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 To: Revenue and Transportation Interim Committee
 From: Mike Kadas, Director
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 Subject: Update on Current Reappraisal Cycle

Based on preliminary modeling of the 2016 reappraisal cycle, the table below shows the estimated changes in property values.

Estimated Impact of Reappraisal Change In Market Value Relative to TY16 Values			
	----- Millions -----		
Tax Class	2016	2017	% Change
Median Home	\$187,600	\$202,763	8.08%
Residential Prop.	\$89,396.383	\$96,621.741	8.08%
Commercial Prop.	\$19,328.312	\$21,657.348	12.05%
Agricultural Prop.	\$6,305.450	\$6,772.579	7.41%
Total	\$115,030.145	\$125,051.668	8.71%

As the table shows, the change in the median value of a home reflects the statewide change in class 4 residential property value of 8.08%. This represents an annual 3.96% increase in residential values. Commercial property on a statewide basis saw an increase of 5.85% annually. Agricultural property increased at a 3.63% rate for the same period.

Under the Montana Code Annotated, the department is required to provide a taxable value neutral tax rate for residential, commercial and agricultural property for the next two years. The table below shows the current law tax rate for these properties.

Statutory Rates by Property Class	
Property Class	Tax Rate
Class 4 Residential	1.35%
Class 4 Commercial*	1.89%
Class 3 Agricultural	2.16%

Using the estimate changes in residential, commercial, and agricultural property values, the department has determined the taxable value neutral tax rates for TY2017 and TY2018. The new rates are presented in the table found below.

Taxable Value Neutral Rates by Property Class	
Property Class	Tax Rate
Class 4 Residential	1.26%
Class 4 Commercial*	1.69%
Class 3 Agricultural	2.01%

*Under current law the class 4 residential rate is multiplied by 1.4 to get a rate of 1.89%. For the taxable value neutral tax rate commercial property requires a multiplier of 1.34.