The Montana Schools First Act

Fully fund Montana schools. Protect Montana property. Make the new luxury market pay its share.

Version 10 — Teachers and Students First: Within-Phase Category Prioritization — May 2026

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Orienting principle

A Montana family who has held the same property for ten years or more — a lake cabin on Flathead, a fishing place on the Yellowstone, a hunting cabin in the Bitterroot, an inherited piece in Paradise Valley — should not be taxed as if they bought into a luxury market. The market came to them. They didn't go to it.

This bill is built around that principle. The revenue measures target the population that genuinely drove Montana property values up over the past five years: out-of-state buyers, short-term commercial conversion of housing stock, and recent high-value acquisitions. Montana families with long-held property — regardless of what the market has done to its assessed value — are protected.

That protection is the heart of the political viability of this proposal. Without it, the bill catches the wrong people and Montanans rightly reject it. With it, the bill targets exactly the population that should pay for the school funding goal.

The bill in one page

Part	What it does	Annual impact
Part 1	$200K homestead exemption for every Montana primary residence	Cut for ~80% of homeowners
Part 2	Four-tier non-homestead rate above $1.0M, with Montana Heritage Property carve-out	+$130M revenue
Part 3	Price-triggered oil and gas tax (replace 0.5% holiday at WTI > $65)	+$100M revenue
Part 4	Cap capital gains tax credit at $1M per year (indexed)	+$90M revenue
Part 5	Short-term rental commercial-use surcharge (no carve-out — STRs are commercial)	+$30M revenue
Part 6	Phase to 100% state funding of CAMPS Quality Assurance line by FY 2033	$450M cost, fully covered
Part 7	Visitor Economy Contribution: lodging surcharge, rental car surcharge, guided outfitter excise	+$38M revenue

The Montana Heritage Property carve-out

This is the central feature that distinguishes this bill from generic "tax the second homes" proposals. The Montana Heritage Property classification protects long-held Montana family property from the higher tier rates that target the recent out-of-state luxury market.

Who qualifies

A non-homestead residential property qualifies as Montana Heritage Property if all of the following are true:

- **Continuous ownership:** the property has been owned by the same Montana resident (or their direct heirs by inheritance) for at least 10 consecutive years.
- **Montana residency:** the owner has filed Montana resident income tax returns for each of the 10 qualifying years. Direct heirs by inheritance count from the original Montana-resident ancestor's first year of ownership — inheritance does not restart the clock.
- **Not commercial use:** the property is not operated as a short-term rental for more than 60 days per year, and is not otherwise in commercial use. A property used purely as a family second residence — even if occasionally lent to relatives or friends — qualifies.
- **Not corporate-held:** ownership is by an individual, couple, or grantor revocable trust. LLCs, corporations, and irrevocable trusts do not qualify — mirroring the HB 231 homestead rules.

What it does

Montana Heritage Property is taxed at the standard 1.90% non-homestead rate regardless of current assessed value. The four-tier structure of Part 2 does not apply. A $2.5M lake cabin held by the same Montana family since 1985 pays the same rate as a $400K cabin in the same condition — because both were bought into the same market in the same era, before the run-up that drove valuations into luxury territory.

Why this is constitutionally clean

- **Facially neutral classification:** the classification is based on ownership duration and Montana residency over time — not on current residency alone. A 25-year resident who became a Montanan in 1999 qualifies. A wealthy out-of-state buyer who acquired Montana property in 2021 does not. The classification is based on the buyer's relationship to the market when they bought in, not their identity at the moment of taxation.
- **Texas and Florida precedent:** both states use long-term ownership classifications in their property tax codes, with explicit legislative findings that the policy protects established residents from market-driven displacement. These structures have survived federal constitutional challenge for decades.

