



MONTANA  
ADMINISTRATIVE  
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## DEPARTMENT OF REVENUE

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### NOTICE OF PROPOSED RULEMAKING

#### MAR NOTICE NO. 2025-42.1

#### Summary

Amendment of ARM 42.20.454 to lessen certain procedural burdens for a property owner during an informal classification and appraisal review and clarify department processes for it to consider sale price as an indication of market value for the owner's property

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#### Hearing Date and Time

Monday, March 31, 2025, at 1:00 p.m.

#### Hearing Information

Third Floor Reception Area Conference Room of the Sam W. Mitchell Building, located at 125 North Roberts, Helena, Montana

#### Comments

Comments may be submitted using the contact information below. Comments must be received by Monday, April 7, 2025, at 5:00 p.m.

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#### Accommodations

The agency will make reasonable accommodations for persons with disabilities who wish to participate in this rulemaking process or need an alternative accessible format of this notice. Requests must be made by Friday, March 14, 2025, at 5:00 p.m.

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## Contact

Todd Olson, Rule Reviewer - Department of Revenue, Legal Services Office  
(406) 444-7905  
todd.olson@mt.gov

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## Rulemaking Actions

### AMEND

The rules proposed to be amended are as follows, stricken matter interlined, new matter underlined:

#### 42.20.454 CONSIDERATION OF SALES PRICE AS AN INDICATION OF MARKET VALUE

- (1) When considering any objection to the ~~appraisal department's appraised value of~~ property, the department may consider the ~~actual selling property's sale price, as provided in the Realty Transfer Certificate (RTC), of the property as~~ evidence of the its market value of the property.
- (2) For the ~~actual selling property's sale price~~ to be considered, a taxpayer or the taxpayer's agent must:
  - (a) submit a completed Request for Informal Classification and Appraisal Review, Form AB-26, as ~~set forth~~ provided in ARM 42.20.173, to the local department ~~field office in~~ servicing the county where the property is located; and
  - ~~(b)~~ submit an accurately completed Realty Transfer Certificate;
  - ~~(c)~~ (b) complete and sign a sales the department's property sale verification form that includes the sales price of the property; if one has not been previously submitted.
  - ~~(d)~~ provide a signed affidavit completed by at least one party or person who is not the buyer or seller and that identifies the conditions, terms, and sales price of the property;
  - ~~(e)~~ provide an executed buy/sell agreement; and
  - ~~(f)~~ provide evidence of two comparable sales of similar property in the same general geographic area where the taxpayer's property is located. The property sales must have occurred within six months of the valuation date adopted by the department in its reappraisal plan administrative rules, as set forth in ARM Title 42, chapter 18. The department will:

- (i) ~~use its sales records to identify the sale prices and determine if the sales were valid, arm's-length sales; and~~
  - (ii) ~~permit taxpayers to examine the sales information for the comparable property if they agree to keep the information confidential.~~
- (2) ~~For the actual selling price of the property to be considered, the department must:~~
- (a) ~~analyze and maintain the information and requirements in (1)(a) through (f) as a part of the file supporting the value placed on the property for tax purposes;~~
  - (b) ~~verify the subject sale is a valid arm's-length transaction as defined in 15-8-111, MCA;~~
  - (c) ~~verify the comparable sales are valid arm's-length transactions as defined in 15-8-111, MCA;~~
  - (d) ~~adjust the actual selling price of the property to a value that is consistent with the valuation date adopted by the department in its reappraisal plan administrative rules, located in ARM Title 42, chapter 18; and~~
  - (e) ~~adjust the sales price of the property to account for changes in market conditions that may have occurred between the time of sale and the valuation date.~~
- (3) The department must verify that the property sale was a valid arm's-length transaction, as defined in ARM 42.20.432, and was considered for use in the department's valuation models and analysis for the current valuation cycle. Descriptions of the department's processes for sale verification and valuation modeling and analysis to determine market value are found in the Montana Residential, Commercial, and Industrial Property Classification and Valuation Manual, adopted and incorporated by reference in ARM 42.18.121.
- (4) The department is authorized to exclude a property's sale price in valuation modeling if it is determined the sale price was not an arms-length transaction or indicative of market value. Examples of sales transactions that are considered non-arm's-length transactions are provided in ARM 42.20.432.
- (5) If the department cannot verify that the sale was a valid arm's-length transaction, a taxpayer may submit the following additional documents and information for the department's consideration:
- (a) an executed buy/sell agreement for the property; and
  - (b) two comparable property sales located in the same general geographic area where the taxpayer's property is located. The department will consider comparable property sales with a sale date after the department's valuation

