

Summary of Inflation Impacts

Revenue Impact if Inflation Adjustment is Implemented					
(\$ Millions)					
	Effective Date	FY 2020	FY 2021	FY 2022	FY 2023
General Fund					
Corporation Tax Minimum	1/1/2020			\$2.796	2.882
Driver's License Fee	7/1/2019	\$1.462	\$1.298	1.479	1.313
Investment License Fee	7/1/2019	10.565	10.326	10.082	9.796
Light Vehicle Registration	7/1/2019	17.817	18.016	18.340	18.670
Electrical Energy Tax	7/1/2019	14.142	14.431	14.431	14.431
Wholesale Energy Trans. Tax	7/1/2019	1.591	1.600	1.600	1.600
Beer Tax	7/1/2019	3.716	3.710	3.706	3.703
Cigarette Tax	7/1/2019	6.120	6.092	6.055	6.019
Tobacco Tax	7/1/2019	1.135	1.147	1.162	1.177
Wine Tax	7/1/2019	<u>3.465</u>	<u>3.562</u>	<u>3.676</u>	<u>3.793</u>
General Fund Total		60.014	60.182	63.328	63.385
State Special Revenue					
Driver's License Fee	7/1/2019	\$0.347	\$0.307	\$0.351	0.310
Beer Tax	7/1/2019	1.246	1.244	1.242	1.241
Cigarette Tax	7/1/2019	8.236	8.191	8.142	8.093
Tobacco Tax	7/1/2019	1.264	1.277	1.294	1.310
Wine Tax	7/1/2019	<u>1.676</u>	<u>1.722</u>	<u>1.777</u>	<u>1.834</u>
State Special Revenue Total		12.769	12.741	12.806	12.790
Total Impact		\$72.783	\$72.924	\$76.135	\$76.174

Tax Rates

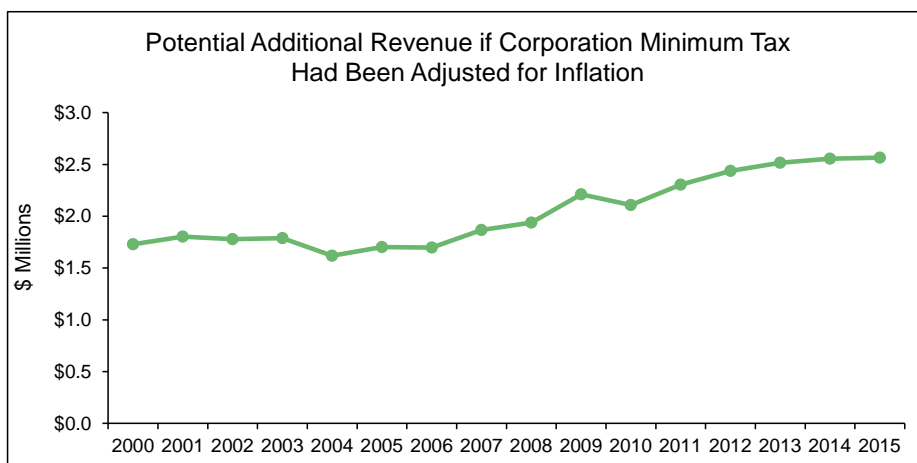
In Montana, corporations must pay a minimum tax of \$50 for the privilege of doing business in the state. In calendar year 2015, which is the most recent available data, 9,585 corporations paid the minimum tax; on average, about 58% of corporations pay the minimum tax. The minimum tax of \$50 was established in 1969.

Current minimum tax: \$50
 Last rate change: 1969
 2018 inflation factor: 6.80
 Inflation adjusted rate: \$340