- **Not Camps Newfound:** the Camps Newfound v. Town of Harrison case struck down a tax exemption that excluded out-of-state beneficiaries on its face. This carve-out does no such thing. An out-of-state owner who held Montana property continuously for 10 years and filed Montana resident taxes during that period would in principle qualify — the requirement is residency over time, not current residency. The classification is structured around the policy goal (protecting people who bought in before the market changed) rather than around the identity of the protected class.
- **Article VIII Sections 1 and 5 authority:** the Montana Constitution explicitly authorizes the Legislature to define property classifications and exemptions. The Montana Supreme Court has consistently upheld classification-based rate differences as rationally related to legitimate state interests. Protecting long-established Montanans from market-driven property tax displacement is a legitimate state interest backed by extensive legislative findings.

How a homeowner enrolls

- Single-page application to the Department of Revenue. Existing residents complete it once; enrollment carries forward until the property changes ownership outside the family or use changes.
- Documentation required: deed history showing 10+ years of family ownership, plus Montana DOR confirmation of resident income tax filing for the qualifying period.
- DOR has the same information already on file for the homestead exemption — the new application primarily confirms the family ownership chain. For straightforward cases (continuous individual ownership), the process is administrative confirmation.
- Inheritance handling: heirs file a one-page form establishing the family ownership chain. The 10-year clock counts from the original Montana-resident owner's acquisition.

Edge cases the bill addresses explicitly

- **Property sold within a family:** if a Montana parent sells their long-held lake cabin to their Montana resident child, the family ownership chain continues — the 10-year clock does not restart. This must be a documented family transfer (parent, child, sibling, grandparent, grandchild), not a friendly sale.
- **Property purchased by a Montana resident from a non-resident:** the clock starts fresh at the date of the Montana resident's purchase. This is necessary to prevent shell-game transfers used to avoid the tier rates.
- **Owner temporarily moves out of state:** the qualifying year is broken in any year the owner does not file Montana resident income tax. The clock does not restart from zero; it pauses and resumes when the owner reestablishes Montana residency, with prior qualifying years preserved. This protects military families, university faculty on sabbatical, etc.

- **Ranch second residences on ag land:** dwellings on qualified agricultural property are already taxed at 1.35% under HB 231 and are unaffected by Part 2 entirely. No carve-out needed for ag-classification properties — they're already on a separate track.
- **Property converted to short-term rental:** if a Heritage Property is operated as a short-term rental more than 60 days per year, it loses Heritage classification for that tax year and is subject to both the standard tier rate and the Part 5 STR surcharge. Commercial use is commercial use, regardless of how long the family has owned the property.

The fiscal context

Montana enters the 2027 session facing approximately $342M in stacked fiscal pressure: a $36M structural imbalance growing to $250M by FY 2029 (LFD projection), $115M in annual cost shifts from federal H.R. 1, and $191M from HB 337's already-enacted tax cuts. This bill closes that gap in FY 2027, then delivers the CAMPS funding and property tax goals on a six-year front-loaded phase-in.

Part 1 — $200,000 homestead exemption

HB 231 (2025) created a homestead reduced rate for primary residences. This part adds a fixed-dollar exemption of $200,000 of market value for every Montana primary residence — applied before the homestead rate is calculated.

- A primary residence valued at $400,000: first $200,000 exempted entirely. The HB 231 reduced rate applies only to the remaining $200,000.
- A primary residence valued at $200,000 or less: no state property tax on the structure.
- No income test. No paperwork. The exemption applies automatically to any property already enrolled as a homestead under HB 231.
- Local mills still apply to full taxable value — this exemption is on the state-administered portion.
- Indexed every six years to the change in the Montana median home value.
- Cost: approximately $90M/year. Fully covered by Parts 2 through 5 and Part 7.

Part 2 — Four-tier non-homestead rate with Heritage Property protection

HB 231 set the non-homestead rate at a flat 1.90%. This part adds four tiers for the highest-value non-homestead properties — but only for property that is not Montana Heritage Property.

