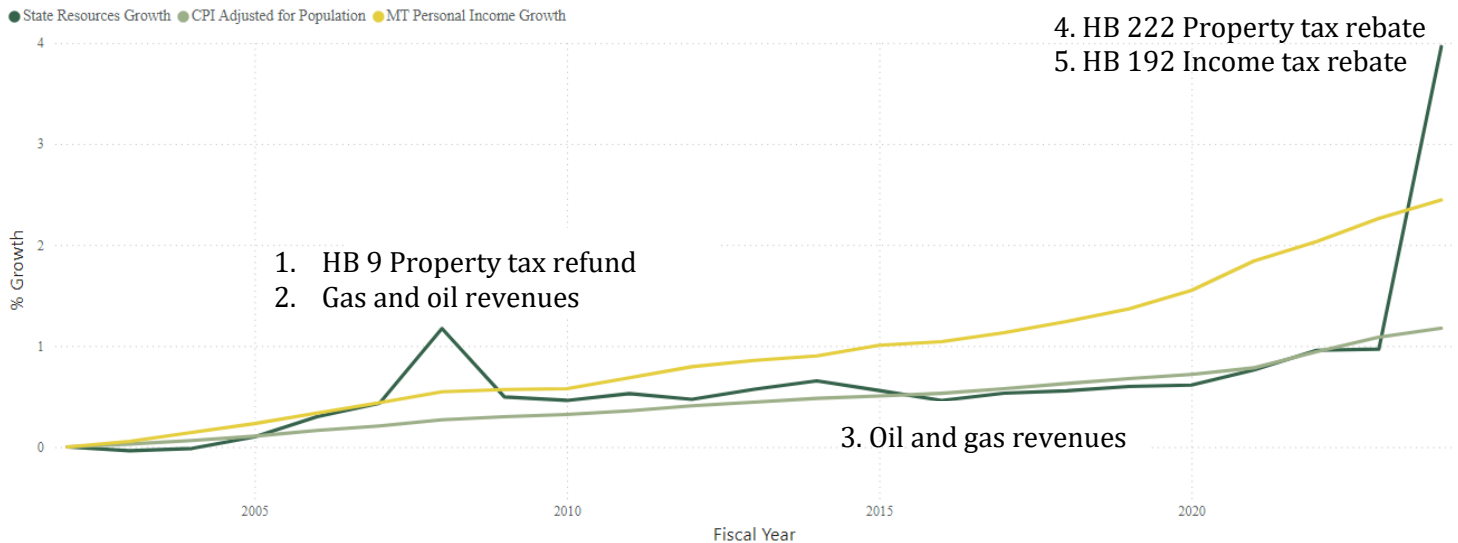


# Department of Revenue

This report includes a series of charts that compare state resource expenditure growth to the growth in personal income and growth in inflation adjusted for population. Montana statute, 17-8-106, MCA, recommends using growth in personal income for comparison purposes. Personal income is a measure for growth in the economy. Comparing growth allows financial planners to consider past and future demands in services or changes in revenues.

## All Government Funds

The chart shows the growth in state resource expenditures compared to the growth in personal income and growth in inflation.



Overall, the trend for expenditures related to all governmental funds in the Department of Revenue (DOR) has followed the growth in inflation adjusted for population.

The following list discusses in more detail the inflection points on the charts:

1. HB 9 from the May 2007 Special Session provided \$1.0 million in general fund for the administration of a property tax refund of up to \$400 of the 2006 Montana property taxes paid on principal residences.
2. DOR provides revenue distributions to local governments including local assistance for oil and natural gas distributions. The largest component of oil and natural gas distributions is the oil production tax. In FY 2008, distributions for oil production tax increased \$51.8 million from \$97.9 million in FY 2007 to \$149.7 million in FY 2008 due to increased activity in the Bakken oil fields. Subsequently these distributions have declined as oil production in Montana has declined.
3. Oil and natural gas production declined between FY 2014 and FY 2016. Oil production taxes distributed to local governments dropped from \$96.7 million in FY 2014 to \$63.3 million in FY 2015 and \$39.2 million in FY 2016.
4. The 2023 Legislature adopted HB 222 to provide property tax rebates to people of Montana. HB 222 included \$191.3 million in general fund appropriations for property tax rebates of up to \$500 on property taxes paid on principal residences. Of the \$191.3 million in appropriations, \$143.8 million, or 75.2%, was expended in FY 2024.