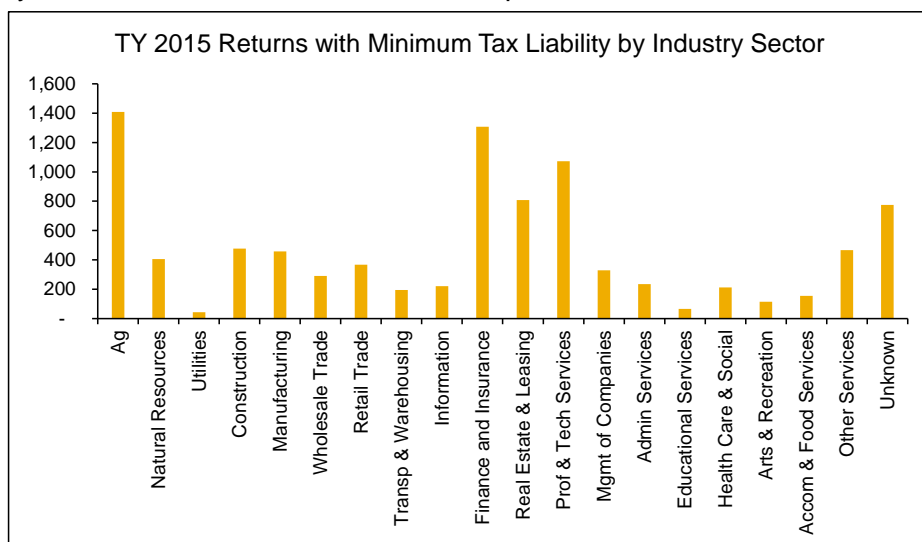
Potential Fiscal Impact

Assuming that the number of corporate filers who pay the minimum tax would remain unchanged, adjusting the minimum tax for inflation effective for tax years 2020 and beyond would increase revenue by about \$3 million per year. Note that there may be a delay in the realization of the revenue, since corporation tax returns are typically filed over a year past the end of the tax year.

The chart to the right shows the potential additional revenue that would have been generated by year since 2000 if the minimum tax had been adjusted for inflation.



The chart below shows the number of 2015 corporation income tax returns with a \$50 minimum liability, broken out by industry sector. The agriculture, forestry & fishing sector had the highest number of minimum tax returns at 1,408, followed by finance & insurance with 1,307 and professional & technical services with 1,072.



Tax Rates

Current fee rate: \$40/8-year license

Last rate change: 2004

2018 inflation factor: 1.358

Inflation adjusted rate: \$53/8-year license

Potential Consumer Impact

Fee increase per 8-year license: \$13

Other States Comparison

Statistics	License Fee Annual Avg \$/Year
All States Average Fee	\$6.95
All States Median Fee	\$5.75
Maximum Fee	\$21.25
Montana Fee	\$5.00
Montana Fee if Adjusted	\$6.63
Montana Rank	30
Montana Rank if Adjusted	17

Potential Fiscal Impact

Revenue Impact if Inflation Adjustment is Implemented July 1, 2019 (\$ Millions)					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
General Fund					
Inflation Adjusted	\$3.913	\$5.921	\$5.255	\$5.989	\$5.315
Current Law	<u>3.913</u>	<u>4.459</u>	<u>3.957</u>	<u>4.510</u>	<u>4.002</u>
GF Impact	-	1.462	1.298	1.479	1.313
State Special Revenue					
Inflation Adjusted	0.925	\$1.403	\$1.243	\$1.419	\$1.257
Current Law	<u>0.925</u>	<u>1.057</u>	<u>0.936</u>	<u>1.069</u>	<u>0.947</u>
SSR Impact	-	0.347	0.307	0.351	0.310
Total Impact		\$1.809	\$1.605	\$1.829	\$1.623

Statutory Reference

Tax Rates – Duplicate licenses: [61-5-114, MCA](#); all others: [61-5-111\(6\), MCA](#)

Tax Distribution – [61-5-121, MCA](#)

Date Due – Upon application

Tax Rates

Current tax rate: \$50/individual, \$200/firm
 Last rate change: 1982
 2017 inflation factor: 2.625
 Inflation adjusted rate: \$130/individual, \$525/firm

Potential Consumer Impact

Tax increase: \$80/individual, \$325/firm

Other States Comparison

Statistics	Firm License Fee \$/Year	Individual License Fee \$/Year
All States Average	\$207	\$64
All States Median	\$200	\$50
Maximum	\$400	\$285
Montana Fee	\$200	\$50
Montana Fee if Adjusted	\$525	\$130
Montana Rank	23	21
Montana Rank if Adjusted	1	5

Staff at the Montana State Auditor’s Office noted that based on recent research from their office, raising investment license fees significantly may result in a decline in revenue due to fewer out-of-state representatives registering in Montana.