Non-homestead value	Standard rate (non-Heritage)	Heritage Property rate
Up to $1.0M	1.90%	1.90%
$1.0M – $2.5M	2.50%	1.90%

Non-homestead value	Standard rate (non-Heritage)	Heritage Property rate
$2.5M – $5.0M	3.30%	1.90%
Above $5.0M	3.80%	1.90%

- **Estimated revenue: $130M annually** at full implementation. Lower than v6's $180M because the Heritage Property carve-out exempts an estimated 30–40% of properties in the $1M+ band — these are the Montana families the v6 thresholds would have caught unfairly. The remaining revenue comes from the population the tiers are designed to reach: recent non-resident acquisitions and corporate-held high-value property.
- **Phased implementation:** all four tiers effective for tax year 2027. The Department of Revenue is already standing up the Heritage Property classification system for the 2026 tax year; adding the middle tier ($1.0M–$2.5M) to the same administrative rollout does not materially increase implementation burden and accelerates revenue by ~$45M in year one.
- Revenue dedicated by statute to the Schools Lockbox.

Part 3 — Price-triggered oil and gas tax

Montana's 1999 oil and gas tax restructure created an 18-month "holiday" rate of 0.5% on new horizontal wells. This holiday gives away the most productive 18 months of a fracked well's life at a near-zero rate. North Dakota collects the standard rate at high prices and continues to lead the Bakken in production.

- **When WTI > $65/barrel:** standard 9% production tax applies from day one of a new well's production.
- **When WTI ≤ $65/barrel:** existing 0.5% holiday rate applies for the first 18 months. Drilling activity is protected through downturns.
- Price reference: trailing-quarter average WTI.
- Revenue: ~$100M/year when WTI is above $65.
- This is the North Dakota structure, in place since 2015 under both Republican and Democratic governors.
- Revenue dedicated by statute to the Schools Lockbox.

Part 4 — Cap the capital gains tax credit at $1M

Montana's existing capital gains credit is preserved for the first $1M of gains per filer per year — the retiring farmer, rancher, and small business owner population the credit was written for. Above $1M, the credit does not apply.

- The $1M floor is indexed annually for inflation.

- Revenue: ~$90M/year.
- A retiring rancher selling a multi-generational operation for $2M pays the standard credit on the first $1M; pays normal rate on the second.
- A retiring small business owner selling for $800K: fully covered. No change.
- An out-of-state hedge fund manager realizing $20M in gains: pays standard rate on $19M of it.
- Revenue dedicated by statute to the Schools Lockbox.

Part 5 — Short-term rental commercial-use surcharge

Short-term rentals — properties rented for stays of less than 28 days through Airbnb, VRBO, and similar platforms — are commercial lodging, not residential use. Other commercial lodging in Montana is taxed differently from residential property; this part brings STR taxation closer to parity.

- 0.5 percentage point surcharge on any property operating as an STR for more than 60 days in a calendar year, applied on top of the otherwise-applicable rate.
- Registration uses the existing 4% accommodations tax registration list. No new administrative system.
- 60-day floor protects occasional rentals (NFR Finals week, hunting season, etc.).
- **Heritage Property exception:** a property that would otherwise qualify as Montana Heritage Property loses that classification in any year it is operated as an STR more than 60 days. Commercial use is commercial use. The bill is explicit that family heritage protection does not extend to commercial conversion of housing stock.
- Constitutional structure: surcharge is based on commercial use, not on owner residency.
- Revenue: ~$30M/year.
- Revenue dedicated by statute to the Schools Lockbox.

Part 6 — Phase to 100% state funding of the CAMPS Quality Assurance line by FY 2033

Adopts the CAMPS Quality Assurance line — approximately $1.7B at full implementation — as the K-12 funding target. Moves the state share from today's ~65% (of the current BASE budget) to 100% (of the higher CAMPS target) over six years, on a front-loaded curve that delivers most of the increase in the first three years.

