Montana Personal Property Assessment

All property is taxable in Montana unless it is specifically exempted from taxation[1].

Personal property that is expensed or depreciated out for income tax purposes remains taxable for property tax purposes.

Personal property includes everything that is the subject of ownership that is not included within the meaning of the terms "real estate", "improvements", and "intangible personal property" [2].

Montana law defines the business equipment tax as a personal property tax applied to any class of personal property that belongs to, is claimed by, or is in the possession of or under the control or management of a sole proprietor, firm, association, partnership, business, corporation, or Limited Liability Company[3].

Personal property is taxable where it is located as of January 1[4].

Personal property, business equipment is primarily class 8[5] property:

- agricultural implements and equipment,
- mining machinery, fixtures, equipment, tools and supplies,
- oil and gas production machinery, fixtures, equipment, including pumping units, oil field storage tanks, water storage tanks, water disposal injection pumps, gas compressor and dehydrator units, communication towers, gas metering shacks, treaters, gas separators, water flood units, gas boosters, and similar equipment that is skidable, portable, or movable, tools,
- manufacturing machinery, fixtures, equipment, tools,
- goods and equipment that are intended for rent or lease, except goods and equipment that are specifically included and taxed in another class,
- special mobile equipment,
- furniture, fixtures, and equipment, used in commercial establishments,
- x-ray and medical and dental equipment,
- citizens' band radios and mobile telephones,
- radio and television broadcasting and transmitting equipment,
- cable television systems,
- coal and ore haulers,
- theater projectors and sound equipment,
- all other property that is not included in any other class in this part, except that property that is subject to a fee in lieu of a property tax.

Personal Property Tax Calculation

cost reported by taxpayer x applicable depreciation[6] = **assessed market value**

assessed market value – exempt portion of value[7] = **taxable market value**

taxable market value x tax rate[6] = **taxable value**

taxable value x mill levy[8] = **property tax**

[1] 15-6-101, MCA
[2] 15-1-101, MCA
[3] 15-6-122, MCA
[4] 15-8-201, MCA
[5] 15-6-138, MCA
[6] Administrative Rules 42.21.113 thru 42.21.157 and 42.22.1311
[7] as determined by the state legislature
[8] set by local jurisdictions

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Personal Property Reporting Requirements
Taxpayers must report the installed costs of all personal property to the department, within the timeframes established in law and administrative rule[9].

The deadline for reporting personal property is **March 1**[10].

A **penalty equal to 20%** of the market value is assessed on all personal property records for which reporting forms are returned later than the deadline, or not returned at all[11].

Electronic Personal Property Reporting
Taxpayers have the option of reporting personal property electronically on-line through the department's Taxpayer Access Portal (TAP).

Exempt Personal Property
Examples of automatic personal property exemptions are:

15-6-138, MCA	The first $100,000 of class 8 market value owned by a person or entity
15-6-202, MCA	Freeport merchandise and business inventories
15-6-206, MCA	Sprinkler irrigation systems
15-6-207, MCA	Livestock
15-6-207, MCA	Sugar beet equipment not used for the previous 2 years, with no available sugar beet contracts within the grower's marketing area
15-6-207, MCA	Agricultural implements and machinery valued under $100
15-6-213, MCA	Down-hole equipment in oil and gas wells
15-6-215, MCA	Certain motion picture and television property
15-6-218, MCA	Intangible personal property which includes software
15-6-219, MCA	Harness, saddles and other tack
15-6-219, MCA	First $15,000 or less of hand held tools
15-6-219, MCA	Household goods and furniture
15-6-219, MCA	A bicycle used for personal use
15-6-219, MCA	Personal property intended for rent or lease if specific conditions are met
15-6-219, MCA	Space vehicles and all associated equipment
15-6-220, MCA	Machinery and equipment used in a canola seed oil processing facility, malting barley facility, industrial dairy or milk processing, or in the production of ethanol from grain in the first 10 years
15-6-225, MCA	Small electrical generation equipment, nameplate capacity of less than 1 megawatt
15-6-228, MCA	Property subject to registration fee (PP attached to vehicle > 1 ton)

[9] 15-8-301,MCA & 42.21.158 ARM
[10] 42.21.158 ARM
[11] 15-1-303, MCA

Personal Property Exemptions that Require an Application[12]
Certain other personal property requires an exemption application. The manufacturer has to apply for the exemption and meet all of the qualifications.

Personal property **owned by or leased to an exempt entity is not automatically exempt**, it must go through the **exemption application process.**

Exemption applications must be submitted by March 1, or, in the case of vehicles, within 30 days after acquisition. The date on the new title is used as the acquisition date. Questions about exemptions and the exemption application process should be directed to exemption specialist, Linda Sather (406) 444-5698.