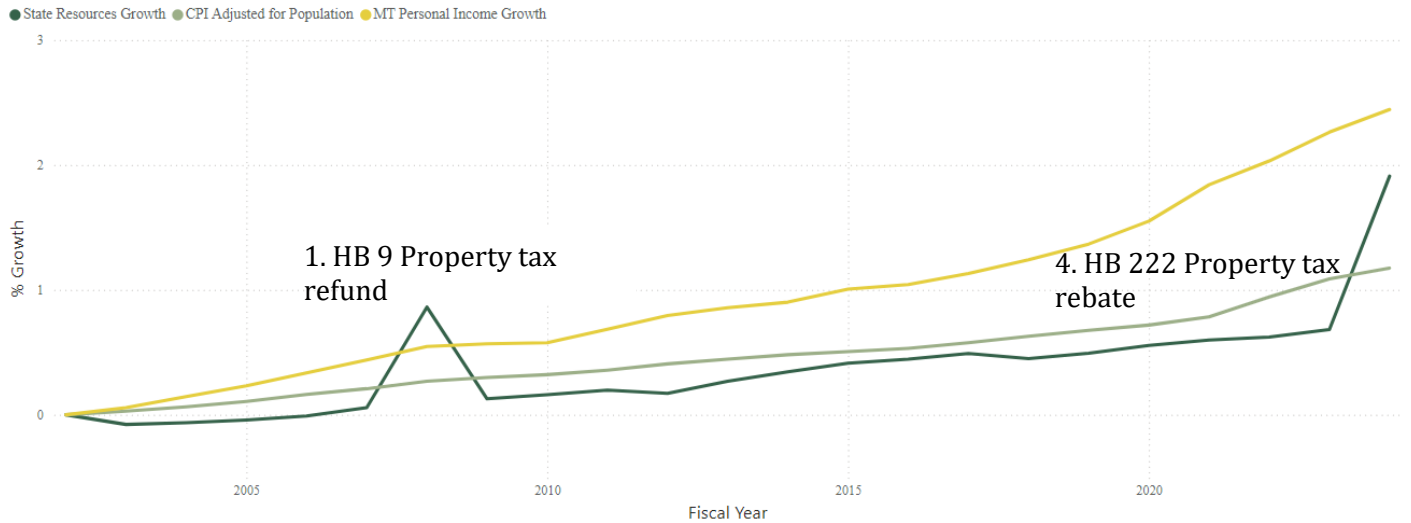


Updated November 2024

5. Within the 2023 Legislative Session, HB 192 was adopted to provide income tax rebates through \$515.0 million in state special revenue appropriations. This statutory appropriation provides up to \$1,250 for a single taxpayer, head of household, or married taxpayer filing separately, or up to \$2,500 for a married couple filing a joint return with an income tax rebate. In this, \$494.6 million, or 96.0%, of the \$515.0 million in appropriations was expended in FY 2024.

## General Fund

The chart shows the growth in state resource expenditures compared to the growth in personal income and growth in inflation.



