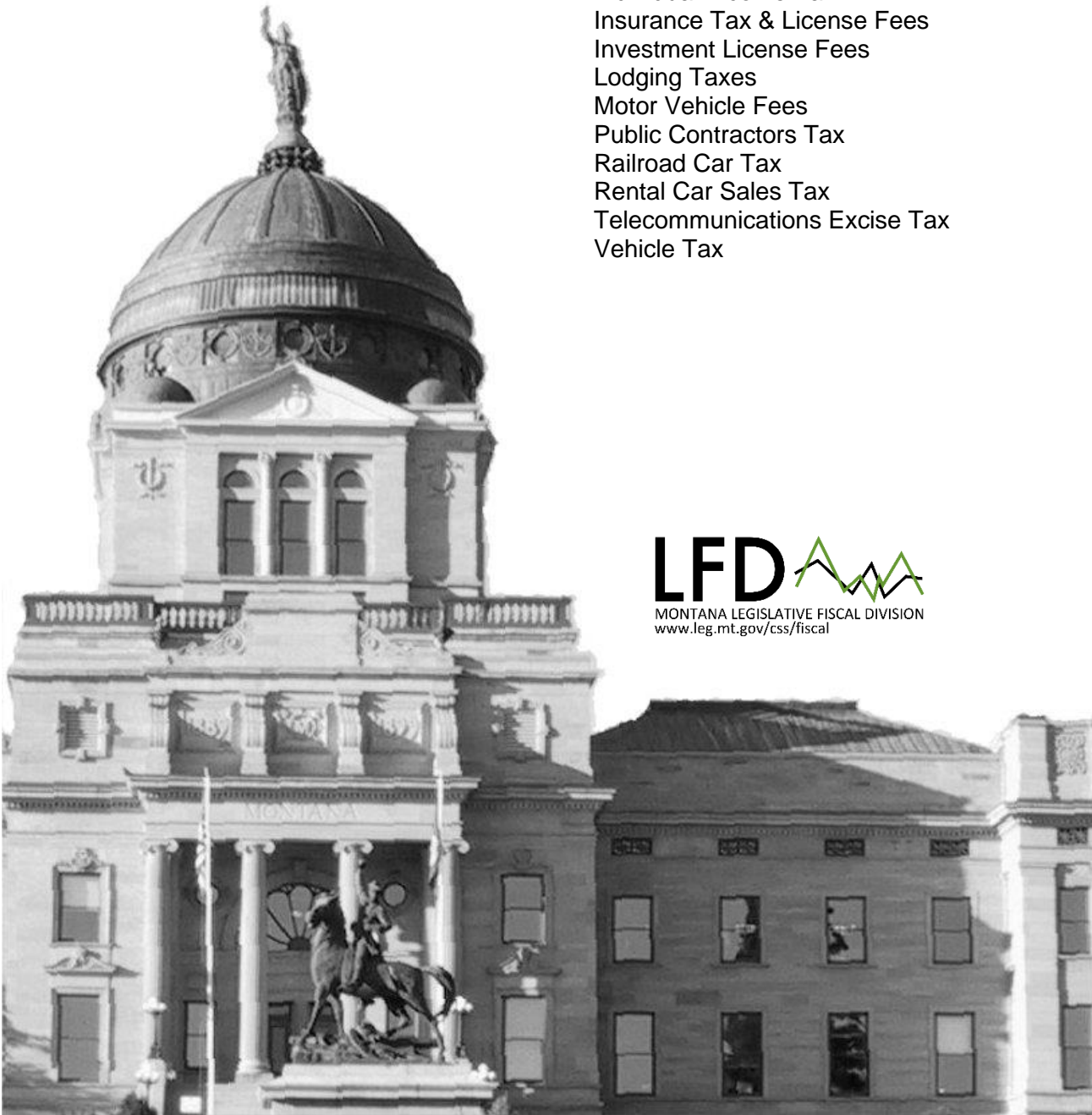


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# BUSINESS AND PERSONAL TAXES

Corporation Income Tax  
Driver's License Fees  
Individual Income Tax  
Insurance Tax & License Fees  
Investment License Fees  
Lodging Taxes  
Motor Vehicle Fees  
Public Contractors Tax  
Railroad Car Tax  
Rental Car Sales Tax  
Telecommunications Excise Tax  
Vehicle Tax



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## Corporation Income Tax

### Revenue Description

The corporation income tax is levied against a corporation's net income earned in or attributable to Montana, adjusted for allowable credits.

### Statutory Reference

Tax Rate – [15-31-121, MCA](#)

Tax Distribution – [15-31-121, MCA](#)

Date Due – 15<sup>th</sup> day of the fifth month following the close of the corporation fiscal year ([15-31-111, MCA](#) and [15-31-502, MCA](#)). Estimated taxes due April 15<sup>th</sup>, June 15<sup>th</sup>, September 15<sup>th</sup>, and December 15<sup>th</sup> ([15-31-502, MCA](#)).

### Applicable Tax Rates

The tax rate is 6.75%, except for corporations making a "water's edge" election ([15-31-322, MCA](#)), who pay a 7.0% tax on their net income.

**Collection Frequency:** Monthly, quarterly and annually

**Distribution:** All proceeds are deposited into the general fund.

### Forecast Risks

- Stock market activity
- Oil price
- Housing market outlook

### Revenue Estimate Methodology

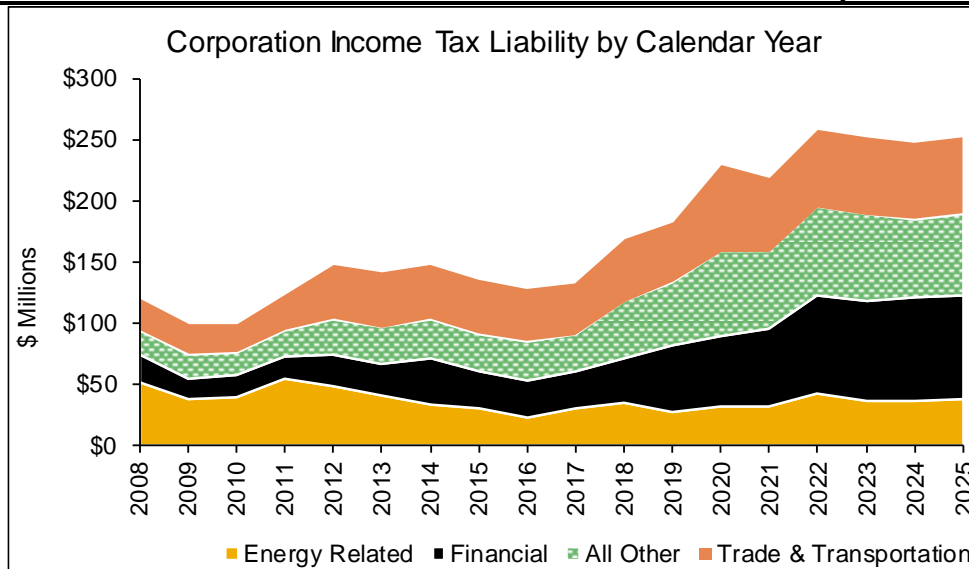
#### Data

The estimate for this source is based on collection data from SABHRS, corporation income tax return data from DOR, and various historical and forecast economic indicators from IHS Markit. The return data is lagged by nearly two years for two main reasons: each tax year includes all returns from corporations whose fiscal year began in that particular tax year; and corporations are allowed up to 10.5 months after the end of the tax year to file a return.

#### Analysis

Montana corporation tax liability is forecast using a variety of IHS Markit economic variables as predictors. These variables are used to forecast calendar year tax liability by sector. Major sectors include manufacturing, financial services, retail trade, and mining. Once estimates have been produced individually for all relevant sectors, they are combined to form a total estimate of calendar year liability. The calendar year estimate is converted to a fiscal year estimate, with adjustments made to account for refunds, audits, penalties, and credit reimbursements.

As shown in the figure below, energy related sectors have historically accounted for a significant portion of total tax liability. The underlying volatility of the energy industry is a large contributor to the overall volatility of this tax source.



Corporation income tax revenues are quite volatile from year to year, resulting in a revenue stream that is difficult to predict. The volatility can be attributed to many factors: sensitivity of corporation income to business cycles, industry composition in the state, reliance on a limited number of large taxpayers, and federal and state tax policy. For example, Montana law allows corporations to carry back current year losses for three years, and carry forward losses for up to ten years [HB 550 \(2017 session\)](#). The carry back provision may result in magnifying a downturn to the extent that corporations file amended prior year tax returns that include current year losses, and are thereby owed a refund of taxes paid in those previous years.

Forecasting error is produced through three main channels: timing of data, in the inherent error of IHS Markit forecast economic variables, and in the model itself as past collections are not predicted perfectly by selected IHS Markit variables. Combined with the uncertainty involved in predicting audit and refund amounts, these sources of error can lead to revenues that may significantly deviate from forecast values and prior year collections.

While corporations’ tax behavior introduces forecasting error that is difficult to predict, [research by the LFD](#) explores methods to minimize the errors associated with the IHS Markit forecasts of underlying economic variables and compares the relative accuracy of various model types. The research suggests that using a sector-based modeling approach consistently performs better than models that used a single variable as a predictor. While corporation income tax will likely continue to be a volatile source, the methods utilized by this research should direct modeling choices that will minimize the error introduced by IHS Markit forecast error.

Assumptions

Each of the eleven sectors are listed below, followed by the five-year-average share of tax liability, a brief description of the sector, and the underlying economic variables used to develop the projection. The variables used to develop most of the projections are the average price of West Texas Intermediate (WTI) oil price, Montana retail sales, and Montana median home prices.

- Manufacturing (14%): the manufacturing industry in Montana is highly correlated with energy prices and is therefore relatively variable with respect to its aggregate tax liability. This sector is modeled using IHS Markit forecast of WTI price.
- Financial services (25%): this sector includes banks, bank holding corporations, and companies involved in investment activities. Financial sector tax liability is modeled on median existing home prices in Montana as well as Montana wholesale employment.

- Wholesale and retail trade (18%): this combined sector trends well with Montana retail sales and therefore uses retail sales to predict future sector revenues.
- Mining (0.3%): the mining industry in Montana is heavily dependent on energy prices; it is modeled on gold and copper prices.
- Professional and business services (16%): the professional service sector comprises establishments that specialize in performing professional, scientific, and technical activities for others. The business service sector comprises establishments performing routine support activities for the day-to-day operations of other organizations. This sector is modeled using a five-year moving average.
- Transportation and warehousing (13%): the transportation and warehousing sector includes industries providing transportation of passengers and cargo, warehousing and storage for goods, scenic and sightseeing transportation, and support activities related to modes of transportation. Its tax liability is modeled on forecast WTI price and Montana population.
- Information (5%): the main components of this sector are the publishing industries, the motion picture and sound recording industries, the broadcasting industries, the telecommunications industries, and the information services industries. Its tax liability is modeled on 3-month commercial paper.
- Utilities (1%): the utilities sector includes establishments engaged in the provision of electric power, natural gas, steam supply, water supply, and sewage removal. The tax liability of this sector is modeled on the average number of housing starts per year. This sector is modeled using a five-year moving average.
- Agriculture (3%): the tax liability of the agriculture sector is modeled on forecast cattle prices.
- Social and educational services (2%): this is a broad grouping of educational and health services, and arts, entertainment and recreation. The tax liability is modeled on GDP. This sector is modeled using a five-year moving average.
- Construction (2%): next to the utility sector, the construction industry is the smallest contributor to corporation tax liability, likely because most construction companies are organized as S-corps or limited liability companies. Its tax liability is modeled on WTI price and wholesale employment.

Calendar year corporation income tax liabilities are modeled by sectors as described above and summed by year to produce a total calendar year estimate of tax liabilities. The calendar year estimates are converted to fiscal year using historical trends.

### Adjustments

After the estimate for the fiscal year gross corporation tax liability is complete, several adjustments are required. The adjustments and the corresponding estimate process for each is described below.

- Refunds – Projected on a historical average ratio of current fiscal year liability.
- Audits, penalties & interest – Projected on a historical average ratio of prior fiscal year liability.

### **Revenue Estimate Assumptions**

This section contains the assumptions used to generate the LFD revenue recommendation.

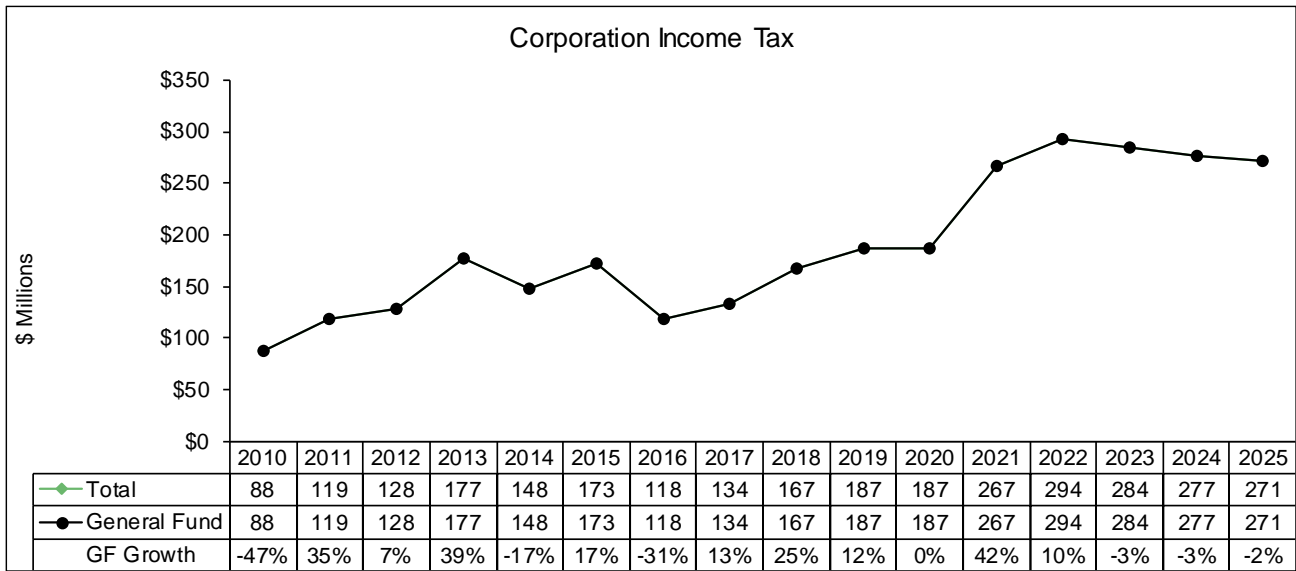
**Business and Personal Taxes**

**Corporation Income Tax**

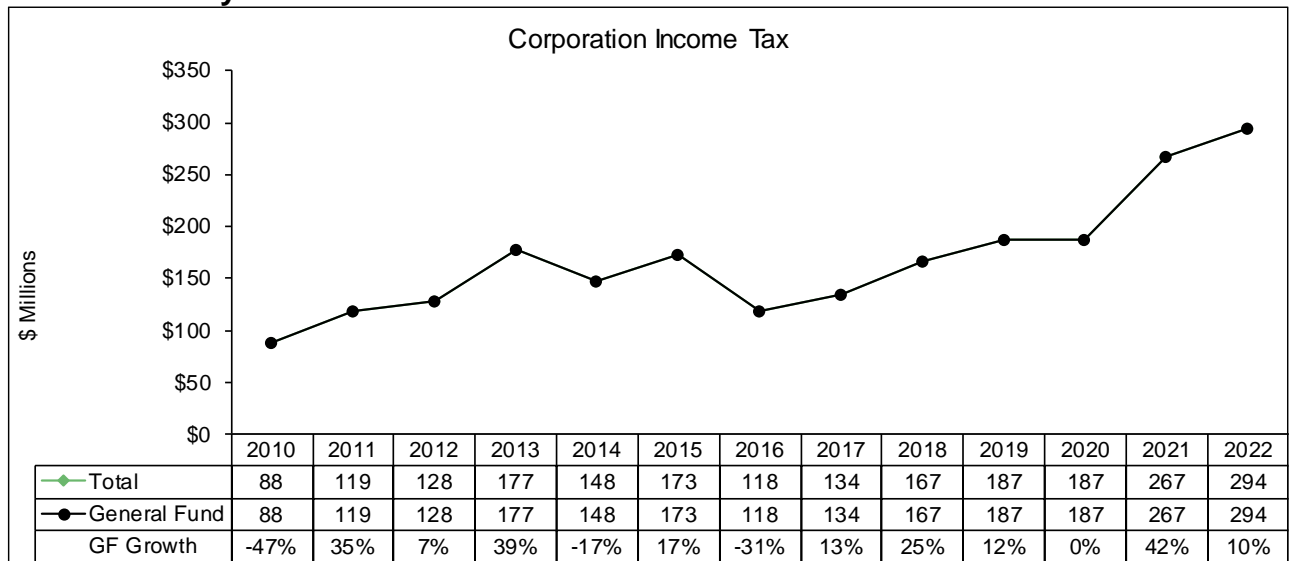
FY	Total Tax \$ Millions	GF Tax \$ Millions	Total FY Liability \$ Millions	Refunds \$ Millions	Audit, P&I Payments \$ Millions
A 2012	\$127.771	\$127.771	\$77.930	(\$24.381)	\$14.174
A 2013	177.50	177.50	102.15	(14.53)	10.60
A 2014	147.55	147.55	156.70	(13.86)	10.83
A 2015	172.73	172.73	176.89	(26.20)	26.81
A 2016	118.39	118.39	171.37	(27.90)	16.87
A 2017	133.99	133.99	155.20	(19.88)	31.04
A 2018	167.10	167.10	109.64	(37.12)	15.38
A 2019	186.54	186.54	122.73	(29.80)	26.12
A 2020	187.36	187.36	138.64	(38.76)	27.89
A 2021	266.51	266.51	171.69	(11.00)	16.81
A 2022	293.68	293.68	158.49	(21.71)	10.77
F 2023	284.34	284.34	161.93	(17.97)	28.78
F 2024	277.21	277.21	140.28	(31.39)	9.49
F 2025	271.36	271.36	147.69	(25.85)	12.16
F 2026	275.60	275.60	165.47	(24.23)	25.86
F 2027	280.76	280.76	189.90	(16.76)	13.39

CY	Agriculture \$ Millions	Mining \$ Millions	Utilities \$ Millions	Construction \$ Millions	Manufacture \$ Millions	Trade \$ Millions	Transport \$ Millions
A 2012	\$4.993	\$7.805	\$0.751	\$3.643	\$40.489	\$24.484	\$19.96
A 2013	4.93	4.25	0.97	2.25	35.99	25.56	20.22
A 2014	5.92	4.00	1.55	1.75	29.75	24.92	18.84
A 2015	4.33	1.97	0.79	2.09	28.91	25.63	18.08
A 2016	4.07	2.21	0.37	1.40	20.62	25.61	17.67
A 2017	3.87	4.08	1.65	1.75	26.47	22.58	19.75
A 2018	4.68	3.43	1.98	2.40	31.15	25.55	25.58
A 2019	5.10	1.24	1.72	2.47	26.80	25.20	24.17
A 2020	6.23	0.62	2.83	4.93	31.04	40.66	29.16
A 2021	4.97	2.32	1.71	4.32	29.32	35.34	25.46
A 2022	5.25	2.34	1.98	5.20	40.85	37.33	25.70
F 2023	5.39	1.99	2.04	5.38	35.08	37.03	25.73
F 2024	5.46	1.70	2.06	5.44	35.24	37.82	24.28
F 2025	5.26	1.79	2.12	5.46	35.95	38.90	23.50
F 2026	5.34	2.03	1.98	5.52	35.82	40.12	22.55
F 2027	5.36	1.97	2.04	5.59	36.72	41.23	21.50

CY	Information \$ Millions	Professional \$ Millions	Large Banks \$ Millions	Social \$ Millions	Unknown \$ Millions	Total CY Liability \$ Millions
A 2012	\$7.363	\$9.286	\$25.323	\$3.696	\$0.007	\$147.799
A 2013	9.54	8.14	26.92	3.24	0.03	142.87
A 2014	6.49	11.20	37.20	5.03	0.66	147.32
A 2015	8.70	9.36	29.83	4.33	1.16	135.17
A 2016	10.29	13.14	29.68	3.27	0.32	128.64
A 2017	6.83	11.73	30.12	3.99	0.16	132.98
A 2018	10.54	20.86	36.80	4.14	1.59	168.71
A 2019	10.66	23.35	54.09	6.50	1.97	183.28
A 2020	11.67	35.89	58.07	4.99	2.71	228.82
A 2021	10.95	35.75	63.51	4.58	1.35	219.59
A 2022	11.09	42.69	79.42	4.84	1.56	258.24
F 2023	11.24	39.37	81.82	5.01	1.84	251.91
F 2024	11.09	33.80	83.57	5.18	1.89	247.53
F 2025	11.14	36.69	84.92	4.92	1.87	252.54
F 2026	11.16	38.82	86.41	4.91	1.70	256.35
F 2027	11.13	40.59	87.73	4.97	1.77	260.60



**Revenue History**



**Driver's License Fees**

**Revenue Description**

A resident of Montana must have a valid driver's license to operate a motor vehicle on any highway in the state. A driver's license is issued only if the applicant passes specified examinations and pays fees. The fees are collected by Department of Justice, Motor Vehicle Division staff or county treasurers and are forwarded to the state treasurer for deposit. If collected by the county treasurers, a portion is retained by the county. The estimates shown in this source are net of revenue retained by the counties. The fees included in this source are from regular driver's licenses, commercial driver's licenses, motorcycle endorsements, duplicate driver's licenses, and renewal notices.

