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INVESTOR GUIDE | BILLINGS, MONTANA

Before You Buy a Billings Short-Term Rental

The permits, the taxes and the numbers to run before you rent a Billings property by the night, and how it compares with a 30-day furnished rental or a standard lease on the same house.



Gene Hauck

Real Estate Broker, REALTOR® | The Morales Group at Engel & Völkers Billings
406-861-4844 | gene.hauck@engelvoelkers.com | ghmtrealestate.com

START HERE

The short answer

A short-term rental in Billings is a small lodging business. It needs a city permit and business license, it collects an 8% state lodging tax, and in 2026 it is generally taxed as non-qualifying residential property instead of at the reduced homestead or long-term rental rate.

None of that makes a short-term rental a bad investment. It means the nightly numbers have to clear a higher bar than the listing photos suggest. The test I use is simple: **does this property earn more by the night than it would as a 30-day furnished rental or a standard lease, after the extra costs, taxes and risk?** If the answer depends on summer occupancy holding all year, it is not a yes.

This guide walks through the five decisions in the order I work through them with investors.

01	Is it allowed at this address?	City permit type, HOA covenants, occupancy and parking rules, state lodging license.
02	What taxes change the math?	Lodging tax, the 2026 property tax classification, and the income tax questions for your CPA.
03	Which way does the house earn more?	A three-way worksheet (nightly, 30-day, standard lease), break-even occupancy, and the formulas that matter.
04	Does the property fit the stay?	Who books stays in Billings, the objective features that support them, and the 30-day furnished option that avoids the permit and lodging tax.
05	Can you run it legally and lean?	Local contact, required postings, insurance, management and records.

What this guide is not

It is general education, not legal, tax or insurance advice. Rules and fees change. Every rule here links to its source on the last page, with the date I checked it. Confirm the current version for your specific parcel before you write an offer.

STEP 01

Is it allowed at this address?

Inside the City of Billings and the Yellowstone County zoning area the city administers, any residential stay of fewer than 30 days needs a Short-Term Rental Permit and a City business license, both renewed every year.

Guest home

The owner or a long-term tenant lives on site, for example renting a basement unit or a spare suite.

Tourist home

An unoccupied dwelling rented as a whole. This is the typical "buy it to Airbnb it" property.

The city's eligibility rules

- ☐ **No covenant or HOA restriction.** The location cannot be restricted by private covenants or HOA rules. Read the recorded covenants before you write an offer, not after.
- ☐ **Not deed-restricted affordable housing.**
- ☐ **Habitable living space only.** Not a garage, shed, RV, tent or commercial building.
- ☐ **Occupancy:** a maximum of 2 guests per bedroom.
- ☐ **Parking:** the driveway first, then street parking where allowed. No parking on the lawn.
- ☐ **Local contact:** a person, not a company, reachable 24 hours a day. The property itself may be owned by an LLC.
- ☐ **No parties or large gatherings.** City quiet hours run 8 pm to 7 am.

\$300 + \$55

STR permit plus a first-time City business license, as reported by KTVQ in February 2025. The 2025 application no longer prints a fee. Call the Planning Division at 406-657-8247 to confirm the current amount.

300+

Unpermitted short-term rentals the city identified in early 2025, using software that scans listing sites. Owners got 60 days to comply. Citations start at \$300, and each day can count as a separate offense, up to \$500.

State lodging license

Montana's public accommodation law (MCA Title 50, Chapter 51) defines a "tourist home" as a whole home not occupied by the owner or a manager, rented to transient guests by the day or week, and requires an annual state license validated by the local health officer. Ask RiverStone Health how it applies to your unit. Outside the city's zoning area, including Laurel, Columbus and other towns, check that jurisdiction's rules separately.

STEP 02

The taxes that change the math

Two Montana taxes separate a short-term rental from a long-term rental on the same house. The second one is the easiest to miss.

1. Lodging tax: 8%

Montana charges a 4% lodging facility use tax and a 4% lodging sales tax on vacation rentals of fewer than 30 continuous days. Under Senate Bill 52 (2021), Airbnb, Vrbo and similar platforms collect and remit it on the bookings they process. **You still owe it on any direct booking**, which means registering each unit with the Department of Revenue and filing quarterly.

2. Property tax classification

Since 2026, Montana taxes homesteads and qualifying long-term rentals at tiered rates. A long-term rental qualifies when it is rented in periods of at least 28 days for at least seven months of the year, and the tenant lives there as a residence. A nightly rental cannot meet that test, and a home you do not live in for seven months is non-qualifying residential property.

