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BUDGET AND PROGRAM PLANNING
 STATE OF MONTANA



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To: Ryan Osmundson, Director
 From: Ralph Franklin, Lead Revenue Analyst
 Date: September 6, 2024
 Re: Estimated impact of current property tax reform proposals

Based on a request from Rep. Llew Jones, analysts with the Department of Revenue’s (DOR) Tax Policy and Research Office have estimated the statewide impact of three recent proposals for reforming the state’s property tax system relative to current law for Tax Year 2025 (TY 2025).

The three proposals are those recommended by the governor’s Property Tax Task Force (PTTF), particularly the homestead/comstead/agstead exemption; a measure adjusting the residential property tax rate from 1.35% to 0.94% (0.94% proposal); and measures from Democrats in the Legislature, as proposed in July (Dem Leg proposal).

Using the estimates from DOR/TPR, the table below describes the statewide impact of each proposal on residential, commercial, and agriculture/timber properties relative to the estimates for TY 2025 under current law.

Property Type	Percent Change from Current Law for Tax Year 2025		
	PTTF proposal (Homestead/Comstead /Agstead exemption)	0.94% proposal	Dem Leg proposal
All Residential (Class 4)	1.0%	-16.0%	-11.0%
Montanan, primary home	-15.0%	-16.0%	-14.7%
Rental impact	-16.6%	-16.0%	n/a
Residential other*	39.1%	-15.5%	n/a
All Commercial (Class 4)	-7.7%	19.7%	-4.5%
Small business	-18.4%	19.4%	n/a
Large business	1.8%	19.9%	n/a
Agricultural/Timber	1.4%	9.4%	14.4%
Other Remaining Classes	2.2%	12.1%	15.5%

**Includes second homes in Montana owned by nonresidents. n/a indicates the category is not directly comparable.*

It is also worth noting the revenue impact of each proposal. While the PTTF proposal is essentially revenue neutral, the other proposals lose revenue, with the 0.94% proposal creating a \$89 million shortfall and the Dem Leg proposal creating a \$82 million shortfall. These property tax revenue deficits would result in less revenue for K-12 public schools through the 95 statewide public school mills, which are used for school equalization of funding per state law, the Constitution, and Supreme Court mandate.