**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

**Applicable Tax Rates**

- Driver's license, except a commercial driver's license: \$5.00 per year or fraction of a year
- Motorcycle endorsement: \$0.50 per year or fraction of a year
- Commercial driver's licenses (includes the basic license fee of \$5.00)
  - Interstate: \$10.00 per year or fraction of a year
  - Intrastate: \$8.50 per year or fraction of a year
- Duplicate license: \$10.00
- Renewal notice: \$0.50

**Collection Frequency:** Monthly

**Distribution**

The distribution of license fee revenue varies by the type of license and who collects the fee. The table below shows the current statutory distribution. Note that the portion allocated to counties applies only when the county collects the fee. Otherwise, the county allocation is added to the general fund distribution.

Distribution of Driver's License Fees					
Allocation	Driver's License	Replacement License	Motorcycle Endorsement	Commercial Driver's License	Renewal Notice
County or State General Fund	2.5%	3.75%	3.34%	2.50%	
Motorcycle Safety Account			63.46%		
Traffic Education Account	20.7%	8.75%		16.94%	
State General Fund	<u>76.8%</u>	<u>87.50%</u>	<u>33.20%</u>	<u>80.56%</u>	<u>100%</u>
Total	100%	100%	100%	100%	100%

**Forecast Risks**

- Growth of population over age 16
- Potential impact from youth driving habits

**Revenue Estimate Methodology**

The driver's license revenue estimate is based on the number of the six various licenses and fees, multiplied by the applicable fee. The number of licenses is modeled on Montana driving age population.

Data

## Business and Personal Taxes

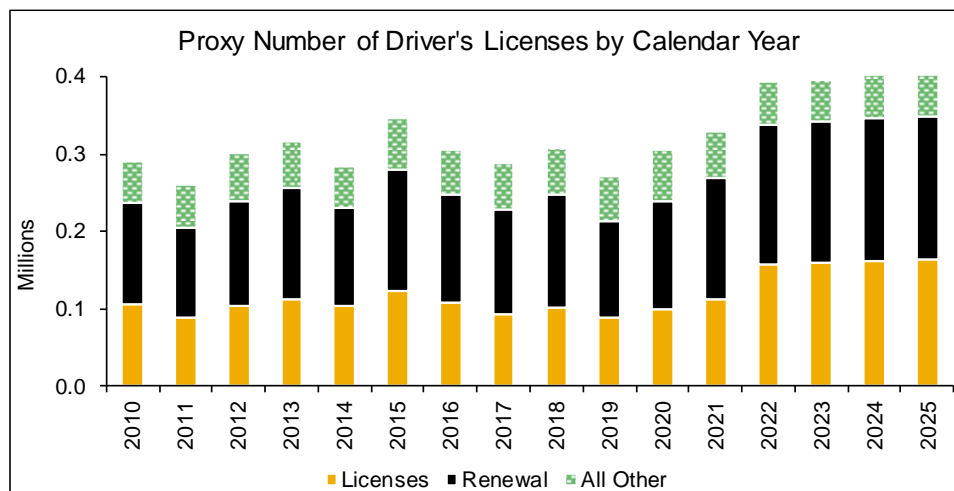
## Driver's License Fees

There are six different sources of revenue—five different driver's licenses and the renewal notice. The best source of data for the number of licenses and the renewal notice is contained in the history of revenue collections for each of these six items from SABHRS.

### Analysis

The methodology used to determine the number of each license or fee differs slightly:

1. The proxy numbers for driver's and motorcycle licenses are obtained by multiplying the driving age population estimate for each year by the last known actual ratio of driver's licenses to driving age population. This ratio differs between odd and even years, and is applied accordingly.
2. For duplicate licenses, the proxy number is derived by multiplying the number of driver's licenses by the previous year's ratio between the number of duplicates and drivers licenses. Because the driver's license proxy includes the effects of population change, these effects are also included in the proxy for duplicate licenses.
3. The proxies for the number of interstate and intrastate licenses are the amounts from the last known fiscal year.
4. To approximate the number of renewal notices, the ratio between the previous years' number of notices to the proxy number of licenses is multiplied by the estimated number of licenses. Since the license proxy includes the effects of population change, these effects are also included in the proxy for renewal notices.
5. Based on historical percentages, amounts retained by the counties are calculated and subtracted from the total revenue to derive the state's portion.



### Adjustments and Distribution

Once the proxy number for each license has been estimated, adjustments, if any, are made. After any adjustments, the applicable distribution percentage of the revenue for each license fee is applied (see the "Distribution" section).

### Revenue Estimate Assumptions

This section contains the assumptions used to generate the LFD revenue estimate recommendation.



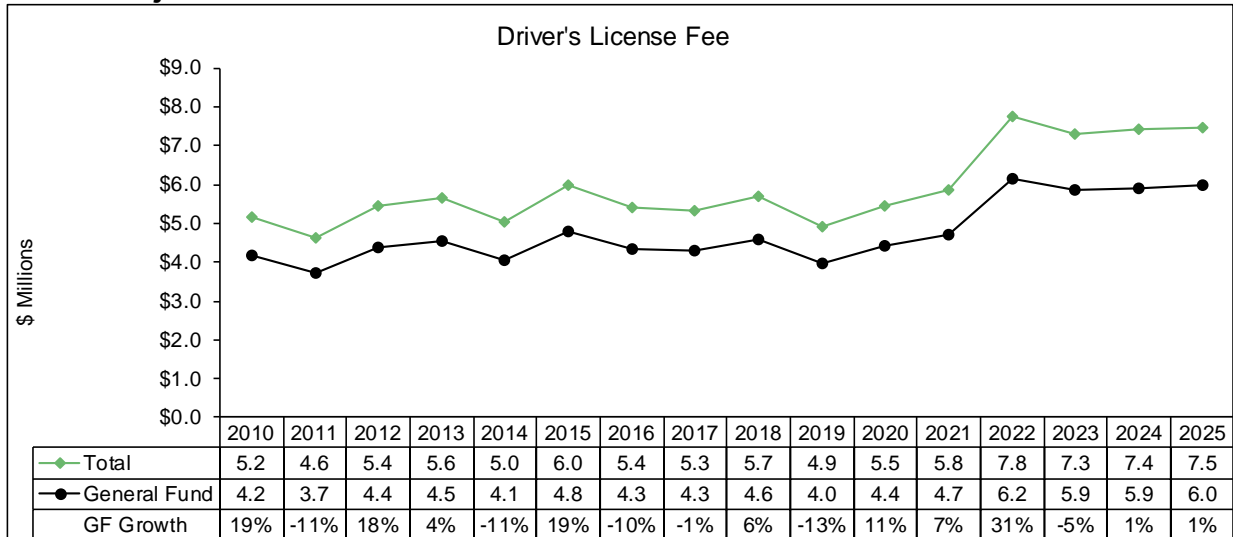
**Business and Personal Taxes**

**Driver's License Fees**

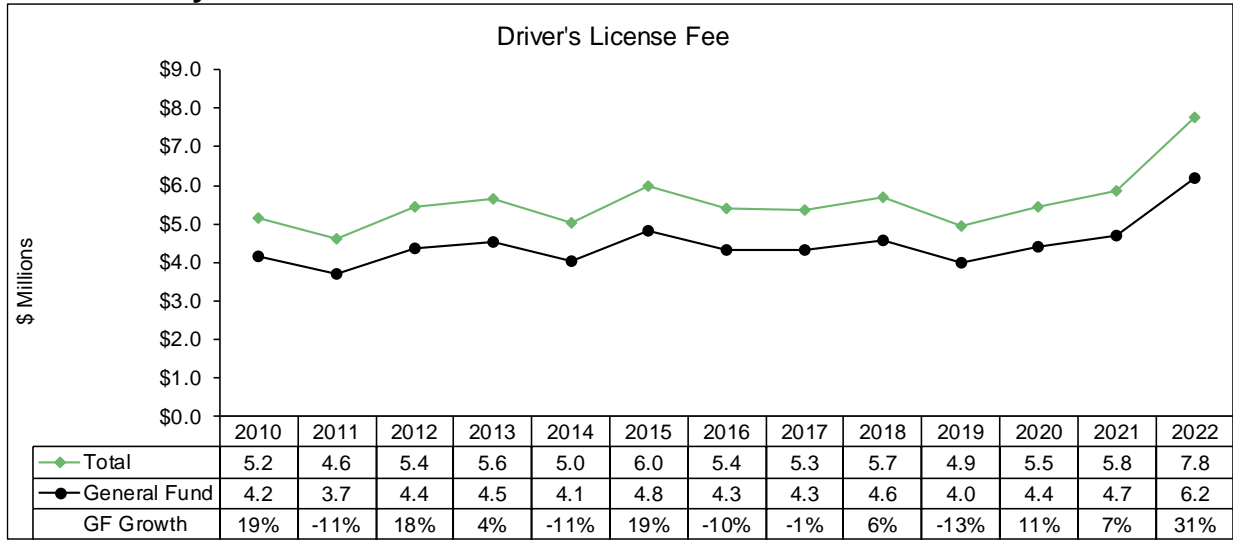
FY	Total Fee \$ Millions	GF Fee \$ Millions	GF Fee Licenses \$ Millions	GF Fee Duplicates \$ Millions	GF Fee Cycle \$ Millions	GF Fee Commercial \$ Millions	GF Fee Renewal \$ Millions
A 2012	\$5.432	\$4.369	\$3.259	\$0.295	\$0.018	\$0.689	\$0.07
A 2013	5.64	4.53	3.53	0.30	0.02	0.57	0.07
A 2014	5.04	4.05	3.26	0.31	0.01	0.37	0.06
A 2015	6.00	4.81	3.89	0.32	0.02	0.67	0.08
A 2016	5.40	4.34	3.37	0.30	0.02	0.51	0.07
A 2017	5.35	4.31	2.95	0.33	0.01	0.49	0.07
A 2018	5.69	4.58	3.22	0.34	0.02	0.44	0.07
A 2019	4.93	3.98	2.77	0.37	0.01	0.33	0.06
A 2020	5.46	4.41	3.10	0.43	0.01	0.40	0.07
A 2021	5.84	4.70	3.53	0.35	0.02	0.38	0.08
A 2022	7.75	6.17	4.96	0.29	0.02	0.44	0.09
F 2023	7.32	5.85	5.02	0.29	0.02	0.44	0.09
F 2024	7.41	5.92	5.07	0.30	0.02	0.44	0.09
F 2025	7.47	5.97	5.13	0.30	0.02	0.44	0.09
F 2026	7.55	6.03	5.18	0.30	0.02	0.44	0.09
F 2027	7.60	6.08	5.22	0.31	0.02	0.44	0.09

FY	Proxy Licenses Millions	Proxy Duplicates Millions	Proxy Cycle Millions	Proxy Interstate Millions	Proxy Intrastate Millions	Proxy Renewal Millions
A 2012	\$0.104	\$0.033	\$0.013	\$0.015	\$0.002	\$0.136
A 2013	0.11	0.03	0.01	0.01	0.00	0.14
A 2014	0.10	0.03	0.01	0.01	0.00	0.13
A 2015	0.12	0.04	0.01	0.02	0.00	0.16
A 2016	0.11	0.03	0.01	0.01	0.00	0.14
A 2017	0.09	0.04	0.01	0.01	0.00	0.13
A 2018	0.10	0.04	0.01	0.01	0.00	0.15
A 2019	0.09	0.04	0.01	0.01	0.00	0.12
A 2020	0.10	0.05	0.01	0.01	0.00	0.14
A 2021	0.11	0.04	0.01	0.01	0.00	0.16
A 2022	0.16	0.03	0.01	0.01	0.00	0.18
F 2023	0.16	0.03	0.01	0.01	0.00	0.18
F 2024	0.16	0.03	0.01	0.01	0.00	0.18
F 2025	0.16	0.03	0.01	0.01	0.00	0.19
F 2026	0.16	0.03	0.01	0.01	0.00	0.19
F 2027	0.17	0.03	0.01	0.01	0.00	0.19

**Revenue Projection**



Revenue History



## Individual Income Tax

### Revenue Description

The tax is levied against taxable income, which is defined as Montana adjusted gross income less exemptions and deductions. Once tax liability is determined, the amount of tax due is computed by subtracting allowable credits.

### Statutory Reference

Tax Rate – [15-30-2103, MCA](#) through [15-30-2105, MCA](#)

Tax Distribution – [17-2-124\(2\), MCA](#)

Date Due – 15<sup>th</sup> day of the fourth month of the filer's fiscal year ([15-30-2604, MCA](#)). Withholding taxes are due monthly, quarterly, or on an accelerated schedule depending on income ([15-30-2504, MCA](#)). Estimated taxes are due on the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, and 9<sup>th</sup> month and the month following the close of the tax year ([15-30-2512, MCA](#)).

### Applicable Tax Rates

Tax rates vary from 1.0% to 6.75% (6.5% beginning in CY 2024), depending on the level of taxable income. Tax brackets, personal exemption amounts, and the standard deduction are adjusted for inflation each year. Due to the capital gains income tax credit, the effective tax rate on capital gains income is less than the tax rate on ordinary income by 2%. Beginning in TY 2024, Montana Taxable Income is based on Federal Taxable Income and the capital gains income tax credit is eliminated and replaced with 30% deduction on net-long term capital gains.

**Collection Frequency:** Quarterly, monthly, bi-weekly and weekly

**Distribution:** All proceeds are deposited into the general fund.

### Forecast Risks

- Changes to the national economic growth outlook
- Changes to Montana's economic growth outlook
- Changes to the outlook for Montana wages
- Stock market activity
- Housing prices and sales

### Revenue Estimate Methodology

#### Data

The estimate for this source is based on collection data from SABHRS, individual income tax return data supplied by DOR, state and national historical and forecast data on income, inflation, employment, and other economic variables from IHS Markit.

#### Analysis

##### *Overview*

An individual income tax simulation model is used to forecast Montana calendar year individual income tax liability for all residents. The calendar year state tax liability forecast is developed by applying modeled growth rates to each resident taxpayer's income and deduction items. The result is a forecast of calendar year state individual income tax liability for each resident, the sum of which produces a statewide forecast of individual income tax liability for each year.

The statewide forecast of resident liability is adjusted for the growth in resident taxpayers, and multiplied by an all-filers percentage to include the tax liability for nonresidents and partial-year residents. This results in a forecast of total calendar year individual income tax liability before credits.

## Business and Personal Taxes

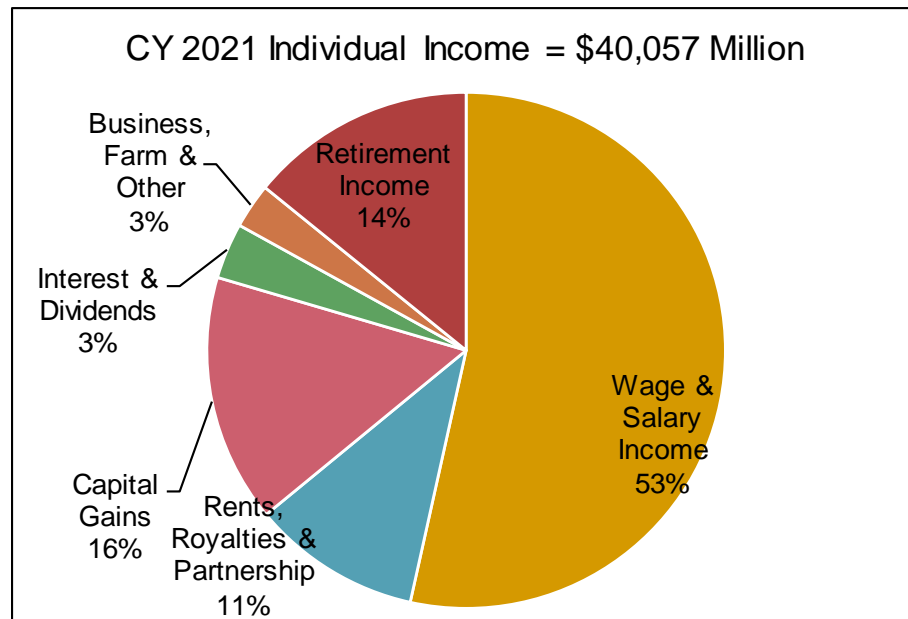
## Individual Income Tax

Fiscal year collections before audit, penalty, and interest income are modeled on total calendar year liability before credits, and forecast fiscal year collections are then augmented by expected future audit, penalty and interest collections to produce the total individual income tax revenue estimate.

### Growth Rates

Growth rates are modeled for each of the income, adjustment, addition, reduction and deduction line items. The models for most of the income line items are highlighted in this section, along with corresponding forecast risks. Nearly two-thirds of all income reported is from wages and salaries; the broad revenue categories are shown in the adjacent chart.

The table below summarizes the growth rates used for returns, inflation and income items. Estimates for all other line items—adjustments, additions, reductions and itemized deductions—are included in the revenue estimate assumptions section.



	Individual Income Growth Rates					
	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026	CY 2027
FYR Returns (Annual)	2.7%	0.9%	-0.1%	0.1%	0.3%	0.4%
FYR Returns (Cumulative)	102.7%	103.6%	103.5%	103.6%	103.9%	104.3%
Inflation State	5.1%	8.4%	3.9%	2.5%	2.3%	2.2%
Inflation Federal	2.9%	6.3%	4.3%	2.2%	2.0%	2.0%
Wages and salaries	10.3%	5.3%	4.0%	4.0%	4.2%	4.1%
Interest income	-0.1%	7.4%	10.9%	3.4%	1.6%	3.0%
Dividend income	28.5%	9.6%	0.0%	1.9%	2.9%	3.5%
Taxable refunds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Alimony received	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net business income	6.2%	-1.0%	-1.8%	-0.2%	2.4%	2.8%
Capital gains	-25.0%	-4.8%	5.0%	11.2%	10.9%	-0.2%
Supplemental gains	-16.8%	0.0%	0.0%	0.0%	0.0%	0.0%
IRA distributions	-10.0%	1.8%	4.6%	4.3%	3.9%	3.6%
Taxable pensions	9.2%	5.9%	4.2%	4.3%	4.2%	3.8%
Rents, royalties, etc.	5.3%	-2.4%	2.5%	3.1%	3.4%	3.6%
Farm income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Unemp. compensation	-72.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Taxable social security	7.6%	9.0%	5.1%	4.6%	4.2%	3.7%
Other income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Wage and salary income is the largest source of individual income and is modeled on the IHS Markit series for Montana wage and salary distributions.

