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A STUDY OF MONTANA'S SYSTEM OF PROPERTY ASSESSMENT  
WITH RELATION TO ITS  
EFFECT ON SCHOOL FINANCE

by

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B. A., Montana State University, 1953

Presented in partial fulfillment of the  
requirements for the degree of  
Master of Education

MONTANA STATE UNIVERSITY

1957

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## CHAPTER I

### THE PROBLEM

#### INTRODUCTION

— Property taxation provides a major part of the financial support of the schools in the State of Montana. Due to this fact, the methods of obtaining property tax money should be of importance to all of the schools of the state.

Valuations of property in the various counties of the state differ as can be seen by tables published by the State Board of Equalization.<sup>1</sup> It is natural that each county throughout the state would not have the same total property evaluation. Some counties will have large cities, many buildings and improvements that will add to their total valuations. Other counties will have more land to evaluate, and still others will have railroads, power lines, and so forth, which will tend to make their total valuations differ from other counties.

The majority of these valuation figures are placed on properties by local county assessors. There are state-wide regulations that direct the local assessors on some

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<sup>1</sup>State of Montana, Sixteenth Biennial Report of the Montana State Board of Equalization, July 1, 1952, to June 30, 1954, pp. 106-107.



types of property, and tend to equalize the assessed valuations on those types of property. These regulations will be studied in Chapter II of this study. Other types of property are assessed strictly on the local level with the county assessor the sole judge of the value to be placed on the property being assessed.

### Importance of the Problem

Any possible differences in the methods of assessing property in one county or another would be of little importance if each county were self sustaining. However, in 1949 the state legislature enacted legislation which provided state aid for schools which could not raise a minimum amount of funds through a stated levy on property. This program was intended to provide a minimum standard program of education for all of the state's children.

Under this financial aid plan, those counties which had lower assessed valuations would receive more money per pupil from the state than those counties which had higher evaluations. Such a program would be equitable if all counties used the same methods of evaluating their property, but would be unfair if one county used a lower or higher rate for evaluating its property than did others for like property.

Evidences of such differences in assessment practices are difficult to obtain, due to the difficulty in comparing

property and in determining if properties are alike so a comparison can be made. Many persons have felt and still feel that differences in assessment methods exist in the state. A few of these opinions will be stated to show that this paper may be justified.

Evidences of Inequality. Sanders County stockmen entered a plea to the State Board of Equalization in August of 1955, stating that cattle and other types of livestock were generally assessed too high in comparison with other types of property.<sup>2</sup>

Fred Ward, in an editorial in the Meagher County News, states as follows:

The matter (distribution of State Equalization funds) is worth more than a passing thought by the people of Meagher, Judith Basin and Broadwater Counties. In those three counties the assessed valuation is about the highest in the state, compared to the actual cash value of the property. Meagher County got nothing; Judith Basin got next to nothing and Broadwater got nothing for their grade schools from the equalization fund last year. But the estimate is that Meagher County taxpayers paid into the equalization fund at the rate of about \$10.00 last year for every man, woman and child living in the county.<sup>3</sup>

Mr. Ward goes on to say:

With the principal of equality of opportunity for all Montana children and likewise with the principal that needy districts should receive help from the state this newspaper has no objection. But when help is based on a formula which pays for evasion and tax dodging, there is certainly a lot of objection.<sup>4</sup>

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<sup>2</sup>News item in the Hot Springs Sentinel, August 25, 1955.

<sup>3</sup>Editorial in the Meagher County News, June 29, 1955.

<sup>4</sup>Ibid.

Even the state legislature has indicated its doubt about the equality of the methods in use in the various counties, as it has discussed such inequalities as mentioned by Fred Ward in almost every session for the past ten years. In 1955, the legislature passed a general land reclassification act which stated as follows:

An act providing for the classification of lands, and the appraisal of city and town lots and rural and urban improvements in the State of Montana for assessment and tax purposes; defining the duties of the boards of county commissioners, county assessors, and the State Board of Equalization in connection therewith, providing for a tax levy; and replacing sections 84-430 to 84-437 inclusive . . .<sup>5</sup>

This act was later found unconstitutional, after being protested by different taxpayer groups. However, many of the counties went ahead and reclassified their land as instructed in the 1955 act. In 1957 the legislature again passed a land reclassification measure which is now being followed by the remainder of the counties. This land classification act provides a two mill possible levy for the reclassification work. It places the responsibility of reclassification upon the County Commissioners. However, the State Board of Equalization plans on providing some sort of guidance for the counties in order that the reclassification can be done uniformly. This land classification system will be based on the following factors:

- (1) Classification of land according to use.

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<sup>5</sup>State of Montana, Session Laws of 1955, Chapter 198.

(2) Grading of land within each class according to productivity.

(3) Local help will be enlisted to aid with the classification of lands.

(4) Aerial photographs will be used to show exactly the kinds of land existing.<sup>6</sup>

In other respects this 1957 land reclassification measure closely resembles the one passed in 1955.

Because some counties have reclassified their lands and changed their basis for evaluation of property, it is very possible that at present there might be more inequality in property taxation than before, but this should be somewhat improved when the 1957 act has been put into effect in all counties.

The State Board of Equalization recognizes the inequality problem in their 1954 biennial report. This report states: "No other state has laws (assessment and classification) that are better, or as well designed to promote an ideal property tax system. Why haven't we got it?"<sup>7</sup>

The report goes on to show some of the good points of the classification laws. It indicated the main trouble with our present system in the following quote:

The administration of the law has so deteriorated over the years that we now have a situation where assessments are made upon various percentages of full

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<sup>6</sup>News item from the Daily Missoulian, June 23, 1957.

<sup>7</sup>State of Montana, Sixteenth Biennial Report of the Montana State Board of Equalization, July 1, 1952, to June 30, 1954, p. 15.

value, resulting in a classification law within a classification law.<sup>8</sup>

The report suggests there might be three ways to remedy this condition at the state level: "(1) enforce the original law and assess property at full value; (2) repeal the law; or (3) adopt a middle of the road policy."<sup>9</sup> All of these statements indicate that assessment and property tax methods in this state should be studied carefully with the intention of improving upon the present system.

### Purposes of this Study

The purposes of this study are as follows:

(1) To examine carefully the property taxation system, through a study of four counties in Montana, and to extract all evidences of inequality present in this method of taxation in the counties studied.

(2) To locate areas where Montana's program of property assessment might be lacking as far as equality of methods used in concerned.

(3) To show how the methods used in property assessment relate to the financing of schools in the state.

(4) To compare other state assessment programs with Montana's to obtain possible useful suggestions which might improve the methods used in this state.

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<sup>8</sup>Ibid.

<sup>9</sup>Ibid.

### Delimitations

This study could possibly be of value throughout the State of Montana. It deals with assessment practices and procedures which are in use in all of Montana's counties. Currently, many changes are being proposed and some are going into effect as far as property tax procedures are concerned. When these changes come, this paper might be of value in determining in which direction the changes should be made.

The paper might be of value in other states as well, for there seems to be a widespread dissatisfaction with property assessment methods throughout the country.

### Limitations

The following statements are situations or facts that might tend to limit the validity of this work:

(1) It is very difficult to find properties alike enough in different counties so that comparisons of value can be made.

(2) The data obtained for comparison have been collected through interviews and study done within the different counties. Since identical methods might not have been used in each county, the results might not give a true picture of the assessment procedures in use in the different counties.

(3) Only four of Montana's fifty-six counties are included in this study, and the practices in use in these

sample counties may not be representative of the entire state.

(4) No studies have been made in this manner so the methods used may not be the proper ones, or the best way to approach the problem.

