



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
AMY CARLSON

DATE: February 28, 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 # 2

GENERAL FUND REVENUE SUMMARY

This monthly revenue update analyzes revenue collections through the end of January 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 January, 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 January are \$51.9 million or 2.3% 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.

General fund collections, which exclude the state-levied 95 mills and TCA interest earnings are currently \$115.8 million or 5.7% below FY 2024 collections at this time. In HJ 2, general fund revenues are projected to decline by 1.7%.

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 February 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 \$163.0 million higher than the official estimate in HJ 2 over the three-year forecast period. For context, this is a 1.6% increase compared to the three-year HJ 2 total. The table below shows the HJ 2 estimate and the LFD February update based on revised assumptions and new data.

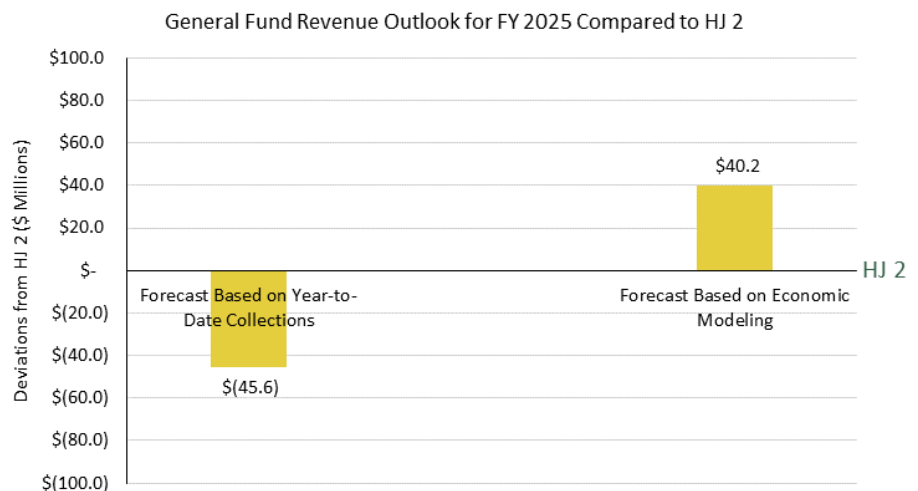
FY	HJ 2	February Update	\$ Difference	HJ 2 Growth	January Update Growth
2025	\$3,266.4	\$3,306.6	\$40.2	-1.7%	-0.5%
2026	3,531.5	3,585.9	54.4	8.1%	8.4%
2027	3,567.3	3,635.7	68.5	1.0%	1.4%
3-Year	\$10,365.2	\$10,528.2	\$163.0		

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

FY	Individual Income Tax	Corporate Income Tax	Oil & Natural Gas Tax	Remaining Sources	Total All Sources
2025	\$40.0	(\$0.6)	(\$1.4)	\$2.2	\$40.2
2026	\$59.9	(\$5.1)	(\$6.2)	\$5.7	\$54.4
2027	\$84.3	(\$12.2)	(\$9.4)	\$5.7	\$68.5
Total	\$184.2	(\$17.9)	(\$17.0)	\$13.7	\$163.0

Conflicting Forecasts

The economic forecasts from S&P Global that are used in the LFD modeling have been changing more than usual from month to month, as they too are trying to forecast the outlook for the US and Montana economies. While updated modeling for the current year shows an increase of \$40.2 million compared to HJ 2, year-to-date extrapolations suggest that FY 2025 collections will end up \$45.6 million, or 1.4% below HJ 2. The figure to the right illustrates these comparisons.



Given the continually evolving outlooks for the US and Montana economies, along with the two forecasts shown above, at this time the LFD suggests that HJ 2 is still a reasonable estimate. Furthermore, approximately half of the forecasted increase in the three-year total occurs in individual income tax in FY 2027. This is a volatile source and economic indicators governing this forecast have been changing on a month-to-month basis.

