MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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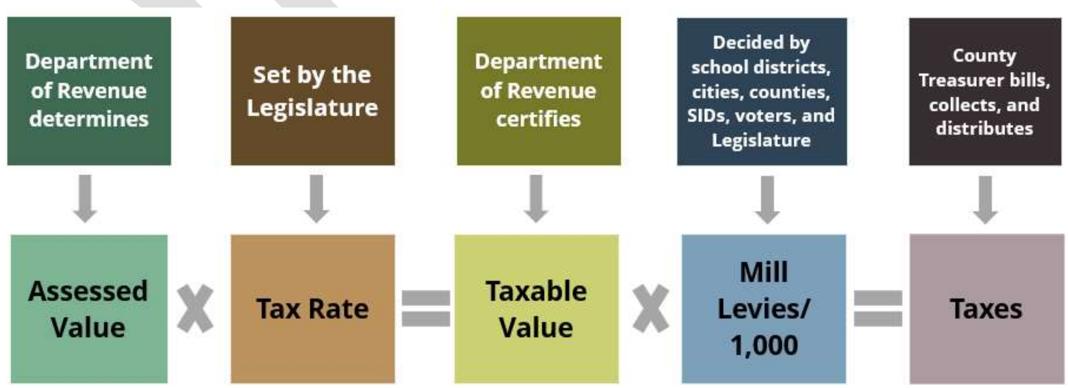
COMMERCIAL AND RESIDENTIAL PROPERTY TAXES

Several of the bills passed during the 2025 Legislative Session made substantial changes to Montana's property tax system. Notably, HB 231 and SB 542 work in tandem to change how residential and commercial taxable values are calculated, provide a tax rebate for Tax Year 2024, and change the tax rate for agricultural property. Some changes will go into effect in Tax Year 2025, and the rest will go into effect for Tax Year 2026. This brochure will cover property tax concepts and explain how changes to the system will impact taxes on different types of property. Please see this summary for additional details on property tax changes, as not all details are covered here.

Basics

Every year, the Department of Revenue sets an assessed value for every property in Montana. This is generally an estimate of the price that a property would sell for if at that point in time. Most properties are reassessed every two years, so values tend to change over time.

Taxable values are calculated by multiplying a property's assessed value by its corresponding tax rate. Historically, tax rates have been 1.35% for most residential properties, and 1.89% for most commercial properties. The taxable values of all properties within a jurisdiction (city, county, etc.) are used to calculate how much each property owes to that jurisdiction. A single property pays taxes that are proportional to its share of taxable value within the jurisdiction. These are represented on tax bills in the form of "mills", or $1 of levied taxes per $1,000 of taxable value. Taxing jurisdictions set mills such that they collect enough taxes to meet their budget demands, with limitations as defined in 15-10-420, MCA.



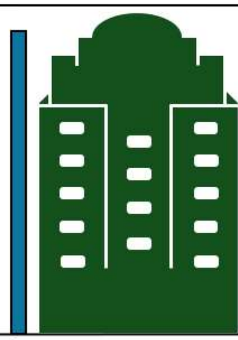
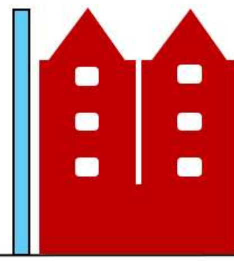
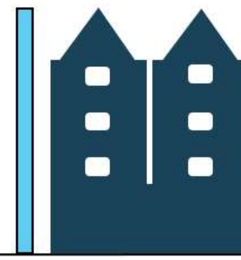
For example, a home with $500,000 assessed value at 95 mills:

- Taxable Value = **Assessed Value** × **Tax Rate** = **$500,000** × **1.35%** = **$6,750**
- Value of One Mill = **Taxable Value** × $\frac{1}{1000}$ = **$6,750** × $\frac{1}{1000}$ = **$6.75**
- Property Tax Bill = **Value of 1 Mill** × **# of Mills** = **$6.75** × **95** = **$641.25**

Tax Impacts

The figure below shows an example of how tax payments are determined. This example jurisdiction has three properties: a large commercial property, a primary residence, and a short-term vacation rental. This jurisdiction collects $50,000 in total, and each property owner pays an amount proportional to their taxable value. The assessed values, the tax rates, and the resulting taxable values of each property are shown below.

Tax Jurisdiction, Historic Policy

Property Type	**Commercial**	**Primary Residential**	**Vacation Rental**
Assessed Value	$3.0 Million	$500,000	$500,000
Tax Rate	1.89% 	1.35% 	1.35% 
Taxable Value	$ 56,700	$ 6,750	$ 6,750
Tax Share	80.8%	9.6%	9.6%
Taxes Paid	$ 40,400	$ 4,800	$ 4,800

Total taxable value in this district amounts to $70,200. Since the commercial property's taxable value is 80.8% of that total, its owner pays 80.8% of the taxes as well, amounting to $40,400 of the $50,000 raised. Each property's share of total taxable value determines what share of their district's tax collections they pay.