Potential Fiscal Impact

Revenue Impact if Inflation Adjustment is Implemented July 1, 2019 (\$ Millions)					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
General Fund					
Inflation Adjusted	\$7.974	\$18.927	\$18.977	\$18.993	\$18.974
Current Law	7.974	8.361	8.651	8.910	9.178
Total Impact		\$10.565	\$10.326	\$10.082	\$9.796

Statutory Reference

Fee Rate – [30-10-209, MCA](#) and [30-10-904, MCA](#)

Fee Distribution – Excess to general fund: [30-10-115, MCA](#) and [30-10-209\(6\), MCA](#); portfolio notice fee: [30-10-209\(1d\), MCA](#), [30-10-210\(2\), MCA](#) and [30-10-907, MCA](#)

Date Due – Dealers: upon registration and annually before December 31st thereafter ([30-10-201 \(9&11\), MCA](#)); securities: upon registration ([30-10-206, MCA](#)) and renewal ([30-10-209\(1b\)](#))

Tax Rates

Current tax rate: Age of vehicle = 0-4 years: \$217; Age = 5-10 years: \$87; Age ≥ 11 years: \$28
 Last rate change: 2005; however, this analysis offsets for SSR fee increases of \$5 and 3% in 2017
 2018 inflation factor: 1.289

Inflation adjusted rate less offset: Age = 0-4 years: \$268; Age = 5-10 years: \$104; Age ≥ 11 years: \$28

Potential Consumer Impact

Tax increase: Age of vehicle = 0-4 years: \$51; Age = 5-10 years: \$17; Age ≥ 11 years: \$0

Other States Comparison

Registration fees vary significantly from state to state. Many states assess a flat fee while other states utilize a scale based on weight, vehicle age or taxable value. The comparison below assumes a new vehicle with a MSRP of \$25,000 and a weight of 3,500 lbs.—roughly equivalent to a Subaru Outback. Sales taxes are averaged over four years.

Statistics	Reg. Fee New \$25K Car \$/Year	Annual Reg & 25% Sales Tax New \$25K Car
All States Average	\$81	\$389
All States Median	\$43	\$405
Maximum	\$446	\$793
Montana Fee	\$217	\$217
Montana Fee if Adjusted	\$280	\$280
Montana Rank	6	46
Montana Rank if Adjusted	4	41

Potential Fiscal Impact

Revenue Impact if Inflation Adjustment with Offset is Implemented July 1, 2019 (\$ Millions)					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
General Fund					
Inflation Adjusted	\$91.069	\$110.003	\$111.146	\$112.588	\$114.049
Current Law	91.069	92.186	93.130	94.247	95.378
General Fund Impact	-	\$17.817	\$18.016	\$18.340	\$18.670

Statutory Reference

Tax Rate – Watercraft, snowmobiles, off-highway vehicles (OHV), and light vehicles registrations: [61-3-321, MCA](#); vehicles greater than 1 ton: [61-3-529, MCA](#)

Tax Distribution – [61-3-509, MCA](#)

Date Due – Revenue for prior month is due on or before the 20th of the month ([15-1-504, MCA](#); [61-3-509, MCA](#)).

Tax Rates

Current tax rate: \$0.20/MWh
 Last rate change: 1977
 2018 inflation factor: 4.209
 Inflation adjusted rate: \$0.83/MWh

Potential Consumer Impact

Increased taxes for electrical generation companies, with potential for higher power costs to consumers.

Other States Comparison

Unable to find comparable data for other states.

Potential Fiscal Impact

Revenue Impact if Inflation Adjustment is Implemented July 1, 2019 (\$ Millions)					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
General Fund					
Inflation Adjusted	\$4.526	\$18.549	\$18.928	\$18.928	\$18.928
Current Law	4.526	4.407	4.497	4.497	4.497
Total Impact	-	\$14.142	\$14.431	\$14.431	\$14.431

Statutory Reference

Tax Rate – [15-51-101, MCA](#)

Tax Distribution – [17-2-124\(2\), MCA](#); [15-51-103, MCA](#)

Date Due – Thirty days after the end of the calendar quarter ([15-51-101, MCA](#); [15-51-102, MCA](#))

Tax Rates

Current tax rate: \$0.15/MWh
 Last rate change: 2000
 2018 inflation factor: 1.460
 Inflation adjusted rate: \$0.22/MWh

Potential Consumer Impact

Increased taxes for electrical generation companies, with potential for higher power costs to consumers.

Other States Comparison

Unable to find comparable data for other states.

