

PROPERTY TAX SHAM

State's '80% Tax Cut' Claim Crumbles as New Law Creates Winners, Losers — and Homes No One Can Sell

By Lisa Bennett

Newly compiled data from Bill Stene, a sales agent with Polly Kovash Brokerage at Metro Realtors LLP (www.metrorealtorsllp.com), shows increases ranging from several hundred dollars to more than 150 percent, depending on property type and classification. Stene warns that the new system is so uneven that some properties may become effectively unsellable.

The state's "80% got a tax cut" message was based on a comparison between 2025 taxes under the new law and a hypothetical 2025 bill under the old system, not to what people actually paid the year before. Many homeowners who expected relief instead saw their taxes rise—just not as much as they would have without the change.

Lawmakers who backed the overhaul now face scrutiny

The property tax package was drafted, amended, or supported by several key lawmakers, including Sen. Llew Jones, Rep. George Nikolakakos, Rep. Melissa Nikolakakos, and Rep. Lyn Bennett, all of whom voted for the restructuring. They framed the bill as a way to "rebalance" the tax system and protect primary homeowners.

But Stene's local data, combined with broader economic research, suggests the law may instead:

- Increase the risk of mortgage distress and foreclosure
- Make it harder for first-time buyers to qualify for loans
- Undercut small "mom-and-pop" landlords
- Push elderly homeowners on fixed incomes closer to housing insecurity
- Raise long-term housing costs across the state

These concerns echo themes raised by national housing economists and multiple research institutions. Federal Reserve research shows that property tax spikes are one of the fastest ways to push financially fragile homeowners into foreclosure, especially when increases are sudden and unpredictable. AARP and senior-housing advocates warn that rising property taxes force many seniors out of homes they intended to age in, particularly those living on fixed incomes.

Registration requirement creates a costly trap

Under the new law, homeowners must be properly classified as a primary residence or long-term rental to qualify for the lower "homestead" tax rates. Those who fail to register by the deadline are automatically taxed at the higher non-homestead rate—about 1.9% in Stene's Yellowstone County examples.

Stene warns that a property normally taxed at 0.76% can jump to 1.9% simply because paperwork was not filed.

The problem is even worse for buyers. If someone purchases a home that is currently classified in a higher tax bracket—such as a second home or short-term rental—they may be stuck with that higher rate until the next assessment period, even if they immediately move in and use it as their primary residence. Depending on timing, that can mean up to 18 months of paying the higher rate before the classification catches up.

Lenders underwrite based on the current tax status, not what the buyer hopes it will be later. That can:

- Blow up a pre-approval
- Force a lower purchase price
- Leave the buyer paying hundreds more per month in escrow

Tiered rates create sharp divides

Beginning this year, Montana properties fall into sharply tiered categories:

Primary residences and long-term rentals (homesteads)

- About 0.76% for assessed values up to roughly \$378,000
- About 0.90% for \$378,001–\$756,000
- About 1.10% for \$756,001–\$1,511,999
- About 1.90% above \$1.512 million



Other residential property

- About 1.90% flat for second homes, short-term rentals, and vacant lots

Commercial and industrial

- Around 1.50% under \$2.274 million
- Around 1.90% above that

These brackets create significant differences between otherwise similar properties. A home assessed at \$377,900 remains in the lowest bracket, while a home assessed at \$378,100 moves into the higher tier.

Vacant lots hit hardest

Vacant residential lots show some of the steepest increases under the new system. Stene's Yellowstone County examples include multiple cases of tax bills doubling or more:

- A lot in Middle Valley rose from \$513 in 2025 to \$1,280 in 2026, a 150% increase
- A Cherry Island lot increased from \$487 to \$986, up 102%
- Several others show increases between 55% and 120%

For families who bought land intending to build later, the higher carrying cost can derail long-term plans.

