE
MEGAN MOORE – SEPTEMBER 2025

MONTANA USES CLASSIFICATION SYSTEM TO VARY TAX RATES

Property subject to taxation in Montana is grouped into 16 classes of property. The classes are numbered as class one through class eighteen, but past legislatures repealed classes six and eleven.

Title 15, chapter 6, part 1 contains a separate section of the Montana Code Annotated for each class. The code section describes the property and sets a tax rate.[1] The tax rate is applied to the market value of property within the class to determine the taxable value of the property.

The following sections provide detailed descriptions of property within each class and current tax rates.

Use of a classification system allows tax rates to differ by property type. Some property classes have multiple tax rates.

CERTAIN RESIDENTIAL AND COMMERCIAL PROPERTY SHIFTS TO TIERED TAX RATES

Class four property includes residential, commercial, and industrial property. With the 2025 Legislature's enactment of Senate Bill 542 and House Bill 231, class four property is taxed at tiered rates for the current tax year.

Beginning in 2026, primary residences, long-term rentals, and commercial and industrial property will be subject to tiered tax rates based on the median residential and commercial property values in the state. Other residential property will be taxed at the flat rate of the highest residential tier, 1.9%.

Historically, there was a single tax rate for class four residential property and a single, higher tax rate for class four commercial and industrial property with two exceptions:

- The portion of a single-family residential dwelling that was greater than $1.5 million in market value was subject to the commercial tax rate.
- The tax rate for certain golf courses is half the commercial tax rate.

[1] Many states refer to the tax rate as the assessment ratio.

TAX RATES FOR CLASS FOUR RESIDENTIAL, COMMERCIAL, AND INDUSTRIAL PROPERTY

	Property Type/Value	Tax Rate
	Class Four Residential	
2025	First $400,000	0.76%
	>$400,000 to $1.5 million	1.10%
	>$1.5 million	2.20%
	Rental multifamily dwelling >$2 million	Maximum graduated rate: 1.89%
	Class Four Commercial/Industrial[2]	
	$400,000 or less	1.40%
	Greater than $400,000	1.89%
2026 and after	**Class Four Residential**	
	Principal residence or long-term rental:	
	≤ to median	0.76%
	> median to < 2 times median	0.90%
	2 times median to < 4 times median	1.10%
	4 times median or greater	1.90%
	Rental multifamily dwelling unit with qualified long-term rentals	1.10%
	Residence on qualified agricultural property	1.35%
	All other residential property	1.90%
	Class Four Commercial/Industrial[3]	
	Less than 6 times median	1.50%
	6 times median or greater	1.90%

AGRICULTURAL, RAILROAD AND AIRLINE RATES AFFECTED BY 2025 LEGISLATION

The 2025 legislation that revised residential, commercial, and industrial tax rates also reduced the rate for class three agricultural property and will impact the class twelve railroad and airline tax rate.

Class three agricultural property includes:

- Qualified agricultural land: parcels of 160 acres or more and smaller parcels that meet agricultural income requirements;

[2] Certain golf courses are taxed at half the commercial rate.

[3] Certain golf courses and nonprofit shooting ranges are taxed at half the commercial rate.

- Nonqualified agricultural property: property between 20 acres and 160 acres for which there is no approved agricultural property application; and
- Nonproductive patented mining claims.

Senate Bill 542 reduced the tax rate for qualified agricultural property and mining claims to 2.05% beginning this year. The tax rate for nonqualified agricultural property is seven times the qualified agricultural property tax rate, resulting in a rate reduction to 14.35%.

The tax rate for class twelve property is the lesser of the taxable value of commercial property divided by the market value of commercial property or 12%. Changes to commercial property tax rates in 2025 and 2026 will impact the taxable value used in the calculation.

TAX RATES FOR CLASS THREE AND CLASS TWELVE PROPERTY

Class	MCA	Description	Tax Rate
3	15-6-133(1)(a) and (1)(b)	Agricultural land, nonproductive patented mining claims	2.05%
	15-6-133(1)(c)	Nonqualified agricultural land	14.35%
12	15-6-145	Railroad car company property	2.82% for 2025
		Railroad transportation property	
		Airline transportation property	

BUSINESS EQUIPMENT TAX RATE REMAINS STEADY AFTER RECENT REDUCTIONS

The first $1 million in market value of class eight business personal property is exempt from taxation. The next $6 million is taxed at 1.5% and any additional market value is subject to a 3% tax rate.

The Legislature reduced the business personal property tax rate over the last 30 years from 9% in 1994. A broad exemption of $100,000 worth of equipment began in 2014 and was increased to $300,000 in 2022 and its current $1 million in 2023.