TAX YEAR 2025 CHANGES

In Tax Year 2025, the taxable value calculation for residential and commercial properties is changed to a graduated rate.

For most commercial properties:

- the tax rate of the first $400,000 of assessed value is taxed at a rate of 1.4%.
- The remaining value above the first $400,000 is taxed at a rate of 1.89%.

The table below shows the taxable value calculations for a commercial property valued at $3 million.

Rate Tier	Assessed Value in Tier	New Tax Rate	New Taxable Value	Old Tax Rate	Old Taxable Value
0-$400,000	$ 400,000	1.40%	$ 5,600	1.89%	$ 7,560
$400,001 +	$ 2,600,000	1.89%	$ 49,140	1.89%	$ 49,140
TOTAL	**$ 3,000,000**		**$ 54,740**		**$ 56,700**

Most residential properties have three rates for portions of their total taxable value:

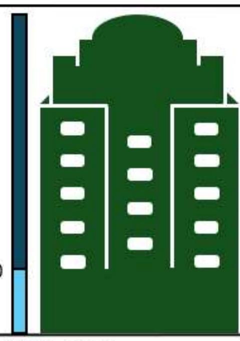
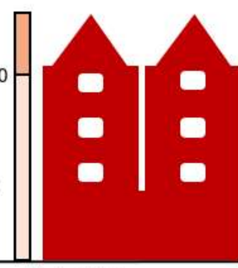
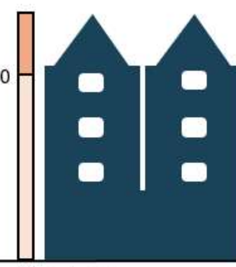
- 0.76% for ≤ $400,000 of value
- 1.1% for value > $400,000 and ≤ $1.5 million
- 2.2% for value > $1.5 million

The table below shows these residential rates for a property valued at $2 million.

Rate Tier	Assessed Value in Tier	New Tax Rate	New Taxable Value	Old Tax Rate	Old Taxable Value
0-$400,000	$ 400,000	0.76%	$ 3,040	1.35%	$ 5,400
$400,001 - $1.5 million	$ 1,100,000	1.10%	$ 12,100	1.35%	$ 14,850
$1.5 million +	$ 500,000	2.20%	$ 11,000	1.35%*	$ 6,750
TOTAL	**$ 2,000,000**		**$ 26,140**		**$ 27,000**

The changes in the calculations of taxable value will change what each property's proportional share of the total tax collections are. For our hypothetical tax jurisdiction:

Tax Jurisdiction, 2025

Property Type	Commercial	Primary Residential	Vacation Rental
Assessed Value	$3.0 Million	$500,000	$500,000
Tax Rate	1.89% $400,000 1.40% 	1.10% $400,000 0.76% 	1.10% $400,000 0.76% 
Taxable Value	$ 54,740	$ 4,140	$ 4,140
Tax Share	86.9%	6.6%	6.6%
Taxes Paid	$ 43,430	$ 3,285	$ 3,285

Since part of the commercial building's value is now taxed at a lower rate, it has a lower taxable value than before. However, tax rates for the residential buildings decrease more, so the residential buildings now make up a smaller portion of the total taxable value, and their taxes due will decrease while the commercial property's taxes will increase. The jurisdiction still collects the full $50,000.

*Previously, there was a 1.89% tax rate applied to single-family building values above $1.5 million, so the old tax rate might have been slightly higher if a property included such a building.

Tax Year 2026 Changes

In Tax Year 2026 the tax rate structure for residential and commercial properties will change again. For residential property there will be a distinction between long-term primary residences and secondary homes or short-term rentals. If a residential property is a primary residence or long-term rental that is occupied or lease for at least 7 months of a year, it will qualify as a homestead and receive a reduced tax rate based on its value. The “tiers” for each residential and commercial rate will be based on the statewide median assessed value of that type of property.

For commercial properties:

- 1.5% for value ≤ 6 times the median value
- 1.9% for value > 6 times the median value

The table below shows the taxable value for a commercial property valued at $3 million, using the estimated median commercial/industrial value of $356,000.