### Procedures

The data used in this study were gathered through several means. Background information was obtained from various Montana State Law books and references. The comparison material was assembled through interviews with the county assessors, and a study of the records in each of the counties included in the study. Other information was obtained through correspondence with the State Tax Commissions of the states included in the study.

The materials gathered in the various county studies are compared to point out any differences of methods in use in the assessment of property in these counties. The correspondence from other states is included to illustrate how other states use the property tax, and more specifically, how assessments are made in these other states.

### Organization of the Remainder of this Paper

The material to be included in the remainder of this paper comes from the laws of the State of Montana, from reports of the State Board of Equalization, from newspaper

articles concerning the problem, and from interviews and observations of procedures in use in the assessors' offices of the counties being studied.

The remainder of this paper will be arranged in four parts. First, a review of existing laws governing assessment practices will be presented. Secondly, the laws that relate the school financing program of the state (commonly called the Minimum Foundation Program) to the assessment of property will be given to show the dependence of schools on this type of taxation. The third step will be a comparison of assessment practices, gathered through interviews and observations in four selected counties of the state, to determine if assessment practices are alike, and thus equitable, or different and unfair. The final step will be a summary of the findings and a comparison with what other states have done when faced with the same type of problem.



## CHAPTER II

### LAWS AND REGULATIONS PERTAINING TO PROPERTY ASSESSMENT IN THE STATE OF MONTANA

#### DEFINITIONS

In order to fully understand the property tax situation in the State of Montana, it is necessary to study the laws that affect this tax.

The first step in understanding any law is to be sure that the terms being used are carefully defined. The following definitions are given in the Montana Code:

Property--includes moneys, credits, bonds, stocks, franchises and all other matters and things real, personal, and mixed, capable of private ownership.

Real estate--includes the possession of, claim to, ownership of, or right to possession of land.

Improvements--includes all buildings, structures, fixtures, fences, and improvements erected upon or affixed to the land whether title has been acquired to said land or not.

Personal property--includes everything which is the subject of ownership, not included within the meaning of the term "real estate" and "improvements."

The terms "value" and "full cash value" mean the amount at which the property would be taken in payment of a just debt due from a solvent debtor.<sup>1</sup>

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<sup>1</sup>Choate and Wertz, Revised Codes of Montana, 1947, Replacement 5, Titles 76-84, 84-101, p. 475.

## STATUATORY LAWS

To simplify this portion of the study, only a summary of the many laws relating to property taxes will be given, with special emphasis on those laws that relate to assessments. All of these laws are found in Title 84 of the Revised Code.<sup>2</sup>

All property in this state is subject to taxation except certain types of properties, such as those owned by any branch of the government, church-owned properties, hospitals, and most non-profit public institutions.

### Classification Schedules

For the purpose of making property taxation easier to administer, the taxable property is classified in the laws as follows:

Class 1. The annual net proceeds of all mines and mining claims. The state also determines the value of the right of an individual's claims to natural resources on any tracts of land.

Class 2. All household goods and furniture. A detailed listing of items that come under this class are given in the code, and it should be noted that all vehicles and farm equipment are included under this title in addition to those things that would normally be found in the house.

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<sup>2</sup>Ibid., paragraph 84-301, pp. 481-482.

Class 3. Livestock, poultry, and the unprocessed products of both; stocks of merchandise in stores together with the furniture and fixtures therewith.

Class 4. All land, town and city lots, with improvements; manufacturing and mining machinery, fixtures and supplies.

Class 5 consists of four unrelated types of property as follows: (1) all moneys and credits, such as school and other municipal bonds, warrants, and securities, not including capital employed by any banking business; (2) all possessions used and owned by cooperative rural electrification associations; (3) all unprocessed agricultural products other than livestock and poultry and their respective products; and (4) industrial property, such as mentioned in class four, for the first three years after such property is first assessed.

Class 6. The shares of stock of national banks and the moneyed capital of banking businesses.

Class 7. All property not included in the preceding six classes.

The Code then gives the basis for the imposition of taxes on each of the preceding classes of property.

Class 1. One hundred percent of its true and full value.

Class 2. Twenty percent of its true and full value.

Class 3. Thirty-three and one third percent of its true and full value.

Class 4. Thirty percent of its true and full value.

Class 5. Seven percent of its true and full value.

Class 6. Forty percent of its true and full value.

Class 7. Forty percent of its true and full value.<sup>3</sup>

### Assessment Practices

Once the property of the state has been so classified and the basis for the imposition of taxes has been clearly stated, it is necessary only to determine and place values on the properties in question. It is here that particular attention is paid to the Code, as it deals with the powers and duties of the County Assessor.

"All taxable property must be assessed at its full cash value. Land and the improvements thereon must be separately assessed."<sup>4</sup> The county assessor is then required by law to place "full cash value" (which was defined earlier) on all properties which exist entirely within his county. He must also determine and show the percentage basis of true and full value, as provided by the Code, and thus assign a taxable value from this percentage basis. The State Board of Equalization has the same duties on utilities, railroads and other properties which extend from county to county.

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<sup>3</sup>Ibid.

<sup>4</sup>Ibid., paragraph 84-401, p. 489.

The assessor is required to do this assessment each year between the first Monday of March and the second Monday of July. Thus property should be reassessed at its "full cash value" each year, letting assessed values fluctuate with current market conditions. All properties are to be assessed within the period of time stated above, except for motor vehicles, which are reassessed each January 1.

The county assessor has the power to require any person found within such assessor's county to make an affidavit giving his name and place of residence and postal address. The assessor also has the power to subpoena and examine any person in relation to any statement furnished him with regard to assessable property within his county.

Summary of other laws pertaining to assessments. The Code further states laws pertaining to special assessment problems, such as assessment of property where the owner is unknown, assessment of gas and water mains and assessment of railroads and utilities. They also place the responsibility of classification of all properties on the Boards of County Commissioners in the various counties. Thus, it makes it clear that the assessor is not responsible for grading the land and placing it in an appropriate class but only for assessment or appraisal after the land has been placed into a class.

The assessor is responsible to the county commissioners

and his assessments must be approved by them. Likewise, all boards of county commissioners must present the assessment lists to the State Board of Equalization for final approval. The final authority on all assessment problems rests with the State Board of Equalization.

#### RELATING SCHOOL FINANCE TO THE ASSESSMENT PROBLEM

As mentioned in Chapter I, the state would not have the problem of attempting to equalize assessment practices in the different counties if these counties did not receive state funds based on the relative amounts of assessed valuation within the counties. However, the state has a law whereby the children of the state are guaranteed a uniform system of free public schools. The law states that:

A uniform system of free, public schools, sufficient for the education of, and open to all children of the state of school age, shall be established and maintained throughout the State of Montana. The state shall contribute to and aid in the support of such schools upon the basis of financial need for state aid of the several school districts on the state, which needs shall be determined upon the availability to them of funds from the regular sources of income of such school districts, in accordance with this act and computed upon the schedules herein set forth setting up financial foundation programs for elementary and secondary schools.<sup>5</sup>

This law definitely sets up a state aid program, and in stating, "which needs shall be determined upon the availability to them of funds from regular sources of income," it directly ties in the county's tax raising ability

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<sup>5</sup>State of Montana, School Laws, 1953, paragraph 75-3610, p. 134.

to the amount to be received by each district.

The law sets up a basic amount of money that a school should have to provide this uniform system, based on the number of pupils attending the school (called A.N.B.).

Foundation program distributions. After the A.N.B. figure is computed, the funds in the state public school equalization fund are distributed in the following manner:

(1) Determine the ratio that the total funds available in the state public school equalization fund bears to the total statewide cost of the foundation program.

(2) Determine the ratio that the total funds available in each county for school support bears to the cost of the foundation program for each county.

(3) Eliminate from consideration for distribution of state funds those counties where the ratio of (2) above exceeds the ratio of (1).

