

Montana's big sky views become bigger tax burdens

One region in the northwest fears it's the next Vail, Colo., as celebrities and new money move in, forcing property values up and longtime residents out.



Charles Abell sits in the kitchen of his home on Whitefish Lake in Montana. The assessed value of the house this fall soared from \$553,900 to \$2.64 million. (Kim Murphy / Los Angeles Times)

By Kim Murphy

January 3, 2010

Reporting from Whitefish, Mont. - Charles Abell grew up here in the Flathead Valley in a rustic log cabin his parents built during their honeymoon out on Whitefish Lake. When he married, Abell bought a small house on another part of the lake, leaving the old family cabin for his brother.

He paid \$35,000 for the house in 1967, raised his two boys there, and until lately figured he'd probably die in the same tidy house with the metal awning over the porch, the collection of souvenir spoons and beer steins hanging like sweet memories in the small kitchen.

That was until the tax bill came this fall.

Abell already knew that property values in the Flathead -- a new romping ground for Hollywood celebrities, sports stars and international CEOs -- far exceeded what they were when he graduated from Whitefish High School. His 70-year-old house in the tax appraisal in 2002 was worth a stunning \$553,900, thanks to its location right on the lake.

Now, though, the Montana Department of Revenue says Abell's property is worth \$2.64 million. The old cabin his brother's living in? That one, because it sits on 4 acres, is worth \$4.2 million.

Abell, who recently retired as president of the Whitefish Credit Union at the age of 70, just wrote a check for \$9,200 for this year's property taxes. He expects to owe at least twice that amount every year when the new appraisals take full effect in 2014 -- an obligation that will quickly empty his modest retirement account.

His brother faces an annual tax bill of \$30,462, which exceeds his entire annual income.

Abell can be forgiven if he sometimes feels like roadkill on the highway to the New West.

"There's no relationship between these tax bills and your ability to pay. It's just that we're the beginning of the food chain," said Abell one recent afternoon, sitting in work shirt and suspenders. "They tell us, 'You're sitting on a couple million dollars; why don't you sell it?' But this is where I raised my children. It's not for sale. It's my home."

What is happening in northwest Montana, along with other newly tony areas of the state like Bozeman and the Paradise Valley, has transformed the country since frontier days: New money moves in, older homes get bulldozed.

What has been unsettling in Montana this year has been the speed with which tax bills in the most desirable parts of the state have hit the stratosphere.

Some homeowners around Flathead Lake and the many surrounding waterways have seen valuations -- undertaken by state law every six years -- go up 400%, 600%, even 1,000% over last year's rates.

Most Montanans are getting relatively small property tax increases this year -- some, in declining areas like eastern Montana, are actually seeing their tax bills go down.

But nearly 36,000 property owners have protested hikes in their tax valuations based on the skyrocketing land values that have turned much of western Montana into a real estate gold mine over the last decade.

Across Montana, residential property values are up 54% over the last six years, state officials said.

Northwest Montana, once an outback for hunting, fishing and family trips to Glacier National Park, in recent years has seen celebrities including Kiefer Sutherland, Julia Roberts, John Lithgow, Emilio Estevez and Charlie Sheen drop occasional anchors. Lakers coach Phil Jackson has spent most summers of the last 30 years at his vacation home on Flathead Lake.

Longtime residents say it's not unusual to see three or four old houses along the lake razed and replaced with a massive private lodge. Wine bars, gourmet pizza bistros and boutiques now sit between the saloons at the base of the ski slopes in rustic downtown Whitefish.

"We saw an influx 15 years ago of the Hollywood elite, celebrities and athletes. They sold out and started moving away about seven or eight years ago, and the real money started moving in right after that. The ones that have multiple vacation homes, the investment portfolios," said Scott Williams, regional manager for the Department of Revenue in the Flathead Valley.

Though the out-of-state millionaires probably won't even think about their tax bills, those who have considered the Flathead home for much of their lives now face the prospect of mortgaging to pay the taxes -- if they can -- or moving.

"There's a neighbor of mine, she's close to 90. Her property went from \$540,000 to \$2.1 million. And her tax bill is going from \$5,500 to \$14,200 in 2014," said Arthur Buckley, who inherited an old three-bedroom house on Flathead Lake from his parents and moved there from Chino, Calif., to retire in 1998.

Buckley's house was assessed at \$649,000 in 2002, but its value rose to \$2.8 million with the new appraisals. That means an increase in his taxes from \$6,500 last year to about \$18,400 in 2014. Buckley's only income comes from Social Security and withdrawals from his individual retirement account.

"That's probably 25% of our spendable income," he said.

Many here worry that long-term, year-round residents will disappear, and Whitefish will become another Jackson Hole, Wyo., or Vail, Colo., catering to tourists and part-time homeowners.

"We have a business here. We raised four kids here. What happens to a community when people like us go?" said Debbie Biolo, who also faces a big tax hike. "I'll tell you: You turn into a facade. You turn into a Vail. You turn into one big Disneyland."

There have been widespread calls for a California-style measure like Proposition 13 to limit annual increases, or tie taxes to what owners paid for a property. But six-year reappraisals are mandated by the Montana Constitution, which requires the state to regularly appraise and equalize assessments on property based on market value.

Some homeowners are preparing to gather signatures for a ballot measure to amend the Constitution; others are circulating ideas for a lawsuit.

Going to the Legislature for a quick fix doesn't appear to be an option. Montana's lawmakers meet only once every other year, and after much debate before they recessed last April, they passed a bill that provided only limited taxpayer relief, largely because many residents, especially easterners with shrinking tax bills, have little sympathy for multimillion-dollar property owners in western resort towns.

"It's an east-west battle," said state Sen. Verdell Jackson, whose district straddles the counties of Flathead and Lake.

Democratic Gov. Brian Schweitzer ordered that the new assessments should not result in a windfall for the state. Tax rates were lowered to make sure of that. In addition, the Legislature adopted a mitigation package that provides partial exemptions for homeowners and phases in the tax hikes over six years.

Dan Bucks, director of the Department of Revenue, said the state was also beginning to implement programs that would help low- and middle-income taxpayers and senior citizens on their property taxes.

"The full effect of these programs has not yet been seen," Bucks said.

State officials are quick to point out that Montana, which also gets revenue from robust oil and gas development, has weathered the economic downturn with far less turmoil than most other states. And even some of the most vocal foes of the new tax reappraisals say they don't want to follow blindly in the footsteps of California, whose property tax rollbacks have been singled out as one of the culprits in the state's current fiscal crisis.

But even if additional aid does come, for some it may be too late.

"People have already been selling their homes because they can't afford to pay the taxes, and that has been happening since the assessments in 2002," said California transplant Dudley Mahler, who moved from Woodland Hills to Whitefish in 1995 and saw his appraisal go up this year from \$331,875 to \$2.39 million.

His taxes will increase from \$5,616 to \$13,996.

"What we're faced with is making a decision. I could probably pay it. I can manage it," Mahler said. "But I'm not sure I want to. If you're living in a state that doesn't care about their people, and are

willing to force out the longtime homeowners, is this really where you want to be?"

kim.murphy@latimes.com

Copyright © 2010, The Los Angeles Times