

BEFORE THE DEPARTMENT OF REVENUE
OF THE STATE OF MONTANA

In the matter of the amendment of) NOTICE OF AMENDMENT
ARM 42.21.155 and 42.22.1311)
pertaining to 2023 Personal Property)
Depreciation Schedules and Trend)
Tables)

TO: All Concerned Persons

1. On November 4, 2022, the Department of Revenue published MAR Notice No. 42-1065 pertaining to the public hearing on the proposed amendment of the above-stated rules at page 2186 of the 2022 Montana Administrative Register, Issue Number 21.

2. On November 28, 2022, the department held a public hearing to consider the proposed amendment. The only attendee at the hearing was Robert Story, Executive Director of the Montana Taxpayers Association (Montax), who provided oral comments. Mr. Story also provided written comments on behalf of Montax.

3. The department has amended ARM 42.21.155 and 42.22.1311 as proposed. The 2023 version of the Personal Property Depreciation Schedules and Trend Tables publication (publication) has been adopted as proposed.

4. The department has thoroughly considered the comments and testimony received. A summary of the comments received and the department's responses are as follows:

COMMENT 1: Mr. Story and Montax commented their concern with the trend factors described in the publication because it appears that there will be significant increases in the trended percent good factors in almost all the types of equipment across all the years of the tables. By Montax calculations, the trended good percentages increased by 15 to 20% over last year. Montax understands there has been significant inflation over the past year, but that trend seems to be levelling out. Regardless, general inflation has been around 8% yet the trend factors are increasing at double that rate or more.

Montax encourages the department to re-evaluate its sources of data and to determine if they are accurately reflecting the actual changes in equipment values.

RESPONSE 1: The department thanks Mr. Story and Montax for their comments and concerns regarding the significant increases in the trended percent good factors proposed in the publication.

The department agrees with Mr. Story and Montax that the general rate of inflation is currently around 8 percent. However, increases in personal property valuation (as reflected by the increases of trended percent good factors) are generally not comparable to general inflation. General inflation is the average

change over time in the prices paid by urban consumers for a market basket of consumer goods and services, where trended percent good factors do not reflect averages. The equipment category data used in the Marshall and Swift Valuation Guide is also consistent with the department's observations in other property classes which were reported to the department's legislative oversight committee (that residential values and commercial property values increased 43 percent and 16.87 percent, respectively). While the department empathizes with taxpayers who realize the effects of inflationary increases in their personal property taxes, the department cannot fault the data that is reported and the conclusions adopted in the Marshall and Swift Valuation Guide and the department lacks statutory authority to mitigate these potentially adverse effects.

As to the request to seek other valuation data sources, the department has used the Marshall and Swift Valuation Guide for its data source for trend factors for several years because it is one of the most respected references in both private and public sector property valuation. The guide is used in more than 30 states and Canada and has been written into many state's statutes because of its reliability. The department cannot readily adopt any alternate resource which would provide any immediate relief. Any discussions about a change in the department's primary valuation data resource would involve long-range planning with all affected stakeholders, assuming there is another comprehensive source as reliable as the Marshall and Swift Valuation Guide.

/s/ Todd Olson
Todd Olson
Rule Reviewer

/s/ Brendan Beatty
Brendan Beatty
Director of Revenue

Certified to the Secretary of State December 13, 2022.