2026 RATE THAT CONVERTS MARKET VALUE TO TAXABLE VALUE	HOMESTEAD OR LONG-TERM RENTAL	NON-QUALIFYING
First \$378,000 of value	0.76%	1.90%
\$378,001 to \$756,000	0.90%	1.90%
\$756,001 to \$1,511,999	1.10%	1.90%
Over \$1,512,000	1.90%	1.90%

2.5x

On a home assessed at \$378,000, taxable value is \$2,873 at the long-term rental rate and \$7,182 at the non-qualifying rate. The same local mill levy then applies to a number 2.5 times larger. Ask the Yellowstone County Treasurer for the current tax bill and recalculate it, because a seller's bill may reflect a reduced rate you will not get.

3. Income tax questions for your CPA

- If the average guest stay is 7 days or less, the IRS may not treat the activity as a "rental activity" under the passive loss rules. How does that apply to me, and what participation would I need to document?
- If I also use the property personally, how do the personal-use day limits apply?
- Should the property be held in an LLC, and what would that do to the long-term rental tax rate if I later switch strategies?



— HOW I UNDERWRITE

Don't make the numbers work.
Determine whether the numbers
work.

STEP 03

Which way does the house earn more?

Run the same house three ways, with annual figures from real quotes. If you only run the nightly column, you have no way to know whether the extra work is paying you.

ANNUAL LINE ITEM	NIGHTLY	30-DAY FURNISHED	STANDARD LEASE
Gross rent (nights booked x average nightly rate, or 12 x monthly rent)			
Less vacancy and seasonality (use a full year, not peak summer)			
Platform fees			n/a
Cleaning and laundry per turnover			n/a
Supplies, restocking and guest replacements			n/a
Utilities, internet and streaming (owner paid)			
Management (get two written quotes for each model)			
Property tax at the correct classification (Step 02)			
Insurance written for the actual use			
Permit, business license and state lodging license		n/a	n/a
Repairs and capital reserves (roof, mechanicals, furniture)			
Net operating income (NOI)			
Furnishing and setup cost (one time, add to cash invested)			n/a

The formulas that matter

NOI = income after vacancy minus operating expenses, before the mortgage.

Cap rate = $\text{NOI} \div \text{purchase price}$.

Cash-on-cash = $(\text{NOI minus annual mortgage payments}) \div \text{total cash you put in, including furnishings}$.

A common template error

Many STR handouts calculate "ROI" as NOI divided by the mortgage balance. That measures nothing useful. A larger loan makes the number look worse and a cash purchase makes it impossible to calculate. Use cap rate to compare properties and cash-on-cash to judge your own return.

STEP 03, CONTINUED

Find your break-even occupancy

A useful single number for a short-term rental is how many nights a year you must book just to cover the fixed costs and the mortgage.

Break-even nights = (annual fixed costs + annual mortgage payments) ÷ (average nightly rate minus per-night costs)

Fixed costs are the items you pay whether or not anyone books: property tax, insurance, utilities, internet, permits and reserves. Per-night costs are cleaning, supplies and platform fees spread across each booked night.

273 nights

Example only, not Billings data. If fixed costs plus the mortgage total \$30,000 a year and each booked night nets \$110 after cleaning and fees, you need 273 booked nights, about 75% occupancy, before the property earns anything.

Compare your break-even to the occupancy a full year of comparable Billings listings actually shows, not a projection. If break-even sits close to the realistic number, the deal depends on everything going right.

The rules I hold every investment to

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|----|------------------------------------|--|
| 01 | Determine whether the numbers work | Do not adjust the assumptions until a property pencils. Start conservative and see what survives. |
| 02 | Separate three revenue numbers | What the property earns today, what comparable properties actually earn, and what a seller or software projects. Only the first two belong in the offer price. |
| 03 | Plan the exit before the entry | If the permit is lost, the HOA changes its rules or demand softens, does the house still work as a long-term rental or a resale at your purchase price? |
| 04 | End with a decision | Every review ends in one of four calls with a written reason: pursue, revise the terms, monitor, or pass. |



STEP 04

Does the property fit the stay?

Billings is not a resort town, so demand comes from reasons people need to be here. Match the property to the reason for the trip, not to a guest profile.

Medical stays

Billings Clinic and Intermountain Health St. Vincent Regional Hospital draw traveling medical staff, patients and their families from across the region. Check drive times to each campus.

Work and relocation

Contract workers, people interviewing, and families between homes while they buy. Many of these stays run weeks, not nights.