The CAMPS distribution formula

Share	Category	Approx. amount
53%	Per-student funding (replaces decrement structure)	$901M
23%	Educator and staff compensation (folds in STARS Act)	$391M

Share	Category	Approx. amount
12%	Unique student needs (special ed, at-risk, English learners)	$204M
12%	School infrastructure	$204M

Within-phase category prioritization

The four CAMPS categories above do not all phase in at the same rate. Families and teachers feel some categories immediately (a raise, a special-ed paraprofessional, a counselor) and others on a multi-year horizon (a new HVAC system, a roof replacement, a building addition). The bill recognizes this and front-loads the categories that families experience directly, while back-loading the categories that can responsibly wait, within the same overall six-year envelope and the same FY 2033 completion date.

CAMPS category	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Educator pay (23%)	85%	**100%**	100%	100%	100%	100%
Student needs (12%)	85%	**100%**	100%	100%	100%	100%
Per-student (53%)	75%	84%	90%	94%	97%	**100%**
Infrastructure (12%)	25%	40%	60%	75%	90%	**100%**

What this means in practice

- **Teachers see real raises in FY 2028.** The STARS Act starting teacher floor is fully funded immediately. Districts can negotiate salary schedule increases in the 2027–28 contract year knowing 85% of the educator pay line will be state-covered, climbing to 100% in FY 2029. This is the single most visible deliverable of the bill and the one most likely to affect retention in rural and small districts where compensation gaps are most severe.
- **Special education, at-risk, and English learner services stabilize in year one.** Districts have, for years, been forced to cut these line items first when budgets get tight because the categorical funding has been chronically inadequate. Front-loading this category means the kids who need the most help see relief in the first two years, not the last two.
- **Per-student funding moves on the headline phase-in track.** Operational funding for districts grows alongside the overall state share — 75% in year one, 90% by year three, 100% by FY 2033. This is the line that replaces the existing decrement structure and equalizes per-pupil funding across districts.
- **Infrastructure phases in more slowly.** 25% in year one growing to 100% by FY 2033. This is the honest trade-off. Buildings can wait in a way that teachers and students cannot. The existing

School Facility Reimbursement program and the QEP / school infrastructure trust remain available for districts with critical capital needs during the phase. The bill should include a $10M/year emergency capital reserve within the Lockbox to ensure no district faces a true facility crisis (failing HVAC, structural concerns, water intrusion) while waiting for full infrastructure phase-in.

Why this ordering, not a different one

The principle is: front-load the categories that families and teachers experience directly month-to-month, back-load the categories that families experience as multi-year capital projects. A parent notices when their kid's English-learner aide is restored. They do not notice an HVAC replacement until it fails. A teacher feels a salary schedule adjustment the next pay period. They do not feel the absence of a building addition the same way. The political mandate from passage of this bill is at its strongest in the first three years; using that mandate to deliver the most visible improvements first — teacher pay and student support — is how the bill earns the public credibility needed to sustain phases four through six.

The total cost over six years is unchanged. The cumulative state cost remains $130M / $245M / $320M / $370M / $410M / $450M. The overall state share of the QA line is unchanged: 75% / 84% / 90% / 94% / 97% / 100%. Only the allocation within each year is reordered.

Six-year front-loaded phase-in

Fiscal year	State share of QA line	Local mills reduced	Cumulative new state cost
FY 2028	75%	~10 mills	$130M
FY 2029	84%	~16 mills	$245M
FY 2030	90%	~22 mills	$320M
FY 2031	94%	~26 mills	$370M
FY 2032	97%	~28 mills	$410M
FY 2033	**100%**	**Eliminated**	**$450M**

Built-in revenue trigger

Each year's phase increase is conditioned on the previous year meeting at least 95% of revenue projection from Parts 2 through 5 and Part 7. If revenue underperforms — a sustained low-WTI environment, a capital markets downturn, a tourism shock — the phase holds at the prior year's level until revenue recovers. Schools never see a cut; the rate of state takeover slows.

The Schools Lockbox

A statutory state special revenue fund into which all Part 2, 3, 4, 5, and 7 revenue flows by statute. Funds in the Lockbox can be spent only on the CAMPS Quality Assurance line. Diverting Lockbox funds to any other purpose requires a 2/3 vote of both houses.

- Optional companion bill: a constitutional referral putting the Lockbox structure on the 2028 ballot for permanent protection. Strongly recommended for this version given the six-year phase-in still extends through two legislative sessions.