TAX RATES FOR CLASS EIGHT BUSINESS PERSONAL PROPERTY

Class	MCA	Description	Tax Rate
8	15-6-138(1)	Business personal property[4]	First $1M: exempt
			Next $6M: 1.5%
			Above $6M: 3%

[4] Manufacturing machinery, fixtures, and equipment for which a county approves a tax abatement are partially exempt for 10 years.

CLASS TEN INCLUDES FOREST LAND

Forest land is class ten property and is taxed at 0.37%. The rate has declined over the years from a high of 0.79% in 1994.

TAX RATE FOR FOREST LAND

Class	MCA	Description	Tax Rate
10	15-6-143	Forest land	0.37%

CONSTANT RATES FOR HISTORICAL TELECOM, ELECTRIC GENERATION CLASSES

Property used for telecommunications and electric generation and transmission is scattered among classes five, seven, nine, thirteen, fourteen, fifteen, sixteen, seventeen, and eighteen. The classes differ by how the electricity is generated, whether the property is used directly for generation, and the size of the population served.

Classes five, seven, and nine are the historical classes in this category. Class five, taxed at 3%, incudes certain rural electric and telephone cooperatives and pollution control equipment. Rural cooperatives that serve less than 95% of consumers in a city and certain electric and natural gas machinery are in class seven and taxed at 8%. Class nine has the highest rate of the three classes, 12% and includes pipelines and non-electric generating property of electric utilities.

NEW CLASSES RESULT IN LOWER RATES FOR SOME GENERATION, TELECOM PROPERTY

Following deregulation of electricity in 1997, the 1999 Montana Legislature moved electrical generation facilities from class nine to a newly created class thirteen.[5] Class thirteen property is taxed at 6% compared with the 12% rate for class nine.

The Legislature continued adding new classes of property with lower tax rates, creating five new classes since 1999.

The 2005 legislature originally enacted class fourteen for wind generation facilities with a 3% tax rate.[6] During a 2007 special session, the Legislature expanded class fourteen to include additional renewable energy production and transmission property.[7] That legislation also created class fifteen for qualifying carbon dioxide and liquid pipeline property, also with a 3% tax rate, and class sixteen for high-voltage direct-current converter station property, at a 2.25% tax rate.

[5] Chapter 556, Laws of 1999. The legislation also enacted the wholesale energy transaction tax.

[6] Chapter 563, Laws of 2005.

[7] Chapter 2, Special Laws of 2007.

More recently, the 2017 Legislature enacted class seventeen for certain data center property with a 0.9% tax rate.[8] The 2025 Legislature amended class seventeen to include electrical generation systems used primarily for data center power for 10 years. The 2025 legislation also expanded the qualifying period for dedicated communications infrastructure of a data center to include construction before 2037 (rather than 2027), but reduced the time the dedicated communications infrastructure qualifies as class seventeen property from 15 years to 10 years.

Class eighteen is the most recent class, established by the 2021 Legislature for green hydrogen facilities, pipelines, and storage systems. The general tax rate is 3% but is reduced to 1.5% for 15 years after construction or an additional investment of $25 million.

TAX RATES FOR ENERGY GENERATING, TELECOMMUNICATIONS, PIPELINE, DATA CENTER PROPERTY

Class	MCA	Description	Tax Rate
5	15-6-135(1)(a)	Rural electric cooperatives not in class seven or class nine	3%
	15-6-135(1)(a) and (1)(f)	Rural telephone cooperatives, rural telecommunications services[9]	
	15-6-135(1)(b)	Pollution control and carbon capture equipment placed into service before Jan. 1, 2014, or to maintain or replace pre-2014 equipment	
	15-6-135(1)(c)	Ethanol-blended gasoline production equipment in first 3 years	
	15-6-135(1)(d)	Property of a research and development firm	
	15-6-135(1)(e)	Electrolytic reduction facility equipment and machinery	
7	15-6-137(1)(a)	Rural electric cooperatives that serve less than 95% of consumers within a city or town except those included in class nine	8%
	15-6-137(1)(b)	Electric transformers and meters	
		Electric light and power substation machinery	
		Natural gas station equipment, meters, and compressor station machinery owned by noncentrally assessed public utilities	
		Tools used in the repair and maintenance of above	
9	15-6-141(1)(a)	Centrally assessed allocations of an electric power company	12%
	15-6-141(1)(c)	Rural electric cooperative property, except • wind generation, biomass generation, and energy storage facilities in class fourteen • office property used for serving customers in certain cities or towns	
	15-6-141(1)(d)	Natural gas utilities and pipelines, oil pipelines, gas gathering facilities	
	15-6-141(1)(e)	Centrally assessed companies' allocations not in another class	

[8] Chapter 438, Laws of 2017.

[9] Certain fiber optic and coaxial cable placed into service after July 1, 2021, and certain wireless infrastructure placed into service after July 1, 2025, are partially exempt for 10 years.

