



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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**Director**  
AMY CARLSON

DATE: May 22, 2023

TO: House Tax & Senate Tax Members  
House Appropriation Members  
Senate Finance and Claim Members

FROM: LFD Revenue Team

RE: General Fund Revenue Year-to-Date Update

## GENERAL FUND REVENUE SUMMARY

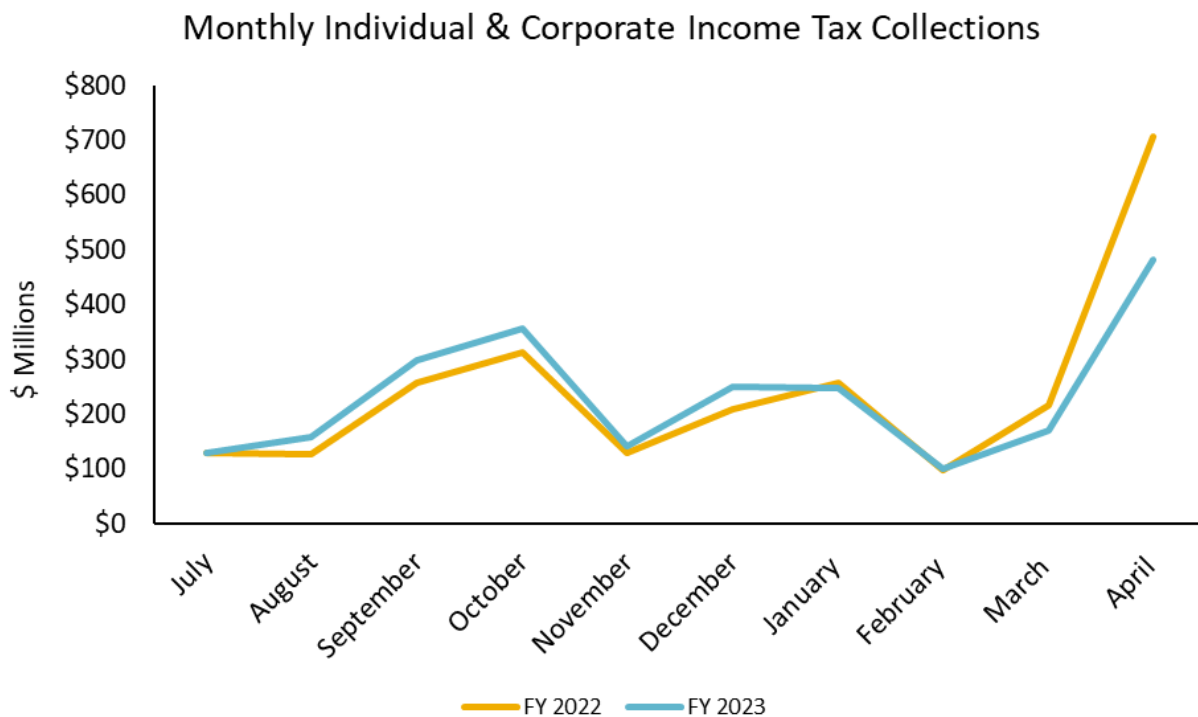
This monthly revenue update analyzes revenue collections through the end of April and is designed to apprise interested members of the legislature on year-to-date general fund revenue collections, recent economic trends, and the outlook for FY 2023 relative to the revenue estimate contained in HJ 2.

## General Fund Year-to-Date Revenues

FY 2023 general fund revenues through the end of April are \$276.6 million or 8.9% above FY 2022 revenues through the same period. **Ongoing revenue growth, which excludes a one-time-only general fund revenue transfer, is currently 0.5% above the FY 2022 values through the same time.**

While revenue growth had been strong throughout the first half of the fiscal year (14.2% growth in July through December), it is now virtually on par with last year's collections. The last quarter of FY 2022 saw extremely strong collections across multiple revenue sources, especially individual income taxes, particularly in April. This April however, individual income taxes were far below last year's April (a decrease of 35%), but still stronger than what was forecast in HJ 2.