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	January FY 2024	January FY 2025	YTD Difference	YTD % Change	YTD % Change
Largest Seven Sources								
Individual Income Tax	\$2,243.946	\$2,166.409	-3.5%	\$1,507.152	\$1,381.504	(\$125.648)	-8.3%	
Property Tax (General Fund)	17.222	14.938	1.9%	8.845	7.365	47.141	25.4%	
Property Tax (School Equalization)	430.813	441.624		176.648	225.270			
Corporate Income Tax	312.276	315.242	0.9%	178.760	163.568	(15.192)	-8.5%	
Vehicle Taxes & Fees	124.840	125.956	0.9%	63.848	69.927	6.078	9.5%	
Oil & Natural Gas Taxes	64.405	65.302	1.4%	17.235	16.054	(1.181)	-6.9%	
Insurance Tax	115.075	126.202	9.7%	38.348	42.184	3.837	10.0%	
Video Gaming Tax	83.385	84.897	1.8%	41.515	42.158	0.643	1.5%	
Other Business Taxes								
Drivers License Fee	5.772	5.772	0.0%	3.351	3.267	(0.084)	-2.5%	
Investment Licenses	21.042	21.696	3.1%	18.698	19.720	1.023	5.5%	
Lodging Facilities Sales Tax	44.750	46.711	4.4%	21.992	24.505	2.513	11.4%	
Public Contractor's Tax	9.125	5.163	-43.4%	6.954	7.066	0.112	1.6%	
Railroad Car Tax	3.645	3.920	7.6%	3.140	2.914	(0.225)	-7.2%	
Rental Car Sales Tax	6.972	7.827	12.3%	3.878	4.785	0.908	23.4%	
Retail Telecom Excise Tax	8.139	7.960	-2.2%	3.383	3.384	0.001	0.0%	
Other Natural Resource Taxes								
Coal Severance Tax	18.181	15.530	-14.6%	7.639	8.647	1.008	13.2%	
Electrical Energy Tax	4.090	5.603	37.0%	1.683	2.745	1.061	63.0%	
Metal Mines Tax	6.573	7.378	12.3%	-	(0.000)	(0.000)		
U.S. Mineral Leasing	15.655	14.832	-5.3%	7.089	7.384	0.295	4.2%	
Wholesale Energy Trans Tax	3.545	3.320	-6.3%	1.527	1.414	(0.113)	-7.4%	
Other Interest Earnings								
Coal Trust Interest Earnings	19.139	19.681	2.8%	8.945	10.181	1.236	13.8%	
TCA Interest Earnings (Now SSR)	163.738	138.908	-15.2%	71.467	86.744	15.278	21.4%	
Other Consumption Taxes								
Beer Tax	2.971	2.980	0.3%	1.576	1.582	0.006	0.4%	
Cigarette Tax	20.919	19.658	-6.0%	12.043	11.574	(0.468)	-3.9%	
Liquor Excise Tax	35.443	35.016	-1.2%	16.140	15.957	(0.183)	-1.1%	
Liquor Profits	7.000	20.900	198.6%	-	-	-		
Lottery Profits	19.313	20.928	8.4%	6.368	3.703	(2.665)	-41.9%	
Marijuana Tax	31.804	32.903	3.5%	-	-	-		
Tobacco Tax	5.114	5.665	10.8%	2.632	2.622	(0.009)	-0.4%	
Wine Tax	2.504	2.558	2.2%	1.327	1.287	(0.040)	-3.0%	
Other Sources								
All Other Revenue	54.615	45.569	-16.6%	28.514	41.628	13.114	46.0%	
Highway Patrol Fines	3.474	3.531	1.6%	1.582	1.832	0.250	15.8%	
Nursing Facilities Fee	3.535	3.558	0.6%	1.303	1.491	0.188	14.4%	
Public Institution Reimbursements	4.903	5.919	20.7%	2.854	2.022	(0.832)	-29.1%	
Tobacco Settlement	2.999	2.910	-3.0%	-	0.072	0.072		
Ongoing GF Revenue Subtotal	3,322.371	3,266.437	-1.7%	2,018.319	1,902.542	(115.778)	-5.7%	
Ongoing General Revenues	3,809.960	3,764.837	-1.2%	2,266.434	2,214.556	(51.878)	-2.3%	
OTO Revenue & Transfers Subtotal	106.962	82.132						
Grand Total General Fund	\$3,322.371	\$3,266.437	-1.7%	\$2,018.319	\$1,902.542	(\$115.778)	-5.7%	

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 January are \$125.6 million or 8.3% 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	\$806.1	\$898.4	(\$92.3)	-10.3%
Estimated Payments	266.7	279.3	(12.5)	-4.5%
Current Year Payments	50.0	66.0	(16.0)	-24.2%
Audit, P&I, Amended	43.4	33.0	10.3	31.2%
Refunds	20.8	11.6	9.1	78.6%
Partnership Income Tax	189.0	213.0	(24.1)	-11.3%
Mineral Royalties	5.5	5.8	(0.2)	-3.7%
Total	1,381.5	1,507.2	(125.6)	-8.3%

The decrease in individual income tax collections relative to the first seven 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, the first 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.