(4) Each remaining county shall then be entitled to distribution from state school equalization funds in proportion to the amounts needed in those counties to finance the foundation programs of the districts within those counties.<sup>6</sup>

An example of how foundation program funds are distributed. An example of how this distribution works

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<sup>6</sup>Ibid., paragraph 75-3681, p. 142.

is given to clarify the meaning of the afore mentioned laws. These are, of course, hypothetical figures:

State funds available for schools	\$190,000.00
Cost of foundation program for state	200,000.00
RATIO AS IN (1)	95 percent
County A.	
County funds available for schools	\$ 8,500.00
Cost of foundation program for county	10,000.00
RATIO AS IN (2)	85 percent

The ratio in (2) does not exceed (1) in this case so County A would receive state funds to build up its ratio of support equal to that of the state, or \$1,000.00. Now a second county's figures are given, using the same figures for the ratio in (1) as in the first example:

County B.	
County funds available for schools	\$ 9,700.00
Cost of foundation program for county	10,000.00
RATIO AS IN (2)	97 percent

Here the ratio in (2) does exceed the ratio in (1), so County B would be excluded from receiving state aid.

It should be noted here that approximately 90 percent of the funds available for school use on a state-wide average were raised through property taxes.<sup>7</sup> Although figures are not available for each county, presumably just as large a portion of each county's school funds was supplied through the same method.

#### How Assessments Affect the State Distribution

The amount of money a county can raise through a

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<sup>7</sup>State of Montana, Sixteenth Biennial Report of the State Board of Equalization, July 1, 1952, to June 30, 1954, pp. 13-14.



property tax levy is directly determined by the assessments on property in that county. Thus, a county's ability to raise funds for schools is clearly influenced by the assessments made by the assessor. Here again, an example might be the best method of showing the effect of different assessment policies on the amount of funds in state aid to be received by certain counties. Again, these figures are hypothetical:

An example of how assessments effect the state distribution. Suppose that two counties had property in their counties that should have a taxable value of \$1,390,000 in each county. If the first county placed such a taxable value on its property, a ten mill levy would raise \$13,900.00 toward support of the schools in that county. If the second county placed a taxable value of only 80 percent of the true taxable value on its property, a ten mill levy would raise only \$11,120.00. To transfer this difference to the foundation program requirements, these figures are applied to the costs of foundation program schooling in these two counties and ratios are obtained. If such were the only funds raised by the counties toward school support, and if the schools in both counties required \$13,500.00 to maintain a minimum foundation program, the first county would receive no state aid, while the second would receive \$2,380.00 in state school funds. Remember that in this example, both counties

had the same true taxable value on which to base its taxes.

In actual situations a case like this would never exist, because no two counties ever compare so closely in all these aspects. The example is made in this way to show clearly how assessment practices could alter the amount of state school support received by a county. In actual situations, the effect of assessment practices is similar, although sometimes not so easily seen.

#### REGULATIONS AND PRACTICES SUGGESTED BY THE STATE BOARD OF EQUALIZATION

The State Board of Equalization, being the final authority on all property tax matters, has a considerable amount of control over the methods used in assessing property in the state. First of all, this Board takes over the responsibility of assessing all of the utilities, railroads, and like property which extends jointly from county to county in the state. Such assessment is done on the same basis throughout the state so should be equitable to all counties concerned.

In addition to assuming this duty, the State Board directs the activities of the various assessors in the following ways:

- (1) They provide a schedule by which all counties must assess the motor vehicles in their area each year.
- (2) They provide suggested schedules for aiding the

assessors to place equitable values on certain other types of property.

The motor vehicle schedule provided each county assessor is comprised of a book of current values of practically all existing makes and models of automobiles, trucks and trailers. This value figure takes into consideration the market value of such vehicle at the beginning of each year. The assessor must follow the schedule, so all assessments on vehicles would be comparable to market value on a statewide level.

The other suggested schedules sent out by the State Board of Equalization to the assessors may or may not be used by them, at least as far as present practice denotes.

#### Summaries of State Board of Equalization Assessment Schedules

The following are state suggested valuation scales for dwelling houses and small buildings, and livestock. These are examples of assessment schedules sent out by the State Board of Equalization for use by the assessors in the various counties.

The Dwelling Houses and Small Buildings schedule is based on reproduction or replacement costs on a 1941 average. Depreciation should be taken from the figures given, and the following facts are to be taken into consideration in determining depreciation: (1) Is the house too good for the district? (2) Is the house in a commercial

district? (3) Does it have freak architecture or design?  
(4) Does its location have any of the following defects:  
too close to lot line, sub-standard residential district,  
a small town, or a suburban farm?

Each of the above mentioned items should reduce the value placed on a house. Thus a good house on a farm (isolated) shouldn't carry the same value as the same house in a good residential district of a city. A depreciation table is provided for the assessors to use, but it is used as a guide only, not as a rule.

#### Classification and Assessable Basis of Houses

Type 1. Shack type, cheap quality.	Assessed at
Base prices: 1 story, 1050 sq. ft.	\$1.40 a sq. ft.
1½ stories, 900 sq. ft.	2.50 a sq. ft.
2 stories, 900 sq. ft.	3.20 a sq. ft.
Type 2. Old style, semi-modern, cheap quality.	
Base prices: 1 story, 1050 sq. ft.	2.20 a sq. ft.
1½ stories, 900 sq. ft.	3.50 a sq. ft.
2 stories, 900 sq. ft.	4.00 a sq. ft.
Type 3. Old style, semi-modern, \$2,000-3,000 class, medium quality, 1 family.	
Base prices: 1 story, 1050 sq. ft.	3.00 a sq. ft.
1½ stories, 900 sq. ft.	4.20 a sq. ft.
2 stories, 900 sq. ft.	4.50 a sq. ft.
Type 4. New type, modern, \$3,000-4,000 class, barely meets F. H. A. standards, medium quality, 1 family.	
Base prices: 1 story, 1050 sq. ft.	4.00 a sq. ft.
1½ stories, 900 sq. ft.	5.00 a sq. ft.
2 stories, 900 sq. ft.	5.60 a sq. ft.
Type 5. Average new type, \$4,000-6,000 class, one family frame dwelling, meets all F. H. A. requirements.	
Base prices: 1 story, 1050 sq. ft.	5.00 a sq. ft.
1½ stories, 900 sq. ft.	6.00 a sq. ft.
2 stories, 900 sq. ft.	6.50 a sq. ft.

- Type 6. Same as (5) except \$5,000-10,000 class, Assessed at  
good architecture and design.  
Base prices: 1 story, 1050 sq. ft. \$6.00 a sq. ft.  
1½ stories, 900 sq. ft. 8.00 a sq. ft.  
2 stories, 900 sq. ft. 8.75 a sq. ft.
- Type 7. Specially built house, 1 family with  
architectural supervision.  
Base prices: 1 story, 1050 sq. ft. 7.50 a sq. ft.  
2 stories, 900 sq. ft. 10.00 a sq. ft.
- Type 8. Frame duplex, 2 units, 1 story.  
Base price: from 4.60 to  
5.60 a sq. ft.
- Type 9. Frame Duplex, 2 units, 2 stories.  
Base price: from 6.40 to  
7.25 a sq. ft.
- Type 10. Four unit apartment house, 2 stories.  
Base price: from 5.85 to  
8.50 a sq. ft.
- Type 11. One story concrete block shop or warehouse.  
Base price: 2.20 a sq. ft.
- Type 12. Quonset buildings.  
Base prices: no floor .80 a sq. ft.  
floor 1.00 a sq. ft.
- Type 13. Locker plants.  
Assessed at \$10 per locker unit in the plant.