Finally, as the chart below shows, the last four months' income tax collections (both individual and corporate) have been below last year's, compared to the first six months when they were significantly higher.



# END OF YEAR EXTRAPOLATIONS

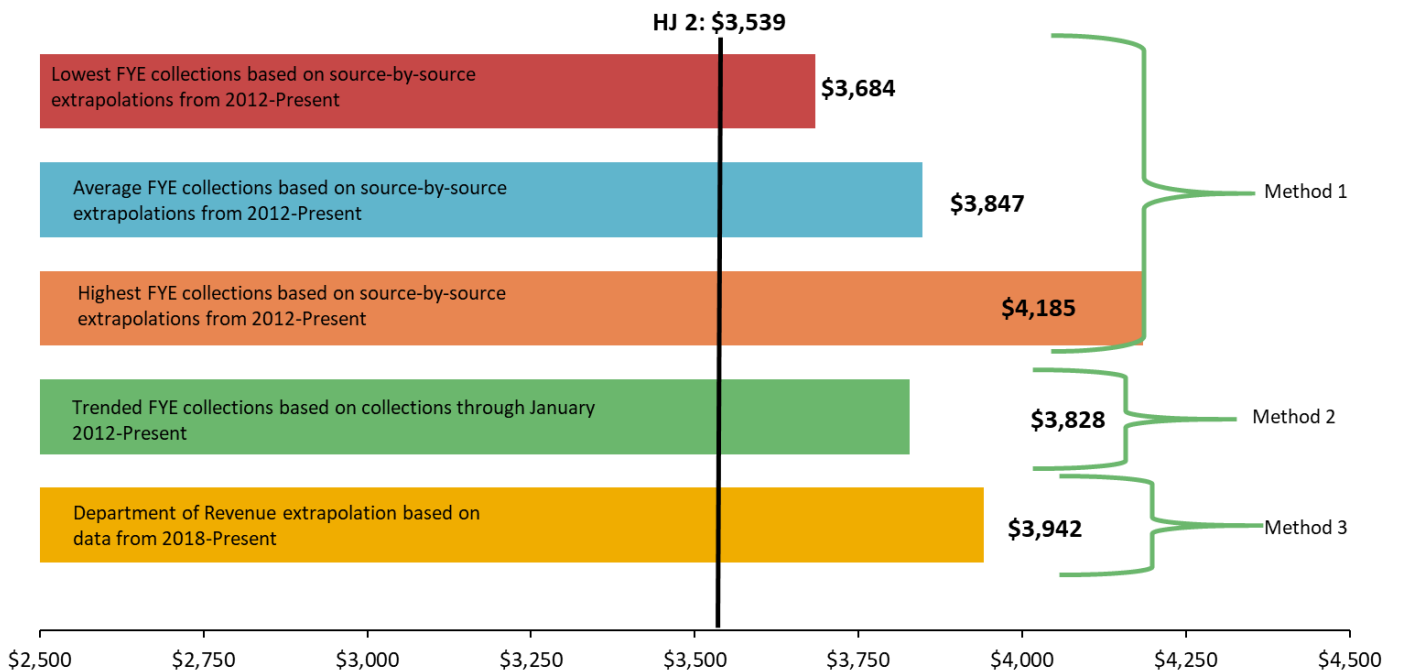
Method 1: For the top sources, and the sum of the remaining sources, the percent of total revenues collected through April was calculated dating back to FY 2012. Collections through April for each source were then divided by the average collection percentage since FY 2012. Each source's estimate was then added to create a final year-end collection amount. Using this method, ongoing fiscal year end revenue is estimated to be \$3,847 million. The lowest and highest growth through April by revenue source was also applied to year-to-date collections to provide an upper (\$4,185 billion) and lower (\$3,684 billion) limit for this methodology.

Method 2: This method uses aggregate collections across all sources through April to predict year-end collections using historical trends. Like Method 1, it utilizes collection patterns since FY 2012. This method predicted final collections of \$3,828 million.

Method 3: The Department of Revenue publishes monthly revenue monitoring reports and provides an extrapolation for final collections. The report uses the last five years of collection data. This method produces a year-end estimate of \$3,942 million.