### Reasons for Decline in Upcoming Biennium

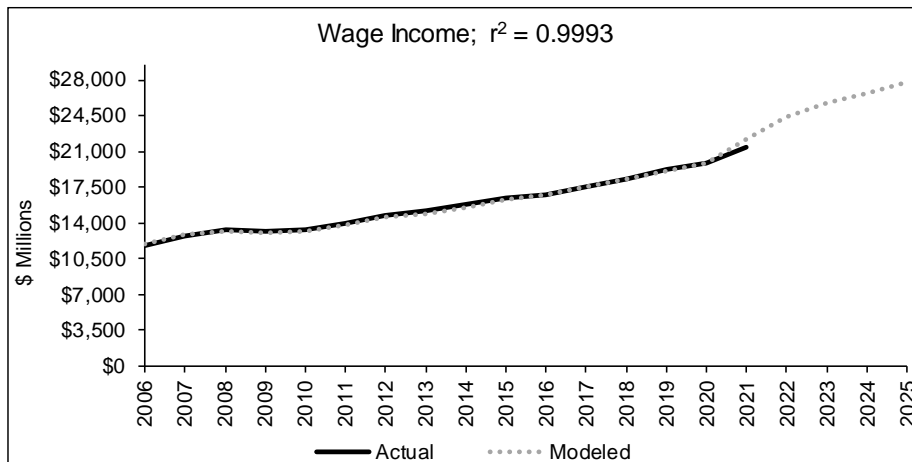
Individual income tax collections are forecast to decline by 15.0% in FY 2023, then grow by 2.6% and 4.4% respectively in FY 2024 and FY 2025. The decline is driven by forecasted declines in capital gains and IRA income, and the assumption that a portion of collections in FY 2022 were not a product of ongoing economic activity.

## Business and Personal Taxes

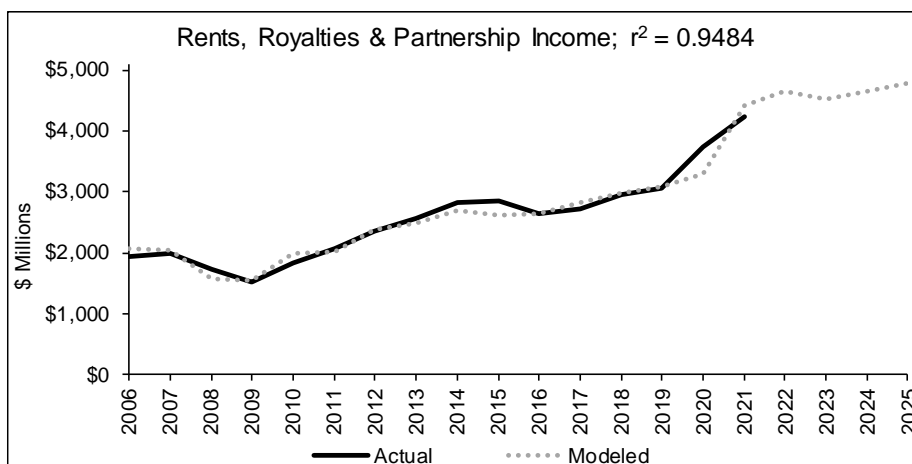
## Individual Income Tax

In CY 2021, the full-year-resident statewide tax liability was \$1,728.9 million. In FY 2022 the state collected \$2,393.8 million. While fiscal year collections typically surpass the calendar year liability, last year was quite drastic. Calendar year liabilities typically represent 87% of fiscal year collections, though last year it was only 72.2%.

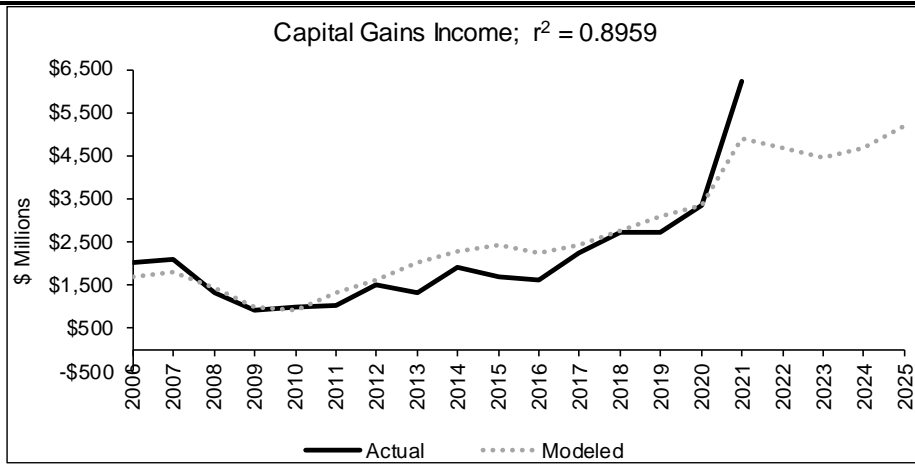
The discrepancy between calendar year liabilities and fiscal year collections suggests that nearly \$400 million in collections that were not explained by the prior year liabilities. Given this discrepancy, it is possible that individuals made significant capital gains realizations in early CY 2022 and have already paid taxes on that income as opposed to paying them in April 2023 when they are due. It is also possible that taxpayers opted to move their refunds from April of 2022 to future years. In addition, taxpayer may be making safe harbor payments on their estimated payments, in which case they are paying based upon their known liability from the prior year. These assumptions could result in higher refunds and lower payments in this upcoming 2023 spring tax season.



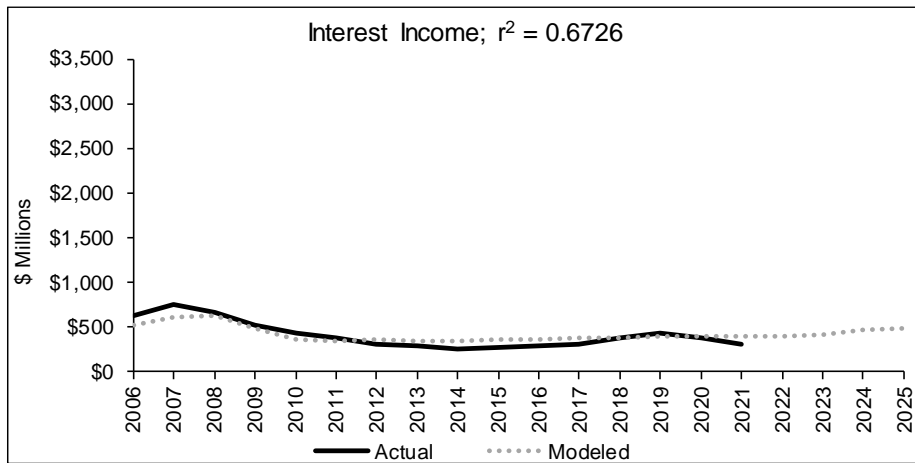
Rent, royalty & partnership (schedule E) income is modeled on S&P 500 and before tax corporate profits and in recent years has trended quite well.



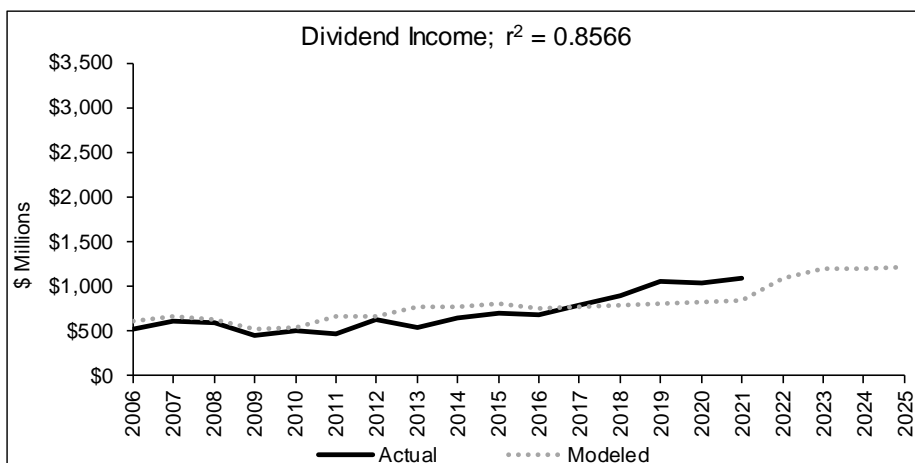
Capital gains income is modeled on a three-year difference of the S&P 500 stock market index, Montana median house price, and the annual number of Montana home sales.



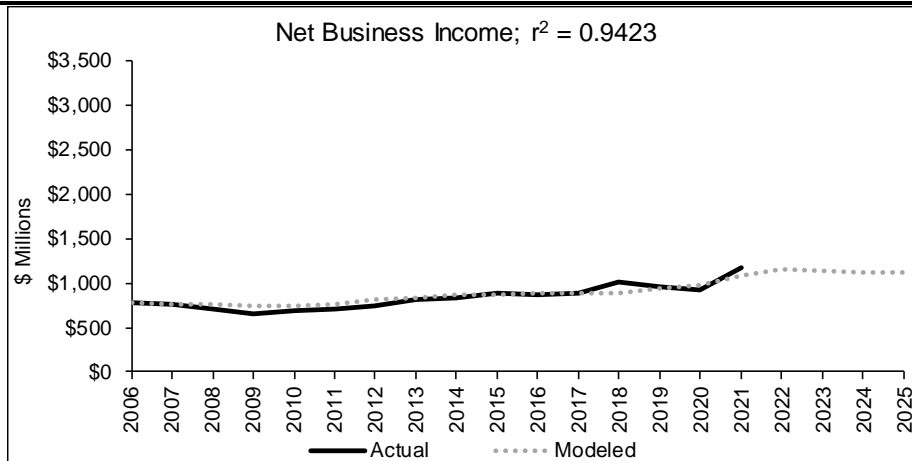
Interest income is modeled on the rate of 3-month negotiable CDs and national personal interest income.



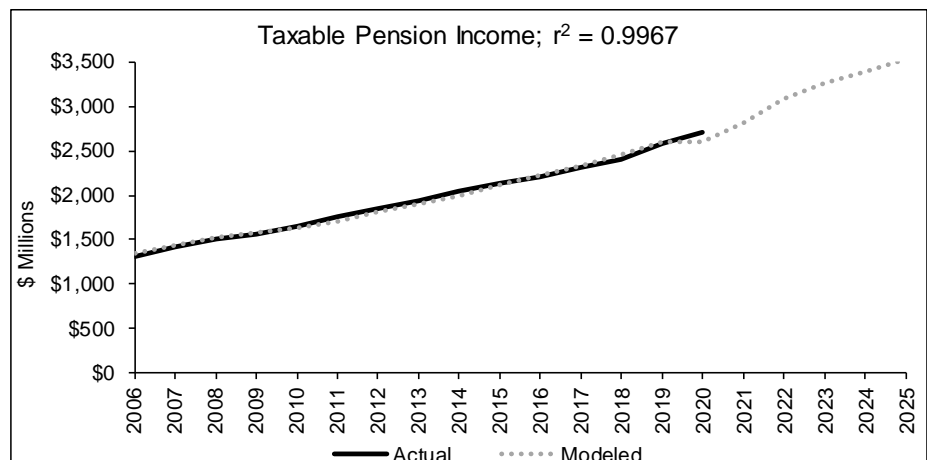
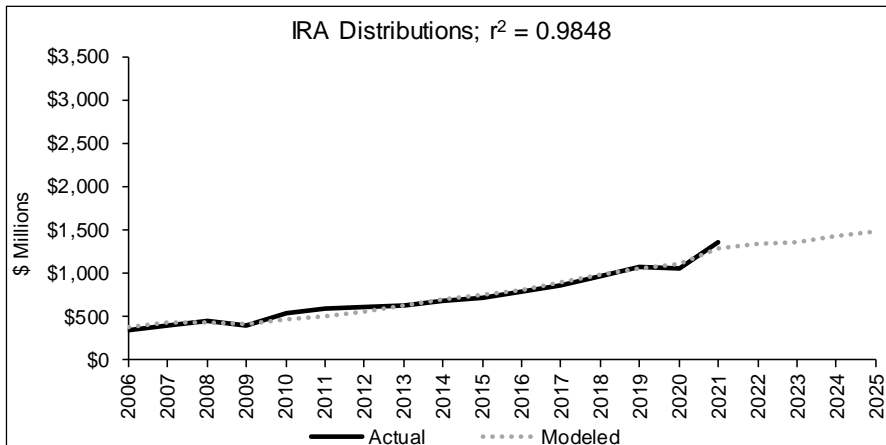
Dividend income is modeled on before-tax corporate profits.



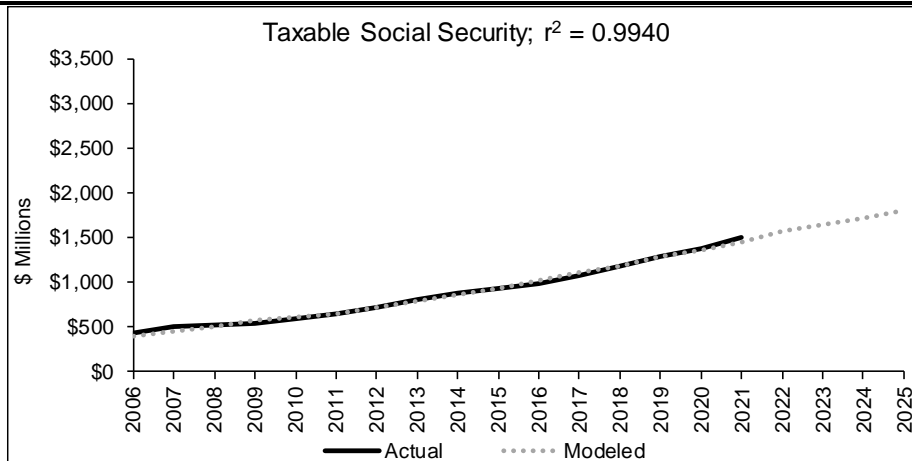
Net business income is modeled on national non-farm proprietor's income, Montana farm proprietor's income, and gross state product for the construction industry.



The two of the three retirement income sources—IRA distributions and pension income—are modeled on the S&P 500 stock market index, gross domestic product, and the number of Montanans age 65 and older. The projected drop in IRA distributions is due to a provision in the federal CARES Act which deferred required minimum distributions from certain retirement accounts.



Taxable social security is modeled on federal transfer payments to Montana and Montana population age 65 or older.



All remaining income sources, including farm income, sum to a negative amount. These sources are forecast individually but are generally anticipated to remain at about the same as the level as the last known year.

*Audits and Other Assumptions*

Fiscal year audit, penalty and interest revenue is assumed to remain at a recent historical average of the prior calendar year tax liability before credits. Audit, and penalty and interest revenue are added to the modeled fiscal liability, resulting in total fiscal year collections.

**Revenue Estimate Assumptions**

This section contains the assumptions used to generate the LFD revenue recommendation.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Audit, P&I \$ Millions	Earned Income	
				Tax Credit \$ Millions	
A 2012	\$898.851	\$898.851	\$28.307		
A 2013	1,047.79	1,047.79	31.83		
A 2014	1,063.28	1,063.28	41.01		
A 2015	1,175.74	1,175.74	43.47		
A 2016	1,184.83	1,184.83	51.72		
A 2017	1,168.22	1,168.22	40.76		
A 2018	1,297.78	1,297.78	44.23		
A 2019	1,429.01	1,429.01	48.99		
A 2020	1,435.24	1,435.24	48.21		
A 2021	1,765.42	1,765.42	59.20		
A 2022	2,393.81	2,393.81	71.97		
F 2023	2,033.78	2,033.78	72.86	(4.27)	
F 2024	2,086.76	2,086.76	74.56	(4.65)	
F 2025	2,178.32	2,178.32	77.87	(4.75)	
F 2026	2,291.57	2,291.57	81.82	(4.75)	
F 2027	2,431.76	2,431.76	87.44	(4.75)	



**Business and Personal Taxes**

**Individual Income Tax**

	Modeled FYR	Population	FYR	Non-Resident	Total Liability	Elderly H/R	All Other
	Liability	Adjustment	Liability	Factor	Before Credits	Credit	Credits
CY	\$ Millions	Percent	\$ Millions	Percent	\$ Millions	\$ Millions	\$ Millions
A 2012	\$874.595	100.0%	\$874.595	107.4%	\$939.072	\$7.286	\$39.356
A 2013	903.847	100.0%	903.847	107.2%	969.219	6.697	43.459
A 2014	997.892	100.0%	997.892	107.2%	1,069.590	6.119	48.085
A 2015	1,034.358	100.0%	1,034.358	106.9%	1,106.240	6.182	50.352
A 2016	1,022.467	100.0%	1,022.467	107.3%	1,096.673	6.510	46.481
A 2017	1,118.513	100.0%	1,118.513	107.0%	1,196.354	6.950	52.617
A 2018	1,244.186	100.0%	1,244.186	105.3%	1,310.193	7.609	68.095
A 2019	1,308.844	100.0%	1,308.844	104.7%	1,370.571	6.617	69.052
A 2020	1,500.731	100.0%	1,500.731	106.5%	1,597.994	7.883	80.684
A 2021	1,728.872	100.0%	1,728.872	108.0%	1,866.974	7.049	99.391
A 2022	1,729.058	102.7%	1,775.530	108.0%	1,917.359	7.049	98.413
F 2023	1,753.693	103.6%	1,816.858	108.0%	1,961.988	7.049	96.682
F 2024	1,832.790	103.5%	1,897.558	108.0%	2,049.135	7.049	99.059
F 2025	1,924.211	103.6%	1,993.827	108.0%	2,153.093	7.049	102.022
F 2026	2,050.048	103.9%	2,130.776	108.0%	2,300.982	7.049	105.318
F 2027	2,121.827	104.3%	2,213.128	108.0%	2,389.912	7.049	108.888

	Wage	Rent, Royalty	Capital Gains	Interest	Dividend	Net Business	IRA
	Income	& Part. Inc.	Income	Income	Income	Income	Distributions
CY	\$ Millions	\$ Millions	\$ Millions	\$ Millions	\$ Millions	\$ Millions	\$ Millions
A 2012	\$14,686.234	\$2,340.911	\$1,491.198	\$313.117	\$627.612	\$740.894	\$618.964
A 2013	15,189.766	2,554.830	1,314.178	294.150	550.135	820.125	623.888
A 2014	15,912.285	2,812.599	1,925.151	265.414	641.446	834.812	678.718
A 2015	16,521.665	2,855.278	1,676.972	279.892	702.495	886.486	728.904
A 2016	16,791.933	2,650.879	1,616.570	295.853	690.232	862.602	782.898
A 2017	17,475.754	2,717.294	2,241.133	318.210	791.880	889.821	870.507
A 2018	18,366.344	2,950.771	2,709.171	380.543	893.176	1,019.461	965.712
A 2019	19,198.827	3,056.390	2,735.219	437.553	1,063.585	966.356	1,069.311
A 2020	19,948.240	3,745.380	3,354.864	387.849	1,041.364	913.917	1,067.211
A 2021	21,415.879	4,228.359	6,226.900	306.748	1,093.004	1,175.959	1,354.410
F 2022	23,630.203	4,452.011	4,670.175	306.457	1,404.139	1,248.309	1,218.969
F 2023	24,891.343	4,347.220	4,446.813	329.186	1,538.942	1,235.628	1,241.414
F 2024	25,891.312	4,455.025	4,669.154	365.136	1,539.142	1,213.846	1,298.127
F 2025	26,927.726	4,593.087	5,193.552	377.502	1,568.716	1,211.697	1,353.954
F 2026	28,050.779	4,748.203	5,758.891	383.651	1,614.394	1,240.526	1,406.832
F 2027	29,191.670	4,917.340	5,749.886	394.983	1,670.167	1,274.724	1,457.435