The exempt and nonexempt status of personal property situated within the state of Montana on January 1, is as follows:[13]

- If personal property is in an exempt status on January 1 of a specific tax year, and at any later date during that tax year loses its exempt status, the personal property will not be taxed until the following tax year.
- If the personal property is not in an exempt status on January 1 of a tax year, and at any later date during that tax year is assigned an exempt status, the personal property will be taxed for the entire tax year, unless the personal property is acquired by a governmental entity.

For personal property situated outside the state of Montana on January 1, the exempt and nonexempt status of personal property is as follows:

- If personal property is in an exempt status when it is brought into the state of Montana during a tax year, and if at any later date during that tax year the personal property loses its exempt status, the personal property will not be taxed until the following tax year.
- If personal property is not in an exempt status when it is brought into the state of Montana, the department will prorate the assessment on the personal property pursuant to 15-16-613, 15-24-301, and 15-24-303, MCA. Proration of the personal property tax primarily impacts Special Mobile equipment and is discussed in a later section of this manual.

[12] http://revenue.mt.gov/property-forms
[13] 42.21.162, A.R.M.

Aggregation, Exemption and Tax Rate Adjustment Thresholds
In an effort to reduce the tax burden on businesses, Montana law exempts a portion of a taxpayer's class eight personal property value. Additionally, a lower tax rate is applied to the portion of value that is under a second threshold.

- The first $100,000 of taxable market value is exempt. This is the **exemption threshold.**
- A lower tax rate is applied to the next $6 million of taxable market value.
  This is the **tax rate adjustment threshold (TRAT)**.

Personal property assessment is based on **statewide aggregate value**, that is, the combined value from all of a taxpayer's locations throughout the state. Values are aggregated by taxpayer ID.

The department makes an effort to identify the **parent company**. A parent company is one that has an ownership interest of 50% or more in another entity[14]. If a parent company is been identified, values are aggregated by the parent company's taxpayer ID.

Market value, aggregate market value and aggregate *taxable* market value

Class eight property includes most business equipment[15].

Market value of class eight property is the depreciated value determined as described in Montana law and administrative rules.

Taxable market value is the total market value minus any exempt market value.
total market value – exempt market value = *taxable* market value

Aggregate market value is the total market value of class eight property that a person or entity owns at all locations, statewide. The amount of any penalty on a taxpayer's property assessment record(s) is *not* included when determining the taxpayer's aggregate market value.

Aggregate taxable market value is the total market value of class eight property that a person or entity owns at all locations, statewide **minus** the exempt class eight market value.
aggregate market value – exempt market value = aggregate *taxable* market value

[14] ARM 42.21.158 http://www.mtrules.org/gateway/ruleno.asp?RN=42%2E21%2E158
[15] 15-6-138, MCA http://leg.mt.gov/bills/mca/15/6/15-6-138.htm

2014 and Subsequent Years

- the *first* $100,000 of aggregate taxable market value of class eight property is exempt,
- the next $6 million in taxable market value is taxed at 1.5%,
- any taxable market value in excess of $6,100,000 is taxed at 3%

The exemption threshold and TRAT threshold are allocated amongst the taxpayer's property locations.

a) Each location's contribution to the total aggregate market value is calculated as a percentage.

b) Each location's contribution percentage is applied to the exemption threshold, $100,000, to calculate the location's share of the exemption threshold.

c) The location's share of the exemption threshold **and** any other exempt class eight value is subtracted from the location's total market value to calculate the location's *taxable* market value.

d) The percentage of the taxpayer's taxable market value that is **over** the TRAT threshold is calculated by first subtracting the TRAT threshold, $6 million, from the taxpayer's total taxable market value, then dividing the taxpayer's total taxable market value **over** the TRAT threshold by the taxpayer's total taxable market value.

e) The percentage **under** TRAT is calculated by subtracting the percent **over** TRAT from 100%.

f) Each location's taxable market value **over** the TRAT threshold is calculated by multiplying the over TRAT percentage by the location's taxable market value.

g) Each location's base **taxable value** is calculated by multiplying the normal tax rate by the location's taxable market value.

h) The **over** TRAT taxable value is calculated by multiplying the **additional** TRAT tax rate by the location's taxable market value **over** TRAT.

i) The location's total taxable value is calculated by adding together the base taxable value and the **over** TRAT taxable value.

The examples on the following page illustrate personal property assessment calculations for various aggregation and threshold scenarios.

