

PROPERTY TAX BILLS

After the last reappraisal cycle, homeowners shouldered 58% of the property tax burden. In contrast, the proportionate tax share for corporate entities owning power transmission lines, electrical generation, telecom, railroads, wind and mining decreased. Article VIII. Section 3 of the Montana Constitution, reads “the state shall appraise, assess and equalize the valuation of all property . . .” Since 2021, the Legislature has failed to equalize property taxes. The 2025 lawmakers had one shared priority – to provide homeowner property tax relief. After months negotiating proposals by Rep. Llew Jones (HB 231) and Rep. Mark Thane (HB 155), the final actions combined both bills and created property tax reform that benefits Montana primary homeowners. This summary details how the property tax rebalancing will work.

SB 542 Primary Bill Vehicle

SB 542 became the primary bill to incorporate the best aspects of both HB 155 (Thane) and HB 231 (Jones). In the final days of the legislative session, HB 231 was amended with connecting language to incorporate a new tax rate structure (less than Thane’s original seven tax tiers) and create a structure with a three-tiered tax rate. To qualify for these tax benefits, a property owner must live in their home for 7 months each year or use the property as a long-term rental. The following summary outlines the bill specifics.

CURRENT LAW HAS A TWO-TIERED RATE STRUCTURE: The first \$1.5 million value of a home is assessed at a 1.35% tax rate and any value above \$1.5 million is assessed at a 1.89% tax rate.

NEW SB 542 RATES FOR YEAR ONE (2025) THREE-TIERED RATE STRUCTURE:

Starting in 2025, Montana will implement the following three-tiered tax system.

The first \$400,000 of a home’s assessed value is taxed at	0.76% tax rate
The assessed value from \$400,001 - \$1.5 million is taxed at	1.1% tax rate
The assessed value greater than \$1.5 million is taxed at	2.2% tax rate

Additionally, beginning August 15, 2025, homeowners are eligible for a **\$400 one-time tax rebate.**

The application for this rebate will serve as the application for the long-term homestead reduction which goes into effect in 2026. Once the homeowner applies as a MT resident living in their home for 7 months/year for this \$400 one-time tax rebate, they no longer need to re-apply to receive the annual lower tax rates (starting in 2026) unless they sell their home and move from their primary residence or change the use of the home.

EXAMPLE CALCULATION: A home valued at \$500,000 is currently assessed at the 1.35% rate; in 2025 this home would be assessed at the 0.83% rate which is 39% lower*.

Current Rate:	\$500,000 assessed home value x 0.0135 =	\$6,750 taxable value
New Rate:	\$400,000 first tier of home value x 0.0076 =	\$3,040
	<u>\$100,000 second tier of home value x 0.011 =</u>	<u>\$1,100</u>
		\$4,140 new taxable value

In Cascade County in 2025, a median-value home is projected to see a 22% reduction in property taxes, before factoring in the \$400 one-time rebate.

** Actual tax reductions will vary depending on the mills applied by each city, county, and school district during their budget process. Across the state, it is predicted that tax reductions will vary from approximately 23% (Missoula Co.) – 38% (Glacier Co.) not including the \$400 one-time rebate.*

NEW SB 542 RATES FOR YEAR 2 (2026) HAS **FOUR-TIERED RATE STRUCTURE**

Starting in 2026, the **four-tiered** rate structure will take effect, and second homes will be taxed at a higher rate (1.9% instead of 1.35%). The tiers will be based on the Montana median home values determined by the Department of Revenue (DOR). The median home values will be adjusted with each re-appraisal cycle so that the legislature will not need to adjust the tiers. Here's how the four-tier homestead rate reduction is structured:

The portion of the home valued between **\$0 - up to the state median home value** (DOR projection is \$390,000 in 2026) will be taxed at: **0.76% tax rate**

The portion of the home valued between the **median value and up to 2x the median home value** (approximately \$780,000 in 2026 based on DOR estimates) will be taxed at: **0.9% tax rate**

The portion of the home valued at **2x the median value – up to 4X the median home value** (approximately \$1.5 million in 2026, based on DOR estimates) will be taxed at: **1.1% tax rate**

The portion of the home valued at **4x the median home value** (approximately \$1.56 million and higher in 2026, based on DOR estimates) will be taxed at: **1.89% tax rate**

EXAMPLE: A home valued at \$500,000 is currently taxed at 1.35% rate; the 2026 comparative rate could be a 41% tax reduction*.

Current Rate:	\$500,000 assessed home value x 0.0135 =	\$6,750 taxable value
New Rate:	\$390,000 first tier of the home value x 0.0076 =	\$2,964
	<u>\$110,000 second tier of the home value x 0.009 =</u>	<u>\$ 990.00</u>
		\$3,954 new taxable value

In Cascade County, a median-valued home is projected to see a 32% reduction in property taxes.

** Actual tax reductions will vary depending on the mills applied by each city, county, and school district during their budget process. Across the state, it is predicted that tax reductions will vary from approximately 23% (Missoula Co.) – 41% (Glacier Co.)*

SECOND HOMES and SHORT-TERM RENTALS

Second homes are taxed at **1.9%** tax rate (vs. 1.35% currently)

LONG-TERM RENTALS

Long-term rentals will receive the homestead rate reduction described above and multi-family long-term rentals will be taxed at a **1.1%** tax rate (vs. 1.35% currently)

SMALL BUSINESSES/MAINSTREET BUSINESSES

Currently all small businesses are taxed at 1.89%

NEW TAX STRUCTURE UNDER SB 542:

Market value < 6x the median commercial and industrial value **1.5% tax rate**

Market value 6x the median commercial and industrial value or greater **1.89% tax rate**

Approximately a 6% state-wide decrease in taxes for small businesses (estimated to be approximately 3% decrease in Cascade County)

LONG-TERM TAX SHIFTS TO OTHER PROPERTY CLASSIFICATIONS

In Montana, there are sixteen property classes and the industrial classes and centrally assessed properties received significant tax reductions several years ago because residential home values rose dramatically. Industrial classes and centrally assessed properties will see increases as the tax burden is rebalanced to provide relief to residential homeowners.

Property taxes for large commercial businesses (ie. big box stores) are projected to increase approximately **10%**. This projected tax increase is likely to vary across the state depending on the city, county, school district mills applied.

Statewide centrally assessed properties (those that cross county lines like railroads, transmission lines, dams, pipelines and more) and other industrial classes are projected to increase approximately **11.4%**. Again, this projection could be higher in some counties depending on the city, county, school district mills applied.

Increases to the other classes restore industrial and centrally assessed properties to their pre-COVID (2021) rates. This rebalancing requires them to pay a larger proportionate share of the property taxes, thus lessening the burden on homeowners who have seen significant increases in their property taxes due to valuations.

Legislators acknowledged concerns that property taxes had not been equalized and worked to change the tax structure during the 2025 legislative session. Although not perfect, the tax policy approved by the 2025 Legislature provides tax relief to primary homeowners by rebalancing the proportionate share paid by the various property classes.