



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
AMY CARLSON

DATE: January 29, 2025

TO: Sen. Matt Regier, Senate President
Rep. Brandon Ler, House Speaker
Sen. Greg Hertz, Chair, Senate Tax Committee
Rep. Paul Fielder, Chair, House Tax Committee
Sen. Tom McGillvray, Senate Majority Leader
Rep. Steve Fitzpatrick, House Majority Leader
Sen. Pat Flowers, Senate Minority Leader
Rep. Katie Sullivan, House Minority Leader
Sen. Kenneth Bogner, Senate President Pro Tempore
Rep. Katie Zolnikov, House Speaker Pro Tempore
Sen. Carl Glimm, Chair, Senate Finance and Claims
Rep. Llew Jones, Chair, House Appropriations

FROM: LFD Revenue Team

RE: General Revenue Update # 1

GENERAL FUND REVENUE SUMMARY

This monthly revenue update analyzes revenue collections through the end of December and is designed to apprise interested members of the legislature on year-to-date general revenue collections, recent economic trends, and the corresponding outlook for the 2027 Biennium revenue estimate. This update is based on actual revenue collections through the end of December, updated individual income tax return data, and updated national and Montana economic forecasts from S&P Global.

FY 2025 ongoing general revenues (defined as general fund revenue, the state levied property taxes, and TCA interest earnings) through the end of December are \$51.3 million or 2.8% below FY 2024 revenues through the same period. This is in comparison to the estimate in HJ 2 which assumes a decline of 1.2% compared to last year.

Throughout the Legislative Session the LFD will continue to monitor year-to-date collections and update the forecast models used to generate the estimate contained in HJ 2.

General Fund Forecast Update Based on New Data

The January economic forecasts from S&P Global combined with new individual income tax return data from the Department of Revenue generates a general fund revenue forecast that is \$117.0 million higher than the official estimate in HJ 2 over the three-year forecast period. For context, this is a 1.1% increase compared to the three-year total. The table below shows the HJ 2 estimate and the LFD January update based on revised assumptions and new data.

January LFD General Fund Revenue Estimate Update (\$ Millions)					
FY	HJ 2	January Update	\$ Difference	HJ 2 Growth	January Update Growth
2025	\$3,266.4	\$3,305.1	\$38.7	-1.7%	-0.5%
2026	3,531.5	3,568.6	37.1	8.1%	8.0%
2027	3,567.3	3,608.5	41.2	1.0%	1.1%
3-Year	\$10,365.2	\$10,482.2	\$117.0		

The table below illustrates the updated forecast's difference compared to HJ 2 by revenue source.

Increases/(Decreases) from HJ 2 by Source (\$ Millions)					
FY	Individual Income Tax	Corporate Income Tax	Oil & Natural Gas Tax	Remaining Sources	Total All Sources
2025	\$38.8	(\$0.7)	(\$1.4)	\$2.1	\$38.7
2026	\$46.6	(\$6.5)	(\$6.2)	\$3.2	\$37.1
2027	\$60.8	(\$11.7)	(\$9.4)	\$1.6	\$41.2
Total	\$146.2	(\$19.0)	(\$17.0)	\$6.8	\$117.0

Economic Overview

Compared to the S&P Global forecast from October, S&P Global's January outlook expects the US economy to grow at a slower rate in the coming years, higher interest rates to persist longer, and weaker oil prices. These new forecasts cause the LFD baseline corporate income tax and oil and natural gas forecasts to decrease over the three-year period, as seen in the table above.

Individual Income Tax

In November, the Revenue Interim Committee (RIC) adopted HJ 2. At the time of the hearing, both OBPP and the LFD used TY 2023 individual income tax return data that contained all returns filed through the end of October. Each year, a new file with all filed returns is provided in January and includes a larger total tax liability. As a result, RIC adopted an assumption to account for these missing filers. The assumption was that 3.6% of total tax liability was missing. At the time of the estimate, LFD's baseline estimate had assumed 5% was missing while OBPP had assumed 3% was missing. The full TY 2023 return data from the January file showed an additional \$60 million in tax liability than what had been adopted by RIC.

In addition to the assumption regarding missing tax liabilities, the LFD and OBPP differed on growth rate assumptions for filed returns moving forward. Compared to their October forecasts, S&P Global's most recent forecast includes a slight downward revision on employment growth in Montana. This revision¹, along with

¹ If the OBPP assumption for growth of filed returns is used, then the three-year total would be reduced by \$30.7 million.

other revisions to S&P Global's January forecast, coupled with the additional liability in the January return file, produces and individual income forecast that is \$146.2 million higher than HJ 2 over the three-year period.