Additions and deductions from the above base prices are made  
for the following:

Basements: add 50¢ per sq. ft.  
Heating: varies from \$100 to \$450 depending on type.  
Fireplace: add \$50 to \$250.  
Plumbing: ordinarily \$350 to \$450 plus unusual extras.  
Porches: add \$1.00 to \$2.00 per sq. ft.  
Garage: add \$150 to \$350.  
Roofs: add \$10 to \$20 for anything above ordinary.  
Stairs to second floor: add \$75.  
Extra rooms in attic or basement: add \$1.00 a sq. ft.  
Kitchen cabinets: add \$10 to \$15 for average to good.

A detailed chart is available for computing values for  
houses having square footages that are more or less than the  
average ones stated in the chart above. The suggested

assessment value rises slightly for every twenty-five square feet above the base listed, and drops slightly for every twenty-five square feet below the base.

### Livestock Schedule

Cattle:	<u>Assessed at</u>
Purebred:	
Bulls	\$140.00
Yearlings	60.00
Two-year olds	76.00
Cows, three-year olds and over	100.00
Stock:	
Bulls	140.00
Yearlings	32.00
Two-year olds	45.00
Steers, three-year olds and over	72.00
Range cows, three-year olds and over	48.00
Dairy cows	56.00
Sheep:	
Purebred	19.00
Rams	14.00
Yearlings	7.00
Two to four-year olds	8.00
Five-year olds and over	5.50
Horses and Mules:	
Purebreds and Jacks	100.00
Range and unbroken	15.00
Work horses and mules	35.00
Saddle horses	60.00
Swine: at the discretion of the assessor.	
Bees: a swarm	5.00
Chickens: per dozen	9.00
Turkeys: per dozen	25.00
Ducks and Geese: at the discretion of the assessor.	
Mink:	15.00
Chinchilla:	50.00
Following farm products:	
Wheat: per bushel	1.83
Oats: per bushel	1.85
Barley: per bushel	1.75

The preceding figures, like those in the Dwelling Houses and Small Buildings schedule, represent suggested assessment values only. In addition to these schedules, the State Board of Equalization will also submit to local assessors any information that they have on the current market values of different types of property, if the county assessor requests such information.

## CHAPTER III

### A COMPARISON OF COUNTY ASSESSMENT PRACTICES

#### INTRODUCTION

The comparison to be made in this chapter is based on materials gathered during interviews with the County Assessors of the counties being studied. These four counties, Judith Basin, Flathead, Sanders and Ravalli, were selected for study because a Montana Tax Commission report indicated that some variation in methods of assessment must exist among them.<sup>1</sup> This study compared the total assessed valuation of each county with the current market value of the property in that same county. Granite County was originally scheduled to be included in this study, because of the high ratio of assessed value to market value that seemed to exist there. However, information about methods in use in Granite County was not made available for this study, so Ravalli County was used as a substitute. In the report mentioned, Judith Basin County had a high ratio of assessed value to market value, comparatively speaking, Sanders County's ratio was about average, and Flathead and Ravalli Counties had ratios that were below the average.<sup>2</sup>

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<sup>1</sup>State of Montana, Ratio of Assessed Value to Market Value of all Real Estate and Improvements, Montana Tax Commission, 1954.

<sup>2</sup>Ibid.



In order to make any comparison possible, the property within the four counties is divided into five major groups; land, houses and buildings, machinery, personal property, and livestock. The types of property that are assessed by the State Board of Equalization have been omitted, because the methods used in these instances are the same state-wide. Also omitted are other types of property which would not fall into one of the above groups. This was done because such other properties vary in description widely, and the chance of obtaining comparable property of this type in two counties is slight.

The remainder of this chapter will contain; first of all, a presentation of the methods each county under study uses for assessing the five groups of property listed, and secondly, a comparison of the methods reported in the county studies.

## JUDITH BASIN COUNTY

### Land

Land is the largest single type of property in the state, so it is compared first. Judith Basin's land is classified according to a 1919 classification law and has not been reclassified since that time. The classification system being used seems to be outdated. It would be possible, according to Judith Basin's County Assessor, to create almost 1500 different classifications for the land

in Judith Basin County alone using the system now being followed.<sup>3</sup> First of all, the land has been designated as "Engine Flow Land" or "Horse Plow Land." The engine land refers to the better tillable land in the County, and the horse land refers to the poorer. Next, the classification has been adjusted on various lands depending on the number of miles the land in question is from the nearest market. Such adjustment was deemed necessary in 1919 because it was felt that land closer to a market was more valuable, due to less cost and less difficulty than those farms experienced in transporting goods to market. Under this system, a forty acre piece of "engine plow land" located three miles from town would be of less value than the same type of land just one mile from a market; and a like piece of land nine miles from a market would be of less value than either of the other lands. This system leads to the large number of possible classifications. These miles to market adjustments are still based on market locations existing in 1919 and have not been adjusted for changes in market locations that may have occurred. The County Assessor feels that at the present time, the number of miles to market has no effect on the value of a piece of farm land, and that the system isn't equitable at present.

It should be noted that Judith Basin County is

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<sup>3</sup>Opinion expressed by George Brownlee, Judith Basin County Assessor, June 16, 1957.

planning to adjust its system of land classification in the next year or so to comply with the recently passed legislation which requires a uniform system of land classification throughout the state.

Farm land in Judith Basin County ranges in assessed value under the system now in use from a low of \$8.00 per acre to a high of \$23.00 per acre, with the average being \$14.86 per acre for tillable land. Grazing land is assessed at an average value of \$4.45 per acre.<sup>4</sup>

### Houses and Buildings

Houses and other structures in Judith Basin County are evaluated on a "1941 value" basis. The county assessors throughout the state agreed some time ago to adopt this basis when assessing houses. Structures in existence in 1941 were given current market evaluations for that period and still retain those same values on the books today, less some decrease in value for depreciation. Structures built since that time are evaluated by attempting to relate current costs to what they would have been in 1941. Cost per square foot of the building, both now and in 1941, is used in making this relation. However, such a relation has proven difficult to administer, even with a state schedule to follow, and the assessment of recently built houses tends to be based more on cost of such construction. Because of inflated prices and

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<sup>4</sup>Ibid.

high building costs, the more recently built structures carry a larger assessment than older structures. This difference between old and new buildings is greater in proportion than the market value at present would indicate that it should be, leaving a greater tax burden on those structures recently built. The assessed value of houses and buildings in existence in Judith Basin County has been increased several times in the past six to eight years to attempt to correct for this difference in assessed value between old and new, but the same problem still seems to exist.

A house costing \$14,000 to construct in 1957 would be assessed at approximately \$4200 to \$4500 if it were located in Judith Basin County.<sup>5</sup> This assessment figure was estimated by taking about thirty percent of cost as the assessment value. Minor adjustments are made to the assessed value when market conditions indicate that a house is not located so that it could be sold for what it should be worth. For example, a house in a non-progressing small community would have its assessed value decreased under the thirty percent of cost figure, while the same house in a thriving area would receive an assessment based on thirty percent of cost with no deduction.

### Machinery

Machinery is assessed at cost when it is new in Judith Basin County, and is decreased in value by the

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<sup>5</sup>Ibid.

following fixed depreciation schedule:<sup>6</sup>

First year	Cost less 20 percent
Second year	Cost less 35 percent
Third year	Cost less 45 percent
Fourth year	Cost less 55 percent
Fifth year	Cost less 65 percent
Sixth year	Cost less 70 percent
Seventh year	Cost less 75 percent

The machinery then remains on the assessor's books evaluated at 25 percent of its cost until it is discarded or disposed of by the owner.

### Personal Property

Household goods are assessed without a fixed scale, the assessment being based on "such facts and figures that are available in each instance."<sup>7</sup> The current value is indicated by the taxpayer himself and the goods are usually assessed at the value so stated, unless the figure seems to be out of reason. This policy could provide a lower tax on such property for the person who did not state a true value for the items he included in his household property list.

