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Memorandum

To: Revenue and Transportation Interim Committee

From: Eric Dale, Economist *ED*
Tax Policy and Research, Montana Department of Revenue

Date: August 19, 2016

Subject: Gray Water Systems Property Tax Abatement

15-24-3211, MCA requires the Department of Revenue to report to the Revenue and Transportation Interim Committee on the use of the property tax abatement for gray water systems. The interim committee is then directed to make recommendations to the next legislature on the continuation or structure of the abatement.

The gray water tax abatement was created during the 2011 legislative session due to SB 265. The abatement allows class four property with gray water systems built after June 30, 2011 to be taxed at 91% of their taxable market value. This abatement remains in effect during construction and for up to 10 years after completion of construction.

The first year property owners could apply for this abatement was tax year 2012. There is one property owner in Gallatin County that has been granted the abatement. The abatement was first granted in tax year 2014. The amount of taxes abated for each year were: \$465 in 2014; \$328 in 2015; and \$328 in 2016.