Events and travel

MetraPark events, youth tournaments, and road trips through Billings toward Yellowstone and the Beartooth Highway.

Visiting family

Holidays, weddings and reunions, often a larger group needing several bedrooms under the 2-per-bedroom limit.

Objective features to check

- ☐ Bedroom count supports the group size you are underwriting (2 guests per bedroom)
- ☐ Driveway or off-street parking for the expected number of vehicles
- ☐ In-unit laundry and a full kitchen for multi-night stays
- ☐ Layout that allows separate sleeping areas and a dedicated workspace
- ☐ Recorded covenants and HOA rules that do not prohibit rentals under 30 days
- ☐ Condition that will not turn every turnover into a repair call

Many of these stays are weeks, not nights

Medical, contract-work and relocation stays often run a month or longer. That is why the next page compares a nightly rental with a 30-day furnished rental, the strategy I help investors buy for.

STEP 04, CONTINUED

The 30-day furnished option

A furnished rental with a 30-day minimum serves many of the same guests as a nightly rental, under a different set of rules. For a lot of Billings properties, it is the strategy worth underwriting first.

RULE	NIGHTLY (UNDER 30 DAYS)	30-DAY FURNISHED	STANDARD LEASE
City STR permit and business license	Required inside the city's zoning area	Not required; the permit covers stays under 30 days	Not required
8% state lodging tax	Applies	Exempt when rented 30 continuous days or more to the same guest	Does not apply
2026 property tax rate	Non-qualifying, 1.90%	May qualify for the reduced long-term rental rate if rented in periods of 28+ days for at least 7 months a year to tenants living there as a residence	Qualifies when the requirements are met
Turnovers a year	Many	Up to about 12	About 1
Furnishing	Required	Required	Not required
HOA or covenants	Must allow stays under 30 days	Check minimum lease terms	Check rental rules

What to confirm before you rely on it

- Ask the Department of Revenue whether your rental pattern meets the long-term rental test, including the requirement that tenants occupy the home as a residence, and enroll by March 1 for the next tax year.
- A 30-day stay is usually a tenancy, not a hotel stay. Use a written lease, and ask an attorney how Montana landlord-tenant law applies to furnished monthly rentals.
- Ask your lender and insurance agent about furnished monthly rentals specifically. They are not always treated like either a nightly rental or a standard lease.

Who books 30 days in Billings

Traveling medical staff, contract workers, people between homes during a move, and families staying near a hospital for treatment. Plan the furnishing, parking and workspace around stays of a month or longer.

STEP 05

Run it legally and lean

- ☐ **Post the required information in each unit:** 911, Poison Control, the local contact, the City STR permit number, parking instructions, trash instructions and city quiet hours.
- ☐ **Install the required safety equipment:** smoke detectors in each sleeping room and hallway, a fire extinguisher and carbon monoxide detection.
- ☐ **Insure the actual use.** Ask your agent in writing whether the policy covers paying guests. A standard homeowner's policy may not.
- ☐ **Price management both ways.** Short-term and long-term management are different services with different fees. Get two written quotes for each.
- ☐ **Keep records from day one:** booking dates, stay lengths, hours you work on the property and direct-booking tax filings. Your CPA will need them.
- ☐ **Renew on schedule.** The permit and business license renew annually and separately.

Seven mistakes I see investors make

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|----|-----------------------------|---|
| 01 | Skipping the covenants | An HOA or covenant restriction makes the property ineligible for a permit, no matter what the listing says. |
| 02 | Paying for a projection | Software and seller estimates are a starting point, not a price justification. |
| 03 | Underwriting on summer | Use a full 12 months of comparable bookings. |
| 04 | Using the seller's tax bill | It may reflect a homestead or long-term rental rate that ends when you change the use. |
| 05 | Leaving out furnishing | Furniture, linens and setup are part of the cash you invest. |
| 06 | Operating without a permit | The city scans listing sites, and each day can be a separate violation. |
| 07 | No fallback plan | Know the 30-day, long-term and resale value before you buy. |

WORKSHEET

Questions to answer before you write an offer

The seller

- ☐ Is the property permitted now? What is the permit number?
- ☐ 12 months of booking history, by month, from the platform
- ☐ Actual operating costs, not estimates
- ☐ What furniture and supplies convey?
- ☐ Current tax bill and classification

The HOA or covenants

- ☐ Are rentals under 30 days allowed?
- ☐ Minimum lease terms or rental caps?
- ☐ Pending rule changes or votes?
- ☐ Parking and guest rules

Your lender

- ☐ Which loan type fits: second home, investment or DSCR?
- ☐ How do you count short-term income?
- ☐ What reserves do you require?
- ☐ Any restriction on renting the property nightly?