Part 7 — Visitor Economy Contribution

Nonresident visitors spent approximately $5 billion in Montana in 2024, a record. They use Montana's roads, search and rescue capacity, emergency services, state parks, and trailheads — infrastructure that Montana taxpayers (and Montana's schools) fund. The existing 4% lodging facility use tax and 4% lodging sales tax both predate the post-2020 visitation surge and were calibrated to a smaller visitor economy. This part modestly increases the visitor contribution to bring it into closer alignment with current visitation, with all revenue dedicated to the Schools Lockbox.

Three components

- **Lodging surcharge of 2 percentage points** added to the existing 4% lodging facility use tax, applied to hotels, motels, resorts, B&Bs, guest ranches, vacation rentals, and short-term rental marketplaces. Total lodging tax burden rises from 8% to 10% — still below Aspen, Park City, Jackson, and most peer destinations. Revenue: ~$20M/year.
- **Rental car surcharge** raised from 4% to 6% on the base rental charge. Affects almost exclusively nonresident travelers. Montana resident rentals for business or temporary need are a small share of the base. Revenue: ~$10M/year.
- **Guided outdoor recreation excise of 3%** on the gross receipts of licensed outfitters and guides for guided hunting, fishing, rafting, hiking, and similar guided trips. Montana resident clients are exempt with proof of Montana driver's license at booking, mirroring the existing nonresident hunting/fishing license structure that has survived Privileges and Immunities review since the 1970s (Baldwin v. Fish & Game Commission, 436 U.S. 371). Revenue: ~$8M/year.

Why this fits the bill's philosophy

- Same principle as Part 2: the market came to Montana. Montana families lending the lake cabin to relatives don't pay. Visitors flying in for a week at Big Sky or a guided float on the Madison do.
- No new administrative system. The lodging surcharge uses the existing Department of Revenue lodging tax collection apparatus. The rental car surcharge uses the existing 4% rental car sales tax infrastructure. The outfitter excise uses the existing Board of Outfitters licensing system.
- Modest enough to remain competitive. Montana's total visitor tax burden stays well below comparable destinations even after these increases.
- Total Part 7 revenue: ~$38M/year. Revenue dedicated by statute to the Schools Lockbox.

What this part does not do

- Does not divert any existing bed tax revenue from tourism marketing, the Heritage Center, or historic preservation. The 2 percentage point surcharge is purely additive. This avoids the political fight that sank SB 90 in 2025 and keeps the Montana tourism industry as a neutral party rather than an opponent.
- Does not create a sales tax. Each component is a use-based excise on a defined activity, not a tax on retail sales. The 4% constitutional sales tax cap is not implicated.
- Does not touch general aviation landing fees, nonresident state park access, or the broader nonresident hunting/fishing license structure — each of which raises separate federal preemption or Privileges and Immunities questions that would slow the bill. These remain available for a future session if Part 7 yields are insufficient.

FY 2027 Bridge

Parts 2 (top tiers), 3, 4, 5, and 7 take effect immediately upon enactment so revenue begins collecting in FY 2027 itself.

Source / use	FY 2027 ($M)	Direction
Pre-existing FY 2027 problem	**−$342**	
Part 2: all four tiers ($1.0M+, non-Heritage), immediate	+$130	New revenue
Part 3: oil/gas tax holiday with price trigger	+$100	New revenue
Part 4: capital gains credit cap at $1M	+$90	New revenue
Part 5: short-term rental surcharge	+$30	New revenue
Part 7: Visitor Economy Contribution (lodging, rental car, outfitter)	+$38	New revenue
Trust land grazing & recreational lease updates	+$25	To Lockbox
Existing Coal Trust residual interest dedicated	$18	Relabeled
BSRF overflow (one-time)	+$50	One-time
FY 2027 Bridge total	**+$481**	
Net FY 2027 position	**+$139**	**Surplus**

FY 2027 closes with a $139M surplus. By statute, this surplus seeds the Schools Lockbox as a dedicated phase-in accelerator reserve — not as passive opening balance. The accelerator reserve is drawn down deliberately over the early phase-in years to push the state share of the CAMPS Quality Assurance line higher, faster, than steady-state revenue alone would support. Combined with full Part 2 implementation (all four tiers) in year one and immediate Part 7 collection, this changes the math underlying the phase-in curve — see Part 6.