Class	MCA	Description	Tax Rate
13	15-6-156(1)(a) and (1)(b)	Electric generating facilities of a centrally assessed power company or exempt wholesale generator except wind generation, biomass generation, and energy storage facilities	6%
	15-6-156(1)(c)	Noncentrally assessed electrical generation facilities of any electrical energy producer except wind generation, biomass generation, and energy storage facilities	
	15-6-156(1)(d)	Allocations of centrally assessed telecom service companies[10]	
	15-6-156(1)(e)	Dedicated communications infrastructure or electrical generation systems of a qualified data center that began construction after June 30, 2037, or for which the 10-year preferential rate for class 17 property has expired	3% for 10 years, then 6% after
14^	15-6-157(1)(a) through (1)(l)	Wind generation facilities, biomass generation facilities of up to 25 megawatts of nameplate capacity, or energy storage facilities of a centrally assessed electric power company, an exempt wholesale generator, any electrical energy producer, or a cooperative rural electric association	3%
	15-6-157(1)(m)	Battery energy storage systems of an electrical energy storage producer, electrical energy producer, energy trading entity, or the owner or operator of an electrical vehicle charging site	
	15-6-157(1)(n), (1)(o), (1)(r), (1)(s), (1)(u)	Property of a biodiesel, biogas, ethanol production, geothermal, or renewable energy manufacturing facility that began construction after June 1, 2007	
	15-6-157(1)(p)	Biomass gasification facility property	
	15-6-157(1)(q)	Coal gasification facility property except for property that sequesters carbon dioxide	
	15-6-157(1)(t)	Property of an integrated gasification combined cycle facility that sequesters carbon dioxide	
	15-6-157(1)(v)	Natural gas combined cycle facility property	
	15-6-157(1)(w)	Equipment used capture carbon dioxide for enhanced recovery of oil and gas, except at coal combustion plants, that began construction after Dec. 31, 2027	
	15-6-157(1)(x)	Certain high-voltage direct-current transmission lines	
	15-6-157(1)(y)	Electric transmission property that began construction after June 1, 2027, and with at least 90% of electricity carried originating in facilities included in subsection (1)	
	15-6-157(1)(z)	Alternating current transmission line property that began construction after June 1, 2007	
	15-6-157(1)(a)(a) and (1)(b)(b)	Property of a renewable diesel production or sustainable aviation fuel production facility that began construction after Dec. 31, 2020	

[10] Certain fiber optic and coaxial cable placed into service after July 1, 2021, and certain wireless infrastructure placed into service after July 1, 2025, are partially exempt for 10 years.

Class	MCA	Description	Tax Rate
15	15-6-158(1)(a) and (1)(d)	Carbon dioxide pipelines and equipment for closed-loop enhanced recovery operations^	3%
	15-6-158(1)(b)	Qualified liquid pipelines^	
	15-6-158(1)(e)	Pipeline property, carrying products other than carbon dioxide, that originates at a class 14 facility and terminates at an existing pipeline or facility and for which at least 90% of the carried product originates at a class 14 facility	
	15-6-158(1)(c)	Carbon sequestration equipment	3% or 1.5% with abatement[11]
16^	15-6-159	High voltage direct-current converter stations that direct power to two different regional power grids	2.25%
17	15-6-162(1)(a)	Land, improvements, furniture, fixtures, equipment, tools, and supplies not included in class give of a qualified data center	0.9%
	15-6-162(2)(c) and (5)(d)	For 10 years after the start of construction, electrical generation and storage systems that begin operation after May 13, 2025, and are located on the facility side of the utility meter and primarily used by a qualified data center for onsite power	
	15-6-162(5)(c)	For 10 years after the start of construction, dedicated communications infrastructure	
18^	15-6-163	Land, improvements, furniture, fixtures, equipment, and supplies except those included in class 5 of a green hydrogen facility, green hydrogen pipeline, or green hydrogen storage system with construction beginning after July 1, 2021	1.5% for 15 years after construction or additional investment of $25M; 3% after

^Requires payment of standard prevailing wage for heavy construction during construction phase.

MINING PROCEEDS INCLUDED IN CLASSES ONE AND TWO

Class one and class two are for mining proceeds. Class one is net proceeds of mines other than bentonite, coal, and metal mines, while class two is gross proceeds of metal mines. Class one property is taxed at 100% of net proceeds after accounting for expenses. Class two property is taxed at 3% of gross proceeds.