Your insurance agent

- ☐ Does this policy cover paying guests?
- ☐ Liability limit for guest injury
- ☐ Loss of income coverage
- ☐ Premium as an STR vs a long-term rental

Your CPA

- ☐ Average stay and participation rules
- ☐ Ownership structure and the property tax effect
- ☐ Depreciation on the building and furnishings

The city and state

- ☐ Zoning and permit eligibility for this parcel (406-657-8247)
- ☐ Current permit and license fees
- ☐ State tourist home license (RiverStone Health)
- ☐ Lodging tax registration for direct bookings

NEXT STEP

How I help Billings investors

I help investors buy Billings properties for 30-day furnished and long-term rental strategies, and most of that work is pressure-testing a property before you commit. If you are considering nightly rentals, I will run that case too and tell you plainly when it only works on paper.

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| 01 | Both columns, one property | I run the nightly, 30-day and standard-lease cases side by side with conservative vacancy and complete costs. |
| 02 | Eligibility before emotion | I check covenants, HOA rules and the permit path before you spend money on inspections. |
| 03 | A plan B on day one | We confirm the property still works as a 30-day or long-term rental, or a resale, if the first plan changes. |
| 04 | Remote investors | I work with investors who are not in Billings, with the strategy, financing and decision rules set up front. |

Have a Billings property in mind?

Book an investor strategy session and bring the address. We will run it as a nightly, 30-day and long-term rental and decide together whether to pursue, revise, monitor or pass.

[BOOK AN INVESTOR STRATEGY SESSION](#)

For the full buy box, opportunity scorecard and diligence checklists I use on every deal, see the [Billings Real Estate Investor Playbook](#).



Gene Hauck

Real Estate Broker, REALTOR®

The Morales Group at Engel & Völkers Billings

406-861-4844 | gene.hauck@engelvoelkers.com

1921 1st Ave N, Billings, MT 59101

Montana license RRE-BRO-LIC-135399

SOURCES

Where every rule comes from

Sources were rechecked on October 27, 2026 unless noted. Fees and rules change, so confirm with the source before you act.

City permit rules, permit types, occupancy, parking, local contact, postings, safety equipment, quiet hours. City of Billings, Short Term Rental Permit Application (2025), Planning Division, 316 N 26th St, 406-657-8247. billingsmt.gov/DocumentCenter/View/44976 (checked October 19, 2026; the city site did not load on October 27).

Permit and license fees, 300+ unpermitted rentals, enforcement, penalties, local contact must be a person, property may be owned by an LLC or corporation. KTVQ, "Billings city officials ask short-term rental owners to come into permit compliance," February 24, 2025. ktvq.com

State tourist home definition and annual license. Montana Code Annotated 50-51-102(12) and 50-51-201. mca.legmt.gov

8% lodging tax, exemption for 30 continuous days to the same guest, platform collection under SB 52 (2021), unit registration, quarterly filing. Montana Department of Revenue, Lodging Facility Sales and Use Tax Guide (4% use tax plus 4% sales tax; quarterly returns). revenue.mt.gov

2026 tiered homestead and long-term rental rates. Montana Department of Revenue, Tax Relief for Homesteads and Long-term Rentals. revenue.mt.gov/property/property-tax-changes/homesteads-and-long-term-rentals

1.90% non-qualifying rate, seven-month primary residence rule. Montana Department of Revenue, 2026 Homestead Reduced Tax Rate FAQs. revenue.mt.gov/property/property-tax-changes/homestead-faq

Long-term rental test (28-day periods, seven months, tenant's residence), 2027 enrollment by March 1, 2027. Montana Department of Revenue, 2026 Long-Term Rental Tax Rate Reduction FAQs. revenue.mt.gov/property/property-tax-changes/rental-faqs

Average stay of 7 days or less and the passive activity rules; personal-use days. Treasury Regulation 1.469-1T(e)(3)(ii)(A) and Internal Revenue Code Section 280A. Discuss with a CPA.

Worked examples. The property tax example uses the published 2026 rates. The break-even example uses illustrative numbers and is not Billings market data.

This guide is general educational information, not legal, tax, accounting, insurance, lending or property-management advice. Verify independently and consult qualified professionals before investing. Gene Hauck is a Real Estate Broker, REALTOR®, with The Morales Group at Engel & Völkers Billings, 1921 1st Ave N, Billings, MT 59101, Montana license RRE-BRO-LIC-135399. Equal Housing Opportunity.