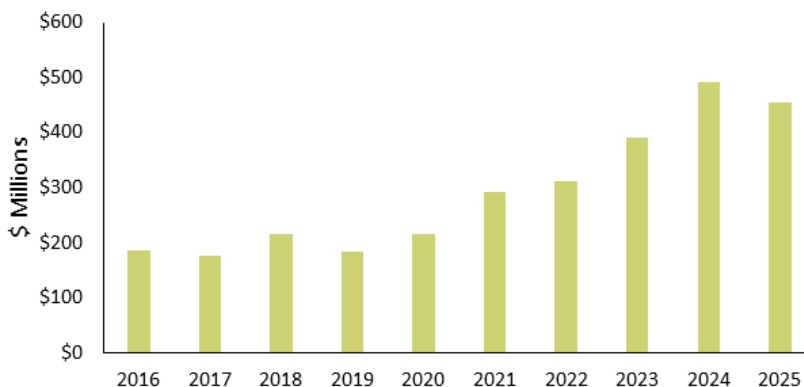
Wage Growth

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

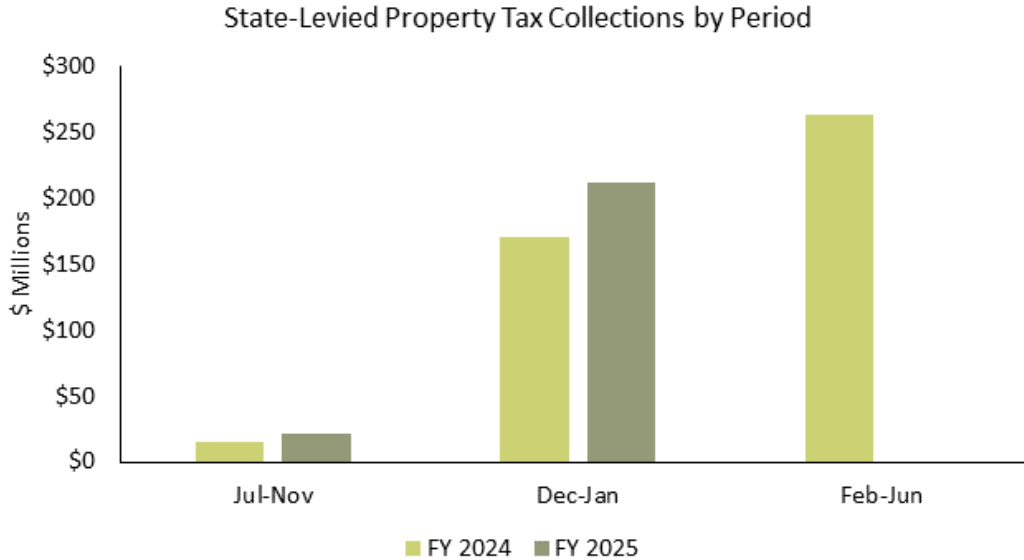
With the passage of SB 554 from the 2023 Legislative Session, an optional pass-through entity tax was created. Taxes paid by a pass-through entity are classified as a business expense, and therefore are not included in the Federal State and Local Taxes (SALT) deduction cap of \$10,000 for a household. 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. Seven months through the fiscal year, these payments are strong, albeit below last year's levels as the figure to the right shows.

July-January Combined Quarterly Estimated and Partnership Payments



Property Tax: Above HJ 2 Estimate due to Timing, but Expected to End up Near HJ 2

Property tax collections have grown 25.4% or \$47.1 million compared to collections through the same period last year. In HJ 2 this source was expected to grow by 1.9%. The growth above HJ 2 through January this year is artificial, as last year saw relatively low collections from the November property tax payments. This was due to the dispute over the number of mills owed to the state. Most counties levied 77.9 mills instead of 95. Ultimately, 95 mills were levied, and the spring payment made up for the underpayments in November. The figure below shows the periodic collection pattern of property taxes.