date for the current valuation cycle which is adopted and incorporated by reference in ARM 42.18.121.

- (6) Similar to the determination in (3), the department will verify that the comparable property sales in (5)(b) were also valid arm's-length transactions.
- (7) The department will consider a property's sale price as indicative of market value when the requirements in (2), (3), and (5) are met. The department is authorized to adjust the sale price to account for changes in market conditions that may have occurred between the time of sale and the department's valuation date for the current valuation cycle.
- ~~(3)~~(8) After making a determination regarding use of the adjusted selling price as an indication of market value for tax purposes, † The department shall respond in writing to the taxpayer stating clearly stating the reasons for accepting or rejecting the use of their property's sales price and, if appropriate, what adjustments were made to the actual selling price and why the adjustments were made the justification for any adjustments made to the property's sale price.
- ~~(4)~~(9) If the property's appraised value is adjusted by the department or the tax appeal board and the department files no further appeal within the time period allowed by law, the adjusted value becomes the value for assessment and taxation purposes until such time as changing circumstances with respect to the property requires a new valuation and assessment, or upon an updated valuation occurring in subsequent property valuation cycles.

**Authorizing statute(s):** 15-1-201, MCA

**Implementing statute(s):** 15-7-102, 15-7-111, 15-7-305, 15-8-111, MCA

### **Reasonable Necessity Statement**

The department proposes to amend ARM 42.20.454 to simplify and clarify department processes and requirements regarding taxpayer objections to department appraisals of property. The department proposes the above-described amendments after an internal review of the existing process and a desire to lessen a taxpayer's burden to provide information to be used in the department's determination of market value for the taxpayer's property. The department notes that the process and considerations in the rule, as proposed, follow existing practice and accepted appraisal methodology, but have not been stated as thoroughly or clearly as the department believes is necessary. The department also desires to incorporate existing statutes, rules, or valuation manuals into the rule for taxpayer benefit and for improved department consistency.

The department proposes to revise (1) to improve overall clarity of purpose of the rule.

The department also proposes to separate the remaining portion of current (1) into proposed (2)(a) and (b) to clarify conditions and applicable statutory requirements when a taxpayer submits a Request for Informal Classification and Appraisal Review, Form AB-26 (AB-26) and requests the department consider the property's sale price as evidence or an indicator of market value.

The department proposes to move current (1)(d) through (f) to (5) to reflect that the department may require additional information if the taxpayer's informational burden is not met with what is provided in proposed (2)(a) and (b).

Proposed (3) and (4) are necessary additions to the rule because the current text does not adequately inform taxpayers of the department's statutory responsibility to determine market value (15-8-111, MCA) or what processes and considerations the department uses to include, or exclude, property sale data in its valuation models.

If the department requires more information after the taxpayer's initial submissions, then the amended process in proposed (5) through (9) are available, where necessary.

Lastly, the department proposes to amend the implementing citations for the rule to comply with the requirements of 2-4-305, MCA.

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### **Small Business Impact**

Pursuant to 2-4-111, MCA, the agency has determined that the rule changes proposed in this notice will not have a significant and direct impact upon small businesses.

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### **Bill Sponsor Notification**

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

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### **Interested Persons**

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 contact person in this notice or may be made by completing a request form at any rules hearing held by the Department of Revenue.

**Rule Reviewer**

Todd Olson

**Approval**

Brendan Beatty, Director of Revenue