



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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Director  
AMY CARLSON

DATE: April 23, 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 # 4

## GENERAL FUND REVENUE SUMMARY

This monthly revenue update analyzes revenue collections through the end of March 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 March, 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 March are \$13.5 million or 0.5% above 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 revenue collections, which exclude the state-levied 95 mills and TCA interest earnings are currently \$47.4 million or 2.0% below FY 2024 collections at this time. In HJ 2, general fund revenues are projected to decline by 1.7%.*

Throughout the interim the LFD will continue to monitor year-to-date collections and the underlying economic assumptions used to generate the estimate contained in HJ 2.

## General Fund Forecast Update Based on New Data

The April economic forecasts from S&P Global, combined with updated CY 2023 individual income tax return data from the Department of Revenue generates a general fund revenue forecast that is \$79.2 million higher than the official estimate in HJ 2 over the three-year forecast period, an increase of 0.8%. **This increase is not due to changing economic conditions, but instead is due to a higher-than-estimated tax liability in the updated individual income tax return data for CY 2023.**

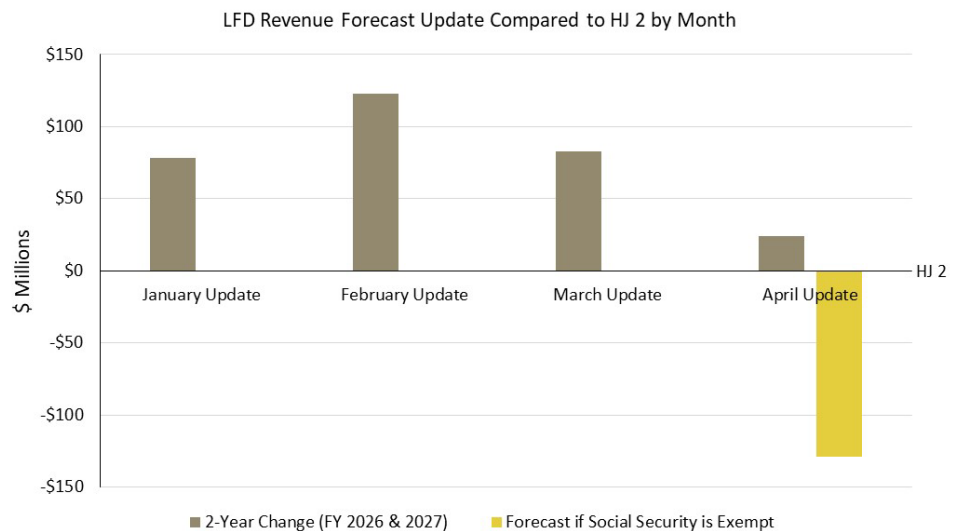
April LFD General Fund Revenue Estimate Update (\$ Millions)					
FY	HJ 2	April Update	\$ Difference	HJ 2 Growth	April Update Growth
2025	\$3,266.4	\$3,321.5	\$55.0	-1.7%	0.0%
2026	3,531.5	3,561.5	30.0	8.1%	7.2%
2027	3,567.3	3,561.4	-5.8	1.0%	0.0%
3-Year	\$10,365.2	\$10,444.4	\$79.2		

### 2027 Biennium Economic and Federal Policy Risk

Given the uncertainty moving forward in the US economy, coupled with the recent volatility in the stock market, S&P Global has continued to revise US GDP growth downward. At this point S&P Global does not include a recession in their baseline forecast but may in the coming months. The following is a quote from their most recent forecast.