Steady state — FY 2033

Source / use	Annual ($M)	Direction
Part 2: four-tier non-homestead, post-Heritage	+$130	To Lockbox
Part 3: price-triggered oil and gas	+$100	To Lockbox
Part 4: capital gains credit cap	+$90	To Lockbox
Part 5: short-term rental surcharge	+$30	To Lockbox
Part 7: Visitor Economy Contribution (lodging, rental car, outfitter)	+$38	To Lockbox
Trust land lease modernization	+$40	To Lockbox
Coal Trust residual interest	$18	To Lockbox
Repurposed school facilities sub-trust	$25	CAMPS infra
95-mill surplus growth	+$120	General fund
General fund growth dedicated to schools	+$80	Direct
H.R. 1 ongoing cost	−$115	Cost
Part 1: $200K homestead exemption	−$90	Cost
Part 6: 100% CAMPS Quality Assurance line	−$450	Cost
NET to General Fund (steady state)	**+$16**	**Small surplus**

Steady state shows a small ($16M) surplus at full implementation. The Visitor Economy Contribution in Part 7 closes the $22M deficit that appeared in earlier versions and leaves a modest buffer. Further cushion is available from:

- **Lockbox cumulative reserves:** six years of early-year surpluses, anchored by the FY 2027 $139M accelerator reserve, build a Lockbox cushion that provides multi-year buffer against any single-year revenue shortfall through and beyond FY 2033.
- **Natural revenue growth:** Part 2 yield grows organically as the non-Heritage second-home market continues to expand. Each year, the population of 10-year-Heritage-qualifying properties shifts — new properties enter the carve-out as existing owners hit the 10-year mark, but recently-acquired non-resident property comes onto the rolls subject to the full tier rates. The Department of Revenue's biennial property valuation will refine this.

- **Fiscal note refinement:** the $130M Part 2 estimate is intentionally conservative. The actual yield could be 10–20% higher depending on the share of $1M+ non-homestead properties that fail to qualify for Heritage status. LFD will refine this estimate during the bill's committee process.

Why both parties can sign this

What Republicans get

- Property tax cut for ~80% of Montana homeowners through the $200K exemption.
- **Montana Heritage Property protection:** the conservative principle that long-established residents should not be taxed out by market forces they didn't create. This carve-out is the single most distinguishing feature of the proposal and the one most likely to win over Republican legislators whose constituents include ranching families, retirees, and multi-generational property holders.
- No sales tax. No income tax rate increase.
- Schools Lockbox is a fiscal-conservative structure.
- Industry continues to receive oil and gas tax holiday in downturns.
- STR surcharge addresses workforce housing displacement in resort communities.
- No Coal Trust principal drawdown.
- Local school boards keep over-Quality-Assurance authority and bonding.

What Democrats get

- Public schools fully state-funded to the CAMPS Quality Assurance level — including teacher pay, unique student needs, and infrastructure.
- Six-year front-loaded phase-in to 100% — faster than the original CAMPS proposal contemplated, with the largest increases in the first three years. Within the phase, teacher pay and unique student needs reach 100% state funding by FY 2029 — teachers see real raises in the first contract cycle after passage.
- Targeted increases on the actual luxury second-home market (recent acquisitions, corporate ownership, non-Heritage property) starting at $1M.
- Higher top-tier rates than prior versions ($5M+ at 3.80%) — possible specifically because Heritage protection makes the rates targetable.
- Capital gains credit reform.
- STR commercial-use surcharge.
- Schools Lockbox protects K-12 funding from future raids.