The estimates above range from \$646 million above HJ 2 to \$145 million above HJ 2. At this point in the fiscal year, Methods 1 (blue box below) and 2 (green box below), have historically been a sufficient extrapolation method to predict year end revenues. Currently, the midpoint of these two methods (\$3,838 million) would yield final collections that are \$299 million above HJ 2. However, with the recent decreasing trend in withholding seen on page 5 it could be lower.

FY 2023 Year-End Ongoing Revenue Extrapolations Based on Data Through April (\$ Millions)



# YEAR-TO-DATE GENERAL FUND REVENUE

## General Fund Revenue Monitoring Report (\$ Millions)

Revenue Source	Actual FY 2022	HJ 2 FY 2023	HJ 2 Est. % Change	April FY 2022	April FY 2023	YTD Difference	YTD % Change	YTD % Change
<b>Largest Seven Sources</b>								
Individual Income Tax	\$2,393.807	\$2,033.784	-15.0%	\$2,208.577	\$2,094.276	(\$114.301)	-5.2%	
Property Tax	335.114	351.821	5.0%	209.078	212.540	3.462	1.7%	
Corporate Income Tax	293.683	284.335	-3.2%	229.581	236.694	7.113	3.1%	
Vehicle Taxes & Fees	121.138	121.546	0.3%	89.985	89.849	(0.136)	-0.2%	
Oil & Natural Gas Taxes	70.510	78.712	11.6%	30.737	37.437	6.701	21.8%	
Insurance Tax	97.940	101.387	3.5%	79.615	87.049	7.434	9.3%	
Video Gaming Tax	77.881	80.185	3.0%	58.287	59.763	1.476	2.5%	
<b>Other Business Taxes</b>								
Drivers License Fee	6.171	5.854	-5.1%	4.667	5.065	0.398	8.5%	
Investment Licenses	19.535	20.182	3.3%	18.655	19.956	1.301	7.0%	
Lodging Facilities Sales Tax	46.175	51.124	10.7%	28.247	28.332	0.086	0.3%	
Public Contractor's Tax	2.840	4.196	47.7%	0.779	3.690	2.911	373.9%	
Railroad Car Tax	4.020	4.799	19.4%	3.398	3.133	(0.265)	-7.8%	
Rental Car Sales Tax	6.823	8.114	18.9%	4.726	4.429	(0.297)	-6.3%	
Retail Telecom Excise Tax	8.571	7.891	-7.9%	5.700	5.646	(0.054)	-0.9%	
<b>Other Natural Resource Taxes</b>								
Coal Severance Tax	15.359	21.374	39.2%	11.668	13.060	1.392	11.9%	
Electrical Energy Tax	3.930	3.841	-2.3%	2.645	2.601	(0.044)	-1.7%	
Metal Mines Tax	12.210	11.254	-7.8%	5.858	3.950	(1.908)	-32.6%	
U.S. Mineral Leasing	19.464	28.143	44.6%	12.511	24.912	12.400	99.1%	
Wholesale Energy Trans Tax	3.352	3.427	2.2%	2.359	2.547	0.188	8.0%	
<b>Other Interest Earnings</b>								
Coal Trust Interest Earnings	16.561	17.947	8.4%	11.299	12.914	1.615	14.3%	
TCA Interest Earnings	11.776	101.367	760.8%	3.511	95.084	91.574	2608.5%	
<b>Other Consumption Taxes</b>								
Beer Tax	3.202	3.294	2.9%	2.367	2.318	(0.049)	-2.1%	
Cigarette Tax	27.993	27.517	-1.7%	19.314	15.233	(4.081)	-21.1%	
Liquor Excise Tax	32.545	31.241	-4.0%	21.755	22.113	0.358	1.6%	
Liquor Profits	18.500	22.600	22.2%	-	-	-	-	
Lottery Profits	15.311	15.264	-0.3%	6.779	14.278	7.499	110.6%	
Marijuana Tax	14.238	27.401	92.4%	-	-	-	-	
Tobacco Tax	5.565	5.451	-2.0%	4.125	4.016	(0.109)	-2.6%	
Wine Tax	2.573	2.641	2.7%	1.945	1.902	(0.043)	-2.2%	
<b>Other Sources</b>								
All Other Revenue	180.512	305.512	69.2%	31.122	289.293	258.171	829.6%	
Highway Patrol Fines	3.533	3.503	-0.8%	2.530	2.601	0.072	2.8%	
Nursing Facilities Fee	3.447	3.153	-8.5%	2.295	2.158	(0.137)	-6.0%	
Public Institution Reimbursements	13.933	8.070	-42.1%	9.203	2.960	(6.243)	-67.8%	
Tobacco Settlement	3.426	3.342	-2.4%	-	0.157	0.157		
Ongoing Revenue Subtotal	3,755.727	3,539.484	-5.8%	3,123.316	3,139.168	15.852	0.5%	
OTO Revenue & Transfers Subtotal	135.914	260.789			260.789	260.789		
<b>Grand Total</b>	<b>\$3,891.640</b>	<b>\$3,800.273</b>	<b>-2.3%</b>	<b>\$3,123.316</b>	<b>\$3,399.957</b>	<b>\$276.641</b>	<b>8.9%</b>	