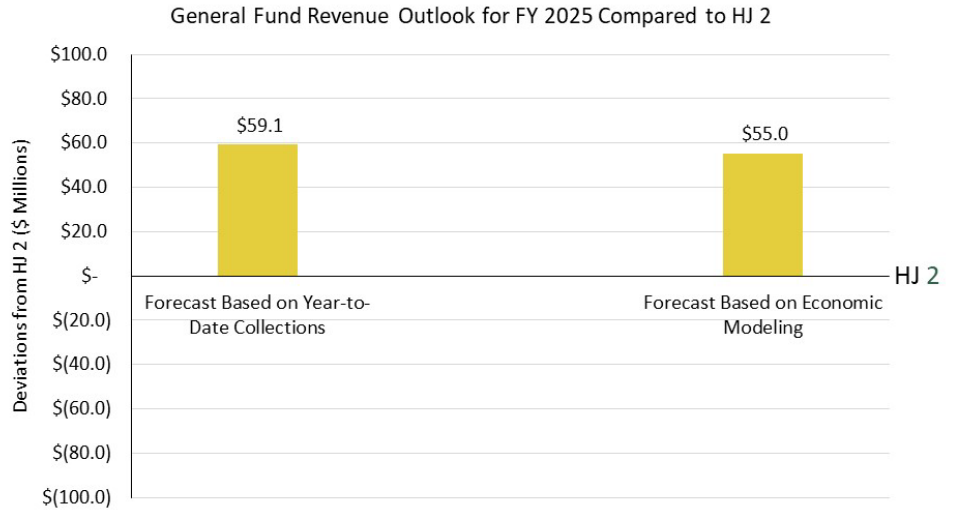
- “While our baseline forecast does not include a recession, this is a very close call. Implicit in our forecast of continued, albeit muted, growth in coming quarters is a partial recovery in equity values over the next several weeks. If equity values do not recover as assumed and, especially, if they turn down further, we will consider switching to a recession call in our May baseline forecast.”

In addition to economic uncertainty, multiple pieces of legislation have already been introduced at the federal level that would exempt social security from federal individual income tax. Currently, the federal Tax Cuts and Jobs Act (TCJA) are set to expire on December 31, 2025. If the TCJA is extended, and the exemption of social security benefits is part of any new tax legislation, it may be implemented as early as January 1, 2026. Since Montana’s taxable income is tied to federal taxable income, exemption of social security benefits from taxation at the federal level would reduce Montana’s income tax revenues. The figure to the right shows the LFD’s updated biennial forecasts by month compared to HJ 2, with the April figure including an adjustment if social security benefits are removed from taxation.



### Outlook for FY 2025

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. However, FY 2025 collections are less uncertain at this time because the end of the fiscal year is less than three months away. Higher-than-expected collections in March have resulted in the year-to-date extrapolation producing consistent estimates with the economic modeling in FY 2025, as shown in the figure above.



