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# Montana Association of Counties

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August 23, 2023

Governor Gianforte  
PO Box 200801  
Helena MT 59620-0801

Re: Property Taxes

Governor Gianforte:

On behalf of our entire membership and our Executive Committee, we thank you for your dedication to the State of Montana and your leadership throughout the last legislative session. We worked with the legislature and your administration to address property tax reform but were unsuccessful in long-term structural changes to the property tax system in Montana. We look forward to continuing our efforts for reform in the next session.

Since Sine Die, you and your administration have been discussing the impacts that reappraisal will have on property taxpayers. Many of your statements indicate that local governments need to show more fiscal restraint or "greater fiscal responsibility," as you have often repeated. You seem to imply that appreciating home values, through your Department of Revenue reappraisal process, should compel local governments to mitigate the impacts when setting mill levies. While this is a great talking point and sounds good in theory, the message is misleading at best and overlooks the fact that county mills are capped by the provisions of MCA 15-10-420. When appraised values increase significantly and the taxable values of the jurisdiction rise, the number of mills we are authorized to levy decreases. Therefore, appreciating values actually decrease our levy authority.

To illustrate this point more clearly, let's consider the mills levied on your residential property in Gallatin County, which will be decreased because of the rapid increase in taxable values in the county: in 2019, 117.94 mills were levied; in 2020, it was 123.6 mills; in 2021, it was 111.89 mills; in 2022, it was 115.89 mills; and **in 2023, it was 90.96 mills**. The variability is based on the statutory limitations applicable to counties and the Department of Revenue's evaluation of your taxable value. Concurrently, the State levied 95 mills in 2019 for school equalization, followed by 95 mills again in 2020, 2021, 2022, and 2023. Rapid increases in appraised values, resulting in increases in the value of a mill in a taxing jurisdiction, result in a windfall for the state mills, while at the same time county mills are forced to adjust.

The same limitations on property tax extraction do not apply to schools, which receive approximately 60% of the property taxes collected in Montana. On average, counties consume around 27% of property taxes in order to provide the various services demanded by state law and our constituents. Law enforcement, criminal prosecution, county detention, elections, general administration, roads and bridges, weeds, fire protection, and all other county services live off that roughly 27% of the property tax bill. And our ability to generate additional revenue is limited by statute. Nonetheless, many counties levy less than the statutory authority allows and hold mills in reserve, demonstrating great fiscal responsibility. When you tell the public that counties need to show more fiscal restraint, you ignore the fact that schools are the primary consumers of property taxes.

During the legislative session, both the Legislature and your administration had the opportunity to further mitigate the impacts of reappraisal but elected not to do so. The Legislature controls the rate at which Class 4 Property is taxed, and when increases in appraised values for Class 4 Property are forecasted, as they were before the 2023 session, mitigation was an option. The rapid increase in residential property in Montana will result in a TAX REDUCTION for all other classes of property for county mills because we are mill-levy limited. Montana counties will levy *less mills* next year on all classes of property as a result of reappraisal. Residential property valuation increases will outpace all other classes, and the net result will be a reduction in all other classes because residential properties will shoulder a larger percentage of the total taxable value in any taxing jurisdiction. This is how our tax system works in Montana, and telling local governments to show greater fiscal restraint does not stop the burden from shifting to residential property taxpayers.

School funding is set by the State. A limited levy authority is subject to the will of the voters when establishing school funding, as determined by state statutes. The rate of property tax for all classes is set by the State. The mechanics of how local governments are mill-levy limited are set by the State, and tax policies that shift the burden to Residential Class 4 Property are established by the State. The appraisal process determining a taxable value is set by the State, and the county produces the tax bill.

We would also like to point out that the mill levy limitations in MCA 15-10-420 apply to the school equalization mills as per statute. While the mills are authorized to be levied at 22, 33, and 40 per Title 20, they are all "subject to 15-10-420" as an additional levy cap. When values increase rapidly, mills subject to that provision of law are intended to be limited to the amount actually assessed in the previous year plus half the rate of inflation. Yet, year after year, the Department of Revenue sends a formal notice to each county instructing them to levy 95 mills rather than perform the calculation required by law and adjust the mill levy authority per statute. Never since the creation of those mills has the State levied less than 95 mills.

This year, in anticipation of the rapid increase in certified values for residential property, Beaverhead County—with the support of several other Montana counties—has requested the Attorney General issue an opinion requiring the State to reduce their mills, just as Montana counties will do, prior to sending notice to levy the full 95 mills.

Mills subject to MCA 15-10-420 do not reap an unchecked benefit from increasing taxable values. County mills will decrease, and the State mills should follow suit and remain within the constraints of 15-10-420 or the 95-mill hard cap, whichever is less, this year and in future years. We respectfully ask the State of Montana to demonstrate "greater fiscal responsibility" and not take advantage of skyrocketing residential property values.

Sincerely,



Eric Bryson, Executive Director  
Montana Association of Counties

CC: Governor's Office of Budget & Program Planning Director Ryan Osmundson  
Department of Revenue Director Brendan Beatty  
Senator John Esp  
Representative Llew Jones