# MAJOR SOURCES

## Individual Income Tax: Above Estimate

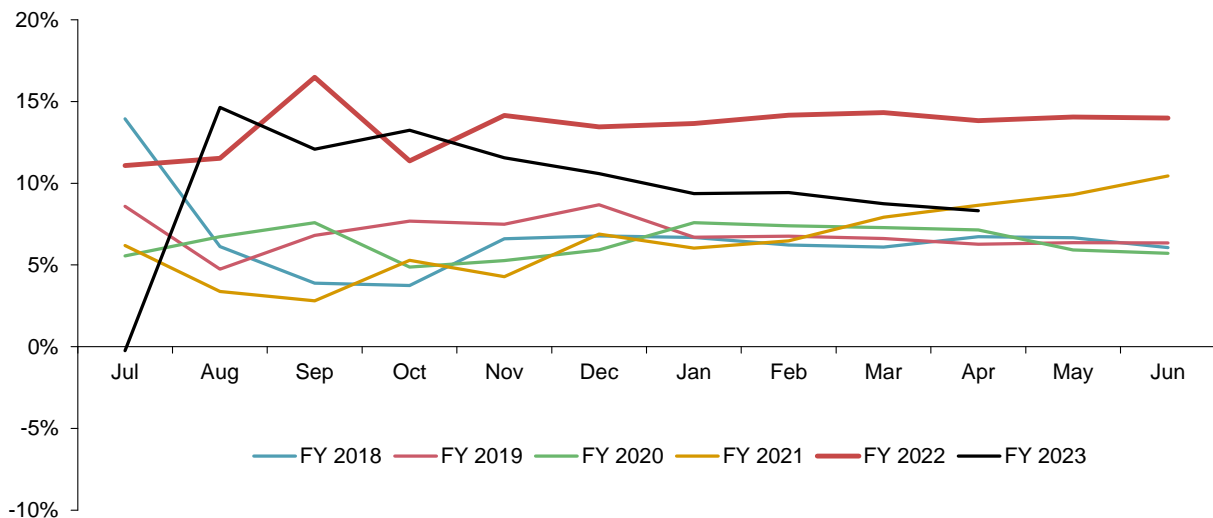
Individual income tax collections through the end of April are \$114.3 million or 5.2% below the year-to-date collections in FY 2022 but is currently above the level anticipated in HJ 2. At the beginning of this legislative session, this source’s growth was 16.0%. The chart below shows the year-over-year individual income tax growth by account.

