

BEFORE THE DEPARTMENT OF REVENUE
OF THE STATE OF MONTANA

In the matter of the amendment of) NOTICE OF PUBLIC HEARING ON
ARM 42.18.121 pertaining to updates) PROPOSED AMENDMENT
of the Montana Reappraisal Plan and)
Classification and Valuation Manuals)

TO: All Concerned Persons

1. On November 28, 2022, at 11:00 a.m., the Department of Revenue will hold a public hearing in the Third Floor Reception Area Conference Room of the Sam W. Mitchell Building, located at 125 North Roberts, Helena, Montana, to consider the proposed amendment of the above-stated rule. The conference room is most readily accessed by entering through the east doors of the building.

2. The Department of Revenue will make reasonable accommodations for persons with disabilities who wish to participate in this public hearing or need an alternative accessible format of this notice. If you require an accommodation, please advise the department of the nature of the accommodation needed, no later than 5 p.m. on November 11, 2022. Please contact Todd Olson, Department of Revenue, Director's Office, P.O. Box 7701, Helena, Montana 59604-7701; telephone (406) 444-7905; fax (406) 444-3696; or todd.olson@mt.gov.

3. The rule as proposed to be amended provides as follows, new matter underlined, deleted matter interlined:

42.18.121 PURPOSE; ADOPTION OF MONTANA REAPPRAISAL PLAN AND MANUALS; VALUATION CYCLES (1) remains the same.

(2) The department will use its computer assisted mass appraisal (CAMA) system to assist in its valuation processes and will consider the sales comparison approach, cost approach, and income approach in its determination of a property's market value. The department shall use the approach or approaches based on the type of property and the quantity and quality of data available.

(3) The department adopts and incorporates by reference the Plan, the Montana Residential, Commercial, and Industrial Property Classification and Valuation Manual, and the Montana Agricultural Land Classification and Valuation Manual, all dated January 1, ~~2024~~ 2023. The department also adopts and incorporates by reference the Montana Forest Land Classification and Valuation Manual dated January 1, 2021, and updated as of January 1, 2023. Each manual explains how the department classifies and values subject property types. A copy of the Plan and the manuals may be obtained from the Department of Revenue, Property Assessment Division, P.O. Box 8018, Helena, MT 59604-8018, and on the department's web site at <https://mtrevenue.gov/publications/property-reappraisal-plan-manuals>.

(4) Class four residential, commercial, and industrial property is appraised at its market value as of January 1, ~~2020~~ 2022, for the ~~2021-2022~~ 2023-2024 valuation

cycle.

(5) Class three agricultural land is appraised at its productivity value as of January 1, ~~2020~~ 2022, for the ~~2021-2022~~ 2023-2024 valuation cycle. Agricultural land values reflect productivity values in accordance with 15-7-201, MCA.

(6) and (7) remain the same.

AUTH: 15-1-201, 15-7-111, 15-7-201, MCA

IMP: 15-7-101, 15-7-103, 15-7-111, 15-7-112, 15-7-201, 15-44-103, MCA;

REASONABLE NECESSITY: The department proposes its routine, periodic amendments to ARM 42.18.121 to reflect updated versions of the Plan, Montana Residential, Commercial, and Industrial Property Classification and Valuation Manual, and the Montana Agricultural Land Classification and Valuation Manual, adopted and incorporated by reference in (3), and amend the valuation cycle dates for each property class in (4) and (5) for the upcoming cycle beginning January 1, 2023.

The department's proposed Plan and manual updates, which are available for review at the website address in (3) of the rule and are described below, generally reflect improvements in language usage, grammar, and punctuation from the current documents; update cross-references to supporting rules or statutes; and improve descriptions of the department's classification and valuation practices and processes for class three, four, and ten property. The department intends for the revisions to improve clarity of the material and the public's understanding of the subject matter.

Montana Reappraisal Plan

In addition to the above-described global amendments, the department proposes amendments to the Plan's resources section to reflect current and reopened department field offices and an internal reorganization in July 2021 where the Industrial Property Unit was transferred from the Business and Income Tax Division to the Property Assessment Division. For the public, this reorganization is significant because all class four and class eight property valuation is now completed within the same division, which is an improvement in efficiency and consistency. The department also proposes to include text defining centrally assessed property and provide how the department's Business Tax and Valuation Unit values centrally assessed property. This proposed text is intended to improve the public's familiarity with how the department values these properties.

Residential, Commercial, and Industrial Classification and Valuation Manual

In addition to the above-described global amendments, in this manual the department proposes to correct referencing to the national cost manual, Cost Data Online, used to develop base cost tables for the cost approach-to-value. Cost Data Online is not part of the RSMeans Building Construction Cost Manual as it was displayed in the current document.

The department also proposes to specify the confidentiality provision for income and expense data that is voluntarily provided by taxpayers to the department for use in the income approach to value.

