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FROM: Dylan Cole, Tax Policy and Research

DATE: June 12, 2023

SUBJECT: Tax Year 2023 Class 12 Taxable Percentage Rate

The Tax Year (TY) 2023 taxable percentage rate for class 12 property is estimated to be **3.06%**, the same rate as TY 2022.

Per 15-6-145, MCA, the Department of Revenue shall calculate the taxable percentage rate for class 12 property annually by:

1. conducting a sales assessment ratio for class 4 commercial and industrial property;
2. adjusting the total class 4 commercial and industrial taxable value with the sales ratio;
3. adding this product to the taxable value of other non-class 12 commercial property; and
4. dividing this adjusted total taxable value by the total statewide market value of all non-class 12 commercial property.

The TY 2022 sales assessment ratio of class 4 commercial and industrial property is 65.11%. The actual assessed value for class 4 commercial and industrial property is divided by the sales prices to determine a sales ratio. Note that the sales ratio is particularly low due to the significant appreciation in class 4 property since the last reappraisal cycle. The TY 2023 reappraisal will realign the assessed value with sales value.

| Class 4<br>Commercial & Industrial Adjustments |               |
|--|---------------|
| Class 4 Market Value TY 2022                   |               |
| Number of Sales                                | 1,220         |
| Assessed Value                                 | \$753.542     |
| Sales Value                                    | \$1,157.339   |
| Sales Ratio                                    | <b>65.11%</b> |

Because the certification of TY 2023 property values occurs in August of 2022, the information used in this computation is certified TY 2022 values. Once the TY 2023 certification is complete, the department will recalculate the class 12 percentage, and if the recalculated percentage differs from 3.06% by more than 5%, the department will provide notification of the new class twelve percentage by September 1, 2023.

The following table showing the contribution of each class of property to the class 12 taxable percentage rate:

| <b>Class 12 Tax Rate - Tax Year 2023</b> |                     |                      |                    |                           |                      |
|--|---------------------|----------------------|--------------------|---------------------------|----------------------|
| <b>Class of Property</b>                 | <b>Market Value</b> | <b>Taxable Value</b> | <b>Sales Ratio</b> | <b>Adj. Taxable Value</b> | <b>Eff. Tax Rate</b> |
| Class 4 Commercial and Industrial        | \$25,306.706        | \$474.929            | 65.11%             | \$309.23                  | 1.22%                |
| Class 7                                  | \$0.220             | \$0.018              | 100.00%            | \$0.02                    | 8.00%                |
| Class 8                                  | \$6,266.022         | \$147.661            | 100.00%            | \$147.661                 | 2.36%                |
| Class 9                                  | \$5,216.762         | \$618.477            | 100.00%            | \$618.477                 | 11.86%               |
| Class 13                                 | \$2,462.747         | \$147.730            | 100.00%            | \$147.730                 | 6.00%                |
| Class 14                                 | \$1,178.778         | \$20.774             | 100.00%            | \$20.774                  | 1.76%                |
| Class 15                                 | \$190.529           | \$2.585              | 100.00%            | \$2.585                   | 1.36%                |
| Class 16                                 | \$0.000             | \$0.000              | 100.00%            | \$0.000                   | N/A                  |
| Class 17                                 | \$196.819           | \$1.771              | 100.00%            | \$1.771                   | 0.90%                |
| <b>Total Commercial and Industrial</b>   | <b>40,818.583</b>   | <b>N/A</b>           |                    | <b>1,248.241</b>          | <b>3.06%</b>         |

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