Individual Income Tax (\$ Millions)

Account	YTD 2023	YTD 2022	\$ Difference	% Difference
Withholding	\$1,228.2	\$1,133.9	\$94.3	8.3%
Estimated Payments	437.8	483.6	(45.8)	-9.5%
Current Year Payments	398.7	485.5	(86.8)	-17.9%
Audit, P&I, Amended	57.8	51.7	6.1	11.8%
Refunds	(176.0)	(67.6)	(108.4)	160.5%
Partnership Income Tax	138.2	113.0	25.2	22.3%
Mineral Royalties	9.6	8.4	1.2	13.7%
Total	2,094.3	2,208.6	(114.3)	-5.2%

Withholding typically accounts for two-thirds of individual income tax and about one-third of total general fund revenue, though it has been an even larger share in recent years. As shown in the following chart, withholding growth tends to be relatively variable in the first half of the year, but stabilizes by February. However, in FY 2021, withholding growth did not stabilize in the second half of the fiscal year, but instead grew considerably. FY 2022 saw withholding growth stabilize at a high level by November. This year, as opposed to stabilizing in February, it has continued its decreasing trend that it has experienced since October.

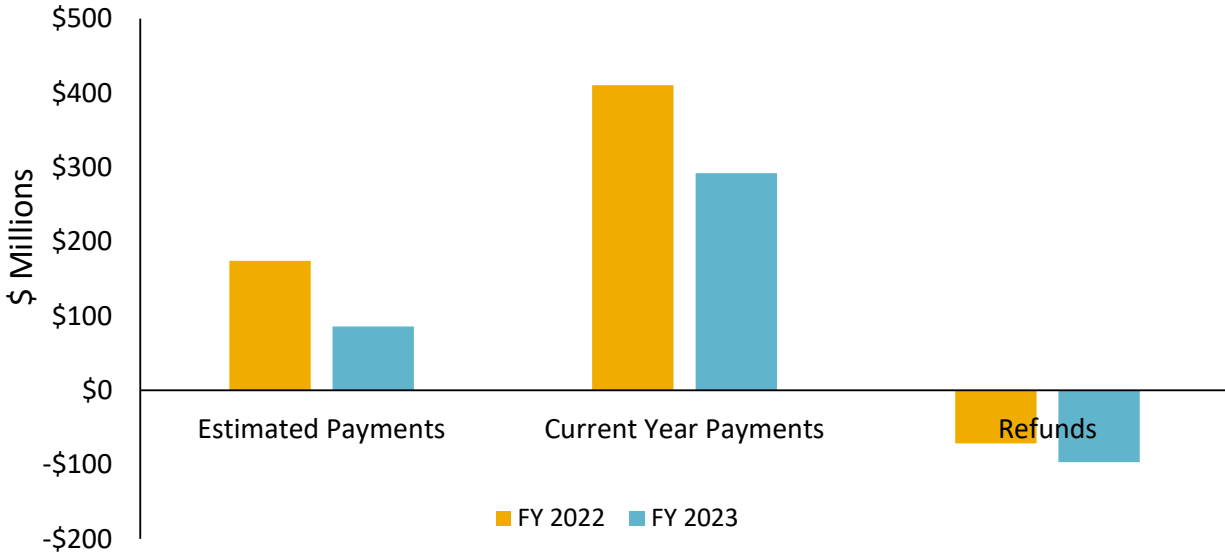
Cumulative Year-over-Year Withholding



At the beginning of April, individual income tax collections had a year-to-date growth of 7.2%. This was driven by strong withholding growth of 8.8%, estimated payment growth of 13.7%, and current year payment growth of 41.8%. However, in April, both estimated payments and current year payments were significantly lower than last year’s April collections. Furthermore, more refunds were also issued. These all contributed to

individual income taxes declining from growth of 7.2% at the beginning of April to a decline of 5.2% by the end of April.

