



MULTISTATE INDIRECT TAX

Montana enacts legislation increasing class eight business equipment tax exemption

Tax Alert

Overview

On May 11, 2021, Montana Governor Greg Gianforte signed into law Montana [House Bill 303](#) (“HB 303”), which amends MCA § 15-6-138(4) to provide an increase in the class eight business equipment tax exemption. This Alert summarizes the amended exemption.

Increased class eight business equipment tax exemption

Montana imposes a property tax on the value of personal property used in a business. There are fifteen different classes of taxable property. Business equipment is referred to as “class eight” property.

HB 303 increases the business equipment tax exemption for class eight property from \$100,000 to \$300,000. Class eight property is taxed at a rate of 1.5% on the first \$6 million of taxable market value in excess of the exemption amount and at a rate of 3% on all taxable market value in excess of the sum of the exemption amount and \$6 million.

Pursuant to MCA § 15-6-138(1), class eight property includes a variety of business equipment, including the following (subject to certain exceptions):

- Agricultural implements and equipment;
- Mining machinery, fixtures, equipment, tools, and supplies;
- Oil and gas production machinery, fixtures, equipment, tools, and supplies;
- Manufacturing machinery, fixtures, equipment, tools, and supplies;
- All goods and equipment intended for rent or lease;
- Special mobile equipment;
- Furniture, fixtures, and equipment used in commercial establishments;
- X-ray, medical, and dental equipment;
- Citizen band radio and mobile telephones;
- Radio and television broadcasting and transmitting equipment;

- Cable television systems;
- Coal and ore haulers;
- Theater projectors and sound equipment; and
- All other property that is not included in any of the other fourteen classes of taxable property and not subject to a fee in lieu of property tax.

The increase in the class eight property tax exemption is effective October 1, 2021 and applies to the tax year beginning after December 31, 2021. HB 303 contains a yearly contingent termination policy. The state will regularly evaluate if implementing this exemption will have an impact on the amount of funds it receives federally from the American Rescue Plan Act. If the impact results in reductions of received federal funds or the requirement of the state to repay received federal funds, the state can choose to terminate this new exemption increase.

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