YEAR-TO-DATE GENERAL FUND REVENUE

General Fund, School Equalization, Debt & Liability Free Account Revenue Monitoring Report								
(\$ Millions)								
Revenue Source	Actual FY 2024	HJ 2 FY 2025	HJ 2 Est. % Change	December FY 2024	December FY 2025	YTD Difference	YTD % Change	YTD % Change
Largest Seven Sources								
Individual Income Tax	\$2,243.946	\$2,166.409	-3.5%	\$1,219.136	\$1,122.591	(\$96.546)	-7.9%	
Property Tax (General Fund)	17.222	14.938	1.9%	6.878	4.212	4.649	3.0%	
Property Tax (School Equalization)	430.813	441.624		149.394	156.708			
Corporate Income Tax	312.276	315.242	0.9%	162.862	153.284	(9.578)	-5.9%	
Vehicle Taxes & Fees	124.840	125.956	0.9%	52.131	59.188	7.057	13.5%	
Oil & Natural Gas Taxes	64.405	65.302	1.4%	-	-	-	-	
Insurance Tax	115.075	126.202	9.7%	19.296	21.728	2.432	12.6%	
Video Gaming Tax	83.385	84.897	1.8%	20.858	42.011	21.152	101.4%	
Other Business Taxes								
Drivers License Fee	5.772	5.772	0.0%	2.823	2.740	(0.083)	-2.9%	
Investment Licenses	21.042	21.696	3.1%	1.713	1.773	0.059	3.5%	
Lodging Facilities Sales Tax	44.750	46.711	4.4%	17.876	18.674	0.798	4.5%	
Public Contractor's Tax	9.125	5.163	-43.4%	6.215	6.837	0.622	10.0%	
Railroad Car Tax	3.645	3.920	7.6%	3.139	2.914	(0.226)	-7.2%	
Rental Car Sales Tax	6.972	7.827	12.3%	3.404	3.744	0.341	10.0%	
Retail Telecom Excise Tax	8.139	7.960	-2.2%	2.076	2.101	0.025	1.2%	
Other Natural Resource Taxes								
Coal Severance Tax	18.181	15.530	-14.6%	4.841	5.200	0.359	7.4%	
Electrical Energy Tax	4.090	5.603	37.0%	1.017	1.028	0.012	1.1%	
Metal Mines Tax	6.573	7.378	12.3%	-	(0.000)	(0.000)	-	
U.S. Mineral Leasing	15.655	14.832	-5.3%	5.146	6.135	0.989	19.2%	
Wholesale Energy Trans Tax	3.545	3.320	-6.3%	0.879	0.883	0.004	0.5%	
Other Interest Earnings								
Coal Trust Interest Earnings	19.139	19.681	2.8%	7.216	8.093	0.877	12.2%	
TCA Interest Earnings (Now SSR)	163.738	138.908	-15.2%	59.970	73.915	13.945	23.3%	
Other Consumption Taxes								
Beer Tax	2.971	2.980	0.3%	0.905	0.883	(0.022)	-2.4%	
Cigarette Tax	20.919	19.658	-6.0%	10.484	10.197	(0.287)	-2.7%	
Liquor Excise Tax	35.443	35.016	-1.2%	13.484	13.274	(0.210)	-1.6%	
Liquor Profits	7.000	20.900	198.6%	-	-	-	-	
Lottery Profits	19.313	20.928	8.4%	6.368	-	(6.368)	-100.0%	
Marijuana Tax	31.804	32.903	3.5%	-	-	-	-	
Tobacco Tax	5.114	5.665	10.8%	2.308	2.190	(0.118)	-5.1%	
Wine Tax	2.504	2.558	2.2%	0.681	0.656	(0.025)	-3.7%	
Other Sources								
All Other Revenue	54.615	45.569	-16.6%	27.499	36.804	9.305	33.8%	
Highway Patrol Fines	3.474	3.531	1.6%	1.373	1.507	0.134	9.8%	
Nursing Facilities Fee	3.535	3.558	0.6%	0.899	0.886	(0.013)	-1.5%	
Public Institution Reimbursements	4.903	5.919	20.7%	2.240	1.614	(0.626)	-27.9%	
Tobacco Settlement	2.999	2.910	-3.0%	-	0.072	0.072		
Ongoing GF Revenue Subtotal	3,322.371	3,266.437	-1.7%	1,603.747	1,531.217	(72.530)	-4.5%	
Ongoing General Revenues	3,809.960	3,764.837	-1.2%	1,813.110	1,761.841	(51.270)	-2.8%	
OTO Revenue & Transfers Subtotal	106.962	82.132						
Grand Total General Fund	\$3,322.371	\$3,266.437	-1.7%	\$1,603.747	\$1,531.217	(\$72.530)	-4.5%	