### Livestock

The final category of comparable property is that of livestock. Livestock in Judith Basin County is assessed on a schedule suggested by the State Board of Equalization.

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<sup>6</sup>Ibid.

<sup>7</sup>Ibid.

All types of livestock existing in Judith Basin County are included on the schedule and the suggested assessment value is state for each type of animal. The following is a portion of the schedule in use relating to the assessment of stock cattle:<sup>8</sup>

Bulls	assessed at \$140.00
Cows	assessed from \$45.00 to 72.00
Yearlings	assessed at 32.00

With such a schedule, no allowance is made for the condition of or cost of the animal, and all should be assessed equally. As can be seen, the above figures for stock cattle compare identically to the suggested assessment values for such cattle on the state schedule listed in Chapter II.

## FLATHEAD COUNTY

### Land

Land in Flathead County is classified according to what the land is used for. The land has not been reclassified according to the new state legislation, but the system in use seems to parallel the one suggested under the new legislation. The main types of land in Flathead's classification system are: timber land, irrigated tillable land, non-irrigated tillable land, and grazing land.

Timber land, if used for logging, is assessed in

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<sup>8</sup>Ibid.

comparison with the timber available on that land for logging. All types of farm land are tested by a soil testing process, and the land is graded and assessed proportionate to the nutrients it contains which should make it fertile or productive. This soil testing has been done recently, and the land should be assessed on its current productive ability. Land which is irrigated is considered to be more valuable, and is assessed at a higher rate. No set schedule of gradings of land is in use, but the county plans to continue this system of soil testing for grading purposes, and thus keep the productivity ratings current. The plans call for retesting every five years or so. The grazing land is also assessed on the basis of how much grass or hay it can grow.

Non-irrigated lands in Flathead County are assessed at an average of \$32.96 per acre at present, and grazing land's assessed value is an average of \$3.23 per acre.<sup>9</sup>

### Houses and Buildings

The assessing of houses in Flathead County is done strictly according to the schedule provided by the State Board of Equalization. Two appraisers assess new buildings each spring according to the 1941 square foot method shown in Chapter II of this study. The older houses were rechecked

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<sup>9</sup>Opinion expressed by Flathead County Assessor, personal interview, June 27, 1957.

on the square foot method five years ago. After values have been placed on the buildings, they remain constant, less decreases for depreciation. The values vary somewhat on houses, depending upon the location of the house. Here again, the state schedule is used to determine in what instances a house's value should be decreased because of its location.

A \$14,000 house built in Flathead County could not be assessed without the assessor's knowing its dimensions and also what things other than the house itself are included in the construction. No particular attention is paid to the cost of the house or building when assessments are made, other than to help place the house into one of the types shown on the schedule.<sup>10</sup>

### Machinery

Flathead County assessors use a guide book of current market values, similar to the one available to the assessors for the assessing of motor vehicles, in assessing machinery in their county. This book is published by a concern which attempts to place a market value or resale value on all types of machinery. Some of the types of machinery listed are: tractors, combines, hay balers, corn pickers, and others. In addition to the various types of machinery, the book gives a break down of values for different makes and models of the same type of machine. If there is a machine existing in the

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<sup>10</sup>Ibid.



county which is not listed in this guide book, the assessor attempts to find some machine similar to the one in question which is listed, and bases his assessed value on this related value. The guide book, using resale value or current market value as its basis, eliminates any necessity for computing depreciation.

### Personal Property

The County Assessor termed the assessment of personal property in Flathead County as "Mainly guesswork."<sup>11</sup> The taxpayers are visited each year by field men and questioned on the amount and value of household property that they possess. In case the taxpayer has acquired new property of this type since it was last assessed, such new property is entered on the assessment lists at "about one half of the cost."<sup>12</sup> No special plan is used in determining the decrease in value of those goods listed on previous assessment lists, but some amount is usually subtracted from the value of older goods to compensate for depreciation on them.

### Livestock

Livestock in Flathead County is assessed according to the suggested state schedule. No allowances are made for breed or condition of the animal, other than those

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<sup>11</sup>Ibid.

<sup>12</sup>Ibid.

differences signified by the classifications on the schedule. Practically all of the livestock in existence in the county can be assessed by the use of the schedule. In checking the assessment of stock cattle, the following was found to be the assessed value placed on them:<sup>13</sup>

Bulls	assessed at \$140.00
Cows	assessed from \$45.00 to 72.00
Yearlings	assessed at 32.00

### SANDERS COUNTY

#### Land

Land in Sanders County was originally classified and assessed according to the 1919 classification system. Since that time, the system has proven unworkable in several instances where the land usage has been changed. Partial changes in the system have been made to compensate for such instances. No general revision has been made, however, and because the old system is not entirely in effect, there is no clearly followed system of land classification in existence in the county. Lands at present are assessed each year as they were the previous year. This is necessary because there is no other basis for determining land assessment, since a uniform system of classification is not in effect.

The reclassification requirement of the 1957 legislature is being put into effect in Sanders County at present.

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<sup>13</sup>Ibid.

According to the County Assessor, the new system will be set up as follows: (1) A number of citizens or taxpayers will be placed on committees, and after these persons have been instructed by personnel from the State Board of Equalization, they will aid the local officials in reclassifying the land. (2) The land is to be classified according to its use. (3) There will be no statewide system of classification, and thus no statewide schedule of value will be placed on the classifications of land.<sup>14</sup>

Sanders County will be reclassified by three committees which are being organized and instructed at present as to the procedures that they should use. The Sanders County Assessor has no idea of what classifications these people will arrive at, other than the general idea that "the lands will be classified according to use."<sup>15</sup>

At present, the tillable lands in Sanders County are assessed at values varying from about \$10.00 per acre to about \$30.00 per acre. The average assessed value for non-irrigated land is \$12.85. The average assessed value for grazing land is about \$3.00.<sup>16</sup>

#### Houses and Buildings

The assessment of houses and buildings in Sanders

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<sup>14</sup>Opinion expressed by Leo Fritz, Sanders County Assessor, personal interview, June 25, 1957.

<sup>15</sup>Ibid.

<sup>16</sup>Ibid.

County is done by other than to follow the state schedule based on 1941 square foot costs. The assessor admits that following the schedule is a very difficult procedure in actual practice, because of the many additions and subtractions to "base prices" which are necessary to assess many different items that are included in each structure. The assessor also feels that many of the items that are found in different types of construction are not included on the schedule and must be left to the assessor's own judgement as to their assessable value.

Because of the difficulty in following this schedule, and because of the exceptions not included in the schedule, the valuations on houses and buildings in the county do not strictly follow the schedule. The older houses in the county (those in existence when the schedule was adopted) are generally evaluated according to the schedule. Those built since the time the schedule went into effect may reflect the cost of construction at the time they were built in their assessed valuations.<sup>17</sup>

A house constructed in Sanders County now at a cost of \$14,000 would probably be assessed at a basis of about one third of its cost, regardless of its square footage and the suggested assessment value on the state schedule.

### Machinery

When assessing Sanders County machinery, generally

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<sup>17</sup>Ibid.

the owner's judgement of the value of the machine is used as its assessed value. A guide book identical to that used in Flathead County for the assessment of machinery is used mainly as a reference in Sanders County. If an owner submits an estimate that seems to be out of line with the values of other like articles, the guide book is used to check the owner's accuracy in stated value. If too great a difference exists between the owner's estimate and the guide book's market value, the assessment is changed to reflect the market value. Ordinarily, the owner's valuation is the one used, however. The assessor feels that the person who knows the cost of the machine, its condition, its age, and other knowledge of the machine, is better qualified to make the assessment of that machine. Accordingly, the owner's valuation is highly regarded.