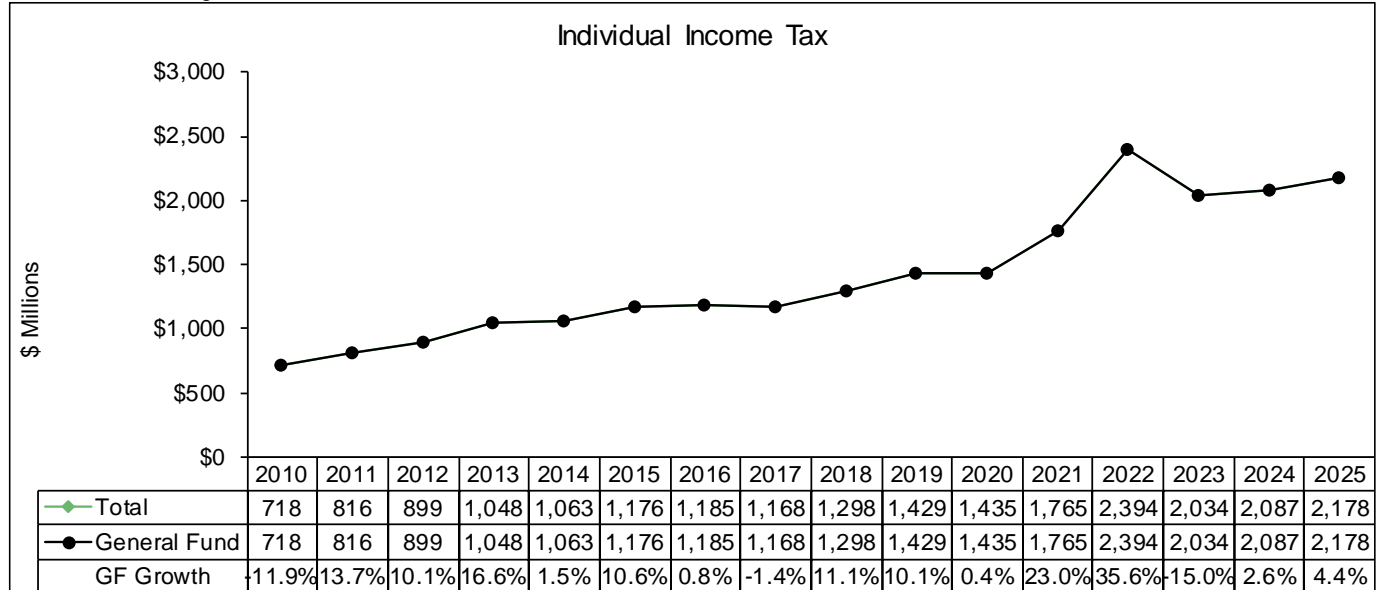
	Pension	Social	Farm	Other	Adjustments	Additions	Reductions
	Income	Security	Income	Income	to Income	to Income	to Income
CY	\$ Millions	\$ Millions	\$ Millions	\$ Millions	\$ Millions	\$ Millions	\$ Millions
A 2012	\$1,840.957	\$721.661	(\$135.869)	(\$552.855)	\$445.516	\$834.573	\$1,518.641
A 2013	1,945.506	803.831	(138.640)	(523.590)	487.773	803.607	1,404.220
A 2014	2,050.104	882.266	(115.194)	(509.221)	499.660	783.984	1,399.342
A 2015	2,139.286	941.299	(150.769)	(509.770)	522.819	788.052	1,446.849
A 2016	2,215.681	981.545	(230.849)	(545.399)	536.806	797.821	1,477.005
A 2017	2,322.764	1,072.081	(231.618)	(414.158)	550.496	836.955	1,585.401
A 2018	2,401.327	1,191.853	(311.489)	(565.262)	488.838	875.544	1,807.497
A 2019	2,586.974	1,293.289	(341.346)	(604.465)	500.283	910.792	1,882.259
A 2020	2,715.371	1,371.543	(255.046)	(1,100.004)	496.927	1,360.050	3,052.518
A 2021	2,808.826	1,495.527	(322.809)	(295.992)	510.950	713.207	2,159.556
F 2022	3,066.647	1,609.521	(322.809)	(295.992)	524.973	698.283	1,981.589
F 2023	3,246.973	1,754.378	(322.809)	(295.992)	538.995	688.774	2,023.309
F 2024	3,383.782	1,844.385	(322.809)	(295.992)	-	-	-
F 2025	3,530.922	1,929.335	(322.809)	(295.992)	-	-	-
F 2026	3,678.310	2,009.940	(322.809)	(295.992)	-	-	-
F 2027	3,816.801	2,085.182	(322.809)	(295.992)	-	-	-

## Business and Personal Taxes

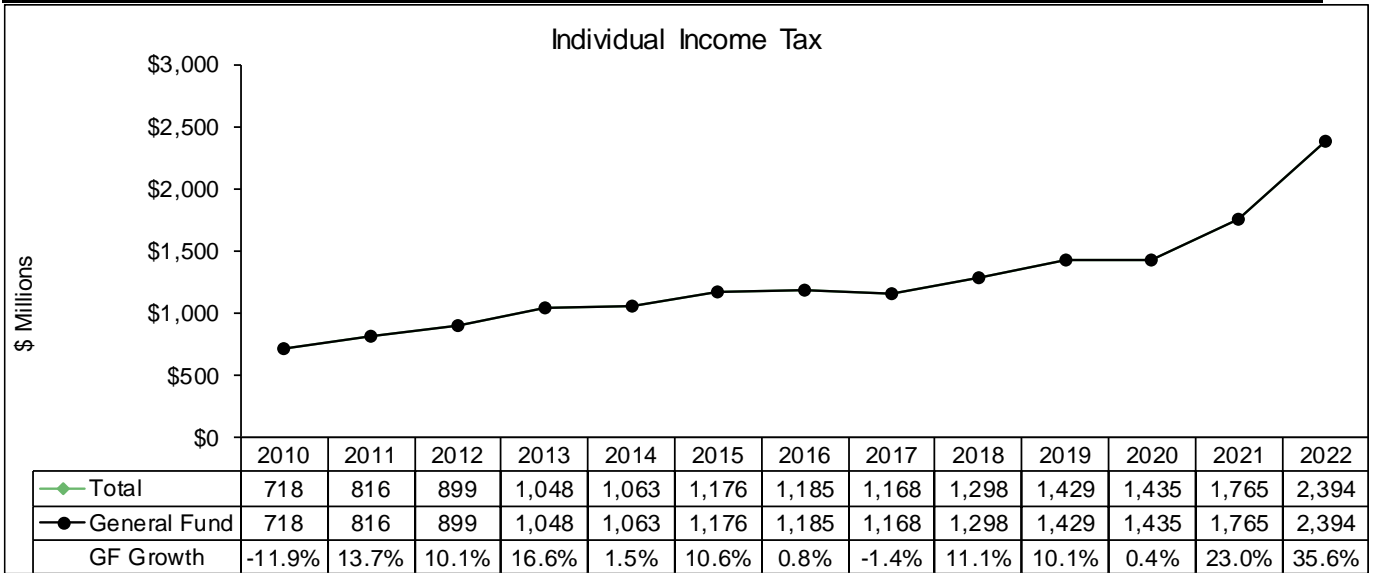
## Individual Income Tax

	Itemized Deductions	Montana Adj. Gross Income	Capital Gains Credit	FYR Returns Annual Gr.	Federal Inflation	State Inflation
CY	\$ Millions	\$ Millions	\$ Millions	Percent	Percent	Percent
A 2012	\$4,137.027	21,690.849	31.235	7.9%	2.4%	1.7%
A 2013	4,241.199	22,477.954	27.523	2.0%	2.6%	1.8%
A 2014	4,274.492	24,390.092	39.533	0.9%	1.7%	2.1%
A 2015	4,488.435	25,025.551	34.639	1.6%	1.6%	0.1%
A 2016	4,591.664	25,198.944	33.576	0.3%	0.5%	0.0%
A 2017	4,706.078	26,903.031	44.759	1.4%	0.8%	1.6%
A 2018	4,452.909	29,107.663	55.202	1.0%	1.6%	2.9%
A 2019	4,445.662	30,259.841	55.709	1.0%	2.0%	1.6%
A 2020	4,380.851	32,063.665	68.290	-2.5%	1.6%	0.6%
A 2021	4,635.392	39,531.790	125.400	3.9%	1.2%	5.4%
F 2022				2.7%	2.9%	5.1%
F 2023				0.9%	6.3%	8.4%
F 2024				-0.1%	4.3%	3.9%
F 2025				0.1%	2.2%	2.5%
F 2026				0.3%	2.0%	2.3%
F 2025				0.4%	2.0%	2.2%

## Revenue Projection



## Revenue History



**Insurance Tax & License Fees**

**Revenue Description**

An insurance premiums tax is levied on the net premiums or gross underwriting profit for each insurance company operating in Montana. Various insurance and license fees are also collected.

**Statutory Reference**

Tax Rate – [33-2-705\(2\), MCA](#); [33-2-311, MCA](#); [33-28-201\(1&2\), MCA](#); [50-3-109\(1\), MCA](#);

Fee Rate – Many of the fees are contained in [33-2-708\(1&2\), MCA](#); all other fees are listed in various chapters of [Title 33, MCA](#)

Tax Distribution – [33-2-708\(3\), MCA](#); [33-2-712, MCA](#); [50-3-109\(1\), MCA](#); [33-28-120, MCA](#)

Date Due – March 1<sup>st</sup> each year ([33-2-705\(1\), MCA](#); [33-2-712, MCA](#); [33-28-201\(1&2\), MCA](#)). Quarterly payments due the 15<sup>th</sup> of April, June, September and December (Administrative Rules [6.6.2704](#) and [6.6.2705](#))

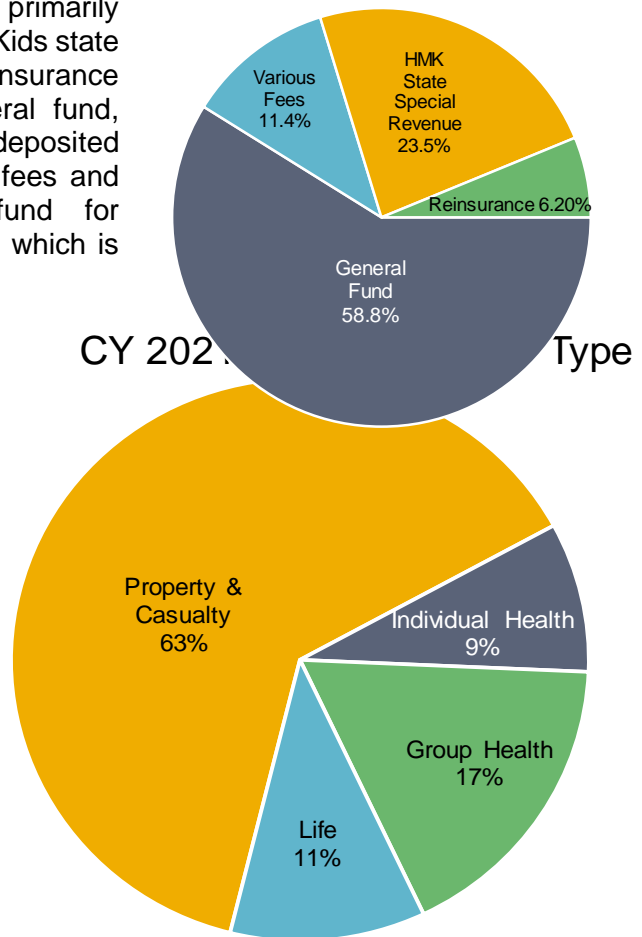
**Applicable Tax Rates**

- 2.75% of net premiums on policies sold in Montana
- An additional 2.5% tax on the fire portion of net premiums for selected risks
- 0.4% on the first \$20 million of net direct premiums and 0.3% on each subsequent dollar collected by captive insurance companies
- 1.2% reinsurance assessment on most health policies

**Collection Frequency:** Quarterly and annually

**Distribution**

Insurance tax and license fee revenue is distributed primarily between the general fund and the Healthy Montana Kids state special revenue fund. Exceptions include fire insurance premiums which are deposited fully to the general fund, captive insurance company premiums which are deposited 95% to the general fund and 5% (along with any fees and assessments to captive companies) to a fund for administration of such companies, the genetics fee which is deposited into a state special fund for genetic testing, and the remaining fees which are deposited in a state special fund for use by the State Auditor. A 1.2% assessment on health policies is deposited into the reinsurance pool to be matched with federal funds to cover high cost claims. The following chart shows the FY 2020 distribution of insurance tax and license fee revenue.



**Forecast Risks**

- Changes in the forecast for personal consumption expenditures for the

## **Business and Personal Taxes**

## **Insurance Tax and License Fees**

finance and insurance services sector

- Changes in health insurance premium costs
- Changes in health insurance purchases on the exchange

## **Revenue Estimate Methodology**

### Data

The insurance tax and license fee estimate is based on data obtained from SABHRS, the State Auditor's Office (SAO) and IHS Markit. Fiscal year collections come from SABHRS; detailed historical data and future estimates for offsets and refunds are from the SAO; forecasts for independent economic variables are produced by IHS Markit.

### Analysis

Total taxes and fees are calculated by summing the forecasts for premium taxes and all other fees as estimated individually. Premium taxes are forecast with a regression model using the independent, IHS Markit-provided values for the Montana personal consumption expenditure (PCE) series for finance and insurance. Changes in health insurance spending due to the Affordable Care Act are assumed to be captured in the IHS Markit forecast of Montana PCE for finance and insurance. Estimates for the various fees are based on time trends or an assumption of no growth.

## **Revenue Estimate Assumptions**

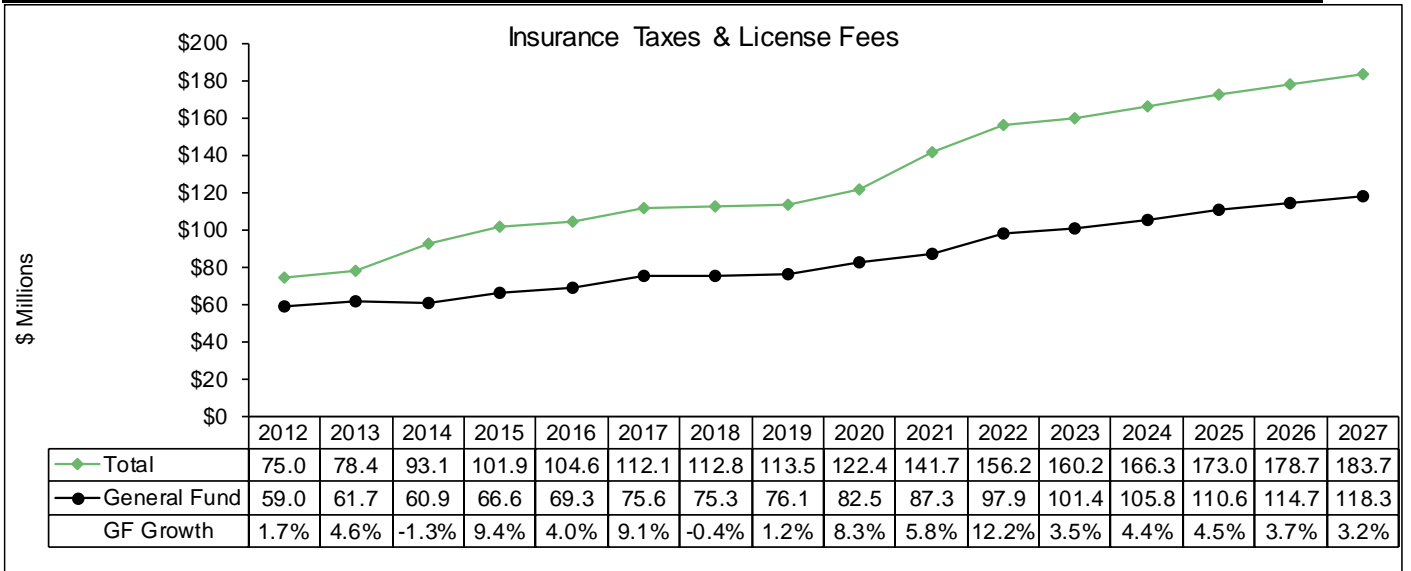
This section contains the assumptions used to generate the LFD revenue recommendation.

	Total Revenue	GF Tax	Proxy	MT PCE	GF Insurance	Non-GF
FY	\$ Millions	\$ Millions	Insurance Tax	Fin. & Ins.	Fees	Ins. Fees
			\$ Millions	\$ Millions	\$ Millions	\$ Millions
A 2012	\$75.012	\$58.951	\$72.406	\$2,370.744	\$6.981	\$5.661
A 2013	78.39	61.68	75.53	2,387.63	7.74	5.92
A 2014	93.05	60.87	78.65	2,449.40	8.34	6.06
A 2015	101.94	66.58	86.89	2,594.61	8.80	6.26
A 2016	104.56	69.25	87.20	2,614.21	11.00	6.36
A 2017	112.12	75.56	91.07	2,756.57	14.76	6.30
A 2018	112.78	75.27	92.28	2,890.57	13.75	6.74
A 2019	113.46	76.14	92.63	3,006.33	14.39	6.45
A 2020	122.37	82.49	100.18	3,015.15	15.70	6.49
A 2021	141.70	87.30	106.86	3,313.27	16.06	8.75
A 2022	156.16	97.94	117.52	3,640.71	19.59	8.72
F 2023	160.19	101.39	122.18	3,752.26	19.52	8.14
F 2024	166.30	105.84	126.50	3,897.44	21.08	8.38
F 2025	173.03	110.61	131.74	4,073.66	22.34	8.61
F 2026	178.70	114.68	135.86	4,212.26	23.65	8.84
F 2027	183.72	118.32	139.36	4,329.70	24.95	9.07

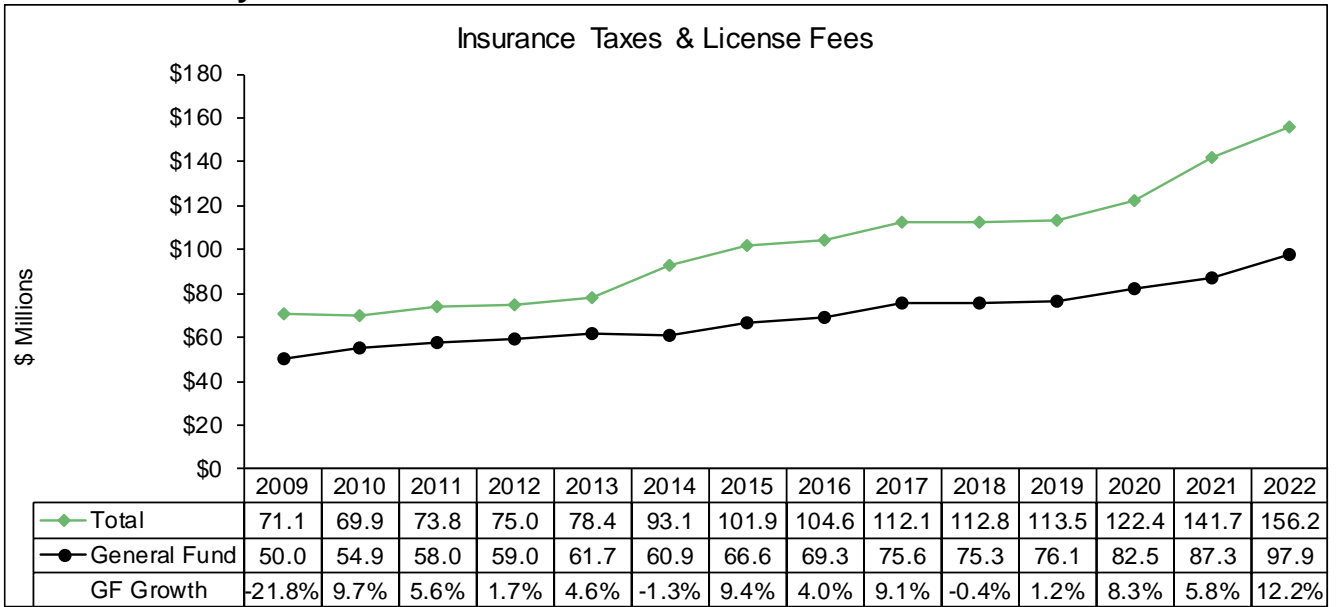
## **Revenue Projection**

**Business and Personal Taxes**

**Insurance Tax and License Fees**



**Revenue History**



**Investment License Fee**

**Revenue Description**

Investment advisors and investment companies pay fees to the state for registration of securities and agents, registration of securities by notification, notice of a federal filing of a federally secured security, and name changes.