MAJOR SOURCES

Individual Income Tax: While Currently Below Estimate, Year End Estimated Collections Expected to be near HJ 2

Individual income tax collections through the end of December are \$96.5 million or 7.9% below the year-to-date collections in FY 2024 and is currently below the level anticipated in HJ 2. The chart below shows the year-over-year individual income tax growth by account.

Individual Income Tax (\$ Millions)

Account	YTD 2025	YTD 2024	\$ Difference	% Difference
Withholding	\$666.9	\$756.9	(\$90.0)	-11.9%
Estimated Payments	198.3	210.3	(12.0)	-5.7%
Current Year Payments	47.3	64.9	(17.6)	-27.2%
Audit, P&I, Amended	33.7	25.7	8.0	31.3%
Refunds	29.9	23.2	6.6	28.5%
Partnership Income Tax	143.1	134.3	8.8	6.6%
Mineral Royalties	3.4	3.8	(0.4)	-9.7%
Total	1,122.6	1,219.1	(96.5)	-7.9%

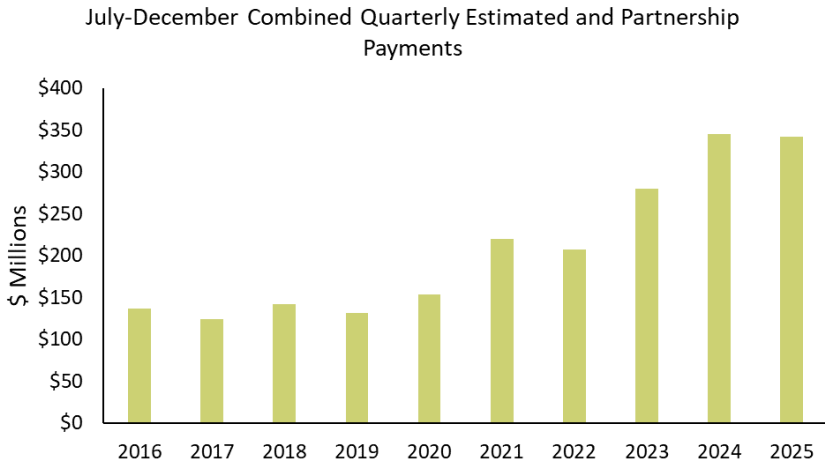
The decrease in individual income tax collections relative to the first six months of last fiscal year is expected. On January 1, 2024, the top marginal rate was reduced from 6.75% to 5.90%. As a result, all six months of the current year’s collections are in comparison to the first six months of last year’s collections when the top marginal rate was higher.

Wage Growth

Usually, this report would contain a monthly comparison of withholding growth, or lack thereof, as a proxy for wage growth in the state. However, withholding growth is heavily influenced by the reduction to the top marginal tax rate, and as a result is currently not an adequate indicator of wage growth. **Instead, the most readily available wage data (from the Montana Department of Labor & Industry) shows that in the second and third quarters of CY 2024 wage growth was 5.4% and 6.7% respectively.**