Montana Personal Property Assessment

	taxable value calculation - under exemption threshold																
	county	location	Total market value	value of exempt class eight property *other than* the exemption threshold	Taxable market value before $100,000 exemption	location's contribution to aggregate taxable market value	location's share of $100,000 exemption threshold	Final taxable market value	% Under TRAT	% Over TRAT	Taxable market value Over TRAT	Normal tax rate	Additional Over TRAT tax rate	Total Over TRAT tax rate	Base taxable value	Additional Over TRAT taxable value	Total taxable value
	1	1	25,000	2,000	23,000	28%	27,611	0	100%	0%	0	1.5%	1.5%	3%	0	0	0
	1	2	10,000	0	10,000	12%	12,005	0	100%	0%	0	1.5%	1.5%	3%	0	0	0
	2	1	15,000	500	14,500	17%	17,407	0	100%	0%	0	1.5%	1.5%	3%	0	0	0
	3	1	24,000	1,200	22,800	27%	27,371	0	100%	0%	0	1.5%	1.5%	3%	0	0	0
	4	1	13,000	0	13,000	16%	15,606	0	100%	0%	0	1.5%	1.5%	3%	0	0	0
		totals	**87,000**	**3,700**	**83,300**	**100%**	**100,000**	**0**			**0**				**0**	**0**	**0**
total market value			**87,000**														
minus automatically exempt class eight value			**3,700**														
total taxable market value			**83,300**														
minus $100,000 exemption amount			**100,000**														
equals final taxable market value			**0**														
minus $6 million TRAT threshold			**6,000,000**														
taxable market value over TRAT threshold			**0**														

	taxable value calculation - over exemption threshold, under TRAT threshold																
	county	location	Total market value	value of exempt class eight property *other than* the exemption threshold	Taxable market value before $100,000 exemption	location's contribution to aggregate taxable market value	location's share of $100,000 exemption threshold	Final taxable market value	% Under TRAT	% Over TRAT	Taxable market value Over TRAT	Normal tax rate	Additional Over TRAT tax rate	Total Over TRAT tax rate	Base taxable value	Additional Over TRAT taxable value	Total taxable value
	1	1	120,000	5,000	115,000	24%	23,638	91,362	100%	0%	0	1.5%	1.5%	3%	1,370	0	1,370
	1	2	80,000	1,200	78,800	16%	16,197	62,603	100%	0%	0	1.5%	1.5%	3%	939	0	939
	2	1	150,000	1,100	148,900	31%	30,606	118,294	100%	0%	0	1.5%	1.5%	3%	1,774	0	1,774
	3	1	115,000	800	114,200	23%	23,474	90,726	100%	0%	0	1.5%	1.5%	3%	1,361	0	1,361
	4	1	30,000	400	29,600	6%	6,084	23,516	100%	0%	0	1.5%	1.5%	3%	353	0	353
		totals	**495,000**	**8,500**	**486,500**	**100%**	**100,000**	**386,500**			**0**				**5,798**	**0**	**5,798**
total market value			**495,000**														
minus automatically exempt class eight value			**8,500**														
total taxable market value			**486,500**														
minus $100,000 exemption amount			**100,000**														
equals final taxable market value			**386,500**														
minus $6 million TRAT threshold			**6,000,000**														
taxable market value over TRAT threshold			**0**														

	taxable value calculation - over exemption threshold & over TRAT threshold																
	county	location	Total market value	value of exempt class eight property *other than* the exemption threshold	Taxable market value before $100,000 exemption	location's contribution to aggregate taxable market value	location's share of $100,000 exemption threshold	Final taxable market value	% Under TRAT	% Over TRAT	Taxable market value Over TRAT	Normal tax rate	Additional Over TRAT tax rate	Total Over TRAT tax rate	Base taxable value	Additional Over TRAT taxable value	Total taxable value
	1	1	2,120,000	10,000	2,110,000	22%	21,836	2,088,164	63%	37%	778,012	1.5%	1.5%	3%	31,322	11,670	42,993
	1	2	1,180,000	4,000	1,176,000	12%	12,170	1,163,830	63%	37%	433,622	1.5%	1.5%	3%	17,457	6,504	23,962
	2	1	2,150,000	2,000	2,148,000	22%	22,229	2,125,771	63%	37%	792,024	1.5%	1.5%	3%	31,887	11,880	43,767
	3	1	3,115,000	12,000	3,103,000	32%	32,112	3,070,888	63%	37%	1,144,157	1.5%	1.5%	3%	46,063	17,162	63,226
	4	1	1,130,000	4,000	1,126,000	12%	11,653	1,114,347	63%	37%	415,186	1.5%	1.5%	3%	16,715	6,228	22,943
		totals	**9,695,000**	**32,000**	**9,663,000**	**100%**	**100,000**	**9,563,000**			**3,563,000**				**143,445**	**53,445**	**196,890**
total market value			**9,695,000**														
minus automatically exempt class eight value			**32,000**														
total taxable market value			**9,663,000**														
minus $100,000 exemption amount			**100,000**														
equals final taxable market value			**9,563,000**														
minus $6 million TRAT threshold			**6,000,000**														
taxable market value over TRAT threshold			**3,563,000**														