



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

Room 110 Capitol Building * P.O. Box 201711 * Helena, MT 59620-1711 * (406) 444-2986 * FAX (406) 444-3036

Director
AMY CARLSON

DATE: September 13, 2018

TO: Joint Subcommittee on the Changing Economy and Impacts to the Long-Term Viability of Montana's Tax Structure

FROM: Stephanie Morrison

RE: Comparison of State Tax Revenues with Estimate of Montana General Sales Tax

This memo is in response to an individual committee member request for a comparison of state tax revenue sources and estimate of the revenue impact of a general sales tax with specific limitations. All original materials are available online at [Taxes & the Changing Economy](#).

State Comparison

Most states' primary sources of revenue are individual income tax, property tax, and general sales tax—often referred to as the “three-legged stool.”

The table below shows the three-legged stool as a share of total state revenue excluding fuel taxes for all states since FY 2000. The data is from the U.S. Census Bureau Annual Survey of State Government Tax Collections (2000-2017). For all states combined, the three-legged stool accounts for about three-quarters of all revenue excluding fuel taxes. The ratio is highlighted below if it is less than 60%. Montana is among a small group of states in which the three-legged stool is consistently below 60% of total tax revenue excluding fuel taxes.

| Individual Income, Property, and General Sales Taxes as a Share of State Revenue Excluding Fuel Taxes | | | | | | | | | | | | | | | | | | |
|---|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Name | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| State Average | 75% | 75% | 75% | 73% | 73% | 72% | 72% | 72% | 72% | 72% | 71% | 71% | 72% | 72% | 72% | 73% | 74% | 74% |
| Alabama | 67% | 69% | 66% | 68% | 67% | 67% | 66% | 67% | 66% | 65% | 64% | 65% | 66% | 67% | 68% | 67% | 68% | 68% |
| Alaska | 3% | 3% | 5% | 5% | 4% | 2% | 2% | 2% | 1% | 2% | 3% | 3% | 3% | 2% | 4% | 10% | 13% | 11% |
| Arizona | 83% | 83% | 85% | 84% | 82% | 82% | 83% | 83% | 81% | 80% | 82% | 83% | 83% | 84% | 84% | 83% | 83% | 84% |
| Arkansas | 82% | 83% | 83% | 84% | 85% | 82% | 82% | 82% | 83% | 82% | 79% | 80% | 80% | 80% | 80% | 79% | 80% | 81% |
| California | 82% | 83% | 79% | 78% | 79% | 79% | 79% | 79% | 79% | 77% | 79% | 77% | 81% | 80% | 81% | 82% | 82% | 81% |
| Colorado | 84% | 84% | 85% | 84% | 82% | 82% | 80% | 82% | 82% | 81% | 77% | 76% | 75% | 75% | 74% | 76% | 75% | 78% |
| Connecticut | 77% | 78% | 78% | 74% | 76% | 75% | 75% | 73% | 77% | 76% | 75% | 75% | 74% | 75% | 76% | 78% | 76% | 77% |
| Delaware | 36% | 36% | 35% | 35% | 35% | 36% | 37% | 37% | 36% | 34% | 32% | 37% | 36% | 35% | 34% | 34% | 33% | 34% |
| Florida | 68% | 66% | 63% | 61% | 61% | 61% | 61% | 63% | 64% | 64% | 62% | 63% | 63% | 64% | 63% | 63% | 64% | 68% |
| Georgia | 86% | 87% | 87% | 87% | 86% | 86% | 86% | 86% | 86% | 87% | 86% | 85% | 86% | 84% | 84% | 84% | 85% | 86% |
| Hawaii | 80% | 80% | 81% | 81% | 82% | 81% | 81% | 82% | 82% | 82% | 81% | 79% | 78% | 78% | 77% | 78% | 78% | 77% |
| Idaho | 79% | 77% | 80% | 79% | 80% | 80% | 79% | 81% | 82% | 81% | 81% | 78% | 78% | 78% | 79% | 79% | 80% | 80% |
| Illinois | 66% | 64% | 67% | 67% | 64% | 61% | 62% | 60% | 64% | 64% | 62% | 65% | 68% | 66% | 67% | 67% | 67% | 67% |
| Indiana | 78% | 78% | 78% | 75% | 77% | 77% | 76% | 75% | 74% | 75% | 75% | 76% | 74% | 73% | 73% | 75% | 75% | 76% |
| Iowa | 75% | 76% | 75% | 74% | 75% | 74% | 74% | 74% | 73% | 75% | 75% | 75% | 74% | 75% | 76% | 75% | 76% | 76% |
| Kansas | 81% | 82% | 84% | 81% | 80% | 79% | 79% | 78% | 79% | 80% | 81% | 83% | 83% | 82% | 81% | 80% | 81% | 81% |
| Kentucky | 73% | 72% | 72% | 72% | 72% | 71% | 67% | 68% | 73% | 73% | 73% | 72% | 72% | 73% | 73% | 74% | 75% | 77% |
| Louisiana | 62% | 63% | 61% | 64% | 68% | 66% | 66% | 65% | 64% | 62% | 60% | 64% | 63% | 65% | 63% | 66% | 69% | 69% |