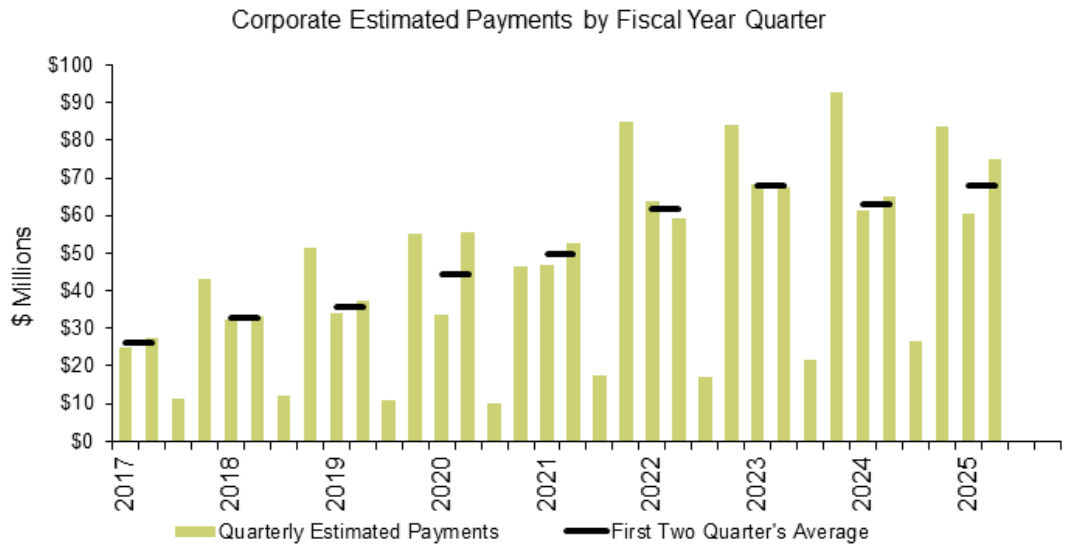
Corporate Income Tax: Below HJ 2 Estimate

Corporate income tax collections through the end of January are 8.5% or \$15.2 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 table shows, there has been growth in the largest account, which is estimated payments. However, 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	\$29.8	\$35.1	(\$5.3)	-15.0%
Estimated Payments	\$145.0	\$140.1	4.9	3.5%
Refunds	(16.6)	(4.6)	(12.1)	264.6%
Audit, P&l, Amended	5.3	8.1	(2.7)	-33.9%
Total	163.6	\$178.8	(\$15.2)	-8.5%

The adjacent figure 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 estimate

Vehicle taxes & fees are up 9.5% or \$6.1 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: Below estimate

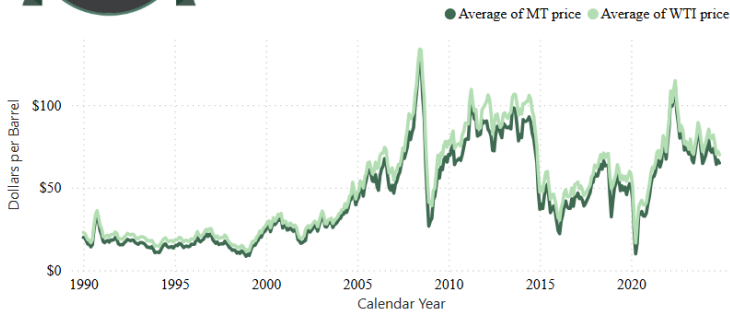
Oil and natural gas production taxes have been collected since the start of the fiscal year, and the first payment has been posted as of January to the state accounting system. The delay in posting collections to the accounting system is due to the statutory requirement of when taxes are due, and the time allowed for the Department of Revenue to determine the distribution of taxes to local governments. Oil and natural gas collections are 6.9% or \$1.2 million below this time last year. However, if prices remain stable and production continues to increase as seen in the figure at the top of the next page this source will likely end up near HJ 2, which assumed slight growth of 1.4%.

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	\$70.20	\$81.13	\$77.13	\$3.33
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	1.48	73.73
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: November

\$64.92 MT price per barrel

86 Production (Thou. Barrels per day)

1.00 Rigs

Insurance Tax: Slightly above estimate

Current insurance tax collections through January are 10.0% or \$3.8 million above FY 2024 collections through the same period. This is in comparison to assumed growth of 9.7% in the HJ 2 estimate. The projected increase is due to an increase in the amount of premium insurance taxes collected for property/casualty, life, and health policies. Causes may include increases in property value, increases in policy cost due to risk, and inflation.

Video Gaming Tax: Expected to be close to HJ 2

Revenue from video gambling is currently \$0.6 million or 1.5% above collections from this time last year. Revenue from this source is expected to be close to HJ 2, which has anticipated growth of 1.8%.

TCA Interest Earnings: Above Estimate

Current TCA interest earnings through January are 21.4% or \$15.3 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.