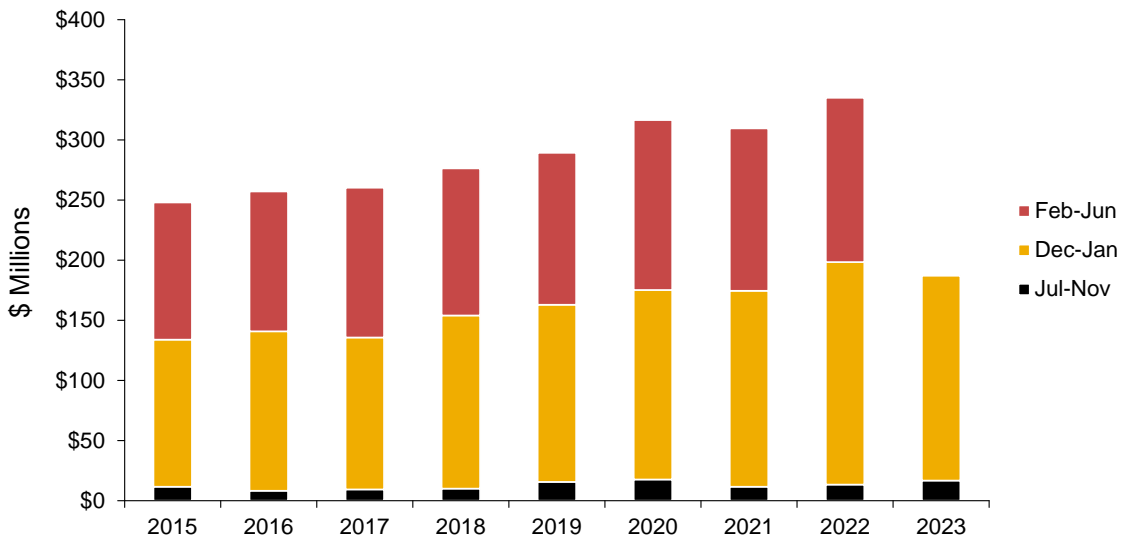
### April Individual Income Taxes



### Property Tax: Slightly Below Estimate

Property tax collections are currently 1.7% or \$3.5 million above last year’s collections. In HJ 2 this source was expected to grow by 5.0%. The first payment last year had larger-than-expected growth, which is causing the year-to-date growth to be slightly lower than expected. It is not uncommon for there to be a discrepancy between year-to-date collections and HJ 2 after the first payment is collected. After the second major property tax payment is booked in June; collections are likely to end up near HJ 2 as this source is typically estimated with a high level of certainty.

### FY Property Tax Collections by Period

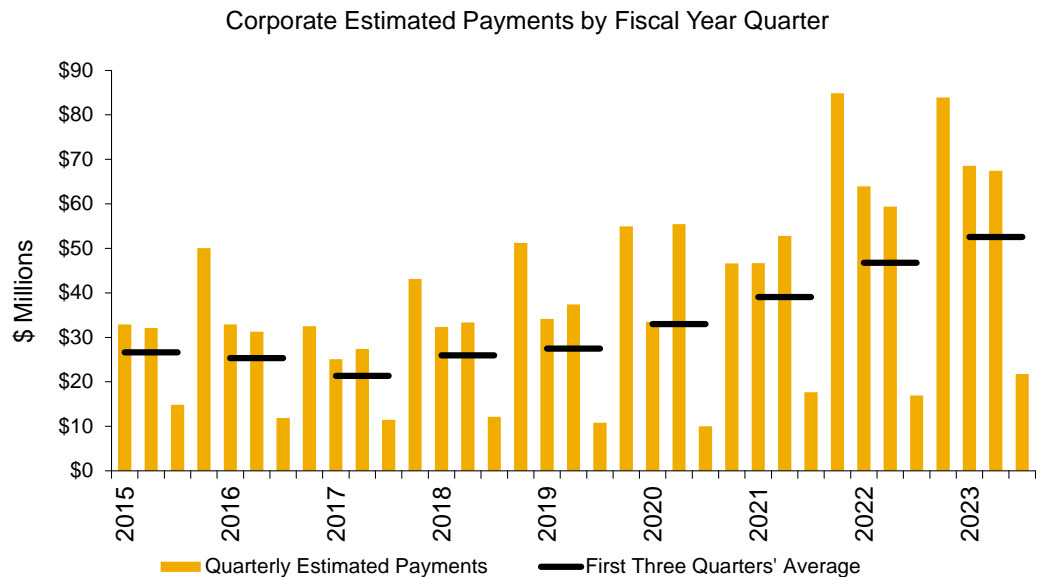


## Corporate Income Tax: Above Estimate

Corporate income tax collections through the end of April are 3.1% or \$7.1 million above this time in FY 2022. This is above the HJ 2 estimate which contains a projected decline of 3.2%. The chart below shows the year-over-year corporate income tax growth by account. As the chart shows, most of the growth has been in the form of strong quarterly estimated payments and has been partially offset by refunds.