Potential Fiscal Impact

Revenue Impact if Inflation Adjustment is Implemented July 1, 2019 (\$ Millions)					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
General Fund					
Inflation Adjusted	\$3.513	\$5.051	\$5.080	\$5.080	\$5.080
Current Law	3.513	3.460	3.480	3.480	3.480
Total Impact	-	\$1.591	\$1.600	\$1.600	\$1.600

Statutory Reference

Tax Rate – [15-72-104\(1\), MCA](#)

Tax Distribution – [15-72-106\(3\), MCA](#)

Date Due – 30th day of the month following the end of the calendar quarter ([15-72-110, MCA](#))

Tax Rates

Current tax rate: varies by # barrels produced: \$1.30/barrel (<5,000); \$2.30/barrel (5,001 – 10,000); \$4.30/barrel (10,001+)

Last rate change for production above 20,000: 1987

2018 inflation factor: 2.221

Inflation adjusted rate: \$1.30/barrel (<5,000); \$2.30/barrel (5,001 – 10,000); \$4.30/barrel (10,001 – 20,000); \$9.55/barrel (20,001+)

Potential Consumer Impact

Tax increase per 12-oz can: \$0.02

Tax increase per 6-pack: \$0.10

Other States Comparison

Statistics	Beer Tax Only \$/Barrel	Total Beer & Sales Tax on \$8 6-pack
All States Average Tax	\$10.73	\$0.62
All States Median Tax	\$7.75	\$0.62
Maximum Tax	\$39.99	\$1.29
Montana Tax	\$4.30	\$0.08
Montana Tax if Adjusted	\$9.55	\$0.17
Montana Rank	39	49
Montana Rank if Adjusted	21	47

Potential Fiscal Impact

Revenue Impact if Inflation Adjustment is Implemented July 1, 2019 (\$ Millions)					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
General Fund					
Inflation Adjusted	\$3.046	\$6.758	\$6.748	\$6.741	\$6.734
Current Law	<u>3.046</u>	<u>3.042</u>	<u>3.038</u>	<u>3.035</u>	<u>3.032</u>
GF Impact	-	3.716	3.710	3.706	3.703
State Special Revenue					
Inflation Adjusted	1.022	\$2.267	\$2.262	\$2.260	\$2.257
Current Law	<u>1.022</u>	<u>1.020</u>	<u>1.018</u>	<u>1.017</u>	<u>1.016</u>
SSR Impact	-	1.246	1.244	1.242	1.241
Total Impact		\$4.962	\$4.954	\$4.949	\$4.944

Statutory Reference

Tax Rate – [16-1-406, MCA](#)

Distribution – [16-1-406, MCA](#)

Date Due – end of the month and collected in the next month ([16-1-406\(2\), MCA](#))

Tax Rates

Current tax rate: \$1.70/pack
 Last rate change: 2006
 2018 inflation factor: 1.242
 Inflation adjusted rate: \$2.11/pack

Potential Consumer Impact

Tax increase per pack: \$0.41

Other States Comparison

Statistics	Cigarette Tax Total Cigarette	
	Only \$/Pack	& Sales Tax on \$6 pack
All States Average Tax	\$1.67	\$1.99
All States Median Tax	\$1.57	\$1.75
Maximum Tax	\$4.35	\$4.59
Montana Tax	\$1.70	\$1.70
Montana Tax if Adjusted	\$2.11	\$2.11
Montana Rank	21	28
Montana Rank if Adjusted	13	19

Potential Fiscal Impact

Revenue Impact if Inflation Adjustment is Implemented July 1, 2019					
(\$ Millions)					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
General Fund					
Inflation Adjusted	\$30.190	\$36.135	\$35.966	\$35.751	\$35.536
Current Law	30.190	30.014	29.875	29.695	29.517
GF Impact	-	6.120	6.092	6.055	6.019
State Special Revenue					
Inflation Adjusted	40.656	48.625	48.363	48.073	47.785
Current Law	40.656	40.389	40.172	39.931	39.691
SSR Impact	-	8.236	8.191	8.142	8.093
Total Impact		\$14.356	\$14.283	\$14.198	\$14.112

Assumes demand elasticity of -45%

Statutory Reference

Tax Rate – [16-11-111, MCA](#); Tax Distribution – [16-11-119, MCA](#); Date Due – Within 30 days after purchase of the insignia ([16-11-117, MCA](#))

Tax Rates

Current tax rate: \$0.85/oz.
 Last rate change: 2006
 2018 inflation factor: 1.242
 Inflation adjusted rate: \$1.06/oz.