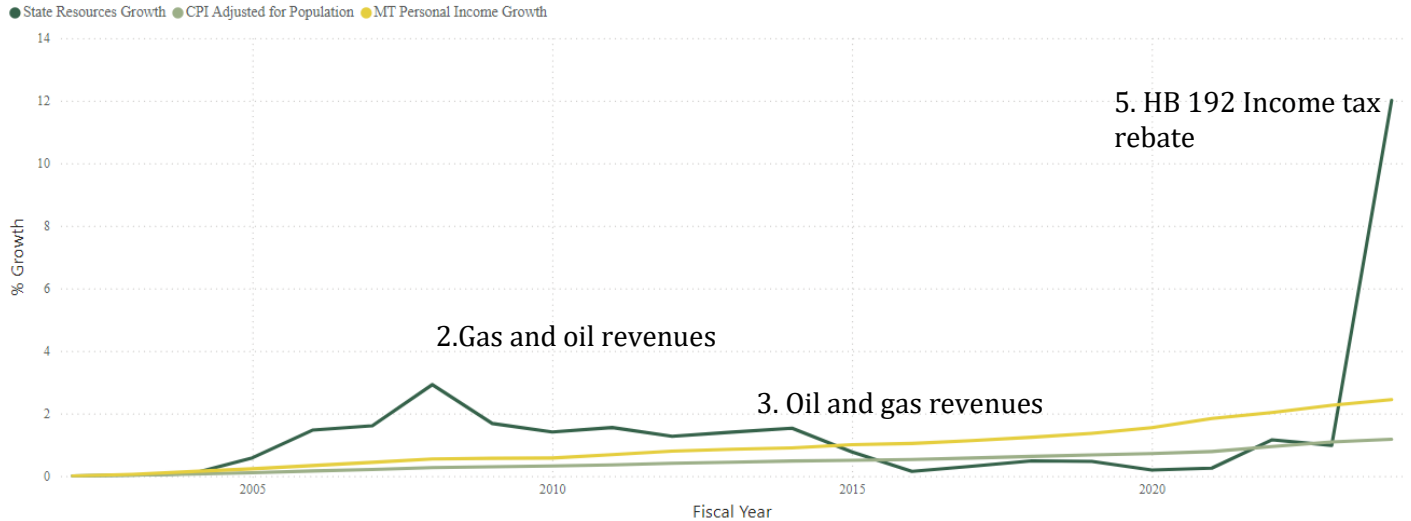
A segment of the general fund appropriation in the Department of Revenue is for entitlement share payments to local governments. HB 124, passed during the 2001 Legislative Session, revised laws governing local and state government revenue collection and allocation. The state would assume control of alcohol, vehicle, and gambling taxes as well as district court fees; in return, the state would reimburse local governments for the lost revenue in the form of an entitlement share payment and assume the costs associated with district courts and local welfare offices. In FY 2007, the passage of SB 146 created the Office of the Public Defender (OPD) and the state assumed control of district courts and local welfare office costs. As a result, local governments' entitlement share payments were slightly decreased to account for the increased costs to the state. Within the graph above, the two inflection points are detailed as follows:

1. HB 9 from the May 2007 Special Session. Further detail on this can be found within the "All Government Funds" chart and supporting narrative.
4. HB 222, as adopted by the 2023 Legislature, is the cause of this change. Further detail on this can be found in the "All Government Funds" chart and supporting narrative.



## State Special Revenue

The chart shows the growth in state resource expenditures compared to the growth in personal income and growth in inflation.



Expenditures within state special revenues are primarily in two areas, statutory appropriations for local assistance to local and tribal governments, and the HB 192 income tax rebate passed by the 2023 Legislature. Regarding local assistance to local and tribal governments, these funds include:

- Beer, wine, tobacco, and cigarette taxes
- Oil and natural gas production taxes
- Metal mine taxes
- Bentonite production taxes

Local assistance expenditures equate to 11.5% of the total state special revenue expenditures in FY 2024. Expenditures related to local assistance within all state special revenue appropriations were 84.2% expended in FY 2024. In considering HB 192 of the 2023 Legislature, this state special revenue appropriation was previously described and encapsulates 78.9% of the total FY 2024 expenditures in state special revenue funds for the agency.

It should be noted that between FY 2002 and FY 2009 this also included coal gross proceeds taxes. Changes in statute eliminated this distribution in subsequent years. Additional information regarding the major inflection points are as follows:

2. In FY 2007 and FY 2008, oil and gas revenues increased, causing expenditures in the form of distributions to local governments. Further detail on this can be found in the “All Government Funds” section of this report.
3. The decline of oil and gas revenues in FY 2014 and FY 2016 are shown in the decrease in the graph above. Additional details on this can be found in the “All Government Funds” section of this report.
5. HB 192 from the 2023 Legislature adopted an income tax rebate. Additional detail regarding this rebate can be found in the “All Government Funds” graph and narrative in the previous pages of this report.