Quarterly Payments

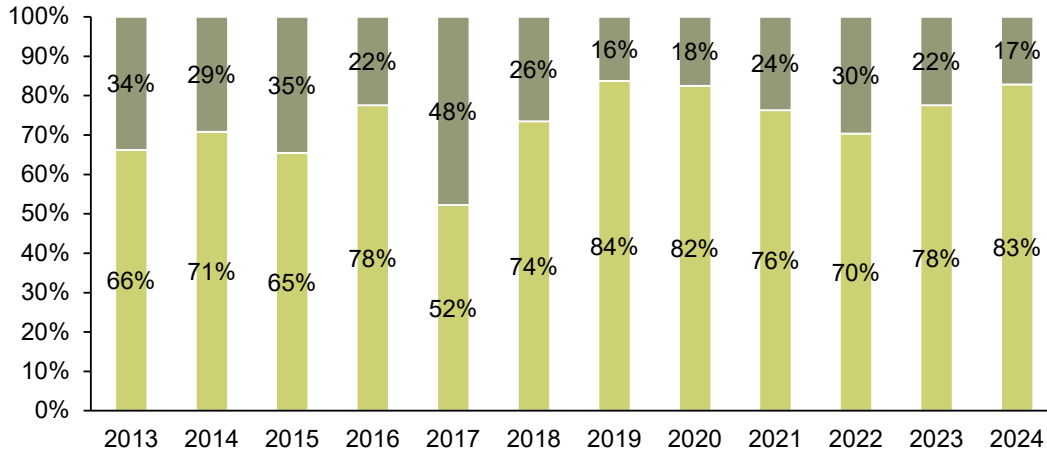
With the passage of SB 554 from the 2023 Legislative Session, an optional pass-through entity tax was created. Taxes paid by a pass-through entity are classified as a business expense, and therefore are not included in the Federal State and Local Taxes (SALT) deduction cap of \$10,000 for a household. Prior to the passage of this bill, quarterly tax payments typically showed up in the estimated payments account. Now, quarterly payments show up in both the estimated payments and partnership income tax accounts. Halfway through the fiscal year, these payments are only slightly below last year’s levels as the figure to the right shows.



Property Tax: Near HJ 2 Estimate

Property tax collections have grown 3.0% or \$4.6 million compared to collections through the same period last year. In HJ 2 this source was expected to grow by 1.9%. There is a timing issue that occurs from the November payment being booked partially in December and partially in January. This uneven split of the November payment being booked in either December or January in past years is shown in the following chart. Property tax is anticipated to come in close to the estimate in HJ 2, as it is a source that can be estimated with far more certainty than other sources.

The November property tax payment is split unevenly between **December** & **January**



Corporate Income Tax: Below HJ 2 Estimate

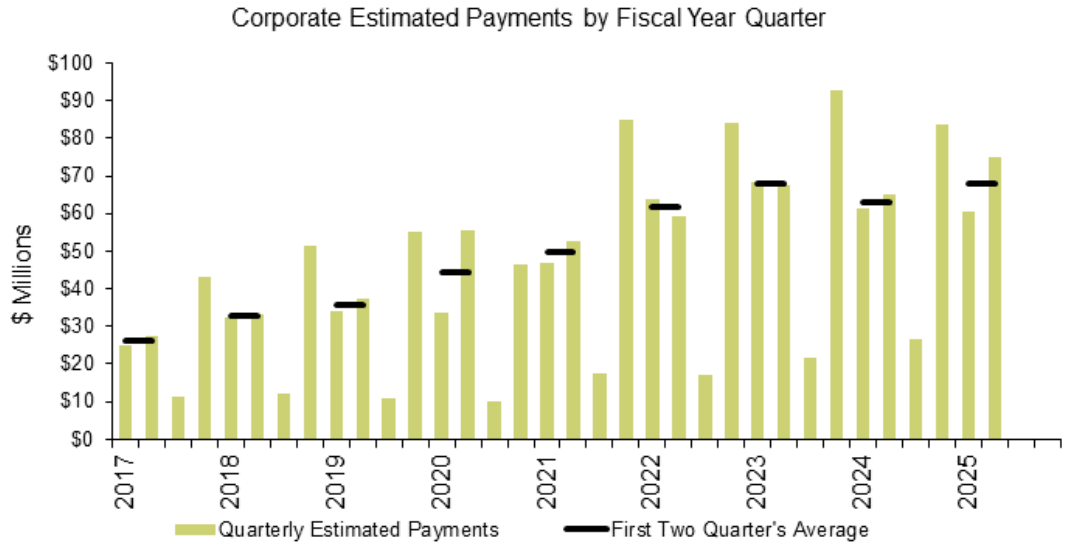
Corporate income tax collections through the end of December are 5.9% or \$9.6 million below this time in FY 2024. This is below the HJ 2 estimate which projected slight growth of 0.9%. The chart below shows the year-over-year corporate income tax growth by account. As the chart shows, estimated payment growth has been strong but declines in payments that come in with filed returns as well as increased refunds this year have caused overall growth to be negative.