What both get

- A bill that distinguishes between Montanans-with-appreciated-property and out-of-state luxury market — a distinction every legislator wants to be able to make to constituents.

- FY 2027 closes with a surplus — the structural problem is solved immediately.
- CAMPS coalition (MQEC, MSBA, SAM, MFPE) becomes natural advocacy partner.

Honest weak spots

- **Heritage Property administrative burden:** the new classification requires DOR to verify family ownership chains and Montana residency over 10-year periods. The information exists in existing DOR databases and county deed records, but compiling and verifying it requires Department capacity. The bill should include a $3M one-time appropriation for DOR's implementation and a $1M/year ongoing line for administration.
- **Constitutional challenge by non-resident owners:** the Heritage Property classification will be challenged on Privileges and Immunities grounds. The defense is the facial neutrality of the classification (any continuous Montana-tax-filing owner qualifies, regardless of where they live now). The bill needs extensive findings sections documenting the legitimate state interest in protecting long-established residents from market displacement. Texas and Florida precedents support the structure but do not bind the Montana Supreme Court.
- **Part 7 yield assumptions:** the $38M Part 7 estimate assumes 2024-level visitation continues. A sustained downturn in tourism — from a national recession, fire season closures of Glacier or Yellowstone, or other shocks — would reduce yield and could reopen the steady-state gap. The bill's biennial review should adjust Part 7 rates or thresholds if the gap reappears by FY 2032. Accumulated Lockbox reserves provide more than a decade of cushion in the meantime.
- **Part 3 commodity dependence:** if WTI stays below $65 for a sustained period, $100M of expected revenue does not arrive. The revenue trigger in Part 6 slows the phase-in if this occurs. The FY 2027 $139M accelerator reserve, combined with the front-loaded curve that completes 90% of state-share growth in the first three years, provides substantial cushion if Part 3 underperforms in years 4–6.
- **Definition disputes on "family":** the bill defines qualifying family relationships (parent, child, sibling, grandparent, grandchild) for inheritance handling. Edge cases — step-children, cousins, family LLC transfers — will arise. The bill includes rulemaking authority for DOR to address these without legislative action.
- **Lockbox is statutory, not constitutional:** the 2/3 protection is real but not absolute. The constitutional referral companion bill remains important in this version, because the six-year phase-in still extends through two full legislative sessions.

Implementation

1. 2027 session — Schools First Act introduced as a single bill. Constitutional referral on Schools Lockbox introduced as companion.
2. FY 2027 — Bridge components (Parts 2 all tiers, 3, 4, 5, and 7) generate revenue immediately. FY 2027 closes with a $139M surplus designated as the Schools Lockbox accelerator reserve. DOR

implements Heritage Property classification with a $3M one-time appropriation. CAMPS formula transition year at OPI.

3. FY 2028 — Full CAMPS formula effective. State share of Quality Assurance line reaches 75%. Educator pay and unique student needs lines reach 85% state funding; districts can negotiate full salary schedule increases in 2027–28 contract cycle.
4. FY 2029 — Educator pay and unique student needs lines reach 100% state funding. STARS Act teacher floor fully funded. Special education, at-risk, and English learner services categorically protected.
5. FY 2028–2033 — Six-year front-loaded phase-in proceeds annually, conditioned on 95% revenue performance.
6. FY 2033 — 100% state funding of CAMPS Quality Assurance line achieved.
7. FY 2033 — first six-year review of homestead exemption amount, tier thresholds, Heritage Property parameters (the 10-year requirement, family definitions), price trigger, capital gains floor, and STR threshold.

Closing note

The Montana Heritage Property classification is what separates this bill from a generic "tax the second homes" proposal. It recognizes a truth that every Montana family with long-held property already knows: the market changed around them. The bill targets the actual driver of Montana's property tax problem: the post-2020 surge of out-of-state acquisitions, corporate ownership, and commercial conversion of housing stock. It protects Montana families from being collateral damage in addressing that problem. And it dedicates the resulting revenue, by statute and ideally by constitutional amendment, to the public schools that serve every Montana community.

— end of proposal —