**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 31<sup>st</sup> thereafter ([30-10-201 \(9&11\), MCA](#)); securities: upon registration ([30-10-206, MCA](#)) and renewal ([30-10-209\(1b\)](#))

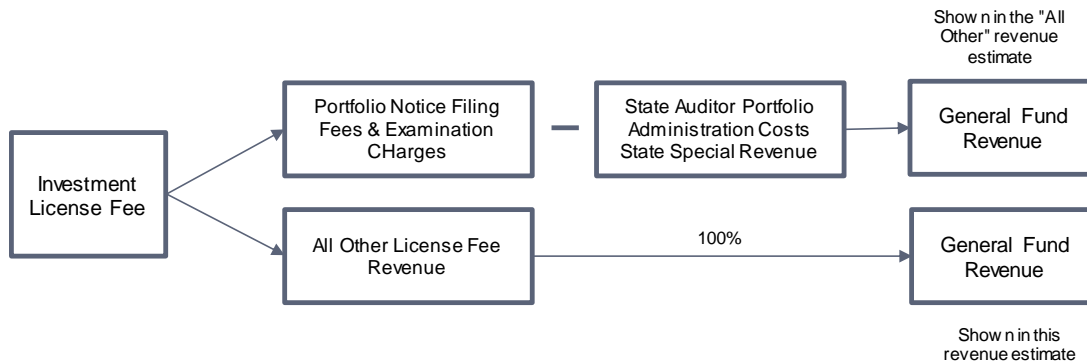
**Applicable Tax Rate**

Initial and annual security registration fees vary based on the offering price of securities, but cannot be less than \$200 or more than \$1,000. Initial and annual registration fees for a broker-dealer, investment adviser, and federal covered adviser are \$400. Initial and annual registration fees for a salesperson or investment adviser are \$100 for an out-of-state salesperson and \$50 for an in-state salesperson. The fee for name changes to series, portfolio, or a subdivision of an investment company is \$50.

**Collection Frequency:** Varies

**Distribution**

All fees except portfolio notice filing fees and examination charges are deposited to the general fund. Portfolio notice filing fees and examination charges are deposited in a state special revenue account from which the State Auditor pays for expenses associated with the regulation of portfolio activities. The excess in this account is transferred to the general fund throughout the year as a non-budgeted transfer and is shown under the “All Other” revenue category.



**Forecast Risks**

- Changes in the forecast for personal consumption expenditures for the finance and insurance services sector

**Revenue Estimate Methodology**

Investment license fee revenue is obtained from two major sources: portfolio notice filing and examination fees, and various other fees. The portfolio notice filing fees, examination fees, and other permit revenue are estimated separately and then summed.

Data

## Business and Personal Taxes

## Investment License Fee

The estimate for this source is based on historical collection data from SABHRS, historical license purchases by type from the State Auditor's Office (SAO), and actual and forecast Montana personal consumption expenditures series for finance and insurance services from IHS Markit.

### Analysis

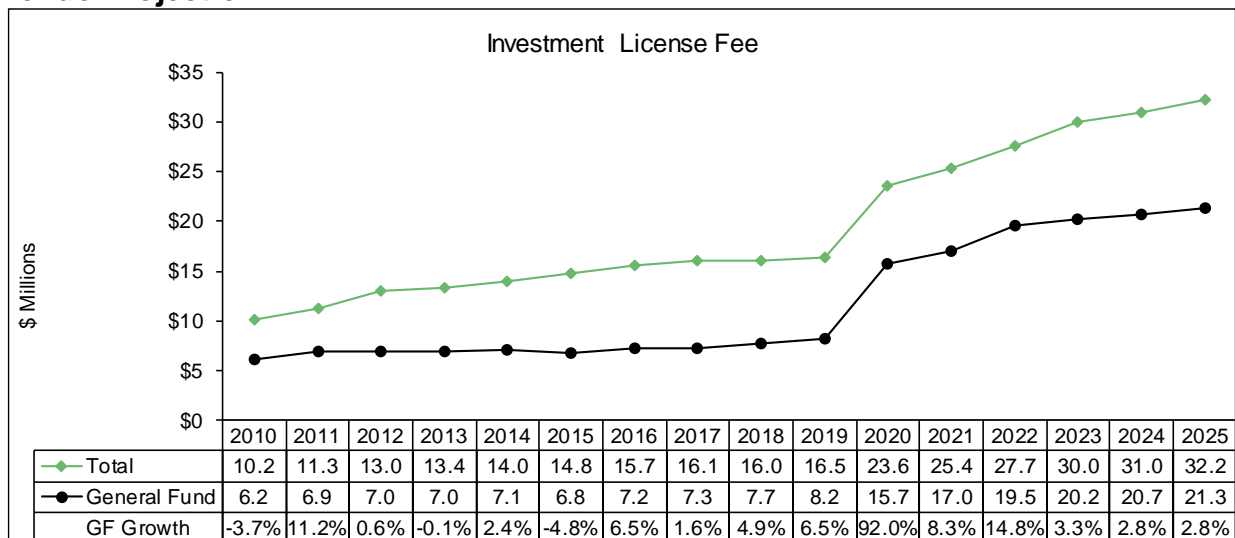
Licenses and permits receipts, and portfolio notice filing fees are modeled separately on the Montana personal consumption expenditures series for finance and insurance services.

### Revenue Estimate Assumptions

This section contains the assumptions used to generate the LFD revenue estimate recommendation.

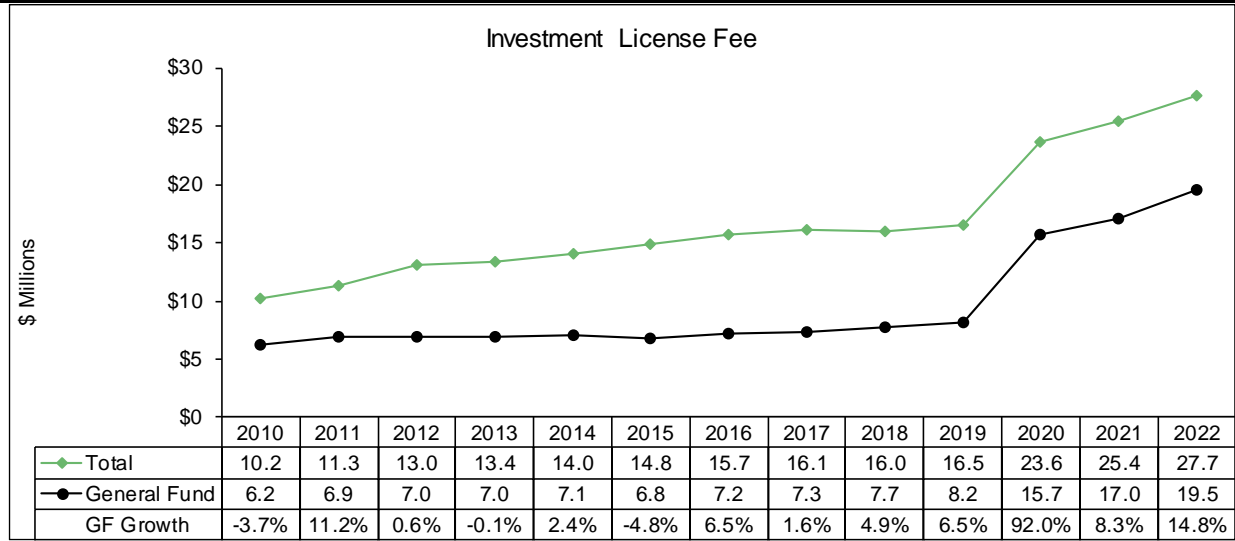
FY	Total Tax \$ Millions	GF Tax \$ Millions	Licenses & Permits \$ Millions	Portfolio Registration \$ Millions	Exam Fee \$ Millions	Portfolio Expenses \$ Millions	MT PCE Fin. & Ins. \$ Millions
A 2012	\$13.026	\$6.961	\$6.961	\$6.055	\$0.010	\$1.128	\$2,370.744
A 2013	13.423	6.951	6.951	6.441	0.030	1.237	2,387.633
A 2014	14.047	7.115	7.115	6.911	0.021	1.389	2,449.396
A 2015	14.821	6.773	6.773	8.048	-	1.442	2,594.607
A 2016	15.661	7.212	7.212	8.449	-	1.490	2,614.213
A 2017	16.071	7.327	7.327	8.702	0.042	1.464	2,756.571
A 2018	16.015	7.683	7.683	8.292	0.039	1.418	2,890.571
A 2019	16.457	8.182	8.182	8.275	-	1.388	3,006.334
A 2020	23.605	15.711	15.711	7.894	-	1.449	3,015.155
A 2021	25.411	17.020	17.020	8.391	-	1.588	3,313.266
A 2022	27.666	19.535	19.535	9.458	-	1.462	3,640.708
F 2023	30.003	20.182	20.182	9.821	-	1.461	3,752.262
F 2024	31.035	20.741	20.741	10.294	-	1.469	3,897.444
F 2025	32.182	21.314	21.314	10.868	-	1.486	4,073.665
F 2026	33.220	21.900	21.900	11.320	-	1.493	4,212.255
F 2027	34.173	22.470	22.470	11.702	-	1.474	4,329.704

### Revenue Projection



### Revenue History





## Lodging Taxes

### Revenue Description

The state imposes two taxes on room charges collected by lodging facilities and campgrounds: a lodging sales tax and a lodging facility use tax. The taxes only apply for rooms used for lodging which includes hotels, motels, campgrounds, resorts, dormitories, condominium inns, dude ranches, guest ranches, hostels, public lodging houses, and bed and breakfast facilities. Exempt are facilities for health care, facilities owned by non-profit corporations for use by youth for camping, facilities whose average daily charge is less than 60% of the amount the state of Montana reimburses for lodging, and facilities rented for 30 days or more.

The 4% lodging sales tax also applies to online travel agencies, and exempts sales to the U.S. government.

### Statutory Reference

Tax Rate – [15-65-111, MCA](#) (4% lodging facility use tax); [15-68-102, MCA](#) (4% lodging sales tax)

Tax Distribution – [15-65-121, MCA](#) (4% lodging facility use tax), [15-68-820, MCA](#) (4% lodging sales tax)

Date Due – The 4% lodging facility use tax is due before the end of calendar quarter ([15-65-112, MCA](#)). The 4% lodging sales tax is due the last day of the month following the calendar quarter ([15-68-502\(1\), MCA](#)).

### Applicable Tax Rates

The lodging sales tax is 4.0% of the sales price. The lodging facility use tax is 4.0% of room charges.

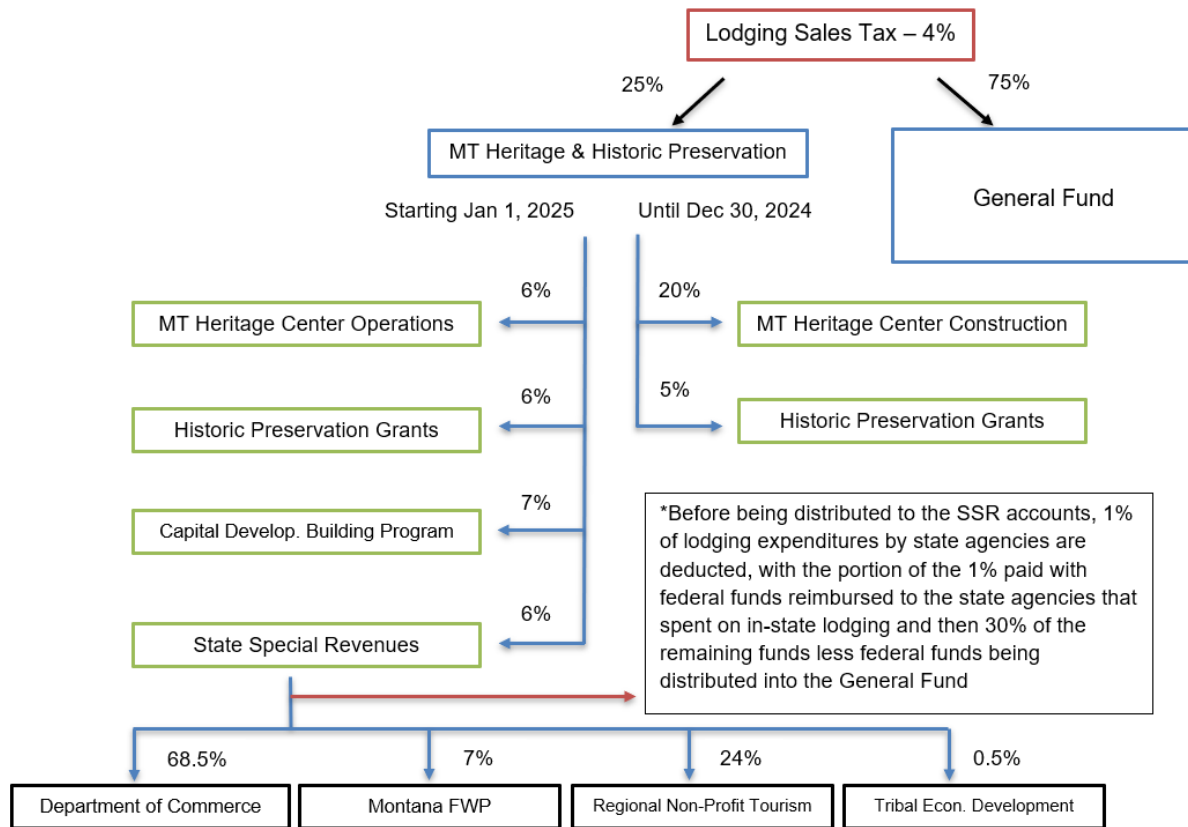
**Collection Frequency:** Quarterly

### Distribution

Sales tax: 75% is deposited into the general fund with the remaining 25% going towards the construction of the Montana heritage through December of 2024.

Facility use tax: The revenue is first distributed to DOR in the amount appropriated for collection and disbursement costs; 30% of the taxes paid by state employees to the general fund (taxes paid with federal funds are reimbursed to the federal government from the general fund); \$1,000,000 or 2.7%, whichever is less, to the Montana heritage preservation and development fund; and 2.6% to the historical interpretation account. After these distributions, the remainder is distributed and statutorily appropriated to the following:

- 60.3% to the Department of Commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials
- 22.5% to regional nonprofit tourism corporations
- 6.5% to the Department of Fish, Wildlife and Parks for maintenance of state park facilities
- 2.6% to the Montana Historical Society for Montana historical interpretation
- 2.5% to the university system for the establishment and maintenance of a Montana travel research program
- 1.0% to the Montana Historical Society to install and maintain roadside historical signs and historic sites
- 0.5% for the state-tribal economic development commission
- 1.4% to the aquatic invasive species fund



**Forecast Risks**

- Change in outlook for U.S. consumer spending on accommodations

**Revenue Estimate Methodology**

Data

The estimate for this source is based on historical collection data from SABHRS, and actual and forecast U.S. consumer spending on accommodations from IHS Markit.

Analysis

Total lodging taxes are made up of two separate taxes, the lodging facility use tax and the lodging sales tax; a proxy for taxable room charges—tax collections divided by the appropriate tax rate—is used as the starting point both sources. This proxy is modeled on U.S. consumer spending on accommodations to produce a forecast of taxable room charges. Estimates of taxable room charges are multiplied by the corresponding tax rate and summed to produce the total lodging tax estimate.

**Revenue Estimate Assumptions**

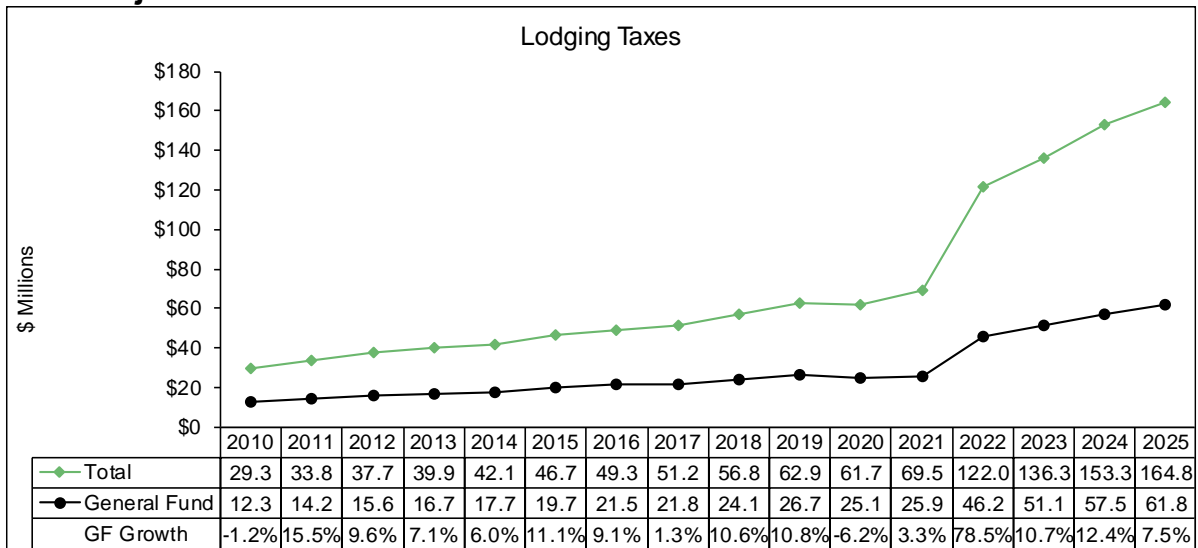
This section contains the assumptions used to generate the LFD revenue estimate recommendation.

