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## Many Montana Nonprofit Organizations Must Apply for Property Tax Exemptions by March 1, 2016.

**Recent change to property tax exemption law.** By virtue of a recent bill passed in the 2015 legislature, over 10,000 Montana nonprofit organizations must reapply for confirmation of tax exemption from Montana property tax for real property used in furtherance of their nonprofit mission. The deadline for submitting property tax exemption applications to the Montana Department of Revenue is **March 1, 2016**.

**Nonprofit organizations should promptly prepare exemption applications.** Due to the materials required to be submitted with the property tax exemption application, we recommend that nonprofit organizations do not delay in preparing applications. The Montana Department of Revenue has notified many nonprofit organizations by mail of the need to file applications.

**Exemption Application Form.** The Department of Revenue requires that **Form AB-30R** (real property) be submitted in order to claim the real property exemption. If you believe that you also may have personal property subject to taxation, **Form AB-30P** may be submitted.

**Organizations that must file to claim exemption.** Generally, under Montana law, certain nonprofit organizations may obtain a property exemption from Montana property tax. The exemption requires not just ownership of property by a nonprofit. The property also must be directly used for the charitable or nonprofit purposes set forth in § 15-6-201, MCA. However, a partial exemption may be available for mixed use property as set forth in ARM § 42.19.506. If a nonprofit organization uses property for its charitable purposes, then it may need to apply for confirmation of tax exempt status for that property **even if the property has been recognized as tax exempt in previous years!**

Section 15-6-231(2)(c), MCA, requires nonprofit owners of the following types of real property

to apply for confirmation of their property tax exemption prior to March 1, 2016:

- Property owned by a church and used for religious worship
- Property used for educational purposes
- Property of tribal corporations used for schools
- Property used as health care facilities
- Property owned or leased from government entities that is used for purely public charity, which includes certain 501(c)(3) organizations
- Public Museums, art galleries, zoos and observatories
- Property of non-irrigation water providers
- Property of organizations for the care of persons with developmental disabilities, mental illness or physical or mental impairments
- Property of organizations for the care of retired, aged or chronically ill
- Property of organizations for international sports competition
- Property of veteran's organizations
- Property of community service organizations, including fraternal lodges, senior citizens centers
- Residential property dedicated for low income housing

Please consult your tax advisor to determine whether your nonprofit organization is required to apply for the property tax exemption.

**New Exemption Applications also Due March 1, 2016.** Even though the new law applies to application by organizations that previously have received tax exemption, Cynthia Monteau Moore, the Property Assessment Division administrator for the Montana Department of Revenue, has stated "It's also important to get the word out to property owners who may qualify for tax exemption and may not presently be in our database." If an organization owns and uses property at least a majority of the time for its purposes, it may be eligible for full or partial tax exemption and should file an application prior to March 1, 2016. Please consult your tax advisor if you believe an organization's property may be eligible.

**Information to be submitted.** The property tax exemption application (see ARM § 42.20.102) generally requires the following information be submitted to the Department of Revenue:

- Articles of incorporation (if a corporation)
- Constitution or bylaws (if not a corporation)
- IRS 501 tax-exempt status letter or reason why organization does not have one
- IRS Form 990
- Letter explaining how the organization uses the property
- Copy of deed, contract for deed, or notice of purchaser's interest.
- Educational organizations: various additional requirements
- Nonprofit healthcare organizations: DPHHS license
- Low income housing: additional requirements
- For personal property if applicable, title or letter identifying ownership and photograph

Additional information may also be required. Please consult your tax advisor.

**Failure to file exemption application.** Unless the Montana Department of Revenue

timely receives the exemption application and approves the property as exempt, the Department of Revenue will assess real property tax (subject to some exemptions) at market value. The amount of property tax owed will depend on the value of the property, the tax classification and rate set by Montana statutes, and the number of mills levied by state and local governments. Nonprofit organizations should prepare now so that they will not be caught off guard when they receive property tax assessment notices from the Montana Department of Revenue (typically received in the summer) and tax bills from the county treasurer (due November and May).

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**For More Information**

The attorneys in Crowley Fleck's Tax, Trusts and Estates Practice Group have an extensive range of knowledge, expertise and experience to assist clients in navigating the complexities of the tax laws through innovative, practical and efficient solutions.

Our tax attorneys work in most tax-related areas, including:

- Corporate Tax (C and S corporations)
- Individual Tax
- Estate, Gift and Generation Skipping Tax
- Fiduciary Tax
- Partnership Tax
- State and Local Tax
- Tax Controversy (Federal, State and Local)
- Tax Exempt and Nonprofit Tax
- Business entity formation, operations, governance and succession
- Mergers and acquisitions, spin-offs and dispositions
- Real estate acquisitions and dispositions (including like-kind exchanges)

If you require assistance with a particular tax matter, please contact one of the attorneys listed below.

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