



Comparing Exempt and Taxable Property Growth

Exempt Property (Historic market value data that, once property is exempt, is not kept current)*

	2008 (historic value of record)	2009 (automated Orion recalculation)	% Change	2010	% Change	2011	% Change
Silver Bow	\$ 30,097,988	\$ 41,023,956	36%	\$ 41,774,216	2%	\$ 39,638,208	-5%
Cascade	\$ 299,754,930	\$ 330,847,602	10%	\$ 351,887,633	6%	\$ 364,249,486	4%
Yellowstone	\$ 412,848,849	\$ 652,789,165	58%	\$ 670,450,867	3%	\$ 692,560,603	3%
Missoula	\$ 160,790,161	\$ 233,933,439	45%	\$ 236,640,661	1%	\$ 245,238,690	4%
Lewis & Clark	\$ 77,781,063	\$ 138,783,980	78%	\$ 141,371,326	2%	\$ 152,950,657	8%
Gallatin	\$ 142,927,672	\$ 260,772,407	82%	\$ 267,694,642	3%	\$ 283,800,477	6%
Flathead	\$ 126,342,824	\$ 205,980,281	63%	\$ 212,771,947	3%	\$ 222,574,752	5%
Total	\$ 1,250,543,487	\$ 1,864,130,829	49%	\$ 1,922,591,292	3%	\$ 2,001,012,874	4%

Taxable Market Value Property

	2008	2009	% Change	2010	% Change	2011	% Change
Silver Bow	\$ 2,049,215,143	\$ 1,955,283,497	-5%	\$ 1,955,496,481	0%	\$ 1,742,381,636	-10.9%
Cascade	\$ 3,628,030,707	\$ 3,789,308,958	4%	\$ 3,952,953,719	4%	\$ 4,171,416,589	6%
Yellowstone	\$ 8,153,941,175	\$ 8,742,198,046	7%	\$ 9,355,828,347	7%	\$ 9,800,422,250	5%
Missoula	\$ 6,252,750,409	\$ 6,617,922,414	6%	\$ 6,850,529,682	4%	\$ 7,135,214,202	4%
Lewis & Clark	\$ 3,093,171,264	\$ 3,330,549,759	8%	\$ 3,532,540,184	6%	\$ 3,743,765,203	6%
Gallatin	\$ 6,620,872,327	\$ 7,287,882,707	10%	\$ 7,788,012,712	7%	\$ 8,548,363,772	10%
Flathead	\$ 6,994,939,657	\$ 7,710,977,188	10%	\$ 8,209,517,616	6%	\$ 8,757,304,787	7%
Total	\$ 36,792,920,683	\$ 39,434,122,569	7%	\$ 41,644,878,741	6%	\$ 43,898,868,439	5%

Total Property = Exempt + Taxable Market Value Property

	2008	2009	% Change	2010	% Change	2011	% Change
Silver Bow	\$ 2,079,313,131	\$ 1,996,307,453	-4%	\$ 1,997,270,697	0%	\$ 1,782,019,844	-11%
Cascade	\$ 3,927,785,637	\$ 4,120,156,560	5%	\$ 4,304,841,352	4%	\$ 4,535,666,075	5%
Yellowstone	\$ 8,566,790,024	\$ 9,394,987,211	10%	\$ 10,026,279,214	7%	\$ 10,492,982,853	5%
Missoula	\$ 6,413,540,570	\$ 6,851,855,853	7%	\$ 7,087,170,343	3%	\$ 7,380,452,892	4%
Lewis & Clark	\$ 3,170,952,327	\$ 3,469,333,739	9%	\$ 3,673,911,510	6%	\$ 3,896,715,860	6%
Gallatin	\$ 6,763,800,000	\$ 7,548,655,114	12%	\$ 8,055,707,354	7%	\$ 8,832,164,249	10%
Flathead	\$ 7,121,282,481	\$ 7,916,957,469	11%	\$ 8,422,289,563	6%	\$ 8,979,879,539	7%
Total	\$ 38,043,464,170	\$ 41,298,253,398	9%	\$ 43,567,470,033	5%	\$ 45,899,881,313	5%

Exempt Property / Total Property **

	2008	2009	% Change *	2010	% Change	2011	% Change
Silver Bow	1.4%	2.1%	42.0%	2.1%	1.8%	2.2%	6.3%
Cascade	7.6%	8.0%	5.2%	8.2%	1.8%	8.0%	-1.8%
Yellowstone	4.8%	6.9%	44.2%	6.7%	-3.8%	6.6%	-1.3%
Missoula	2.5%	3.4%	36.2%	3.3%	-2.2%	3.3%	-0.5%
Lewis & Clark	2.5%	4.0%	63.1%	3.8%	-3.8%	3.9%	2.0%
Gallatin	2.1%	3.5%	63.5%	3.3%	-3.8%	3.2%	-3.3%
Flathead	1.8%	2.6%	46.6%	2.5%	-2.9%	2.5%	-1.9%
Average	3.2%	4.4%	43.0%	4.3%	-1.8%	4.3%	-0.1%

* When property is classified as exempt the property valuation record reflects the "last known value" as of the date of exemption. DOR staff no longer update physical characteristics or verify value data automatically updated by Orion, unless a change of ownership or some type of permit indicates that a physical change has been made to the property. Therefore, specific valuation data for an exempt property is essentially a meaningless data field, aggregate data is a meaningless mix of disparate data; both the specific and aggregate data have little to no validity to serve as the basis for decision-making.