## Business and Personal Taxes

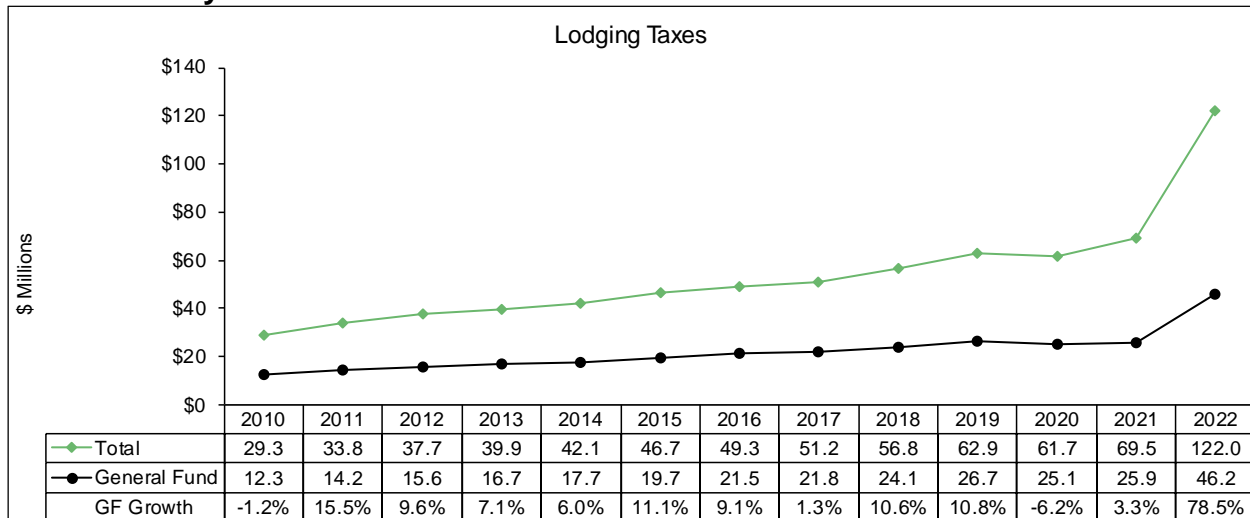
## Lodging Taxes

FY	Total Tax \$ Millions	GF Tax \$ Millions	Proxy Gross Sales \$ Millions	US Consumer Spending Acc. \$ Billions	Calculated Gross Sales \$ Millions
A 2012	\$37.724	\$15.606	\$529.048	\$109.588	\$540.548
A 2013	39.919	16.720	555.249	116.536	573.406
A 2014	42.059	17.725	582.894	123.161	604.739
A 2015	46.696	19.697	647.805	132.682	649.766
A 2016	49.290	21.493	667.212	139.179	680.491
A 2017	51.169	21.780	705.970	145.084	708.415
A 2018	56.751	24.091	791.592	152.508	743.526
A 2019	62.874	26.703	876.641	159.017	774.311
A 2020	61.676	25.058	839.140	124.231	609.797
A 2021	69.453	25.874	875.092	90.359	449.606
A 2022	122.007	46.175	1,518.111	169.336	868.282
F 2023	136.331	51.124	1,704.133	190.601	974.677
F 2024	153.271	57.476	1,915.883	214.807	1,095.787
F 2025	164.777	61.792	2,059.718	231.249	1,178.054
F 2026	171.274	64.228	2,140.928	240.533	1,224.501
F 2027	176.106	66.040	2,201.322	247.437	1,259.044

## Revenue Projection



## Revenue History



### Motor Vehicle Fee

#### Revenue Description

The state assesses a variety of motor vehicle fees, including fees for the filing of motor vehicle liens, fees for new license plates, title fees, and annual and permanent registration fees. The fees vary according to the type of vehicle and the type of license plate. There are also Gross Vehicle Weight (GVW) fees on trucks and pickups, special fees for senior citizen transportation, veteran services, the highway patrol pension fund, salaries for the highway patrol, motorcycle safety, electronic commerce applications, and an optional registration fee on light vehicles for state parks and fishing access sites.

All fees on motorcycles and quadricycles, trailers, travel trailers, snowmobiles, off-highway vehicles, and watercraft are one-time only and permanent, except upon change of ownership. Fees on other vehicles are annual. Light vehicles older than ten years old may be licensed permanently, at the option of the owner.

#### Statutory Reference

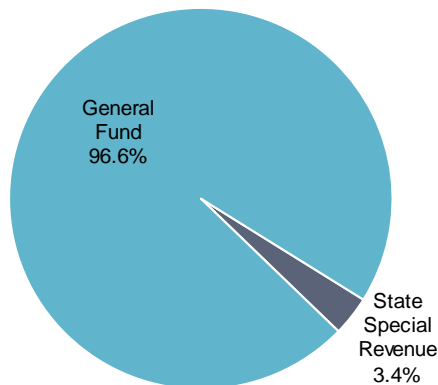
Fee Rate – multiple, but generally in [Title 61, Chapter 3, MCA](#); permanent registration: [61-3-562, MCA](#)  
Tax Distribution – [61-3-108, MCA](#)

**Applicable Tax Rates:** Various

**Collection Frequency:** Monthly

#### Distribution

Most motor vehicle fees are allocated to the general fund. Some fees or a portion of them are distributed to the specific state special revenue accounts, or to the county general fund.



#### Forecast Risks

- Changes in forecast growth of Montana vehicle stock
- Changes to forecast growth of new vehicle sales

#### Revenue Estimate Methodology

##### Data

The data used to estimate the motor vehicle (MV) fees are obtained from SABHRS and IHS Markit.

##### Analysis

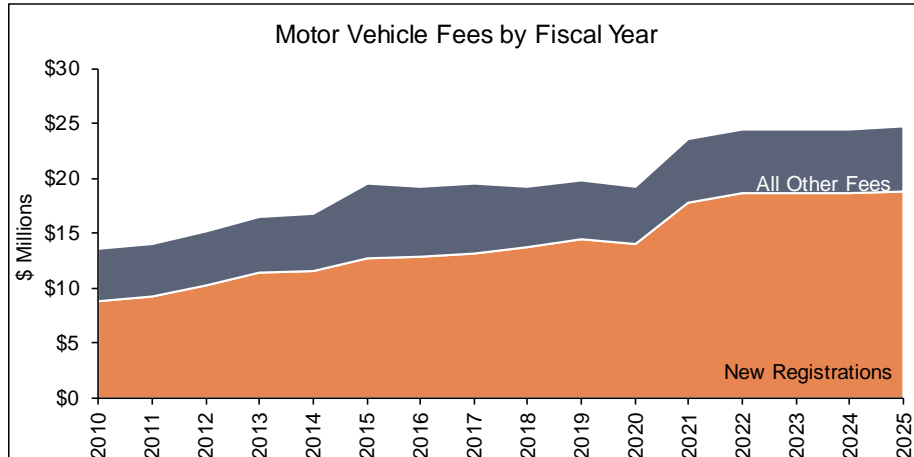
MV fees are currently imposed at different rates on eight major categories. Included in the fees assessed on motor vehicles in Montana are registration fees, two types of record liens, title fees,

**Business and Personal Taxes**

**Motor Vehicle Fee**

personal and new plate fees, senior transit fees, and veteran’s administration fees. The ninth category is made up of other miscellaneous fees assessed on motor vehicles.

With constant fees, the future change in MV fees results from change in the vehicle stock in Montana. Growth rates for the stock of Montana vehicles are modeled on IHS Markit estimates for the national and Montana-specific vehicle stock and new car sales nationwide. The growth rate is applied to the base year revenues of each fee category and projected forward at the same rate for all estimated fiscal years. The estimated tax collections of each category are then combined to create the total estimates for the MV fees.



**Revenue Estimate Assumptions**

This section contains the assumptions used to generate the LFD revenue estimate recommendation.

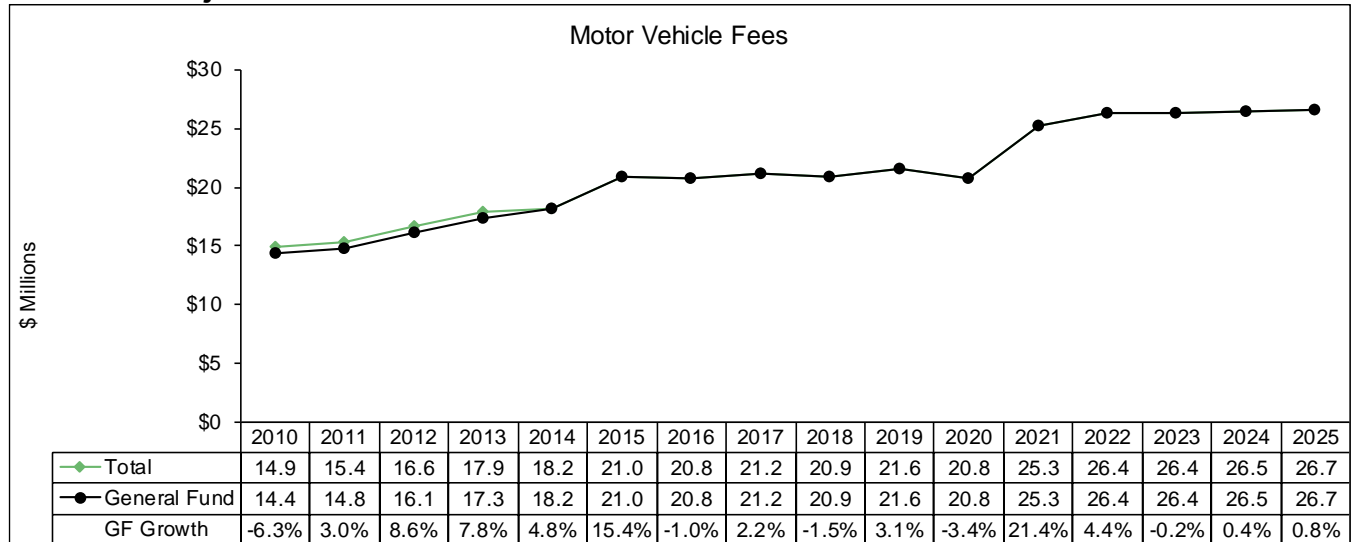
FY	Total Tax \$ Millions	GF Tax \$ Millions	GF Fee Registration \$ Millions	GF Fee Record \$ Millions	GF Fee Titles \$ Millions	GF Fee Personal \$ Millions	GF Fee VA Cemetery \$ Millions
A 2012	\$16.643	\$16.084	\$10.242	\$0.559	\$2.387	\$1.246	\$0.195
A 2013	17.921	17.334	11.418	0.588	2.444	1.250	0.196
A 2014	18.208	18.162	11.494	0.593	2.457	1.240	0.201
A 2015	20.961	20.961	12.783	0.610	2.749	1.267	0.208
A 2016	20.751	20.751	12.791	0.641	2.794	1.259	0.211
A 2017	21.216	21.216	13.204	0.603	2.750	1.252	0.216
A 2018	20.903	20.903	13.769	0.614	2.742	1.239	0.218
A 2019	21.553	21.553	14.418	0.590	2.817	1.179	0.210
A 2020	20.828	20.828	13.968	0.595	2.707	1.134	0.208
A 2021	25.281	25.281	17.745	0.615	3.125	1.168	0.212
A 2022	26.400	26.400	18.643	0.585	3.164	1.108	0.210
F 2023	26.358	26.358	18.614	0.584	3.159	1.106	0.209
F 2024	26.456	26.456	18.683	0.586	3.171	1.110	0.210
F 2025	26.660	26.660	18.827	0.590	3.195	1.119	0.212
F 2026	26.893	26.893	18.992	0.595	3.223	1.129	0.214
F 2027	27.121	27.121	19.153	0.601	3.250	1.138	0.215

## Business and Personal Taxes

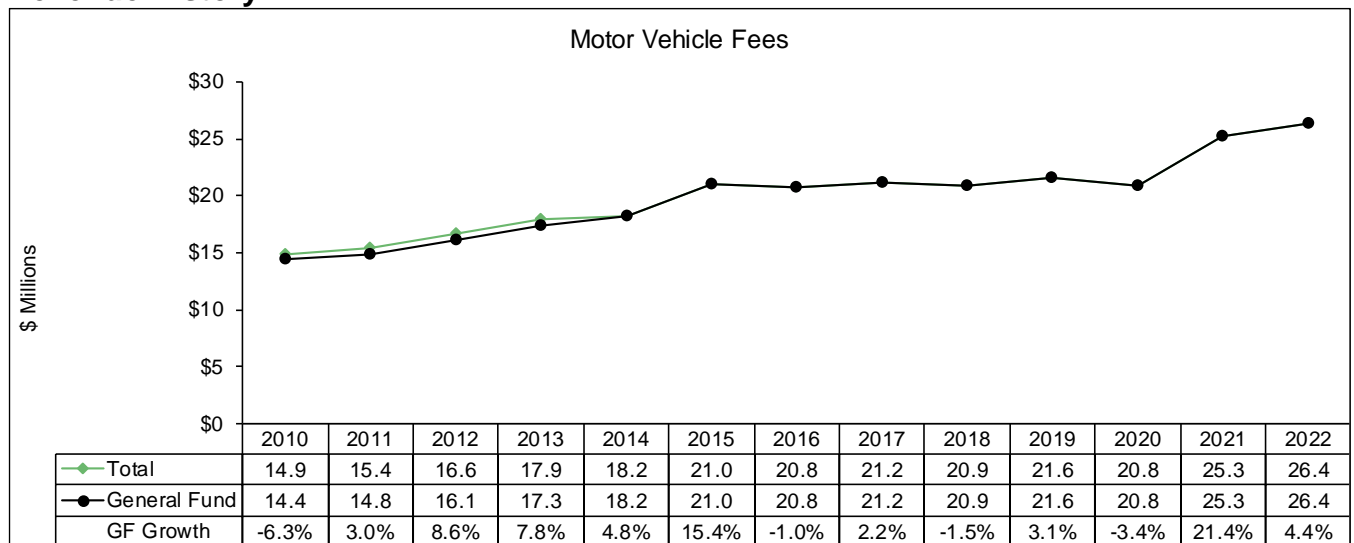
## Motor Vehicle Fee

FY	GF Fee New Plate \$ Millions	GF Fee Other \$ Millions	Non GF Fee Lien \$ Millions
A 2012	\$0.554	\$1.459	\$2.387
A 2013	0.535	1.491	2.444
A 2014	0.850	1.374	2.457
A 2015	1.953	1.391	2.749
A 2016	1.481	1.574	2.794
A 2017	1.538	1.654	2.750
A 2018	0.598	1.723	2.742
A 2019	0.591	1.749	2.817
A 2020	0.596	1.620	2.707
A 2021	0.788	1.628	3.125
A 2022	0.751	1.939	3.164
F 2023	0.750	1.936	3.159
F 2024	0.752	1.944	3.171
F 2025	0.758	1.959	3.195
F 2026	0.765	1.976	3.223
F 2027	0.771	1.992	3.250

## Revenue Projection



## Revenue History



**Public Contractors Tax**

**Revenue Description**

A license fee is applied to the gross receipts of each separate project let by any of the listed public entities. Part or all of a contractor’s fee may be refunded through class 8 business equipment property or vehicle taxes, or claimed as a credit on individual or corporation income tax returns.

**Statutory Reference**

Tax Rate – [15-50-205, MCA](#)

Tax Distribution – [15-50-311, MCA](#)

Date Due – within 30 days after payment to the contractor ([15-50-309, MCA](#))

**Applicable Tax Rates**

A 1.0% license fee is applied to all public contracts over \$5,000.

**Collection Frequency:** Monthly

**Distribution:** All proceeds are deposited into the general fund.

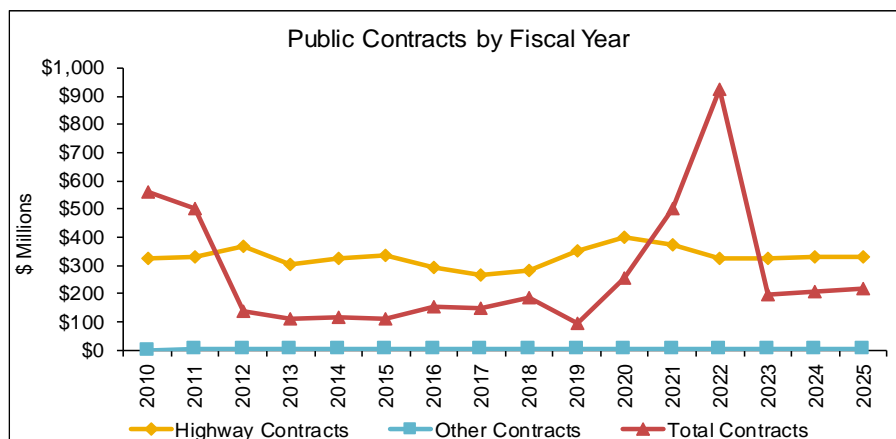
**Forecast Risks**

- Federal highway trust fund status
- State legislative funding of infrastructure projects

**Revenue Estimate Methodology**

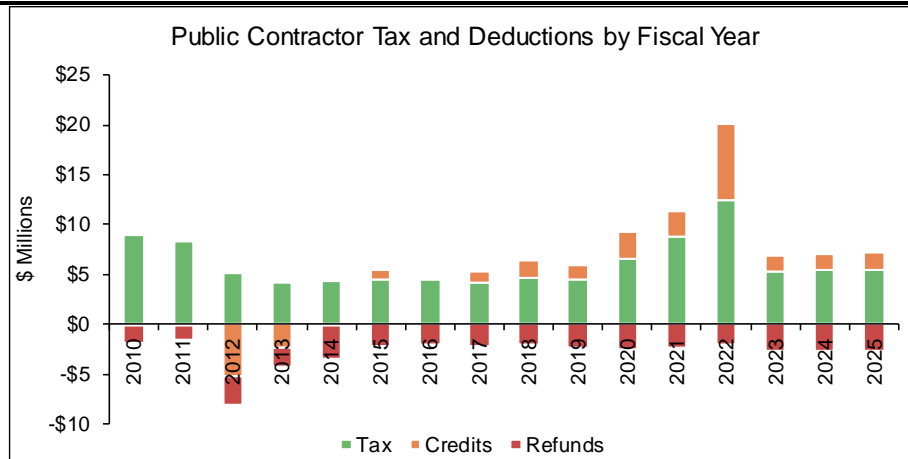
Data

The estimate for this source is based on historical revenue collection and highway expenditure data from SABHRS. A proxy for gross tax collections is developed by adjusting the SABHRS total collection data to account for refunds and credits. The gross proxy is disaggregated into two contract classifications, highway payments and all other contracts.



Public contractor’s tax revenue has been highly variable due to inconsistencies in processing payment of refunds and credits; in addition, there has been recent volatility because of the increased number of public projects funded through the American Recovery & Reinvestment Act (ARRA) in 2009 and 2010, followed by higher levels of credits and refunds in subsequent years.





Refunds are made up primarily of refund claims against the class 8-business property tax. Credits are authorized for both individual income tax and the corporation license tax. There is a significant time lag between the date of the contract and the reimbursement of the tax through credits or refunds, so large fluctuations in public construction projects may continue to produce unusual future collection patterns.

Analysis

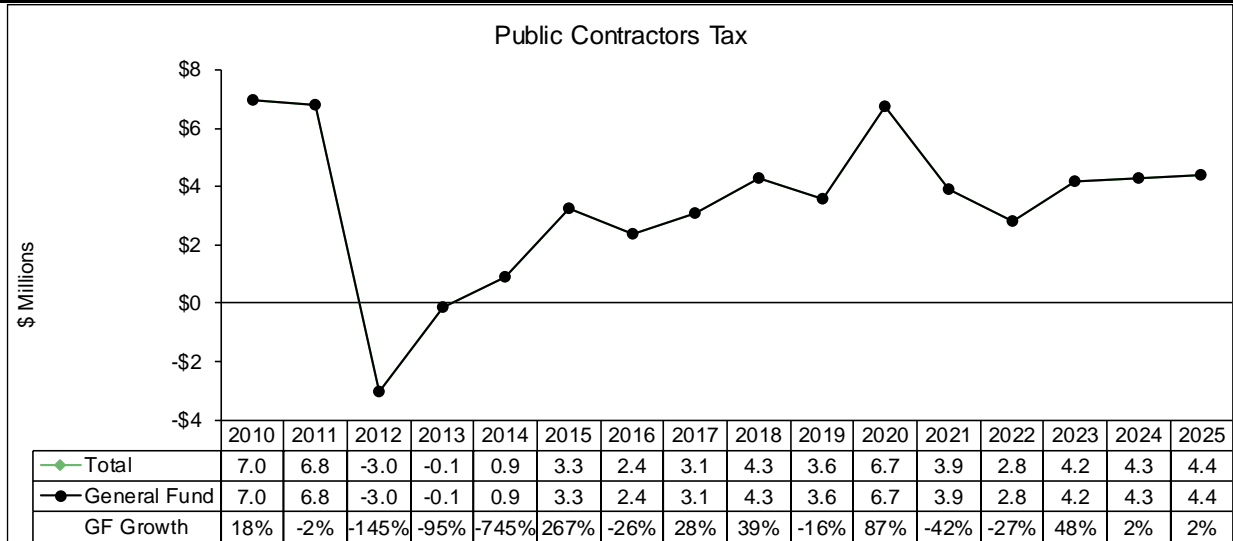
Highway payments are forecast on a time trend; all other contracts are forecast as an approximate historical average. This sum of these two categories is multiplied by 1% to obtain the gross tax revenue. Gross taxes are reduced by an aggregate forecast of refunds and credits to produce net tax collections.