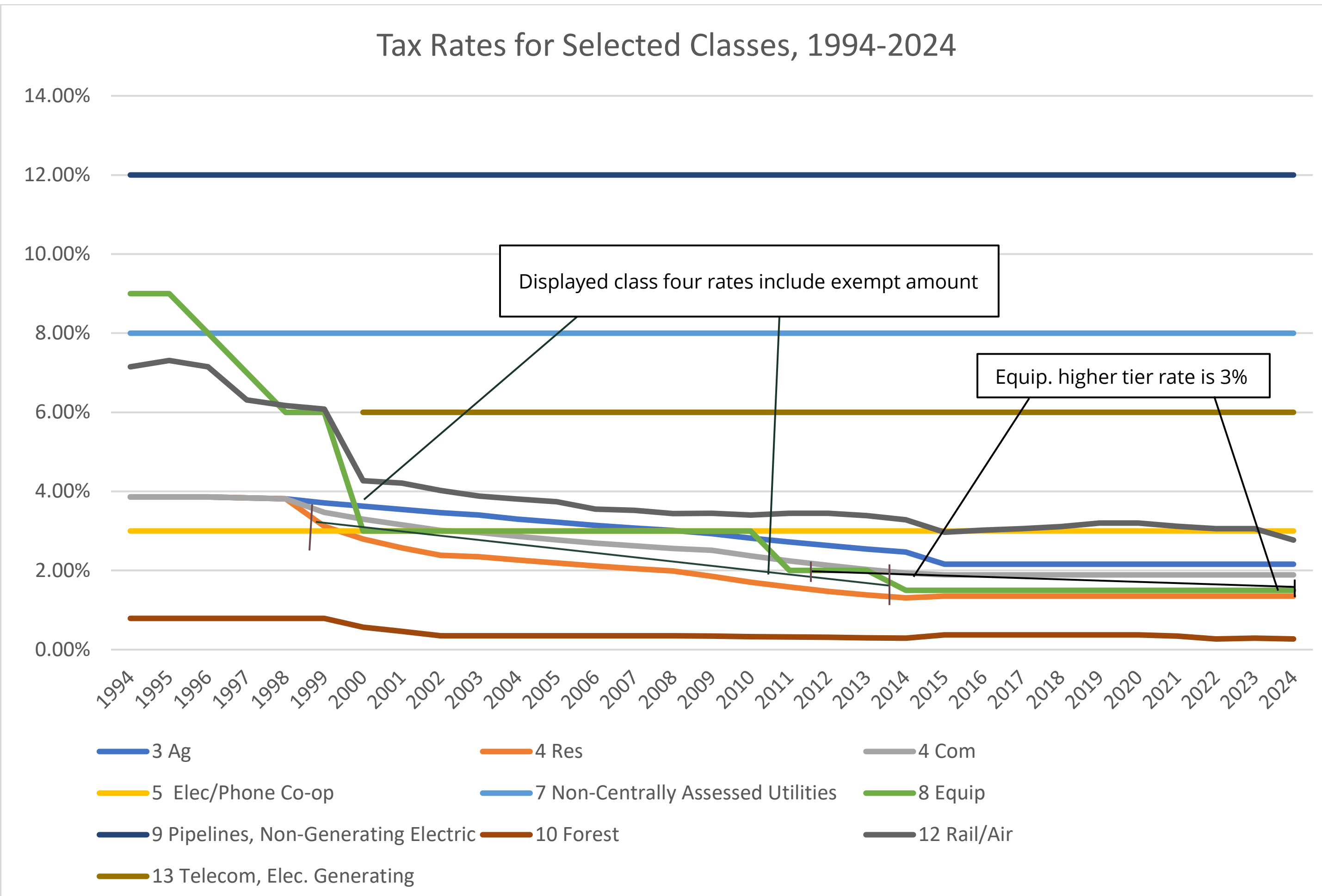
[11] The energy production or development abatement in 15-24-3111 provides for assessment at 50% of market value for the construction period and 15 years, up to a maximum of 19 years.

TAX RATES FOR CERTAIN MINING PROCEEDS

Class	MCA	Description	Tax Rate
1	15-6-131	Net proceeds of mines/mining claims except bentonite, coal, and metal mines	100% of annual net proceeds after deduction of expenses[12]
2	15-6-132	Gross proceeds of metal mines	3% of annual gross proceeds

MANY TAX RATES LOWERED BETWEEN 1994 AND 2024

The following graphic shows how tax rates have changed for certain classes over the last 30 years.



[12] Statutory price determines net proceeds for talc, vermiculite, limestone, and garnet mines.

Tax rates for residential and commercial[13], agricultural, forest, and business equipment property all decreased over the period. The rate of railroad and airline property also decreased because it is based on the taxable value of commercial property divided by the market value of commercial property.

Rates have not changed for classes five, seven, nine, or thirteen, except to the extent that property in those classes was reclassified into new classes with lower tax rates.

[13] Between 1999 and 2014, a percentage of market value was automatically excluded for all class four property before applying the tax rate. This was referred to as the homestead and comstead exemption and was repealed when the 2-year reappraisal cycle went into effect in 2015.