

MISSOULA COUNTY
POLICY REGARDING TAX ABATEMENT FOR
MANUFACTURING MACHINERY, FIXTURES AND EQUIPMENT

PURPOSE

The purpose of this policy is to establish procedures by which the Missoula Board of County Commissioners examines requests for tax abatements under Mont. Code Ann. §15-6-138 and finds the appropriate percentage abatement for eligible requests. The Board believes that applicants are entitled to relative consistency and certainty regarding their applications.

The Board acknowledges the Montana Legislature enacted Senate Bill 530 in the 2023 legislative session with the intent of providing tax relief for manufacturing equipment and thereby encouraging economic growth and development in Montana communities. This bill was amended to grant counties the authority to mitigate the economic impacts to local governments up to a certain percentage.

Local government, primarily funded by taxes on existing property, provides important benefits to the residents of each community by supplying basic services, such as safety and emergency services, roads, schools, parks and funding or supporting other local priorities. Taxes on existing property cannot grow beyond half the average rate of inflation over the last three years, even though inflationary forces that impact the true costs of local services are not capped in any way. New growth, like the manufacturing machinery, fixtures, and equipment under consideration for abatement, also represents one of the only property tax categories that supplements local government budgets beyond that cap. This equipment is already subject to substantial statutory exemptions, which works with this abatement to remove nearly all tax liability for this new growth, and there is no upper dollar limit on value of this tax abatement in statute. Tax relief provided to any one taxpayer class necessarily increases the tax burden on all other taxpayers. According to one study, Montana has shifted the local tax burden to individual income and away from other sources more than 36 other states in the nation.

Missoula County finds that tax abatements which shift the burden to individual property tax and away from new growth should be substantially limited. Limiting these tax exemptions will also help reduce the impact of rising property taxes on homeowners and renters. Therefore, the Board adopts the following policy to meet these purposes and provide some consistency and certainty regarding manufacturing equipment tax abatement applications.

POLICY

Any abatement under this policy shall be conditioned on confirmation by the Montana Department of Revenue that the equipment in the application is eligible for the tax

exemption. The exact dollar amount of any approved abatement will be determined by that Department after applying other applicable exemptions to all eligible property pro-rata across Montana and in accordance with the percentage abatement adopted by the Board of County Commissioners.

Eligible abatements will be approved, generally, according to the following percentage guidelines based on the market value for the equipment submitted in the application:

Market Value of Equipment in Excess of Any Other Applicable Exemption Amounts	Abatement Rate	Reasoning
\$0 - \$10,000	100%	The estimated impact on services across local governments in Missoula County is likely minimal. The perceived economic benefit to the community outweighs the minimal fiscal impact.
\$10,001 - \$20,000	90%	The estimated impact on services across local governments in Missoula County is determined to be small but significant in context. The perceived economic benefit to the community may be equivalent to the fiscal impact.
\$20,001 and greater	80%	The estimated impact on services across local governments in Missoula County is significant in the context of the entire tax system. The perceived economic benefit to the community is outweighed by the fiscal impact.

Consistent with statute, the Board will notice and hold a hearing for an applicant to demonstrate a different impact to services or balance in this context. The Board shall retain all discretion to set an appropriate abatement rate based on information provided. The Board considers the default abatement percentage to be 80% regardless of these guidelines, and it may set that percentage by Resolution if no additional information is received or explained at the hearing.