| Maine | 79% | 82% | 80% | 79% | 77% | 76% | 73% | 74% | 75% | 74% | 72% | 72% | 72% | 72% | 73% | 75% | 76% | 76% |
| Maryland | 76% | 76% | 76% | 75% | 74% | 72% | 73% | 75% | 76% | 76% | 74% | 74% | 73% | 72% | 70% | 71% | 69% | 70% |
| Massachusetts | 81% | 82% | 82% | 79% | 78% | 78% | 77% | 77% | 78% | 76% | 76% | 77% | 77% | 78% | 77% | 77% | 77% | 78% |
| Michigan | 76% | 77% | 76% | 77% | 75% | 73% | 73% | 73% | 74% | 78% | 78% | 79% | 77% | 77% | 77% | 77% | 77% | 76% |
| Minnesota | 73% | 75% | 75% | 74% | 74% | 73% | 72% | 72% | 74% | 73% | 71% | 71% | 70% | 70% | 71% | 71% | 71% | 72% |
| Mississippi | 78% | 77% | 77% | 76% | 77% | 76% | 78% | 76% | 75% | 75% | 72% | 72% | 70% | 71% | 70% | 70% | 71% | 73% |
| Missouri | 81% | 81% | 81% | 80% | 80% | 80% | 81% | 82% | 82% | 82% | 81% | 80% | 82% | 82% | 82% | 82% | 83% | 83% |
| Montana | 60% | 58% | 56% | 56% | 55% | 53% | 50% | 49% | 48% | 48% | 49% | 50% | 51% | 54% | 54% | 55% | 60% | 59% |
| Nebraska | 82% | 82% | 83% | 84% | 83% | 83% | 81% | 83% | 83% | 84% | 83% | 85% | 84% | 85% | 85% | 85% | 84% | 86% |
| Nevada | 59% | 60% | 59% | 60% | 54% | 57% | 57% | 57% | 56% | 55% | 53% | 54% | 57% | 58% | 60% | 60% | 59% | 61% |
| New Hampshire | 34% | 33% | 32% | 31% | 29% | 24% | 24% | 24% | 24% | 25% | 22% | 23% | 22% | 23% | 22% | 21% | 20% | 20% |
| New Jersey | 72% | 73% | 72% | 65% | 67% | 68% | 67% | 70% | 72% | 71% | 72% | 70% | 71% | 72% | 72% | 72% | 73% | 74% |
| New Mexico | 69% | 66% | 69% | 69% | 66% | 63% | 60% | 60% | 64% | 63% | 66% | 65% | 62% | 64% | 63% | 65% | 68% | 66% |
| New York | 77% | 79% | 80% | 76% | 77% | 77% | 74% | 73% | 75% | 76% | 73% | 72% | 72% | 73% | 74% | 74% | 75% | 75% |
| North Carolina | 74% | 76% | 77% | 76% | 76% | 75% | 76% | 75% | 77% | 76% | 75% | 77% | 77% | 76% | 75% | 78% | 79% | 79% |
| North Dakota | 50% | 53% | 53% | 53% | 52% | 51% | 47% | 49% | 39% | 43% | 36% | 43% | 40% | 38% | 31% | 35% | 39% | 37% |
| Ohio | 80% | 80% | 79% | 77% | 79% | 79% | 73% | 73% | 73% | 71% | 69% | 71% | 71% | 72% | 74% | 79% | 76% | 77% |
| Oklahoma | 66% | 64% | 68% | 65% | 65% | 64% | 61% | 61% | 61% | 61% | 63% | 62% | 62% | 64% | 65% | 68% | 69% | 69% |
| Oregon | 75% | 80% | 78% | 77% | 75% | 77% | 76% | 77% | 71% | 77% | 70% | 73% | 71% | 73% | 73% | 73% | 73% | 74% |
| Pennsylvania | 64% | 69% | 69% | 67% | 64% | 65% | 65% | 65% | 64% | 65% | 62% | 62% | 63% | 63% | 64% | 64% | 64% | 65% |
| Rhode Island | 76% | 77% | 78% | 75% | 75% | 74% | 72% | 75% | 74% | 72% | 70% | 71% | 69% | 69% | 70% | 71% | 70% | 70% |
| South Carolina | 82% | 83% | 83% | 82% | 82% | 82% | 82% | 79% | 81% | 80% | 80% | 80% | 80% | 80% | 81% | 81% | 80% | 81% |
| South Dakota | 61% | 60% | 61% | 61% | 63% | 63% | 64% | 62% | 61% | 62% | 62% | 65% | 61% | 61% | 62% | 64% | 62% | 65% |
| Tennessee | 67% | 67% | 69% | 69% | 69% | 68% | 68% | 67% | 67% | 68% | 65% | 60% | 58% | 57% | 59% | 58% | 59% | 58% |
| Texas | 57% | 55% | 56% | 55% | 56% | 55% | 54% | 55% | 51% | 54% | 54% | 54% | 65% | 64% | 62% | 65% | 66% | 65% |
| Utah | 84% | 85% | 87% | 84% | 84% | 84% | 82% | 79% | 80% | 80% | 77% | 81% | 80% | 80% | 79% | 80% | 82% | 84% |
| Vermont | 74% | 72% | 70% | 70% | 68% | 72% | 73% | 73% | 72% | 73% | 72% | 71% | 71% | 71% | 70% | 71% | 72% | 71% |
| Virginia | 79% | 81% | 80% | 78% | 78% | 76% | 76% | 78% | 79% | 80% | 79% | 79% | 80% | 80% | 79% | 80% | 80% | 80% |
| Washington | 80% | 79% | 79% | 78% | 77% | 77% | 76% | 76% | 78% | 78% | 77% | 77% | 76% | 74% | 75% | 75% | 75% | 75% |
| West Virginia | 61% | 61% | 62% | 62% | 61% | 57% | 57% | 58% | 59% | 61% | 61% | 60% | 62% | 61% | 61% | 63% | 66% | 67% |
| Wisconsin | 82% | 81% | 81% | 81% | 79% | 79% | 79% | 79% | 78% | 76% | 74% | 74% | 75% | 76% | 75% | 76% | 77% | 77% |
| Wyoming | 53% | 49% | 58% | 49% | 42% | 42% | 41% | 49% | 54% | 47% | 56% | 43% | 48% | 49% | 49% | 50% | 55% | 56% |