Account	YTD 2023	YTD 2022	\$ Difference	% Difference
Corporation Tax	\$54.0	\$53.9	\$0.1	0.2%
Estimated Payments	\$189.8	\$172.8	17.0	9.8%
Refunds	(22.2)	(10.8)	(11.4)	105.5%
Audit, P&I, Amended	15.1	13.7	1.5	10.7%
<b>Total</b>	<b>\$236.7</b>	<b>\$229.6</b>	<b>\$7.1</b>	<b>3.1%</b>

The adjacent chart shows that estimated payments in the first three quarters of FY 2023 are the highest they have ever been. Estimated payments typically make up 80% of total corporate income tax collections, so they're the ultimate driver of where final collections end up.

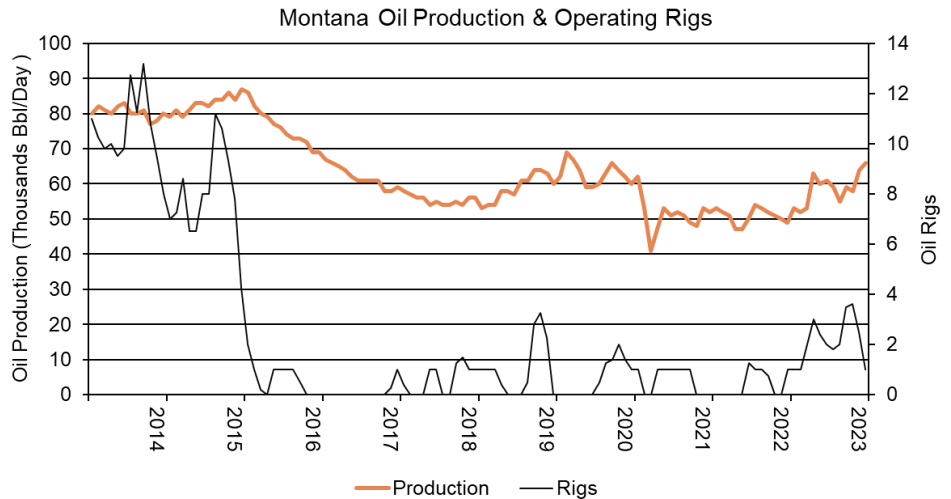


## Vehicle Fees & Taxes: Near Estimate

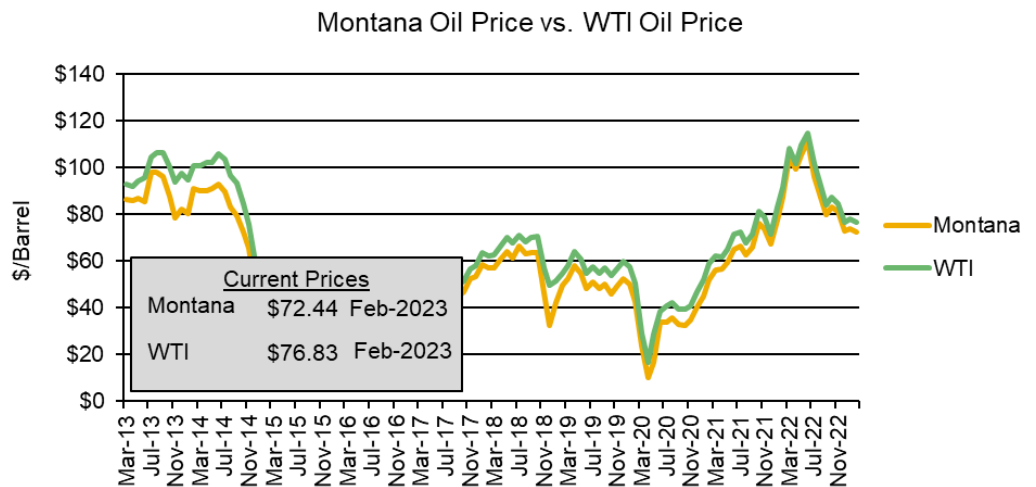
Through the end of April, vehicle taxes & fees are 0.2% or \$0.1 million below FY 2022 collections. The estimate contained within HJ 2 has this source growing by 0.3% in FY 2023. As most of this source's revenue is from vehicle registrations, month to month volatility is not uncommon, but this source is still expected to ultimately end up close to the estimate.

