

1 HOUSE BILL NO. 108

2 INTRODUCED BY E. TILLEMAN

3 BY REQUEST OF THE DEPARTMENT OF REVENUE

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING PROPERTY TAX VALUATION REQUIREMENTS FOR
6 CERTAIN AGRICULTURAL IMPLEMENTS AND MACHINERY; ELIMINATING THE REQUIREMENT THAT
7 THE DEPARTMENT OF REVENUE PREPARE A SUPPLEMENTAL VALUATION MANUAL WHEN
8 AGRICULTURAL IMPLEMENTS AND MACHINERY IS NOT LISTED IN AN OFFICIAL GUIDE; AMENDING
9 SECTION 15-8-111, MCA; AND PROVIDING AN APPLICABILITY DATE."

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11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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13 **Section 1.** Section 15-8-111, MCA, is amended to read:

14 **"15-8-111. Appraisal -- market value standard -- exceptions.** (1) All taxable property must be
15 appraised at 100% of its market value except as otherwise provided.

16 (2) (a) Market value is the value at which property would change hands between a willing buyer
17 and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge
18 of relevant facts.

19 (b) If the department uses the cost approach as one approximation of market value, the
20 department shall fully consider reduction in value caused by depreciation, whether through physical
21 depreciation, functional obsolescence, or economic obsolescence.

22 (c) If the department uses the income approach as one approximation of market value and
23 sufficient, relevant information on comparable sales and construction cost exists, the department shall rely upon
24 the two methods that provide a similar market value as the better indicators of market value.

25 (d) Except as provided in subsection (4), the market value of special mobile equipment and
26 agricultural tools, implements, and machinery is the average wholesale value shown in national appraisal
27 guides and manuals or the value before reconditioning and profit margin. The department shall prepare
28 valuation schedules showing the average wholesale value when a national appraisal guide does not exist.

(3) (a) In valuing class four residential and commercial property described in 15-6-134, the department shall conduct the appraisal following the appropriate uniform standards of professional appraisal practice for mass appraisal promulgated by the appraisal standards board of the appraisal foundation. In valuing the property, the department shall use information available from any source considered reliable. Comparable properties used for valuation must represent similar properties within an acceptable proximity of the property being valued. The department shall use the same valuation method to value residential properties in the same neighborhood or subdivision unless there is a compelling reason to use a different approach.

(b) When valuing residential property under the cost approach, the department shall document why the comparable sales model does not support usage of the comparable sales approach, including an analysis of whether the cost approach is used for other class four residential property in the market area.

(4) The department may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property, except:

(a) the market value for agricultural implements and machinery is the average wholesale value category as provided in published national agricultural and implement valuation guides. The valuation guide must provide average wholesale values specific to the state of Montana or a region that includes the state of Montana. The department shall adopt by rule the valuation guides used as provided in this subsection (4)(a). If the average wholesale value category is unavailable, the department shall use a comparable wholesale value category.

~~(b) — for agricultural implements and machinery not listed in an official guide, the department shall prepare a supplemental manual in which the values reflect the same depreciation as those found in the official guide;~~

~~(e)(b)~~ (i) for condominium property, the department shall establish the value as provided in subsection (5); and

(ii) for a townhome or townhouse, as defined in 70-23-102, the department shall determine the value in a manner established by the department by rule; and

~~(d)(c)~~ as otherwise authorized in Titles 15 and 61.

(5) (a) Subject to subsection (5)(c), if sufficient, relevant information on comparable sales is available, the department shall use the sales comparison approach to appraise residential condominium units.

1 Because the undivided interest in common elements is included in the sales price of the condominium units, the
2 department is not required to separately allocate the value of the common elements to the individual units being
3 valued.

4 (b) Subject to subsection (5)(c), if sufficient, relevant information on income is made available to
5 the department, the department shall use the income approach to appraise commercial condominium units.

6 Because the undivided interest in common elements contributes directly to the income-producing capability of
7 the individual units, the department is not required to separately allocate the value of the common elements to
8 the individual units being valued.

9 (c) If sufficient, relevant information on comparable sales is not available for residential
10 condominium units or if sufficient, relevant information on income is not made available for commercial
11 condominium units, the department shall value condominiums using the cost approach. When using the cost
12 approach, the department shall value the units individually and allocate only the common area elements to the
13 units based on the percentage of undivided interest in the condominium declaration.

14 (6) For purposes of taxation, assessed value is the same as appraised value.

15 (7) The taxable value for all property is the market value multiplied by the tax rate for each class of
16 property.

17 (8) The market value of properties in 15-6-131 through 15-6-134, 15-6-143, and 15-6-145 is as
18 follows:

19 (a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds
20 after deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515,
21 15-23-516, 15-23-517, or 15-23-518.

22 (b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

23 (c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of
24 the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as
25 agricultural lands for tax purposes.

26 (d) Properties in 15-6-134, under class four, are assessed at 100% of market value.

27 (e) Properties in 15-6-143, under class ten, are assessed at 100% of the forest productivity value
28 of the land when valued as forest land.

1 (f) Railroad transportation properties in 15-6-145 are assessed based on the valuation formula
2 described in 15-23-205.

3 (9) Land and the improvements on the land are separately assessed when any of the following
4 conditions occur:

5 (a) ownership of the improvements is different from ownership of the land;

6 (b) the taxpayer makes a written request; or

7 (c) the land is outside an incorporated city or town.

8 (10) For the purpose of this section, the term "compelling reason" includes but is not limited to the
9 following:

10 (a) there are no comparable sales in the neighborhood or subdivision;

11 (b) the comparable sales model prepared by the department shows that the subject property
12 cannot be valued using the market sales approach; or

13 (c) other residential properties in the same neighborhood or subdivision are also valued using the
14 cost approach and not the market sales approach."

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16 NEW SECTION. **Section 2. Applicability.** [This act] applies to tax years beginning after December
17 31, 2025.

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