An interesting problem that arose in Sanders County with relation to the assessment of machinery exemplifies one of the problems assessors are faced with. Recently, the Noxon Dam construction began in western Sanders County. Many large pieces of construction machinery were moved into the county at that time, and the assessor had no idea of the value of such machinery. He requested aid in the form of suggested schedules for such machinery from the State Board of Equalization, but they could not supply any evaluation material on such items, and left the problem with the County Assessor. Here again, the assessor took the

owner's estimate of worth for the assessed valuation. On items as costly as these must be, there could be considerable inequality in assessments without some method other than the owner's estimate for basing the assessed value.

### Personal Property

Sanders County taxpayers are required to report the personal items that they have in their possession each year, and they are also required to place values on such goods. This reporting is done on a form sent out to taxpayers each year. The value placed on household goods by the taxpayers is usually the one used for assessment purposes. If the value on a certain item is considerably different from the usual value placed on such items, the item in question is checked and reappraised by the assessor. Otherwise, the system used could be called an honor system.

### Livestock

The state suggested schedule for assessing livestock is in use in Sanders County. All livestock are valued according to the stated value on the schedule. In checking such assessments, the following figures were found to be the assessed values for stock cattle:<sup>18</sup>

Bulls	assessed at \$140.00
Cows	assessed from \$45.00 to 72.00
Yearlings	assessed at 32.00

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<sup>18</sup>Ibid.

RAVALLI COUNTY

Land

The land in Ravalli County is classified according to the 1919 system of classification, which bases the classification of the land on the use the land is put to. The classification of the lands in the county has not been changed since this system went into effect, unless it has been brought to the attention of the assessor that certain land is being used differently now than it was when it was classified. The land that has been converted to irrigation by sprinkler systems has not been reclassified, and the irrigation equipment so used is generally not assessed.<sup>19</sup>

Plans have not been made for reclassification of Ravalli County lands according to the 1957 legislation, so the system to be used cannot be given.

Houses and Buildings

Houses and buildings in Ravalli County are not assessed on the suggested state schedule. The factors used in determining the valuation placed on new structures are as follows: (1) the size of the building, (usually square footage) (2) the type of construction, and (3) the cost at the time of construction. Usually, if cost can be determined, the assessed valuation will be one third of

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<sup>19</sup>Opinion expressed by a Ravalli County Assessor's Aide, personal interview, July 2, 1957.

such cost. The structures in existence in the county presumably bear assessments based on the same factors when such structures were built. The older buildings have not been re-evaluated in at least the past twelve years.<sup>20</sup>

### Machinery

The machinery in Ravalli County consists mainly of farm equipment. A listing of all equipment is obtained each year when the assessor sends out forms to all taxpayers. On these forms the taxpayers are required to claim the amount and the value of equipment that they have in their possession at that time. Assessed value is determined by evaluating the machinery as a farm unit rather than as individual pieces of equipment. The size of the farm, and the amount of machinery considered necessary for working such a farm are taken into consideration when evaluating the machinery. Evaluations are placed on the machinery on this farm unit basis. For example, all farms 120 acres in size, having machinery considered necessary for such farms, would receive assessments for machinery of about the same amount. No schedule is used in connection with this system. When new equipment is added to a farm unit, it is usually assessed at about one third of cost. A replacement of a machine in the farm unit usually doesn't change the assessed valuation of the farm's machinery. No set schedule of depreciation is

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<sup>20</sup>Ibid.



used in connection with the machinery assessments. The system is based mainly on how the machinery is used and the dependency of the farm on such machinery, rather than the cost or the market value of the machinery.<sup>21</sup>

### Personal Property

As was done in the case of machinery, the household goods in Ravalli County are assessed as a household unit rather than as individual items. The Assessor has determined what is ordinary and essential for a household, and a base or average assessment has been set for persons having such essential household goods. The average assessment for homes having the essentials only is about \$350 to \$450 for the household goods. Persons having extra items such as television sets, freezers, and so forth, which are not considered essential, are assessed more according to the number of extra items that they have. Included in the average or ordinary household grouping for assessment purposes are the things usually found in every home, such as: kitchen range, refrigerator, living room set, table and chairs, two bedroom sets, dishes, and other minor essentials.

The information about such household goods is obtained on the same report as the one sent out to obtain information about machinery. As can be seen from the

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<sup>21</sup>Ibid.

system used, the assessment is based more on how the goods are used than on their cost or market value.

### Livestock

The suggested state schedule is used in assessing all livestock in Ravalli County. The information about livestock owned is obtained yearly by a report sent to taxpayers each spring. The assessed values of stock cattle were checked and found to be:<sup>22</sup>

Bulls	assessed at \$140.00
Cows	assessed from \$45.00 to 72.00
Yearlings	assessed at 32.00

### COMPARISON OF METHODS IN USE

In attempting to compare the methods in use for the assessment of the various types of property included in these reports, a summary of methods in use in the various counties studied is presented in chart form on the following page.

From this chart one can quickly determine that livestock is assessed on the same basis in all of the counties studied. The methods in use in assessing the other categories of property are not so uniform.

### Land

All of the counties studied use some method of basing the assessment of land on its use. Three of the

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<sup>22</sup>Ibid.

TABLE I. A COMPARISON OF COUNTY ASSESSMENT METHODS

## Systems in Use in the Four Counties Studied

County	Land	Houses and Buildings	Machinery	Personal Property	Livestock
SANDERS	1919 classification plus some partial changes. No clearly followed system in use.	Mainly the 1941 state schedule with construction costs considered on the houses built since.	Based on the Owner's judgment.	Based on the Owner's judgment.	Based on the State suggested scale
JUDITH BASIN	1919 classification using mileage from market variations, and grading tillable land as "engine" or "horse" land.	The 1941 cost basis with revisions for increased values. New houses are based on cost.	Cost less a stated percentage for depreciation.	No schedule. Based on the facts and figures that are available.	Based on the State suggested scale
RAVALLI	1919 classification unchanged in most instances, based on how land is used.	Size of building, the type of construction, and the cost of it, if it can be determined.	Based on a farm unit, and not valued separately. How machine is used is important.	Based on a household unit, and not valued separately. How item is used is important.	Based on the State suggested scale
FLATHEAD	Assessed according to use and productivity. Soil tests used to determine productivity.	1941 cost basis strictly according to the state suggested schedule. No attention paid to current costs or market values.	State guide book of current market values.	No schedule. Usually based on about one-half of cost.	Based on the State suggested scale

four counties use the 1919 classification system, usually modified in some respects to make it adaptable for present day use. The fourth county, Flathead, bases its system on use and productivity, which is determined by soil tests plus the evidence of the crop in existence. Each of the four counties uses some methods that are a little different from the others in the process of obtaining a valuation.

### Houses and Buildings

The methods of assessing structures in the four counties varies between basing of valuations on 1941 costs to the basing of valuations on costs at the time of construction. Three of the four counties use systems that would lead to inequality between the values of older buildings and the values of houses built in these times of rising costs. Judith Basin County has tried to remedy this inequality by revisions of valuations on older structures. Flathead County uses the state suggested system which should equalize the assessed valuations of older and newer buildings within the county, but which would tend to give lower evaluations to all structures than are usually given in the other three counties.

All of the counties studied have some differences in the methods that they use to arrive at a final value on houses and buildings. However, each of the counties except Ravalli County uses the state suggested schedule in some way to help set the valuation figures.

## Machinery

No similarities can be drawn from the methods used by the four counties to arrive at valuations for machinery. Each of the counties uses a somewhat different system to obtain the valuation. Flathead County uses a guide book to determine the market value for assessment purposes. Judith Basin County uses the cost of the machinery less a stated schedule of depreciation, which should give a figure close to market value if the depreciation rate is correct. Ravalli County gives a total evaluation for all machinery deemed necessary for a farm of the size it is used on, thus considering how the machinery is used in determining the assessed valuation. Sanders County uses the owner's judgement of the machinery's worth, which could vary with each assessment.