** The increase in value for exempt property between 2008 and 2009 is a reflection of the conversion to the Orion data system that automates value updates based on model formulas, including the placeholder values on exempt property. There are no physical inspections of the property, no validation of the automated valuations, etc.

TO: Members of the Revenue and Transportation Interim Committee
FROM: Megan Moore, Legislative Services
RE: Exempt Property in the Seven Most Populous Counties for the SJR 23 Study
DATE: November 29, 2011

This memorandum provides data for the Senate Joint Resolution No. 23 study on the value of the exempt property in the historical seven most populous counties. The Department of Revenue prepared the attached document, entitled "Comparing Exempt and Taxable Property Growth." Discussed below are certain data limitations that affect the validity of the information provided. The memo concludes with an analysis of the effects of exempting certain property from taxation.

A Note on the Value of Exempt Property in the Seven Most Populous Counties

The Department of Revenue (DOR) does not value exempt property. Property records for exempt property reflect the last known value as of the date of exemption. There are no site visits by assessors to update physical characteristics. A computer model does update the value in the property record but staff does not verify the value unless a change of ownership or a permit indicates there has been a physical change to the property.¹

These inaccurate values are the only values available and they are used throughout the analysis provided by the Department of Revenue and in this memo.

Property exempted in recent years is coded by exemption type in the property record, however, this is not the case for historical records. This means that the data could not be queried and organized by the type of property tax exemption. DOR staff, however, was able to remove all government and school district property from the exempt values provided. For these reasons, the information is presented only by county and not by type of property tax exemption.

Effect of Property Tax Exemption on Other Taxpayers

Section 15-10-420 allows a governmental entity authorized to collect property tax to impose a mill levy sufficient to generate the same amount of property taxes assessed in the previous year plus half of the average rate of inflation for the prior three years. This allows a taxing entity to raise the mill levy if property becomes exempt and would result in a loss of property tax revenue. Raising the mill levy increases the amount of taxes owed (as long as the value of the taxed property does not decrease).

The following table demonstrates the change in taxes that might result if exempt property was no longer exempt. Increasing the amount of taxable property would allow taxing entities to decrease the mill levy and still assess the same amount of property taxes. The sixth column of the table shows the amount by which each county could reduce its 2010 mill levy and collect the same amount of revenue if exempt

¹ See the * note from "Comparing Exempt and Taxable Property Growth, Department of Revenue.

property was no longer exempt.² The last column provides some context by showing how much the assessed property taxes would change on property valued at \$100,000. The change amounts range from a decrease of \$1.47 in Flathead County to a decrease of \$2.25 in Silver Bow County. This indicates that between \$1.47 and \$2.25 is shifted from exempt properties to taxed properties.

Effect of Property Tax Exemption on other Taxpayers, 2010

County	2010 Mill Levy ³	2010 Property Tax Revenue	2010 Exempt Property Value ⁴	2010 Taxable Property Value	Change in Mill Levy if Exempt Property is Taxed	Change in Taxes Due on \$100,000 of Property if Exempt Property is Taxed
Silver Bow	734.59	\$45,831,376	\$41,774,216	\$1,997,270,697	0.72	\$2.25
Lewis & Clark	685.35	\$77,747,631	\$141,371,326	\$3,673,911,510	-0.66	-\$2.04
Missoula	695.89	\$139,108,545	\$236,640,561	\$7,087,170,343	0.67	\$1.90
Yellowstone	600.57	\$174,080,222	\$670,450,867	\$8,742,198,046	-0.56	-\$1.85
Cascade	596.82	\$76,713,869	\$351,887,633	\$4,304,841,352	0.55	\$1.65
Gallatin	536.80	\$125,621,382	\$267,694,642	\$8,055,707,354	-0.52	-\$1.51
Flathead	547.58	\$126,594,460	\$212,771,947	\$8,422,289,563	0.53	\$1.47

² The change in mill levy was calculated using a weighted taxable percentage based on the estimated property taxes paid by property class and the 2010 taxable percentages for each property class. See 2008-2010 Biennial Report, Montana Department of Revenue, p. 139.

³ The 2010 Mill Levy and 2010 Property Tax Revenue are from: "2008-2010 Biennial Report," Montana Department of Revenue, p. 129.

⁴ The exempt property value and taxable property value are taken from the attached document prepared by the Department of Revenue.