**Revenue Estimate Assumptions**

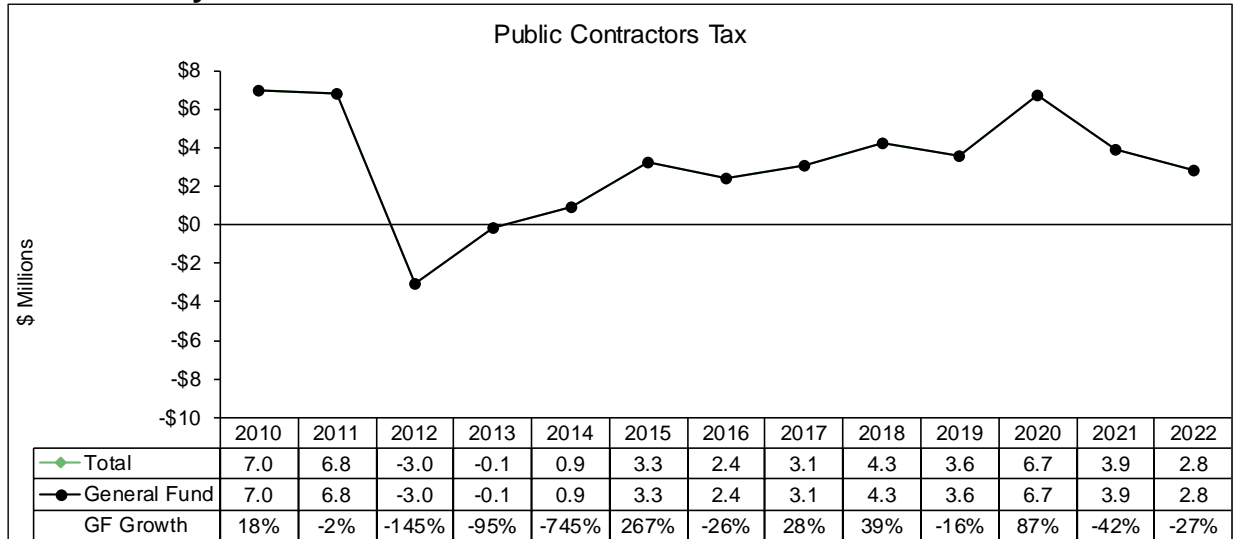
This section contains the assumptions used to generate the LFD revenue estimate recommendation.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Gross Tax \$ Millions	Credits & Refunds \$ Millions	Highway Payments \$ Millions	Other Contracts \$ Millions
A 2012	(\$3.042)	(\$3.042)	\$5.068	\$8.110	\$368.229	\$138.576
A 2013	(0.138)	(0.138)	4.162	4.299	306.053	110.109
A 2014	0.887	0.887	4.407	3.520	324.791	115.932
A 2015	3.257	3.257	4.481	1.224	335.646	112.452
A 2016	2.397	2.397	4.481	2.084	295.287	152.845
A 2017	3.078	3.078	4.188	1.110	266.975	151.813
A 2018	4.267	4.267	4.703	0.436	284.639	185.642
A 2019	3.597	3.597	4.486	0.888	351.279	97.281
A 2020	6.729	6.729	6.539	(0.189)	400.298	253.593
A 2021	3.897	3.897	8.743	(0.183)	372.423	501.848
A 2022	2.840	2.840	12.492	(5.521)	327.357	921.890
F 2023	4.196	4.196	5.245	1.049	326.475	198.029
F 2024	4.300	4.300	5.375	1.075	328.517	209.019
F 2025	4.396	4.396	5.495	1.099	328.890	220.655
F 2026	4.499	4.499	5.624	1.125	328.214	234.180
F 2027	4.607	4.607	5.759	1.152	331.507	244.347

**Revenue Projection**



**Revenue History**



**Railroad Car Tax**

**Revenue Description**

The railroad car tax applies to the rolling stock owned by railroad companies, and the tax rate is equal to the average property tax rate for commercial and industrial property. Railroad car companies, which operate in several states, pay taxes on the portion of the property value allocated to Montana, based on the ratio of the car miles traveled within Montana to the total number of car miles traveled in all states, as well as time spent in the state relative to time spent in other states.

**Statutory Reference**

Tax Rate – [15-23-214\(1\), MCA](#)

Tax Distribution – [15-23-215, MCA](#)

Date Due – Report due to the Department of Revenue (DOR) by April 15<sup>th</sup> of each year for the previous calendar year ([15-23-103\(2\), MCA](#); [15-23-212, MCA](#)). The department calculates the tax due by the third Monday in October ([15-23-214\(1\), MCA](#)). Half of the tax is due by November 30<sup>th</sup> and half is due by May 31<sup>st</sup> ([15-23-214\(3\), MCA](#); [15-16-102\(1\), MCA](#)).

**Applicable Tax Rates**

The tax rate is equal to the previous year's average statewide tax rate for commercial and industrial property; in recent years, the rate has been about 3.0%. The rate is multiplied by the statewide average mill levy for commercial and industrial property.

**Collection Frequency:** Semi-annually

**Distribution:** All proceeds are deposited into the general fund.

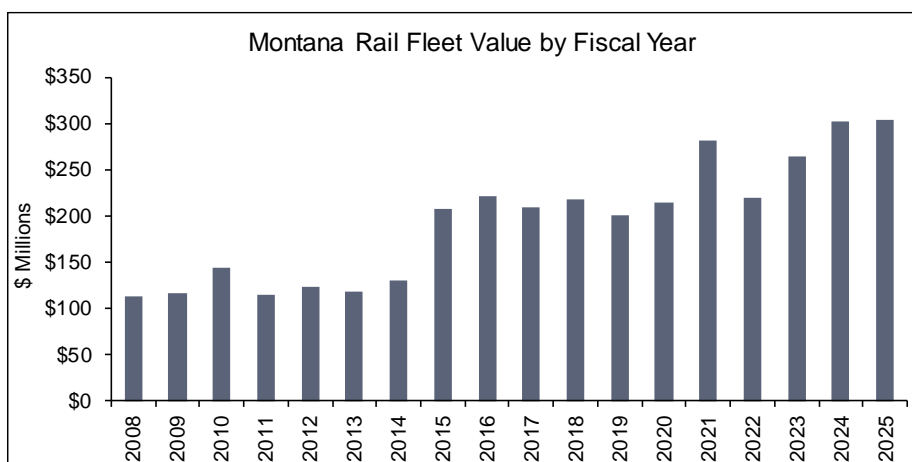
**Forecast Risks**

- Changing outlook for Montana retail sales

**Revenue Estimate Methodology**

Data

Data from DOR provides the value of national railroad car fleet, Montana’s rolling stock, railroad car tax assessed by company, the average mill levy and applicable tax rate. SABHRS data are used to check the estimates against the historic values.



Analysis

Although the railcar tax appears somewhat volatile, most of the volatility is caused by shifts in average mill levies and tax rates, both of which are controlled in large part by factors outside of the growth in rail

## Business and Personal Taxes

## Railroad Car Tax

shipments. The volatility can also be traced to litigation brought by rail companies and settled in federal legislation. In 1993, some rail companies protested tax rates, which reduced tax payments for four years. In 1997, the litigation was settled, and the companies were required to make both past and current payments.

Railroad properties are taxed as class 12 properties. To calculate total railroad car tax collections, the market value of the Montana fleet is multiplied by the average mill levy and tax rate. The market value of the rail fleet in Montana is based on a relationship with market value of the U.S. fleet. An estimate for the value of the national fleet is developed using the average rate of growth in the U.S. fleet value, based on a four-year pattern of growth. Montana's average share of the total fleet value is applied to the national estimate. Since 2004, the market value of Montana's rail fleet has been ranged between 0.41% and 0.60% of the nation's fleet. Growth in Montana-allocated value is expected to grow with the national fleet value.

After the Montana market fleet value is determined, the average commercial and industrial mill levy and tax rate must be calculated. The rate of the mill levy is calculated from the average of statewide commercial and industrial mill levies. The average mill levy is expected to increase because counties are able to raise levies at a rate equal to half of the annual rate of inflation. Furthermore, the increasing costs of school budgets will further force the average mill levy to increase.

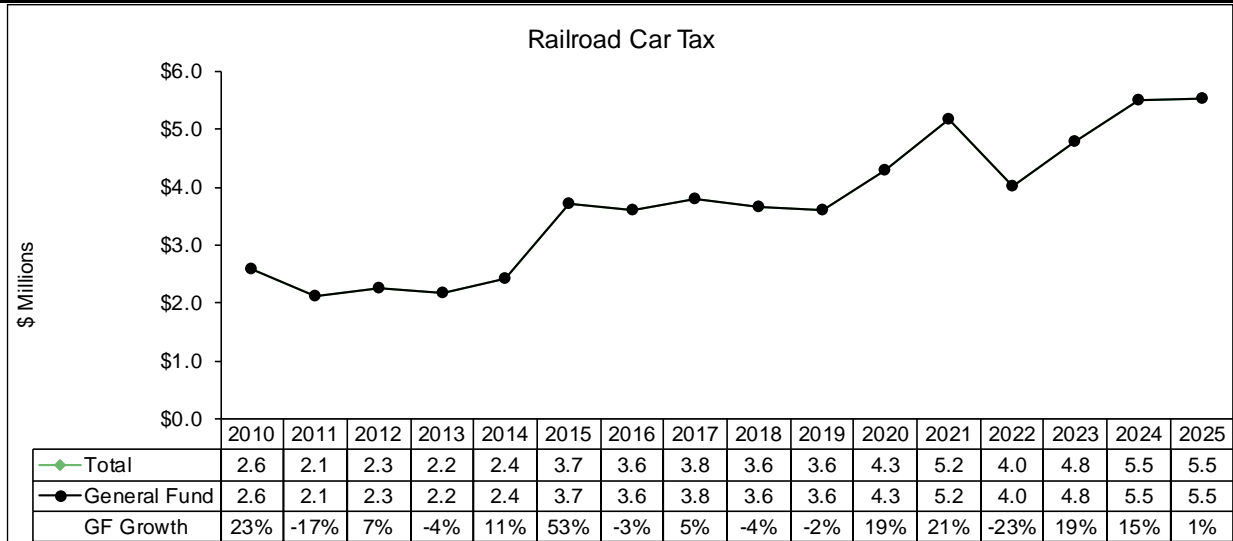
The tax rate for the railroad property is created from a weighted average of six property classes containing commercial and industrial property: class 4, 7, 8, 9, 13 and 14. Class 4 property tax, which contains commercial real estate, is weighted more heavily than the other classes due to its higher market value. The estimated tax rate is shown for forecast years in the revenue estimate assumptions table below. The rail car tax estimates are completed by multiplying the Montana market value by the average mills and the tax rate.

## Revenue Estimate Assumptions

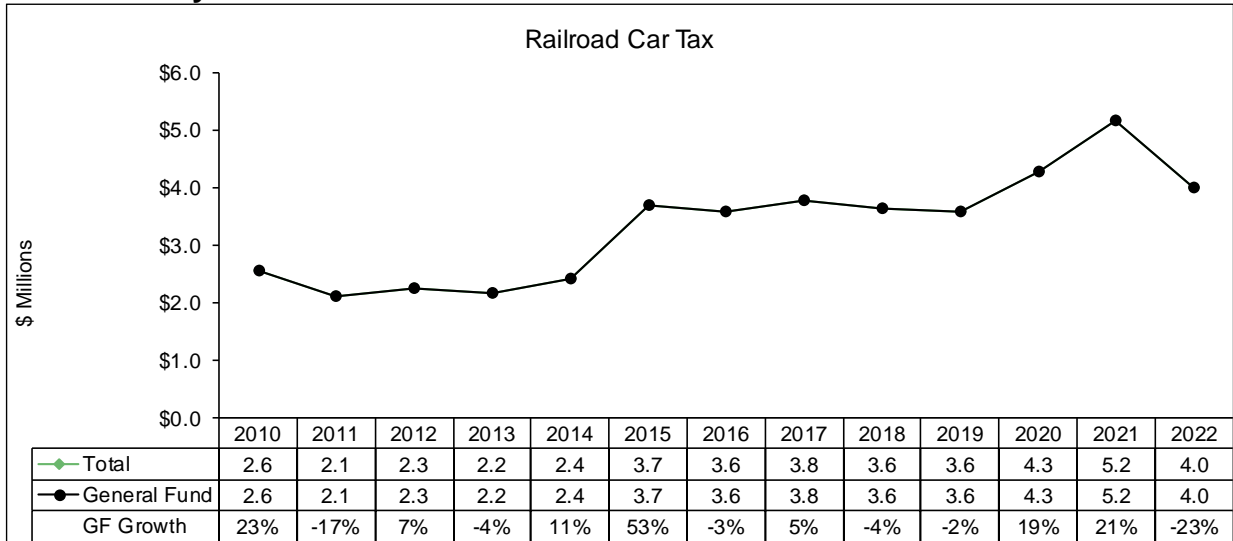
This section contains the assumptions used to generate the LFD revenue recommendation.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Total MV of Fleet \$ Millions	MT Allocation Percent	Tax Rate	Mills	Montana Retail Sales \$ Millions
A 2012	\$2.273	\$2.273	\$14,217.040	0.48%	3.45%	0.533	\$14,217
A 2013	2.18	2.18	14,806.80	0.44%	3.45%	0.530	14,807
A 2014	2.42	2.42	15,611.68	0.44%	3.39%	0.538	15,612
A 2015	3.71	3.71	16,088.72	0.60%	3.28%	0.536	16,089
A 2016	3.59	3.59	16,640.17	0.59%	2.97%	0.545	16,640
A 2017	3.79	3.79	17,030.38	0.51%	3.04%	0.538	17,030
A 2018	3.65	3.65	16,696.73	0.47%	3.07%	0.546	16,697
A 2019	3.59	3.59	17,067.80	0.46%	3.12%	0.557	17,068
A 2020	4.29	4.29	17,235.67	0.48%	3.20%	0.583	17,236
A 2021	5.19	5.19	17,389.50	0.54%	3.20%	0.580	17,389
A 2022	4.02	4.02	17,715.32	0.45%	3.12%	0.583	17,715
F 2023	4.80	4.80	20,677.09	0.45%	3.12%	0.583	20,677
F 2024	5.50	5.50	23,287.62	0.45%	3.12%	0.583	23,288
F 2025	5.53	5.53	23,429.93	0.45%	3.12%	0.583	23,430
F 2026	5.59	5.59	23,631.59	0.45%	3.12%	0.583	23,632
F 2027	5.72	5.72	24,122.23	0.45%	3.12%	0.583	24,122

## Revenue Projection



Revenue History



## Rental Car Sales Tax

### Revenue Description

The 4% sales tax is imposed on the base rental charge for rental vehicles. The base rental charge includes use charges for time and mileage, insurance, accessory equipment, and charges for additional or underage drivers. It does not include price discounts, charges for operating an airport concession, motor fuel, intercity drop charges, and government taxes. Rental vehicles include light vehicles, motorcycles, motor-driven cycles, quadricycles, motorboats and sailboats, and off-highway vehicles. Sales to the U.S. government are exempt from the sales tax. Vendors can claim 5% of the tax as an allowance, up to \$1,000 per quarter.

### Statutory Reference

Tax Rate – [15-68-102\(1b\), MCA](#)

Tax Distribution – [15-68-820, MCA](#)

Date Due – Before the last day of the month following the calendar quarter ([15-68-502\(1\), MCA](#))

**Applicable Tax Rates:** A 4% sales tax is imposed on the base rental charge for rental vehicles.

**Collection Frequency:** Quarterly

### Distribution

Rental car sales tax revenue is distributed 75% to the general fund and 25% to the senior citizen and persons with disabilities transportation services state special revenue account.

### Forecast Risks

- Changing outlook for Montana personal consumption expenditures for transportation services

### Revenue Estimate Methodology

#### Data

The estimate for this source is based on historical collection data from SABHRS, and historical and forecast Montana personal consumption expenditures for transportation services from IHS Markit.

#### Analysis

A proxy of rental car receipts is made by dividing historic tax receipts by the current tax rate. Future proxy values are modeled on Montana personal consumption expenditures for transportation services and then multiplied by the applicable tax rate to obtain projected tax revenues.

### Revenue Estimate Assumptions

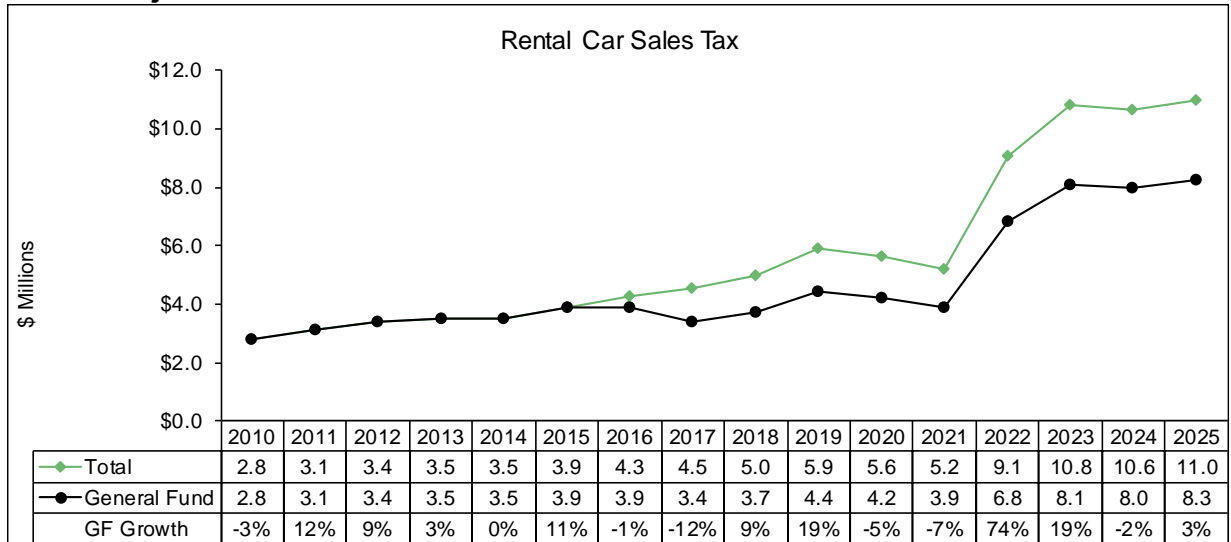
This section contains the assumptions used to generate the LFD revenue estimate recommendation.