Rate Tier	Assessed Value in Tier	New Tax Rate	New Taxable Value	Old Tax Rate	Old Taxable Value
0 - $2,136,000	$ 2,136,000	1.50%	$ 32,040	1.89%	$ 40,370
$2,136,000 +	$ 864,000	1.90%	$ 16,416	1.89%	$ 16,330
TOTAL	**$ 3,000,000**		**$ 48,456**		**$ 56,700**

For residential properties that are a primary residence or leased to long-term renters:

- 0.76% for value ≤ median value
- 0.90% for value > median and ≤ 2 times the median value
- 1.10% for value > 2 times the median and ≤ 4 times the median value
- 1.90% for value > 4 times the median value

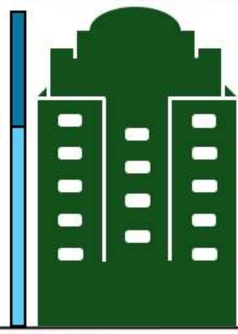
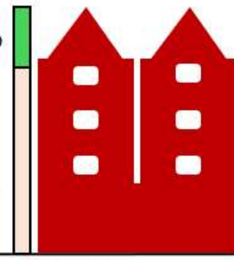
Residences on agricultural land that do not qualify for the homestead reduced rate will be taxed at a rate of 1.35%. All other residential properties (short-term rentals, second homes, etc.) will be taxed at an increased tax rate of 1.9%.

The table below shows these residential rates for a property valued at $2 million, using the estimated median residential value of $395,400.

Rate Tier	Assessed Value in Tier	New Tax Rate	New Taxable Value	Old Tax Rate	Old Taxable Value
0-$395,400	$ 395,400	0.76%	$ 3,005	1.35%	$ 5,338
$395,401 - $790,800	$ 395,400	0.90%	$ 3,559	1.35%	$ 5,338
$790,801 - $1,581,600	$ 790,800	1.10%	$ 8,699	1.35%	$ 10,676
$1,581,801 +	$ 418,400	1.90%	$ 7,950	1.35%*	$ 5,648
TOTAL	**$ 2,000,000**		**$ 23,212**		**$ 27,000**

The median commercial and industrial value is estimated to be $356,000 for the 2025-2026 reappraisal cycle, and the median residential value is estimated to be $395,400. With these figures, the impacts for our example tax jurisdiction will be:

Tax Jurisdiction, 2026

Property Type	Commercial	Primary Residential	Vacation Rental
Assessed Value	$3.0 Million	$500,000	$500,000
Tax Rate	 1.90% $2,136,000 1.50%	 0.90% $395,400 0.76%	 1.90%
Taxable Value	$ 48,456	$ 3,946	$ 9,500
Tax Share	78.3%	6.4%	15.3%
Taxes Paid	$ 39,139	$ 3,188	$ 7,673

Since the vacation rental property does not qualify for the homestead reduction, it will be taxed at a 1.90% tax rate, and its taxable value will increase from its Tax Year 2025 calculation. The commercial property will have a larger portion of its value taxed at a lower rate, so its taxable value will decrease. The primary residence's taxable value will be close to what it was in 2025, but its overall share of taxes will be smaller and the taxes due will decrease.

Summary

The implementation of these policies will shift taxes away from primary residences and onto other types of property. The impacts will vary based on the overall tax base of each jurisdiction, but in general these changes are expected to benefit low-to-mid value residences and smaller commercial properties. Short-term rentals and non-primary residences are expected to see an increase in their tax share. The tax share of other property types will adjust accordingly.

Glossary

Assessed Value: Also known as Market Value. This is generally an estimate of how much a property is likely to sell for on the open market at a point in time. The Department of Revenue revises assessments for properties periodically.

Agricultural Land: Land that qualifies as class 3 agricultural land as defined in 15-6-133, MCA.

Graduated Rates: A way of describing a system where rates increase as values increase, typically by assigning rates to discreet amounts of value.

Homestead Rate: A property will receive a beneficial tax rate if it is a primary/principal residence or a long-term rental.

Long-term Rental: A residence that is leased out for 7 months of a year or more and is rented for periods of one month or more

Mills: A mill is a tax that is assessed at $1 per $1,000 of taxable value for property. A single mill on a property that has a taxable value of $200,000 would collect $200 of revenue.

Principal Residence: Also called a Primary Residence. This is a residence that is occupied by an owner for 7 months of a year or more.

Taxable Value: The value of a property that is used to calculate mill levies and is used to determine how much each property pays. Taxable Value = Assessed Value x Tax Rate

Tax Rate: A multiplier set by the legislature that is applied to the Assessed Value of property to determine the Taxable Value. These differ by property class, and historically have been periodically adjusted to shift which types of property bear larger or smaller tax burdens.

Tax Year: The calendar year in which taxes are assessed. Tax Year 2025 lasts from January 1, 2025, through December 31, 2025. These are denoted as tax years to differentiate them from fiscal years.

Tax Base: The properties that make up a tax jurisdiction, and which pay the taxes that a jurisdiction levies.

Taxing Jurisdiction/Tax District: An entity that has the authority to levy taxes on properties within an area. These may be the state, cities, counties, school districts, or other districts that provide services to properties within their jurisdiction.

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