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# Montana Department of Revenue



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## Memorandum

To: Revenue and Transportation Interim Committee

From: Mike Kadas, Director  
Montana Department of Revenue *MK*

Date: August 19, 2016

Subject: Property Tax Exemption Report

The 2015 Legislature passed House Bill 389 requiring owners of real property to apply to the department for a property tax exemption under the exempt property statutes.

Attached please find the Property Tax Exemption Report which includes:

- General Overview
- Overview of Applicable Statutes
- Property Tax Exemption Background
- Uniform Standards and Public Notice
- Cover Letter and Application and Postcard Reminder Mailings
- Property Exempt Revenue Account
- Administrative Rule
- Exemption Review
- Current Status
- Annual Applications

## **Property Tax Exemption Report**

Prepared for the Revenue and Transportation Interim Committee  
by Cynthia Monteau Moore, Administrator, Property Assessment Division, DOR  
September 2016

### **General Overview**

The 2015 Legislature approved House Bill 389 requiring owners of real property to apply to the department for a property tax exemption under 15-6-201(1)(b), (1)(e) through (1)(g), (1)(i), (1)(k), (1)(l), (1)(n), and (1)(o), 15-6-203, 15-6-209, 15-6-221, and 15-6-227.

Property owners receiving tax-exempt status on April 30, 2015, were required to submit a renewal application by March 1, 2016; except property owners who received their tax-exempt status within two calendar years of the March 1, 2016, deadline (or tax year 2014 and tax year 2015).

### **Overview of Applicable Statutes**

- 15-6-201(1)(b), MCA. Buildings and furnishings in the buildings that are owned by a church and used for actual religious worship.
- 15-6-201(1)(e), MCA. Property, not to exceed 80 acres, used exclusively for educational purposes.
- 15-6-201(1)(f), MCA. Property of any acreage, owned by a tribal corporation created for the sole purpose of establishing schools, colleges, and universities.
- 15-6-201(1)(g), MCA. Property used exclusively for nonprofit health care facilities.
- 15-6-201(1)(i), MCA. Property that is owned or property that is leased from a federal, state, or local governmental entity by institutions of purely public charity.
- 15-6-201(1)(k), MCA. Public museums, art galleries, zoos, and observatories that are not operated for gain or profit.
- 15-6-201(1)(l), MCA. Motor vehicles, land, fixtures, buildings and improvements owned by a cooperative association or nonprofit corporation organized to furnish potable water to its members or customers for uses other than the irrigation of agricultural land.
- 15-6-201(1)(n), MCA. Property that is owned and used by a corporation or association organized and operated exclusively for the care of persons with developmental disabilities.
- 15-6-201(1)(o), MCA. Property owned by a nonprofit corporation that is organized to provide facilities primarily for training and practice for a competition in international sports and athletic events.

- 15-6-203, MCA. Veterans' exemptions – clubhouse – land – incompetent veterans' trusts.
- 15-6-209, MCA. Community services buildings exempt.
- 15-6-221, MCA. Exemption for rental housing providing affordable housing to lower-income tenants.
- 15-6-227, MCA. Property on railroad land leased by nonprofit organizations.

### **Property Tax Exemption Background**

The following periods discuss the evolution of property tax exemptions:

Pre-1976: A county employed appraiser conducted the review of properties for property tax exemptions for the county commissioners. The county commissioners made the determination as to which properties would receive the exemption.

1977-1980: A state employed appraiser conducted the review of properties for property tax exemptions for the county commissioners and the state. The county commissioners determined which properties would receive the exemption.

1981-2002: The department's Property Assessment Division (PAD) maintained handwritten exemption lists in several hard cover books. The books contain the following information for each exemption application received: application number, entity name, county name, tax year, and determination.

2003-2007: PAD maintained exemption lists on a computer spreadsheet. The spreadsheet contained the following information for each exemption application received: application number, entity name, county name, tax year, determination, exemption amount, property value (at the time of exemption), date of decision, and property type.

2008-Present: PAD maintains exemptions granted and denied in a Computer Assisted Mass Appraisal System (CAMAS). Property records in CAMAS are assigned a property identifier called a Geocode. Prior records listed above are not entered into the CAMAS system. The property record contains the following information: Exemption Type, Exemption Status, Application Date and Termination Date, Total Land size on the property, size of land exemption, total building size (square feet), number of square feet of building that is exempt, estimated exempt value and the appraiser who conducted the site visit. Note the property value is not kept up to date as PAD resources are spent on taxable property. Although when changes in the property use are noticed, the department mails the property owner an application and requests additional documentation pertaining to their current exemption.

## Uniform Standards and Public Notice

The department is required to establish consistency and an orderly review of the applications, which includes both uniform standards and uniform deadlines. We have the flexibility, however, to grant reasonable extensions to established deadlines as warranted.