Rental properties face significant jumps

Small multi-family rentals—duplexes, triplexes, and four-plexes—also show substantial increases. A duplex on Avenue F, assessed at \$239,500, saw its tax rise from \$1,586 to \$2,206, with a default rate of \$3,666 if not registered correctly.

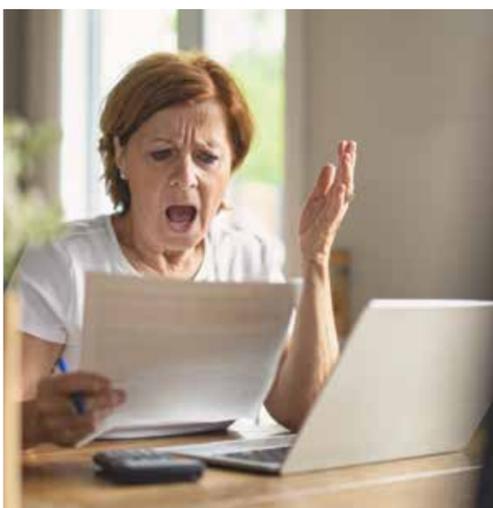
Properties assessed above \$378,000 move into higher brackets, with increases of 28% to 34% in many cases.

Why the law hits the elderly and small landlords especially hard

The new tax structure disproportionately harms two groups who have historically relied on stable property taxes to stay afloat: elderly homeowners on fixed incomes and small "mom-and-pop" landlords.

For seniors living on Social Security or modest retirement income, even a few hundred dollars in unexpected tax increases can destabilize a carefully balanced budget. Many older Montanans own their homes outright but have limited cash flow; rising taxes can force them to cut essentials, take on debt, or consider selling the home they intended to age in.

Small landlords face a different but equally damaging pressure. These owners—often teachers, nurses, tradespeople, and retirees—rely on one or two modest rentals as a way to supplement income, build equity, and create long-term financial security.



Researchers at the Harvard Joint Center for Housing Studies report that small "mom-and-pop" landlords provide most of the naturally affordable housing in the United States.

Harvard's analysis shows that when operating costs — including property taxes — rise faster than rents, small landlords are the first to exit the market.

The Center warns that when small landlords sell, their properties are often acquired by larger investors who raise rents and reduce affordability.

Housing economists widely agree that losing small landlords shrinks the entry-level rental market and eliminates a key path to building wealth for working families.

Impact on home sales and the American Dream

Stene warns that the new tax structure may affect property values, particularly when identical homes fall into different tax categories. In one scenario he presented, a buyer comparing two \$400,000 homes—one taxed at about 0.90% and the other at about 1.90%—would face a monthly payment difference large enough to require a \$41,000 price reduction to compensate.

According to Zillow's housing affordability analysts, when property taxes rise faster than wages, starter-home buyers are priced out first because higher escrow payments reduce what they can qualify for.

Real-estate economists note that tax-driven affordability shocks reduce mobility, slow sales, and depress local markets — effects that hit rural and low-income areas hardest.

Economists caution that when ownership becomes unattainable, property tax shocks undermine the basic mechanics of a capitalist housing market by reducing entry-level ownership and concentrating property in fewer hands.

The broader economic warning

Across all major research institutions — Zillow, Harvard, the Urban Institute, AARP, and the Federal Reserve — the findings are consistent:

Property tax spikes are one of the fastest ways to:

- Push financially fragile homeowners into foreclosure
- Drive starter-home buyers out of the market
- Force seniors out of homes they intended to age in
- Eliminate small landlords, raising rents
- Reduce affordable housing stock
- Increase wealth inequality
- Undermine the capitalist housing market by making ownership unattainable

By voting for this overhaul, lawmakers didn't just create a tax system that accelerates foreclosures, drives out first-time buyers, forces seniors from their homes, and destabilizes the very housing market Montana families depend on — they detonated a financial trap under the people they were elected to protect, fully aware of exactly who would pay the price and for how many years the damage would echo. 🗳️