Potential Consumer Impact

Tax increase per can of chewing tobacco: \$0.25

Other States Comparison

The tax rates associated with non-cigarette tobacco products vary across states. Most states tax based on the wholesale price, while some states—including Montana—place a different tax rate on chewing tobacco. The combined effective tobacco tax rate in the adjacent table assumes the national average share of 60% of other tobacco product spending is on chewing tobacco. The total tobacco and sales tax calculation assumes an average wholesale price of \$2 for a can of chew.

Statistics	Snuff Tax Only \$/oz	Comb. Eff. Tobacco Tax Rate	Total Tobacco & Sales Tax \$2 Whsl Tin
All States Average Tax	\$1.06	42%	\$1.19
All States Median Tax	\$0.80	33%	\$0.96
Maximum Tax	\$2.57	129%	\$3.63
Montana Tax	\$0.85	51%	\$1.02
Montana Tax if Adjusted	\$1.06	58%	\$1.27
Montana Rank	9/18	15	20
Montana Rank if Adjusted	8/18	14	18

Potential Fiscal Impact

Revenue Impact if Inflation Adjustment is Implemented July 1, 2019 (\$ Millions)					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
General Fund					
Inflation Adjusted	\$6.742	\$7.965	\$8.051	\$8.156	\$8.262
Current Law	<u>6.742</u>	<u>6.830</u>	<u>6.904</u>	<u>6.993</u>	<u>7.084</u>
GF Impact	-	1.135	1.147	1.162	1.177
State Special Revenue					
Inflation Adjusted	7.510	8.869	8.961	9.077	9.195
Current Law	<u>7.510</u>	<u>7.605</u>	<u>7.684</u>	<u>7.784</u>	<u>7.885</u>
SSR Impact	-	1.264	1.277	1.294	1.310
Total Impact		\$2.399	\$2.424	\$2.456	\$2.488

Assumes demand elasticity of -45%

Statutory Reference

Tax Rate – [16-11-111\(7\), MCA](#)

Tax Distribution – [16-11-114\(2\), MCA](#); [16-11-119\(3\), MCA](#); Date Due – [16-11-111\(8\), MCA](#)

Tax Rates

Current tax rate: \$0.27/liter
 Last rate change: 1986
 2018 inflation factor: 2.270
 Inflation adjusted rate: \$0.61/liter

Potential Consumer Impact

Tax increase per bottle: \$0.26
 Tax increase per 5-oz serving: \$0.05

Other States Comparison

Statistics	Wine Tax Only \$/Liter	Total Wine & Sales Tax on \$15 Bottle
All States Average Tax	\$0.23	\$0.97
All States Median Tax	\$0.22	\$1.02
Maximum Tax	\$0.84	\$1.63
Montana Tax	\$0.27	\$0.20
Montana Tax if Adjusted	\$0.61	\$0.44
Montana Rank	19	47
Montana Rank if Adjusted	3	47

Potential Fiscal Impact

Revenue Impact if Inflation Adjustment is Implemented July 1, 2019 (\$ Millions)					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
General Fund					
Inflation Adjusted	\$2.646	\$6.194	\$6.366	\$6.570	\$6.780
Current Law	<u>2.646</u>	<u>2.729</u>	<u>2.805</u>	<u>2.894</u>	<u>2.987</u>
GF Impact	-	3.465	3.562	3.676	3.793
State Special Revenue					
Inflation Adjusted	1.280	2.996	3.078	3.177	3.278
Current Law	<u>1.280</u>	<u>1.320</u>	<u>1.356</u>	<u>1.399</u>	<u>1.444</u>
SSR Impact	-	1.676	1.722	1.777	1.834
Total Impact		\$5.141	\$5.284	\$5.453	\$5.627

Statutory Reference

Tax Rates – [16-1-411\(1\), MCA](#); [16-2-301\(2\), MCA](#)

Tax Distribution – [16-1-411\(3\), MCA](#); [16-2-301\(2\), MCA](#)

Date Due – 15th day of the month following the sale from the distributor's warehouse ([16-1-411\(2\), MCA](#))