## Personal Property

A wide variety of assessment practices also exists in the assessment of household goods. In fact, within each of the counties studied no standard policies seemed to exist. The Judith Basin County Assessor's statement, saying, "Such property is usually assessed on the basis of the facts and figures available in each instance,"<sup>23</sup> is probably a true statement of the assessment of this type of property in all

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<sup>23</sup>Op. cit., George Brownlee, Judith Basin County Assessor.

of the four counties. Judith Basin and Flathead Counties tend to base the assessments on cost less depreciation, while Sanders County uses the owner's judgement, and Ravalli County again evaluates the entire household unit of furniture and goods at one time, determining the valuation to a certain extent by the use to which the household property is put.

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## CHAPTER IV

### PROPERTY ASSESSMENT METHODS IN USE IN OTHER STATES

The property tax problem is not confined to Montana alone. Many of our neighboring states have indicated that a problem exists in attempting to equalize assessments. The importance and extent of these problems is indicated by the following quotation from a speech given at the 1956 National Conference on Government:

Unless the states move to overcome the combined effects of archaic local assessment practices and the present legal restrictions on local borrowing and taxing powers, they may expect to look increasingly to the Federal and state governments for grants in aid.<sup>1</sup>

The same conference heard the following report on the property tax situation in the State of Washington:

Widespread exemptions under the property tax system here have eroded the tax base in the state. Assessments are so far below full value that they have cut taxing ability of local government to a fraction of its legal limit.<sup>2</sup>

Because many of the states around Montana are apparently troubled with a property tax problem, a look at what they have done to solve the problem might be of value to Montana.

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<sup>1</sup>News item in the Seattle Post Intelligence as quoted from a speech by F. C. Moore, Ex Lt. Governor of New York, July 26, 1956.

<sup>2</sup>Ibid., from a speech by R. A. Freeman, Special Tax Assistant to Washington's Governor.

SUMMARIES OF OTHER STATE'S PROGRAMS  
OF ASSESSMENT PRACTICES

Equalization Through the Use of Schedules

The most common method of attempting to solve the problem of inequality in assessment practices is through the use of state adopted schedules of suggested assessment values. The states of South Dakota, Idaho, Wyoming and Colorado, all have indicated that schedules adopted by the various State Tax Commissions are the principal means they use to equalize property assessments and taxation.

South Dakota. The State of South Dakota does not use a property tax for state purposes, but local governments use the tax to raise practically all of their funds. Schools receive a majority of the funds so raised by the local government bodies. The present law gives the local assessor the sole authority for setting valuations on all real and personal property. The State Division of Taxation does attempt, in an advisory capacity, to furnish scales covering the different classifications of property. Even with such scales, the Director of Taxation for the state says: "The Assessors do a very poor job of placing valuations."<sup>3</sup>

South Dakota Taxation Committees have tried to secure

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<sup>3</sup>Personal correspondence of the author, letter from W. R. Wilder, South Dakota Director of Taxation, July 14, 1955.



some type of county unit assessments, but even with such measures, they are not sure that any progress towards state-wide equalized assessment practices will be made.<sup>4</sup>

Idaho. In Idaho, the assessors meet every year with the Tax Commission of that state, for the purpose of establishing uniform values for assessment of livestock, lumber and logs, and merchandise. These values are easily arrived at, since these items are purchased and sold frequently enough so a market value can be determined. The uniform values on these items usually are based on market value. Other types of property upon which it is difficult to establish a market value are assessed by the use of manuals prepared by the Idaho State Tax Commission.<sup>5</sup>

If a taxpayer refuses or fails to give information about his property when requested to do so, the Idaho law provides the assessor with the power to place an arbitrary assessment of three times the value that the assessor has reason to suppose exists. This provision has tended to bring out more of the facts about cost and market value of articles being assessed, thus making the actual assessment somewhat easier for the assessor.

Idaho's system differs very little from Montana's in all but this last respect, yet the Tax Commission of Idaho

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<sup>4</sup>Ibid.

<sup>5</sup>Personal correspondence of the author, letter from R. J. Kurdy, Executive Secretary of the Idaho State Tax Commission, June 28, 1955.

doesn't indicate that any special problem of inequality due to assessment policies exists. No new plans or revisions are being considered for the state.

Wyoming. The State Board of Equalization of Wyoming prepares very detailed schedules for use by the County Assessors in assessing practically all types of property. The schedules indicate values for different types of land, improvements, and most types of personal property. These schedules, like the "Houses and Buildings" schedules provided to Montana assessors, are very detailed, and could be difficult to follow.

Wyoming also is not particularly concerned with revising its program, and the Wyoming Board of Equalization feels that the schedules provided to the county assessors are a great help in providing more equalized valuations.<sup>6</sup>

Colorado. The Colorado Tax Commission states that Colorado is also confronted with a problem in trying to arrive at a better equalization on the assessment of personal property.<sup>7</sup> The commission has suffered from a lack of funds with which to compile a complete manual of personal property and suggested assessments, and in an attempt to equalize assessment practices, they hold annual

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<sup>6</sup>Personal correspondence of the author, letter from E. A. McKay, Director of the Ad Valorem Tax Department of Wyoming, June 28, 1955.

<sup>7</sup>Personal correspondence of the author, letter from J. R. Seaman, State of Colorado Tax Commission, June 30, 1955.

conferences with the county assessors pertaining to how property should be assessed.

From conference agreements and discussions, the Tax Commission publishes a detailed circular on suggested practices for assessing almost all kinds of property. This circular concerns: classification of real estate, mining lands, city and town lots, improvements on real estate, depreciation, livestock, household furniture, and so on. This circular does in some instances give the suggested figures at which property should be assessed. In other instances, the procedures to be used in assessing are given and the actual figures to be used in the assessment are left to the assessor. The real estate and land were completely reappraised by the Tax Commission with a resultant improvement in equalized assessment.<sup>8</sup>

#### Equalization Through Other Means

Several other near-by states have attempted to solve the property tax equality problem by the use of different methods. Oregon and Utah adopted state-controlled programs of reassessment in an attempt to equalize their assessment programs, and Washington is using a program of enforced revaluation, with this revaluation being by each of the county assessors with no schedules or assistance from the State Tax Commission.

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<sup>8</sup>Ibid.

Utah. Utah's legislature passed a uniform school law which has resulted in a statewide valuation of farm land and residential properties. The revaluation has increased and equalized assessments. The Utah State Tax Commission has done this portion of the revaluation of the state's property.<sup>9</sup> No information is available as to the methods used in evaluating the other types of property in Utah.

Oregon. Oregon began a plan in 1951 whereby the State Tax Commission, by employing a crew of forty-nine appraisers and supervisors, would aid each county with a state-suggested reappraisal of all its taxable property. The thinking behind this law might be contained in the following statement:

There has come a general recognition of the fact that assessment and tax laws cannot safely be left to undirected local administration. Exclusive home rule in taxation, even when divested of considerations of favoritism and prejudice, has frequently been unable to cope with many problems of assessment, particularly in valuations of larger properties and interest, and has therefore been productive of inequalities and abuses.<sup>10</sup>

In 1950 it was decided that positive steps be taken from the state level to help correct the inequalities in

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<sup>9</sup>News item from the Spokesman Review (Spokane, Washington), November 12, 1956.