## Oil & Natural Gas Production Tax: Above Estimate

The first two quarters' payments for oil and natural gas taxes have now been posted in the state accounting system. Through April, collections are \$6.7 million or 21.8% above FY 2022 collections through the same period. The growth is due to both higher oil prices and production in the first two quarters of FY 2023 compared to the first two quarters of FY 2022.



As the two charts to the right show, production has increased by approximately 15% compared to last fiscal year, and prices through the first half of the fiscal year are up 22%. However, prices right now are approximately 10% below those from a year ago, so the current growth in collections will likely slow and approach the estimate in HJ 2 by the end of the fiscal year.



## Insurance Tax: Above Estimate

Current insurance tax collections through April are 9.3% or \$7.4 million above FY 2022 collections through the same period. This source is on track to meet or exceed HJ 2.

## Video Gaming Tax: Slightly Below Estimate

Revenue from video gambling is currently \$1.5 million or 2.5% above collections from this time last year. After a slow start, quarterly collections are up 5.6% over the same quarter last year. In HJ 2 this source is expected to grow by 3.0%, which is consistent with the current year-to-date growth of 2.5%.

## OTHER KEY DIFFERENCES:

### Cigarette Tax: Below Estimate

Year-to-date cigarette tax collections are \$4.1 million or 21.6% below last year's collections. The current decline may be a timing issue as month-to-month collections can be inconsistent. However, this source is expected to decline as e-cigarettes, which are not taxed gain in popularity.



## **Coal Severance Tax: Below Estimate**

Year-to-date coal severance tax collections are currently \$1.4 million or 11.9% above collections from last year. In HJ 2, this source was expected to grow by 39.2%. Production has declined 6.5% compared to last year, however, increased prices have more than offset the production decline. Even though increased prices have caused the growth compared to last year, they have retreated from their levels in the first half of FY 2023 and as a result, final collections will likely be slightly below the HJ 2 estimate.

## **Metal Mines Tax: Below Estimate**

Metal mines tax collections through April are currently \$1.9 million or 32.6% below last year's collections. Prices for both copper and palladium were extremely high in FY 2022, and thus far in FY 2023 prices have decreased from those high amounts, but are still stronger than prices preceding FY 2022.

## **U.S. Mineral Leasing: Above Estimate**

Current U.S. mineral leasing collections through April are 99.1% or \$12.4 million above FY 2022 collections. The estimate contained in HJ 2 has a year-over-year increase of 44.6% for this source. This strong growth is due to continued strong commodity prices, specifically energy commodities such as coal and oil. Much of this year over year increase in collections is likely due to high coal prices early in FY 2023.

## **TCA Interest Earnings: Above Estimate**

Current TCA interest earnings through April are 2608.5% or \$91.6 million above FY 2022 collections through the same period. This source is affected by rising interest rates and the Treasury Cash Account's current cash balance. If short-term interest rates remain high and if the TCA's cash balance remains unchanged, this source will continue to return much higher monthly interest revenue than previous years.

## **Lottery Profits: Above Estimate**

Lottery profits are currently 7.5 million or 110.6% above collections at this time last year. This is largely due to large jackpots in multiple games driving increased sales. Additionally, sports betting has shown strong growth this year. In a typical year with a nation-wide jackpot, sales usually decline sharply after the prize has been claimed, however sales have stayed strong in most games this fiscal year.

## **Public Institution Reimbursements: Below Estimate**

Public institution reimbursements are currently \$6.2 million or 67.8% below collections at this time last year. Currently, Montana State Hospital is unable to recover reimbursements from Medicaid or Medicare which made up the bulk of income for the facility.