The department provided the public with information concerning the renewal applications through various sources prior to and throughout the application deadlines, as follows:

### News Releases:

- Two news releases emailed to over 300 media contacts
- On two websites: <http://revenue.mt.gov/home/Newsroom> and <http://news.mt.gov/>
  - Initial news release ("MT Department of Revenue notifies tax exempt property owners to reapply for exemption"), November 30, 2015: 1,828 online views
  - Reminder news release ("MT Department of Revenue reminds tax exempt property owners to reapply for exemption"), February 10, 2016: 1,120 online views

### Reporter inquiries:

- November 30, 2015:
  - Northern News Network's Jon Arneson did a live interview on his *Voices of Montana* radio show about the new law requiring owners of tax exempt property to reapply. He interviewed the bill sponsor Rep. Jeff Essmann first, then our division administrator Cynthia Monteau Moore and management analyst Linda Sather.
  - Jon King of KGVO radio Missoula also interviewed management analyst Linda Sather.
  - *Bozeman Daily Chronicle* reporter Troy Carter requested and received the entire list from our database of owners of property tax exempt properties.
- February 10, 2016:
  - Interview with KGVO radio's Jon King (Missoula) reminding folks about the deadline to apply for property tax exemption (per today's news release).
- February 23, 2016:
  - KGVO radio Missoula's Jon King asked for an update on applications for tax exempt properties.
- March 2, 2016:
  - KGVO radio Missoula host Jon King interviewed the department's public information officer about the status of property tax exemption applications. Even though the deadline passed the day before, we encouraged folks to still apply even if they missed the deadline because this is a new law and the requirement was new to folks.

Additional media coverage (what was prominently displayed online; this does not account for papers that are not online or that have subscription-only access):

- November 30 - December 3, 2015
  - *Billings Gazette* article

- Helena *Independent Record* article
- *Choteau Acantha* article
- Kalispell *Daily Inter Lake* article
- February 2016
  - Online post by News Talk KYVA 730 am, Billings
  - *Belgrade News* article
  - Helena *Independent Record* blurb in “Business Briefcase”

Montana Nonprofit Association:

- Periodically updated MNA executive director Liz Moore via phone and email
  - Liz included information in her MNA newsletters

Montana Tax News You Can Use:

- Free DOR e-newsletter distributed weekly during tax season to over 650 subscribers
- Three articles: December 3, 2015; February 18, 2016; May 5, 2016 (postcards mailed)

Revenue Website:

- Prominent slider on homepage to direct users to the specific information

Twitter:

- Over 540 followers
- November 30, 2015: MTRevenue alerts nonprofits and other tax exempt property owners to reapply for property tax exemption at <http://revenue.mt.gov>.
- February 10, 2016: MTRev reminds folks that March 1, 2016, is the deadline to reapply for property tax exemption. <http://revenue.mt.gov>
- March 14, 2016: Did your nonprofit reapply for property tax exemption? Expect a postcard in early April. We're still diligently processing the applications.

Department's Call Center:

- February 9, 2016, report from the call center that they were receiving 5-10 calls per day [about the reapplication].

**Cover Letter and Application and Postcard Reminder Mailings**

The department was required to provide notice of the renewal application to the property owner's last known address informing them of their obligation.

The department mailed cover letters and applications to 4,022 entities on December 4, 2015, for 7,842 parcels in CAMAS. An application is required per parcel. The number of applications and the number of entities do not coincide because some entities own more than one parcel. The mailing included a letter informing the entity that a renewal application would be due on March 1, 2016, and that a processing fee would be required from any organization that had gross receipts of over \$5,000.

The department sent a post card reminder on April 25, 2016, to the entities who did not respond by March 1, 2016. We also received returned mail from the December 4<sup>th</sup> mailing. We updated the addresses and resent their cover letter and application.

As of August 15, 2016, the following is a status of the applications:

Total Parcels (Applications)	7,842	Total Entities	4,022
Total Received	5,356*	Total Returned Application	2,274
Total Outstanding	2,486	Total No Response	1,748**

\*The department received 890 new applications that were not included in our original mailing, bringing the total number of parcels in which applications were received to 6,246.

\*\*The department intends to conduct further research to make contact with these entities and, if needed, conduct site visits to verify whether the entity still exists.

**Property Exempt Revenue Account**

The department developed a sliding fee scale to cover the costs of administering the renewal program which also includes the funding for 1 FTE. The follow application processing fees were charged:

- \$15 for vacant land parcels;
- \$25 for parcels with improvements; and
- No processing fee for nonprofit entities with gross receipts less than \$5,000.

The department has collected approximately \$118,000.

**Administrative Rule**

The department amended ARM 42.20.102 Applications for Property Tax Exemptions to include the renewal program.

**Exemption Review**

**Documentation** - The first step in reviewing exemption applications is to determine who the property owner is, i.e. non-profit, city/county/state/tribe/federal, hospital, etc. The second step is to review the exemption eligibility requirements for which the entity is applying. The documentation for each exemption varies, but proof of the entity's use of the real property is required along with various types of supporting documentation. The documentation review and application decisions are handled by PAD's central office in Helena.

**Site Visit** – PAD appraisers in the 56 local revenue offices conduct a visit of the property to verify the property use and the information provided by the property owner on the application.

**Determination –**

Granted Exemptions

The department will inform the property owner by posted mail or by e-mail that their application(s) is/are granted. Their letter will detail whether the exemption is full or partial. Information pertaining to the granted exemptions will be provided to the public on the department's web page. The information will be searchable by county, which will include: the name of the county where the exempt property is located; name of the owner or entity receiving the exemption; mailing address of the owner or entity receiving the exemption and the property address of the exempt property; real property's legal description and total exempt area which includes the square footage or acreage; and exemption type, i.e. purely public charity, education, religious, etc.

Denied Exemptions

The department will inform the property owner by posted mail or by e-mail that their application(s) is/are denied. Their letter will detail whether the denial is for all property or a portion of the property. The department's determination may be appealed to the Montana Tax Appeal Board.

**Current Status**

Documentation for all applications received are scanned and made available to the 56 local revenue offices. PAD appraisers are currently conducting property site visits in between 2017 reappraisal activities. Once determinations are made and applications are granted exemptions the department's web page will be updated accordingly.

**Annual Applications**

The department generally receives approximately 200 new applications on an annual basis. These applications are being reviewed concurrently with the renewal applications.