**Business and Personal Taxes**

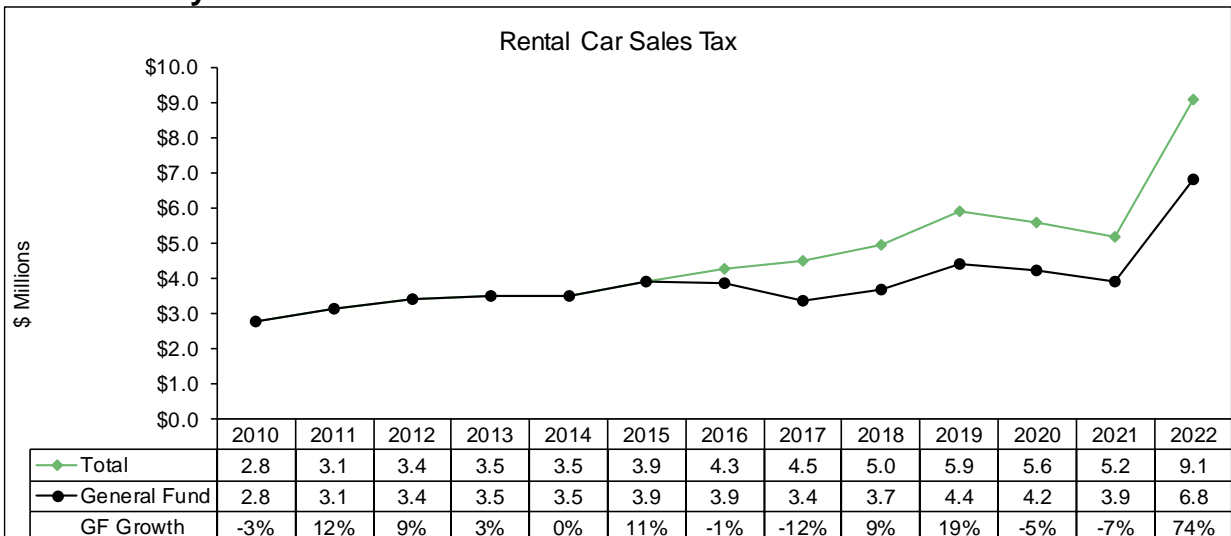
**Rental Car Sales Tax**

FY	Total Tax \$ Millions	GF Tax \$ Millions	Proxy Sales \$ Millions	MT PCE Transportation \$ Millions
A 2012	\$3.420	\$3.420	\$85.494	\$1,055.321
A 2013	3.523	3.523	88.080	1,101.709
A 2014	3.521	3.521	88.033	1,173.188
A 2015	3.907	3.907	97.669	1,242.549
A 2016	4.269	3.878	106.736	1,292.923
A 2017	4.536	3.402	113.406	1,361.666
A 2018	4.959	3.719	123.965	1,484.882
A 2019	5.908	4.431	147.691	1,565.326
A 2020	5.617	4.224	140.415	1,571.613
A 2021	5.221	3.916	130.519	1,485.561
A 2022	9.097	6.823	227.427	1,927.677
F 2023	10.819	8.114	270.483	2,020.379
F 2024	10.638	7.978	265.940	1,993.472
F 2025	11.000	8.250	275.004	2,047.152
F 2026	11.586	8.690	289.660	2,133.934
F 2027	12.170	9.128	304.251	2,220.337

**Revenue Projection**



**Revenue History**



**Telecommunications Excise Tax****Revenue Description**

The retail telecommunications excise tax is levied on the sales price of retail telecommunications services originating or terminating in the state. It is paid by the retail purchaser and collected by the provider.

**Statutory Reference**

Tax Rate – [15-53-130, MCA](#)

Tax Distribution – [15-53-156, MCA](#)

Date Due – 60 days after the end of the calendar quarter ([15-53-139, MCA](#))

**Applicable Tax Rates**

A tax of 3.75% is applied to the sales price of retail telecommunications services. Sales price includes payment for services such as distribution, supply, transmission, and delivery, but excludes federal taxes, relocation of service, equipment repair, prepaid calling cards, and other items. Gross receipts from pre-paid wireless sales by third parties and internet services are also exempt.

**Collection Frequency:** Quarterly

**Distribution:** After retaining an allowance for refunds, all proceeds are deposited into the general fund.

**Forecast Risks**

- Changing rate of landline usage
- Changing market share of prepaid smartphones, which are not taxable

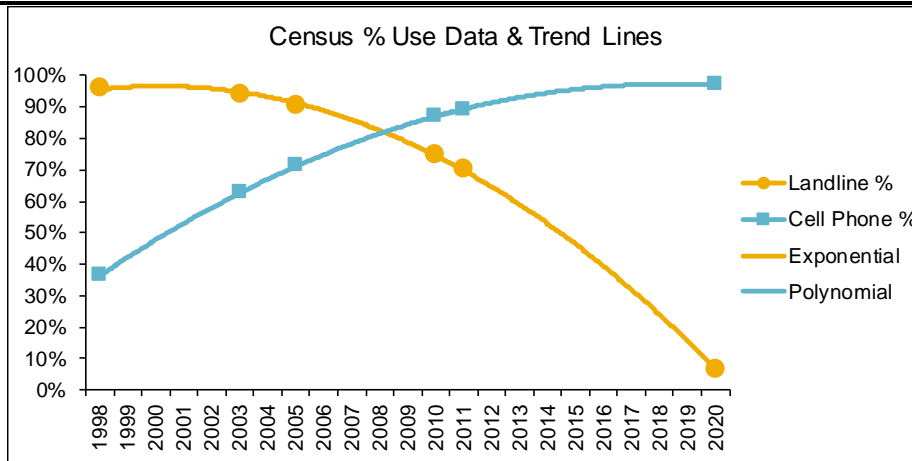
**Revenue Estimate Methodology**Data

The estimate for this source is based on historical revenue data from SABHRS, U.S. Census Bureau data for landline use decline and cell phone use growth, IDC Mobile Phone Tracker statistics, Google smartphone statistics, CDC Wireless Substitution Reports, and the IHS Markit forecast of Montana population.

Analysis

Telecommunication services have changed with users—especially younger users and those in higher populated area—trending toward exclusive reliance on cell phones. Data collected by the U.S. Census Bureau on consumer trends suggests that many users had both landline and cell services as the cell phones increased in popularity, but now that cell service reliability is well established, users are dropping their land line service. The graph below shows the national trends, which are applied to the Montana forecast.





Total revenue has been declining since FY 2011 in part due to the DOR’s loss of the pre-paid wireless case in 2011. The impact of the case was initially estimated to be an annual reduction in revenue of about \$1.0 million. However, the growth in the market share of prepaid smartphones was likely underestimated, resulting in an underestimate of the revenue reduction.

The current estimate assumes the prepaid wireless market share plateaus at 40% of all wireless service; however, if trends follow that of European countries, the prepaid market share could go above 80%, which would result in lower revenue.

**Revenue Estimate Assumptions**

This section contains the assumptions used to generate the LFD revenue estimate recommendation.

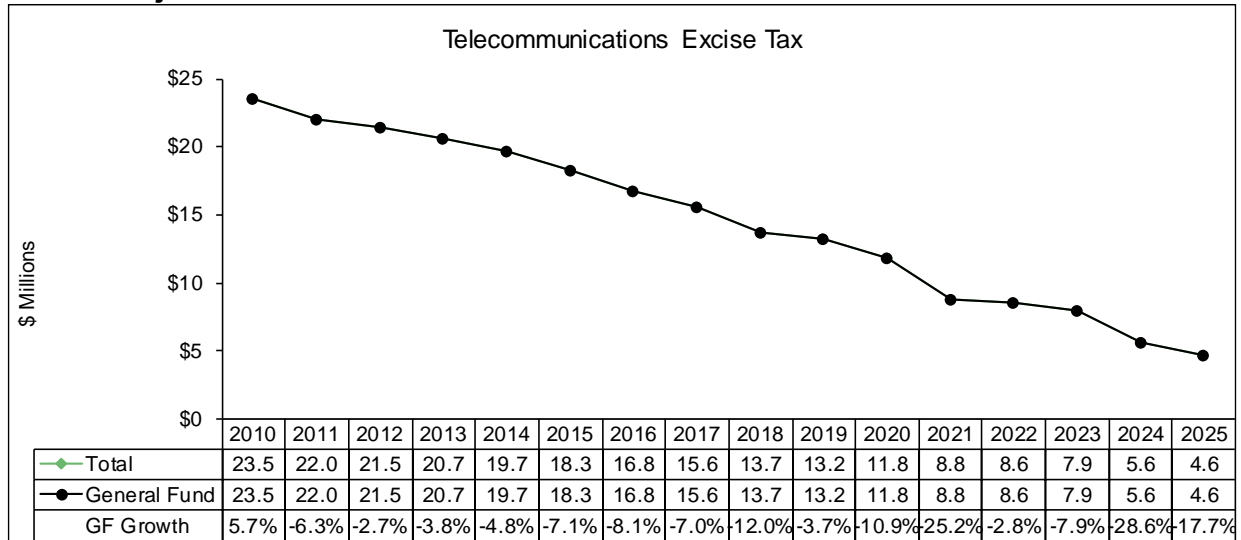
FY	Total Tax \$ Millions	GF Tax \$ Millions	Proxy Sales \$ Millions	Calculated Landline % Calendar	Calculated Cell Phone % Calendar	Prepaid Smartphone % Calendar	Taxable Cell Phone % Calendar
A 2012	\$21.459	\$21.459	\$568.306	72%	89%	18%	73%
A 2013	20.652	20.652	548.968	67%	91%	21%	72%
A 2014	19.657	19.657	523.635	62%	93%	26%	69%
A 2015	18.257	18.257	486.114	57%	94%	30%	66%
A 2016	16.775	16.775	447.095	56%	95%	35%	62%
A 2017	15.603	15.603	415.784	52%	96%	40%	57%
A 2018	13.726	13.726	299.306	47%	96%	40%	58%
A 2019	13.224	13.224	352.112	41%	96%	40%	58%
A 2020	11.788	11.788	314.342	36%	96%	40%	58%
A 2021	8.814	8.814	234.991	30%	96%	40%	57%
A 2022	8.571	8.571	227.852	24%	96%	40%	58%
F 2023	7.891	7.891	-	18%	96%	40%	58%
F 2024	5.631	5.631	-	11%	96%	40%	58%
F 2025	4.634	4.634	-	5%	96%	40%	58%
F 2026	4.194	4.194	-	5%	96%	40%	58%
F 2027	4.324	4.324	-	5%	96%	40%	58%

## Business and Personal Taxes

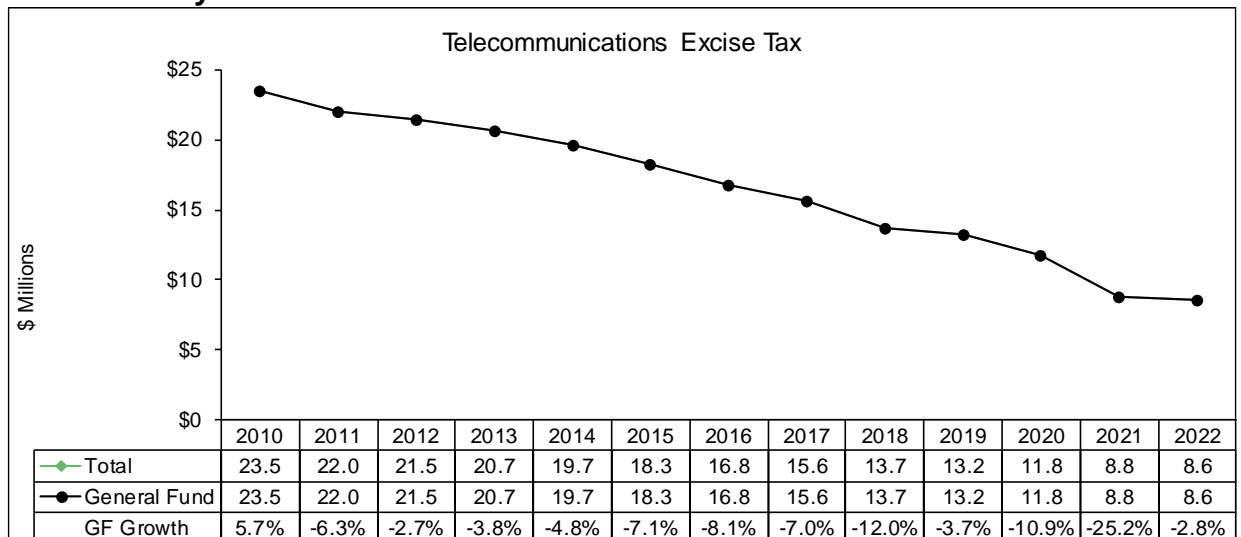
## Telecommunications Excise Tax

	Calculated Total % FY Calendar	Calculated Total % Fiscal	MT Pop. Age >=16 Millions	Calculated Tax. Phones Millions	Trend Taxable Sales \$ Millions
A 2012	145%	154%	0.804	1.236	\$569.949
A 2013	139%	142%	0.812	1.152	523.817
A 2014	131%	135%	0.820	1.107	498.894
A 2015	123%	127%	0.828	1.051	467.920
A 2016	118%	120%	0.837	1.008	444.650
A 2017	109%	113%	0.847	0.962	419.000
A 2018	104%	107%	0.857	0.914	392.618
A 2019	99%	102%	0.866	0.881	374.453
A 2020	94%	96%	0.876	0.844	354.300
A 2021	88%	91%	0.890	0.806	333.419
A 2022	82%	85%	0.905	0.767	311.632
F 2023	76%	79%	0.917	0.722	286.917
F 2024	69%	72%	0.928	0.671	204.734
F 2025	62%	66%	0.938	0.616	168.506
F 2026	63%	62%	0.948	0.592	152.487
F 2027	63%	63%	0.957	0.599	157.220

## Revenue Projection



## Revenue History



### Vehicle Tax

#### Revenue Description

Light vehicles, motorcycles and quadricycles, snowmobiles, buses, trucks, truck tractors having a manufacturer’s rated capacity of more than 1 ton, motor homes, and certain trailers and travel trailers are taxed under a fee schedule that varies by age and weight.

#### 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 20<sup>th</sup> of the month ([15-1-504, MCA](#); [61-3-509, MCA](#)).

**Applicable Tax Rates:** Varies

**Collection Frequency:** Monthly

#### Distribution

Most fees-in-lieu-of-tax are deposited into the general fund. Exceptions are:

- Fees for luxury motor homes and vehicles is deposited in the motor vehicle division administration account
- Administration fee of 3% is deposited in the motor vehicle division administration account
- Fee of \$10 that is collected to partially fund highway patrol officers’ salaries

#### Forecast Risks

- Changing outlook for Montana total vehicle stock
- Changing outlook for new vehicle sales

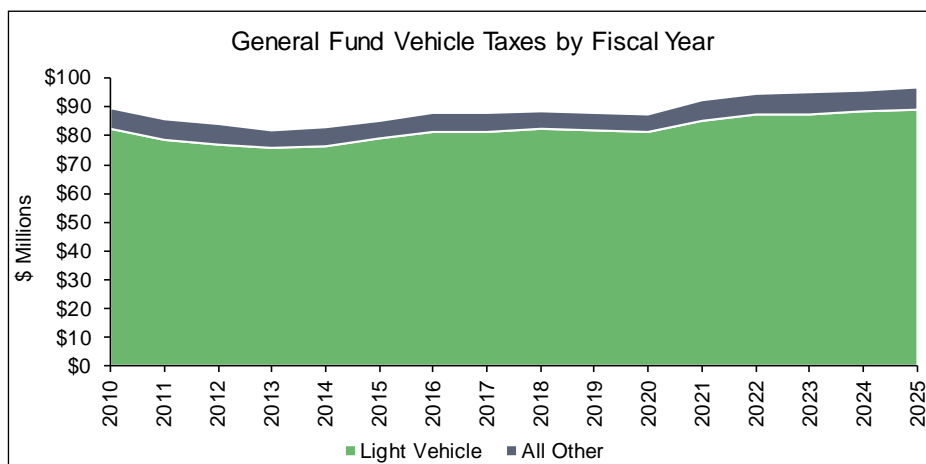
#### Revenue Estimate Methodology

##### Data

The data used to estimate the motor vehicle tax are obtained from SABHRS and IHS Markit.

##### Analysis

Vehicle taxes are currently imposed at different rates on five categories of vehicles (tax schedule varies by age and weight) including light vehicles, large trucks, motor homes, motor cycles (including tri-cycles), and boats and snowmobiles.



## Business and Personal Taxes

## Vehicle Tax

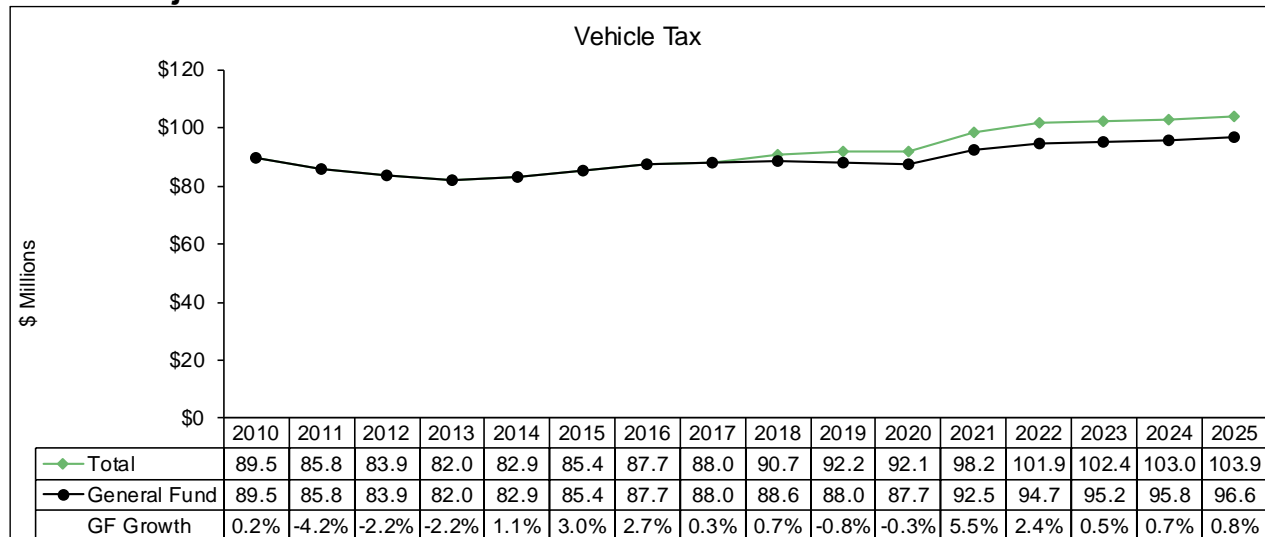
With constant fees, the future change in vehicle tax revenue results from change in the vehicle stock in Montana. Growth rates for the stock of Montana vehicles are modeled on IHS Markit estimates for the national and Montana-specific vehicle stock and new car sales nationwide. The growth rate is applied to the base year revenues and projected forward at the same rate for the forecast period.

### Revenue Estimate Assumptions

This section contains the assumptions used to generate the LFD revenue estimate recommendation.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Large Truck Millions	Motor Home Millions	Light Vehicle Millions	Boats/ Snow Millions	MVD Funding Ferrari Tax Millions
A 2012	\$83.871	\$83.871	\$2.745	\$3.035	\$76.880	\$1.211	-
A 2013	82.018	82.018	2.783	2.373	75.585	1.277	-
A 2014	82.927	82.927	2.768	2.249	76.534	1.377	-
A 2015	85.420	85.420	2.768	2.249	78.982	1.494	-
A 2016	87.729	87.729	2.785	2.133	81.361	1.450	-
A 2017	87.982	87.982	2.702	2.181	81.598	1.500	-
A 2018	90.670	88.637	2.738	2.179	82.277	1.443	2
A 2019	92.166	87.955	2.753	2.097	81.693	1.411	4
A 2020	92.107	87.654	2.785	2.101	81.356	1.412	4.454
A 2021	98.233	92.510	2.946	2.405	85.204	1.955	5.723
A 2022	101.940	94.739	3.048	2.598	87.336	1.801	7.201
F 2023	102.377	95.187	3.061	2.609	87.708	1.809	7.190
F 2024	103.024	95.807	3.081	2.626	88.279	1.821	7.217
F 2025	103.858	96.586	3.106	2.648	88.997	1.835	7.272
F 2026	104.737	97.401	3.132	2.670	89.748	1.851	7.336
F 2027	105.595	98.197	3.158	2.692	90.481	1.866	7.398

### Revenue Projection



### Revenue History