<sup>10</sup>Oregon State Tax Commission, Valuation Division, Special Report on Oregon's Reappraisal Program, 1951-54, p. 1.

the assessment of local property. The Assessment and Taxation Division of the Oregon State Tax Commission presented to the legislature all information on existing conditions concerning property taxation, and requested one of three solutions:

- (1) The counties could be required by law to reappraise all property themselves or by hiring appraisal firms.
- (2) The state could make all appraisals and require the counties to use them.
- (3) The appraisals could be made by the cooperative efforts of both state and county.<sup>11</sup>

The legislature chose the third alternative, and required that the reappraisal of all properties in the state be completed under this plan by 1961.

Under this system, the state supplies the counties with appraisers, should the county desire such help, with the county and the state sharing the expense. The county may, if it desires, do the job with its own help, but in this case, they must finance the program alone.

The program is going along as planned, with fourteen counties completely reappraised at the time of the report. The cost of the program over the ten-year period is estimated to be \$5,500,000. In order to keep the assessments equal, once this project has been completed, and thus avoid the necessity of future projects such as this, the legislature

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<sup>11</sup>Ibid., p. 3.

enacted further measures in 1955 affecting assessment as follows:

(1) The State Tax Commission will maintain all timber assessments, after reappraisal has been completed.

(2) The State Tax Commission will appraise all industrial properties for the counties.

(3) Assessment will have to be made by qualified appraisers only after 1961.<sup>12</sup>

In most instances this program has not changed the total county assessments much in the fourteen counties that have completed the reassessment program. The Oregon Tax Commission feels, however, that the properties are taxed on a much more equitable basis after the program has been completed in a county.<sup>13</sup>

Washington. Washington's property tax problems are not so important to that state's schools, as the schools in Washington receive only one third of their support from property taxes. Nevertheless, the state still realizes a problem in the equitable assessment of property.

The assessment of property located entirely within one county is the sole function of the local assessor. "Such assessments are not uniform between counties, as can be readily seen when comparing real property."<sup>14</sup>

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<sup>12</sup>Personal correspondence of the author, letter from S. B. Stewart, Commissioner of the Oregon State Tax Commission, June 30, 1955.

<sup>13</sup>Oregon State Tax Commission, op. cit., p. 9.

<sup>14</sup>Personal correspondence of the author, letter from J. F. Ryan, Supervisor of Research, State of Washington Tax Commission, June 29, 1955.

In 1955 the legislature attempted to correct such nonuniformities by requiring a statewide revaluation to be completed by 1958. The reappraisal, according to this legislation, is to be left entirely in each county assessor's hands, with reports to the state required at frequent intervals during the revaluation process. Guides on assessment of timber lands, and on buildings, are published by the state and may be used as a guide for placing valuations on such properties.<sup>15</sup>

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<sup>15</sup>State of Washington, Senate Bill Number 371, Chapter 271, May 17, 1955, p. 1.

## CHAPTER V

### SUMMARY AND RECOMMENDATIONS

#### A REVIEW OF THE STUDY

Chapter III contains a report on the assessment practices in four counties of the state. The results of this report indicate that the job of assessment of property within different counties in Montana is not done in a like manner. This report does not attempt to determine how this difference in methods in use will affect the total assessed valuations of the counties studied, nor does it attempt to determine how this difference affects the county's ability to raise taxes. However, it is reasonable to assume that if two different persons go about the process of assessing property, and each does this job using different methods, the results will not be comparable, and the taxation base not equitable.

#### Differences in Methods Used on Various Types of Property Within the County

Perhaps the most important difference that this study brings out is that one method is used to assess land within a county, and an entirely different method may be used to assess machinery or personal property within that same county.



Montana's system of taxation is not based on a system in which one kind of property holder is assessed at a greater percentage of value than another type of property holder. The laws that were related in Chapter II specifically state that all taxable property should be assessed at "full cash value." This is interpreted by the State Board of Equalization to mean the actual market value at the time of assessment. However, in the county studies, there were instances where some personal properties were assessed at one-third of cost, or one-half of cost. These amounts could not quite coincide with the "full cash value." A reminder is entered here to caution the reader not to confuse "assessed value" with "taxable value." The assessed value is the value placed on property by the appraiser; while the taxable value refers to that percentage of assessed value which is to be taxed upon. These percentages are also found in Chapter II.

#### Differences in Methods Used Among Counties Studied

The table on page forty-three of this study clearly indicates that the assessment of one type of property is not done the same way in each of the counties studied. Land, for example, has been classified and assessed somewhat differently in each of the counties studied. The reclassification of land, which is now underway, may correct some of these faults. However, if the land is reclassified as indicated by the Sanders County Assessor, and related

in Chapter III, there is a chance of getting fifty-six different classification systems which will arrive at the assessed values just as differently as the present systems do.

The table in Chapter III also shows indifferent use of the state House and Small Building schedules, for one reason or another, in three of the four counties studied. Such variations in methods used could not bring about equitable statewide taxation of such properties. Like situations are shown in the assessment of machinery and personal property.

#### Effect of the Differences Found in This Study

The most important effect of having different assessment practices is, of course, the unequal taxes that are raised through the property tax. As a result of such differences, statewide uniformity is divided into county uniformity groups, at least in the four counties studied. The importance of such differences is brought out by the state school aid program. The amount of state aid hinges on the amount raised by levies on the taxable valuation of a county's property. The taxable value is, in turn, just a stated percentage of the assessed value placed on the property. The smaller the amount raised, the greater the amount the state must pay. If property in a county is undervalued, it follows that more state assistance is

required. Any such undeserved aid granted to undervalued districts must decrease the funds that in fairness should go to other districts.

### SUGGESTIONS FOR IMPROVEMENT

The equalization of property taxation methods has been a problem in Montana ever since the original property classification and property taxation laws were put into effect. To find a solution for such a persistent problem is no easy job, and many such solutions have been attempted.

To find some workable means, the methods used by other states who are faced with a similar problem have been entered into this study. From these methods, and from the information gained from past attempts to equalize taxation bases in Montana, the following three methods for improvement are suggested.

#### Three Possible Solutions to Montana's Assessment Problems

No state distributions based on property taxes. An inexpensive method of revising our tax system would be to eliminate the property tax from consideration on a state-wide level. This would necessitate finding some other means to raise state funds now raised under the property taxation method. These means would probably be through increased state income taxes, or through a state sales tax. Also, and more important, such a change would require a different

method of distributing aid to counties to provide uniform schools within those counties. Property taxes could still be used to raise local funds, and the program would have to be equalized for just one county, with the one county assessor using his own system of equalization.

State controlled reassessment. In order to have continued use of the property tax, in fairness to all counties concerned, the tax base should be arrived at through an identical process in all of the state's counties. This is difficult to do with each of fifty-six county assessors doing the job in his own way.

As was reported in Chapter IV, Oregon is attempting to solve the same problem by hiring appraisers to reevaluate the entire state. It would seem that if the same group of people did the assessing for the entire state, the basis used for each county would be more alike than it is now in Montana. Of course, such a program would only bring assessments into equality at one time, and the problem remains of keeping them equal. A continuation of this program would probably result in state assessors for all property, rather than the present system of county assessors.

Assessments based on state schedules. The final alternative toward solving the problem indicated in this study would be through the use of more extensive state schedules of assessable value. Colorado and Wyoming use

schedules that are more extensive than the ones now in use in Montana, and they seem to indicate a more equitable result from their property taxation. If schedules are used, it is important that they be clear enough so the assessors can follow them. They should also be schedules which the assessor is compelled to use in his assessment. The study would indicate that schedules for assessment in Montana are not a workable solution. They could be, however, if each assessor were required to follow the law and place a "full cash value" on all property assessed, and if such full cash value for all various items were stated in a schedule for the assessors to follow.

The county surveys presented here indicate that Montana has a property tax equality problem. This situation could be remedied, or at least improved upon, by the use of some plan such as the solutions listed.

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