General Sales Tax Estimate

The Legislative Fiscal Division used the sales tax model developed and maintained by the Department of Revenue. The model is excel-based and available for sharing if interested legislators wish to compare alternative scenarios.

The table on the next page shows the potential revenue generated by a 1% sales tax on retail sales; arts, entertainment, and recreation; and accommodations and food services. Grocery and pharmacy sales are excluded. Starting in FY 2020, a 1% general sales tax is estimated to produce about \$200 million per year.

General Sales Tax Revenue Estimate

| Industry Sector | Taxable | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|---|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Agriculture, forestry, fishing & hunting | <input type="checkbox"/> | - | - | - | - | - | - |
| Mining | <input type="checkbox"/> | - | - | - | - | - | - |
| Utilities | <input type="checkbox"/> | - | - | - | - | - | - |
| Construction | <input type="checkbox"/> | - | - | - | - | - | - |
| Manufacturing | <input type="checkbox"/> | - | - | - | - | - | - |
| Wholesale Trade | <input type="checkbox"/> | - | - | - | - | - | - |
| Retail Trade | <input checked="" type="checkbox"/> | 146,349,435 | 151,383,390 | 156,549,622 | 162,651,151 | 169,457,935 | 176,652,362 |
| Transportation & Warehousing | <input type="checkbox"/> | - | - | - | - | - | - |
| Information & Data Processing Services | <input type="checkbox"/> | - | - | - | - | - | - |
| Finance & Insurance Services & Activities | <input type="checkbox"/> | - | - | - | - | - | - |
| Real Estate & Rental & Leasing | <input type="checkbox"/> | - | - | - | - | - | - |
| Professional, Scientific & Technical Services | <input type="checkbox"/> | - | - | - | - | - | - |
| Admin., Support, Waste Mgmt & Rem. Services | <input type="checkbox"/> | - | - | - | - | - | - |
| Educational Services | <input type="checkbox"/> | - | - | - | - | - | - |
| Health Care & Social Assistance | <input type="checkbox"/> | - | - | - | - | - | - |
| Arts, Entertainment, & Recreation | <input checked="" type="checkbox"/> | 12,438,897 | 13,148,953 | 13,923,985 | 14,631,958 | 15,302,862 | 15,990,955 |
| Accommodations & Food Services | <input checked="" type="checkbox"/> | 37,740,642 | 39,637,468 | 41,492,170 | 43,366,505 | 45,293,817 | 47,269,000 |
| Other Services (except Public Administration) | <input type="checkbox"/> | - | - | - | - | - | - |
| Potential Tax Revenue | | \$196,528,974 | \$204,169,811 | \$211,965,777 | \$220,649,614 | \$230,054,614 | \$239,912,316 |

Tax Rate 1.0%

Notes:

Does not include groceries or pharmacies