

Information on June 2023 Property Valuation Notices

Recently property tax reappraisal notices were sent out, reflecting an adjusted property tax value along with last year's millage rates, but these notices are not tax bills. The Montana Department of Revenue is required to send out notices which include the department's market value assessment of the property that will be used to determine property taxes owed for TY 2023 and TY 2024. Due to substantial increases in property valuations in the last reappraisal cycle, the estimated taxes shown using last year's mills are potentially overstated.

How property taxes are calculated, and why more than just property values matter, is shown in the equation below:

$$\textit{Property Taxes Paid} = \textit{Market Value} \times \textit{Tax Rate} \times \frac{\textit{Mills}}{1000}$$

Market Value – the property value as assessed by the Department of Revenue. This is where an increase in property value affects the property taxes paid.

Tax Rate – 1.35% for residential property. This rate is fixed in state law and can only be changed by the Legislature.

Mills – certain mills float up and down to meet the budgets of local governments and school districts, while other mills are fixed (such as the state 95 mill levy for K-12 education and the 6 mill university levy). The number of mills levied will also impact tax bills, and changes to the mills are not accounted for in the property appraisal notices.

For example: A residential property valued at \$300,000 in a jurisdiction levying a total of 575 mills would calculate their tax bill as follows.

$$\textit{Property Taxes Paid} = \$300,000 \times 0.0135 \times \frac{575}{1000} = \$2,328.75$$

Due to the inclusion of mills in the property tax equation, an increase in property values does not necessarily result in a proportional increase in property taxes paid. Some mills such as state and certain voted mills will be constant, but a large portion of the mills in local governments and school districts will adjust to meet their respective budgets. Both local government and school budgets have certain limits on their growth, and their budgets are finalized in the fall. In a year with large growth in property values, local government and school mills will generally decrease unless there is some other factor at play (such as a mill increase approved by the voters in the taxing jurisdiction).

For example: how would the property taxes on a theoretical residential property valued at \$300,000 in TY 2021 be affected by a 44% increase in value for TY 2023?

While this example is theoretical, it is based on statewide averages for mills and property value growth. It does **not** account for:

- Voted mills (which can increase property taxes independent of property value increases)
- The amount of newly taxable property coming onto the tax rolls (such as newly constructed homes)
- Potential shifts of the tax burden between tax classes (due to a change such as the closure of a large commercial business in the taxing jurisdiction)

	TY 2021	TY 2022	TY 2023
Residential Property Value	\$300,000	\$309,614	\$445,845
Property Value Growth Rate		3%	44%
State Mills	101	101	101
County-wide School Mills*	50	51	37
Local School District Mills*	200	203	148
City Mills*	100	102	74
County Mills*	100	102	74
Other Fixed Mills (Fire Districts, Search & Rescue, etc.)	24	24	24
Newly Voted Mills**	0	0	0
Total Mills	575	583	459
Property Tax Bill	\$2,328.75	\$2,436.82	\$2,762.68
Property Tax Growth Rate		5%	13%

*Assumes 5.0% growth rate for local government and school budgets and no newly taxable property in the jurisdiction

**Assumes no new voted mills in the jurisdiction

While the property value increased in this example by 44%, the mills decreased as compared to the previous year. The actual increase in taxes is only 13% greater than the previous year due to how the local government and school mills float down to meet their budgets.

$$TY\ 2023\ Actual\ Property\ Tax\ Bill = \$445,845 \times 0.0135 \times \frac{459}{1000} = \$2,762.68$$

If this example were to use prior year mills (as the June 2023 property tax notices do), the 13% growth would be inflated to 44% growth over the previous year, and the property tax notice amount would be almost \$750 higher than the actual property tax bill.

$$TY\ 2023\ Property\ Tax\ Notice\ (based\ on\ prior\ year\ mills) = \$445,845 \times 0.0135 \times \frac{583}{1000} = \$3,509.02$$

Other resources that may be helpful to understand your property valuation notice are listed below:

- [Montana Legislative Fiscal Division](#)
- [Department of Revenue - Property Appraisal Notices](#)
- [Example Property Appraisal Notice](#)
- [Missoula County - Understanding Your Property Reappraisal Notice](#)
- [Montana Free Press – Property Taxes Explained](#)