Corporate Income Tax

(\$ Millions)

Account	YTD 2025	YTD 2024	\$ Difference	% Difference
Corporation Tax	\$23.3	\$34.2	(\$10.9)	-31.8%
Estimated Payments	\$135.6	\$126.3	9.3	7.4%
Refunds	(10.4)	(2.2)	(8.2)	365.7%
Audit, P&I, Amended	4.7	4.6	0.2	4.1%
Total	153.3	\$162.9	(\$9.6)	-5.9%

The adjacent chart shows that estimated payments in the first two quarters of FY 2025 are strong, and only slightly below the highest levels experienced in FY 2023. 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: Expected to be close to HJ 2

As of December, vehicle taxes & fees are up 13.5% or \$7.1 million from FY 2024 collections. This is above the estimated growth of 0.9% in HJ 2. The timing of when vehicle revenue is posted to the accounting system can be sporadic from month to month. Ultimately, this source is expected to end up near the HJ 2 estimate.

Oil & Natural Gas Production Tax: No Data Yet

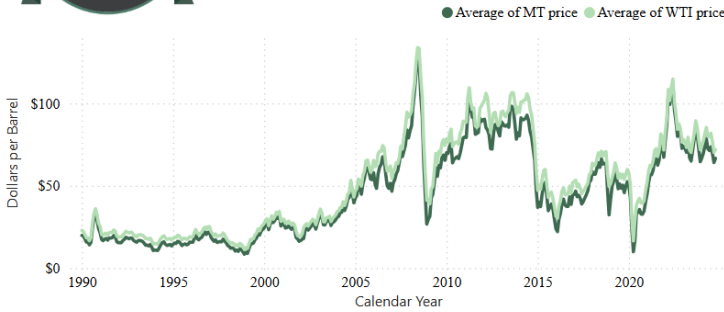
While oil and natural gas production taxes have been collected since the start of the fiscal year, they have not yet been deposited into the general fund. This is expected due to the statutory requirement of when taxes are due, and the time allowed for the Department of Revenue to determine the distribution of taxes to local governments. Continued strong prices and relatively stable production indicate that once collections are posted they will be similar to last year.

Although oil prices are volatile from year to year, there has been a slight increase in the average number of oil rigs operating in Montana. Furthermore, production has been on an upward trend since 2021. The chart below shows the last available price per barrel in Montana and is from an interactive tool published on the [LFD's website here](#).



Price, Rigs, & Production

Average of Oil Price per Barrel



Average Oil Production & Rigs in Montana



Year	Average of MT price	Average of Brent price	Average of WTI price	Average of Retail gas price
2024	\$70.73	\$81.81	\$77.85	\$3.36
2023	\$73.07	\$82.47	\$77.64	\$3.52
2022	\$90.67	\$100.78	\$94.79	\$3.96
2021	\$62.26	\$70.68	\$67.99	\$3.00
2020	\$32.20	\$41.76	\$39.24	\$2.23
2019	\$50.28	\$64.36	\$56.98	\$2.60
2018	\$57.83	\$71.06	\$64.94	\$2.72
2017	\$45.03	\$54.25	\$50.88	\$2.41
2016	\$35.80	\$43.55	\$43.15	\$2.15
2015	\$40.21	\$52.35	\$48.69	\$2.42
2014	\$81.13	\$99.02	\$93.26	\$3.36
2013	\$88.54	\$108.64	\$97.91	\$3.51

Year	Average of Rigs	Production (Thou. Barrels per day)
2024	1.53	72.60
2023	1.20	63.92
2022	1.94	56.00
2021	0.33	51.25
2020	0.78	52.42
2019	0.62	63.00
2018	1.00	58.00
2017	0.53	55.83
2016	0.00	63.67
2015	1.65	78.58
2014	8.37	81.67
2013	11.53	80.08

Calendar Year: 1990 to 2050

Last available data: October

\$66.67 MT price per barrel

81 Production (Thou. Barrels per...)

1.00 Rigs

Insurance Tax: Above Estimate

Current insurance tax collections through December are 12.6% or \$2.4 million above FY 2024 collections through the same period. This is due to an increase in the amount of premium insurance tax collected for property/casualty, life, and health policies. Causes may include increases in property value, increases in policy cost due to risk, and inflation. Research is ongoing.

Video Gaming Tax: Expected to be close to HJ 2

Revenue from video gambling is currently \$21.2 million or 101.4% above collections from this time last year. This large increase is due to the timing of payments and accruals and should resolve by fiscal year end.

TCA Interest Earnings: Above Estimate

Current TCA interest earnings through December are 23.3% or \$13.9 million above FY 2024 collections through the same period. The estimate for this source is affected by interest rates and the Treasury Cash Account's current cash balance. This source will be directly impacted by any legislative action that reduces the general fund ending fund balance. This source is estimated to decrease by 15.2% this fiscal year. This reduction was estimated on the assumption of decreasing interest rates and lower invested balances.