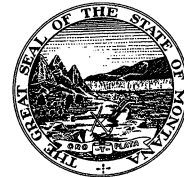




Dan Bucks
Director

Montana Department of Revenue



Brian Schweitzer
Governor

Memorandum

To: Members of the Montana Legislature
Local Government Officials
Public School Officials and
Other Interested Parties

From: Dan Bucks, Director of Revenue

Date: June 2, 2009

Subject: Property Reappraisal and Certification of Taxable Values to Local Governments

Property taxes represent an integral part of our government finances in Montana. As a property reappraisal year, 2009 has generated a great deal of discussion about property taxes and their impact on citizens, businesses and government. We'd like to share some information we hope is helpful to you in understanding this year's property reappraisal and certification of taxable values.

The Montana Constitution and state law require periodic reappraisal of property in the interest of equal taxation. The State of Montana, through the Department of Revenue (DOR), is responsible for valuing all taxable real and personal property. Once every six years, the DOR is required by state law to conduct a reappraisal of residential, commercial, industrial, agricultural and forestland property in the state. We follow state guidelines to ensure property is appraised in a fair and equitable manner.

Property Assessments for Individuals and Businesses

This summer, individuals and businesses who own real and personal property will be receiving property assessment notices that reflect the new 2009 reappraised value of their property. We have redesigned this year's notice to provide more complete information in a user-friendly format.

As in past reappraisal cycles, we are issuing property assessment notices a bit later than normal this year due to the additional time and care we took to ensure the accuracy of our appraisals. To address concerns over potential changes in housing market conditions due to the declining economy, we collected data six months longer than normal to capture any late-breaking market trends. We also expanded our market and income modeling approaches to provide a greater level of precision in our appraised values.

We welcome hearing from citizens and businesses who have questions or concerns about their property assessments. We encourage property owners who do not agree with our determination of the market value or classification of their property to work with us directly to resolve any concerns by requesting an informal review. Importantly, property owners will have the same length of time to request an informal review or appeal of their assessment when it arrives in the mail.

More complete information about the schedule for mailing assessment notices and the appeal process can be found on the enclosed Fact Sheet or on our website at revenue.mt.gov.

Certified Taxable Values for Local Governments

In late August, all 1,448 local government taxing jurisdictions will be receiving their individual certification of taxable values. This delivery date is later than in past years due to our efforts to produce the most accurate values possible—including the implementation of a change in the method we are required to use to calculate newly taxable values. In the new calculation, the taxable value of new property is added to the tax rolls at full phase-in value (please see HB 658, approved by the 2009 Montana Legislature, for details).

Please refer to our Fact Sheet to better understand the complexity of this reappraisal cycle and our efforts to ensure a high level of accuracy in our reappraised values.

We understand and apologize for the fact that this later delivery date may inconvenience some taxing jurisdictions as you set your budgets and calculate mill levies. Please be aware, however, that under Montana law a taxing jurisdiction still has 45 days from the receipt of the certification of taxable values to set its mill levy.

At this time, we have several new developments in progress that are intended to benefit all local governments in setting their budgets and providing customer assistance. We are working hard to provide local governments with access to relevant information from our property tax computer system, ORION, in September, 2009. We also are working to improve our communication with you in the future, through a local government working group and/or a series of regular informational conference calls.

We look forward to working with you and are happy to assist you if you have any questions.

Enclosure: 2009 Property Reappraisal and Certification of Taxable Values Fact Sheet

2009 Property Reappraisal and Certification of Taxable Values FACT SHEET

Prepared by the Montana Department of Revenue

Here are some of the facts about the 2009 property reappraisal and certification of taxable values – the largest and most complex ever for the Montana Department of Revenue.

Key Statistics

Comparison of 2003 and 2009 Work Volumes

2003 Parcel Counts: 875,491
2009 Parcel Counts: 953,203
Percentage Increase: 8.9%

2003 Total Assessment Notices: 622,922
2009 Total Assessment Notices: 688,549
Percentage Increase: 10.5%

Accomplishments

Class 3 Agricultural Land

- First complete reclassification and reappraisal in 46 years: The last time that we conducted a comprehensive review of Montana's 50 million acres of agricultural land was in the early 1960s.
- Improved information sources and technology: We are now using multiple sources of information, including United States Natural Resources Conservation Service (NRCS) soil survey information, Farm Service Agency (FSA) agricultural land use information, existing classification information, as well as on-site field reviews.
- Preview of agricultural/forest land reappraisal information: Each producer received a photomap that displayed their ownership boundary, the land use for each acre of agricultural/forest land and the productivity determination for each of those land use acres. Each producer was encouraged to review that information with local office staff if they had questions or concerns.

Class 4 Residential Property

- More than 50% increase in number of market models: We developed new market models—sophisticated computer models used to determine more precise, accurate estimates of market value in selected neighborhoods—for 26 additional areas for a total of 68 separate areas covered.
- Additional six months of housing market trending: We extended our data collection efforts for an additional six months to capture any late-breaking housing market trends.

Class 4 Commercial Property

- Increased use of income model: Our goal was to increase usage of the income approach to valuation for commercial properties—an approach that involves the capitalization of net operating income into value using a rate—from approximately 20% to 60%. This allowed us to better capture market trends and more accurately estimate market values.

Class 10 Forest Land

- Improved information sources and technology: We hired the University of Montana, College of Forestry & Conservation to develop a state-of-the-art productivity model that updated the existing forest land productivity estimates with improved data, including soil information, for the 4 million acres of forest land in Montana.

Timeline

Reappraisal of Class 3, Class 4 and Class 10 Property

July 1, 2008

Reappraisal base year date (extended six-months from customary January 1, 2008)

April 28, 2009 (ongoing)

Implement changes passed and approved during the 2009 Legislative Session (such as HB 658).

June 10 – 24, 2009

Assessment notices will be mailed to business owners and agricultural producers for personal property they own that is not attached to real property.

June 25 – July 13, 2009

Assessment notices will be mailed to owners of mobile homes that are not on a permanent foundation (personal property mobile homes).

July 13 – August 7, 2009

Assessment notices will be mailed to owners of residential, commercial, and industrial land and improvements, agricultural land, forest land – also personal property attached to each of these property types.

Taxpayer Appeals or Requests for Informal Review

30 days after receipt of assessment notice

Deadline to file a request for informal valuation review (Form AB-26).

30 days after receiving a written decision from the DOR on the request for informal valuation review (AB-26) or within 30 days after receipt of assessment notice, whichever is later.

Deadline to file an appeal with the County Tax Appeal Board (CTAB).

Certification of Taxable Values to Local Governments

June 1, 2009

Rule was filed with Montana Secretary of State regarding newly taxable value property calculations.

June 11, 2009

Rule regarding newly taxable value property calculations will be posted to DOR website.

July 1, 2009

Public hearing will be held on rule regarding newly taxable value property calculations. Assessment notices will be mailed to owners of centrally assessed property.

July 9, 2009

Public comment period will close for rule regarding newly taxable value property calculations.

July 31, 2009

Rule regarding newly taxable value property calculations will become effective.

August 25 - 31, 2009

Certification of taxable values will be provided to each taxing jurisdiction (1,448 taxing jurisdictions).

45 days after receipt of certification of taxable value, after the approval and adoption of the final budget, and at levels that will balance the budgets as provided in 7-6-4034, MCA (7-6-4036, MCA)

Taxing jurisdictions will determine mill levy.