The department proposes revisions to the land valuation models development section to improve clarity and understanding of the subject matter and to correct the basic multiplicative model formula in the current document.

In the cost tables - development section, the department proposes updates to the quality grade factors for the upcoming valuation cycle.

The department proposes to revise the development of capitalization rates language in the income models section to provide additional information as to how the department assigns investment classes (degree of risk) to commercial properties in the CAMA system when developing capitalization rates used in the income approach to value.

The department proposes to update text in the calculation of effective tax rate (ETR) section, as the department develops an urban and rural median ETR and not a statewide ETR.

The department proposes to amend the reconciliation and determination of final value section for residential property because the comparability distance point range is dependent upon available data when the department determines the sales comparison approach to value is credible.

In appendix A, the department proposes to amend the definition for square foot living area for clarification. Department staff measure residential property structures externally to determine above grade finished square footage.

In appendices A and B, the department proposes to update the definition for "living units" which is interchangeable with living unit, dwelling, dwelling unit, or residence and is referenced in all three manuals. The department also proposes to include an updated version of the commercial sales verification form provided in appendix E. The form was updated in September 2018 but was inadvertently omitted from the current manual.

Agricultural Land Classification and Valuation Manual

In addition to the above-described global amendments, in this manual the department proposes to amend the title page for brevity and for consistency with department branding (i.e., logos, formatting, etc.) of public-facing documents. The department also proposes to clarify which division of Montana State University-Bozeman is responsible for the determination of the minimum number of animal unit months of carrying capacity. The 2021 Legislature passed House Bill 52 which changed the reference to Montana State University-Bozeman Department of Agricultural Economics and Economics to Montana State University-Bozeman College of Agriculture.

The department proposes to update the valuation dates and commodity prices for the upcoming valuation cycle, and update the agricultural land valuation examples to improve understanding of the concepts of the different agricultural land subclassifications. In addition, a new section in the manual was added to provide an example of provisional agricultural land classification when there is an ownership transfer on the property. Prior to September 2020, the example was provided in

ARM 42.20.171. The department repealed this rule in 2020 to eliminate unnecessary redundancies to statute and had planned to include the example into the current manual. Unfortunately, this section was inadvertently omitted from the current version of the manual.

The department proposes to update the homesite section with an updated definition for "dwelling" which is used in all of the manuals, and clarify the department's classification and valuation practices for one-acre homesites.

The department lastly proposes to transfer the list of agricultural land property laws and administrative rules from the body of the manual to Appendix A. This format change will improve the manual's organization of content and will aid in the public's understanding of the subject matter.

Forest Land Classification and Valuation Manual

In addition to the above-described global amendments, in this manual the department proposes to amend the title page for brevity and for consistency with department branding (i.e., logos, formatting, etc.) of public-facing documents. In the homesite section, the department proposes to update the definition of "dwelling" which is used in all of the manuals, and clarify the department's classification and valuation practices for one-acre homesites.

The department also proposes to strike the forest land tax rate provided in the current manual and replace it with a cross-reference to 15-6-143, MCA, to give deference to the statute, which was recently amended by the 2021 Legislature, and to minimize future amendments to the manual based solely on statutory changes to the forest land tax rate.

Lastly, the department proposes to move the history section to the addendum at the request of the Forest Land Advisory Committee.

4. Concerned persons may submit their data, views, or arguments, either orally or in writing, at the hearing. Written data, views, or arguments may also be submitted to: Todd Olson, Department of Revenue, Director's Office, P.O. Box 7701, Helena, Montana 59604-7701; telephone (406) 444-7905; fax (406) 444-3696; or e-mail todd.olson@mt.gov and must be received no later than 5:00 p.m., December 5, 2022.

5. Todd Olson, Department of Revenue, Director's Office, has been designated to preside over and conduct the hearing.

6. The Department of Revenue maintains a list of interested persons who wish to receive notices of rulemaking actions proposed by this agency. Persons who wish to have their name added to the list shall make a written request, which includes the name and e-mail or mailing address of the person to receive notices and specifies that the person wishes to receive notice regarding particular subject matter or matters. Notices will be sent by e-mail unless a mailing preference is noted in the request. A written request may be mailed or delivered to the person in number 4 above or faxed to the office at (406) 444-3696 or may be made by completing a request form at any rules hearing held by the Department of Revenue.

7. An electronic copy of this notice is available on the department's web site at www.mtrevenue.gov, or through the Secretary of State's web site at sosmt.gov/ARM/register.

8. The bill sponsor contact requirements of 2-4-302, MCA, do not apply.

9. With regard to the requirements of 2-4-111, MCA, the department has determined that the amendment of the above-referenced rule will not significantly and directly impact small businesses.

/s/ Todd Olson
Todd Olson
Rule Reviewer

/s/ David R. Stewart for
Brendan Beatty
Director of Revenue

Certified to the Secretary of State October 25, 2022.