# 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	March FY 2024	March FY 2025	YTD Difference	YTD % Change	YTD % Change
<b>Largest Seven Sources</b>								
Individual Income Tax	\$2,243.946	\$2,166.409	-3.5%	\$1,750.263	\$1,683.258	(\$67.005)	-3.8%	
Property Tax (General Fund)	17.222	14.938	1.9%	9.189	7.885	43.636	19.0%	
Property Tax (School Equalization)	430.813	441.624		219.947	264.887			
Corporate Income Tax	312.276	315.242	0.9%	183.607	175.191	(8.416)	-4.6%	
Vehicle Taxes & Fees	124.840	125.956	0.9%	82.035	88.748	6.713	8.2%	
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%	63.774	71.905	8.131	12.7%	
Video Gaming Tax	83.385	84.897	1.8%	41.581	42.169	0.588	1.4%	
<b>Other Business Taxes</b>								
Drivers License Fee	5.772	5.772	0.0%	4.227	4.284	0.057	1.3%	
Investment Licenses	21.042	21.696	3.1%	19.725	20.465	0.740	3.8%	
Lodging Facilities Sales Tax	44.750	46.711	4.4%	24.396	25.995	1.598	6.6%	
Public Contractor's Tax	9.125	5.163	-43.4%	6.921	7.260	0.340	4.9%	
Railroad Car Tax	3.645	3.920	7.6%	3.141	2.914	(0.227)	-7.2%	
Rental Car Sales Tax	6.972	7.827	12.3%	4.414	4.802	0.387	8.8%	
Retail Telecom Excise Tax	8.139	7.960	-2.2%	4.035	4.153	0.118	2.9%	
<b>Other Natural Resource Taxes</b>								
Coal Severance Tax	18.181	15.530	-14.6%	9.640	9.682	0.042	0.4%	
Electrical Energy Tax	4.090	5.603	37.0%	2.140	2.180	0.040	1.8%	
Metal Mines Tax	6.573	7.378	12.3%	0.002	1.606	1.605	90052.5%	
U.S. Mineral Leasing	15.655	14.832	-5.3%	9.494	12.319	2.825	29.8%	
Wholesale Energy Trans Tax	3.545	3.320	-6.3%	1.794	1.846	0.053	2.9%	
<b>Other Interest Earnings</b>								
Coal Trust Interest Earnings	19.139	19.681	2.8%	12.371	13.467	1.096	8.9%	
TCA Interest Earnings (Now SSR)	163.738	138.908	-15.2%	96.276	112.224	15.948	16.6%	
<b>Other Consumption Taxes</b>								
Beer Tax	2.971	2.980	0.3%	1.579	1.583	0.004	0.2%	
Cigarette Tax	20.919	19.658	-6.0%	15.494	14.570	(0.925)	-6.0%	
Liquor Excise Tax	35.443	35.016	-1.2%	20.566	20.037	(0.529)	-2.6%	
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%	3.421	3.285	(0.136)	-4.0%	
Wine Tax	2.504	2.558	2.2%	1.332	1.289	(0.043)	-3.2%	
<b>Other Sources</b>								
All Other Revenue	54.615	45.569	-16.6%	34.665	45.205	10.539	30.4%	
Highway Patrol Fines	3.474	3.531	1.6%	2.277	2.387	0.111	4.9%	
Nursing Facilities Fee	3.535	3.558	0.6%	1.769	1.711	(0.058)	-3.3%	
Public Institution Reimbursements	4.903	5.919	20.7%	3.360	3.427	0.067	2.0%	
Tobacco Settlement	2.999	2.910	-3.0%	-	0.072	0.072		
Ongoing GF Revenue Subtotal	3,322.371	3,266.437	-1.7%	2,340.818	2,293.453	(47.366)	-2.0%	
Ongoing General Revenues	3,809.960	3,764.837	-1.2%	2,657.041	2,670.563	13.522	0.5%	
OTO Revenue & Transfers Subtotal	106.962	82.132						
<b>Grand Total General Fund</b>	<b>\$3,322.371</b>	<b>\$3,266.437</b>	<b>-1.7%</b>	<b>\$2,340.818</b>	<b>\$2,293.453</b>	<b>(\$47.366)</b>	<b>-2.0%</b>	

# MAJOR SOURCES

## Individual Income Tax: Near HJ 2

Individual income tax collections through the end of March are \$67.0 million or 3.8% below the year-to-date collections in FY 2024 and are currently slightly below the level anticipated in HJ 2. This is an increase compared to last month when individual income tax collections were 7.2% below last year. In HJ 2 this source was expected to decline by 3.5%. 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	\$1,029.5	\$1,118.2	(\$88.7)	-7.9%
Estimated Payments	280.7	297.9	(17.2)	-5.8%
Current Year Payments	107.5	101.8	5.8	5.7%
Audit, P&I, Amended	58.0	47.4	10.6	22.3%
Refunds	(78.4)	(141.1)	62.7	-44.5%
Partnership Income Tax	278.8	317.5	(38.7)	-12.2%
Mineral Royalties	7.1	8.5	(1.4)	-16.6%
Total	1,683.3	1,750.3	(67.0)	-3.8%

The decrease in individual income tax collections relative to the first nine 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 fiscal year's collections are in comparison to the first six months of last fiscal year's collections when the top marginal rate was higher.

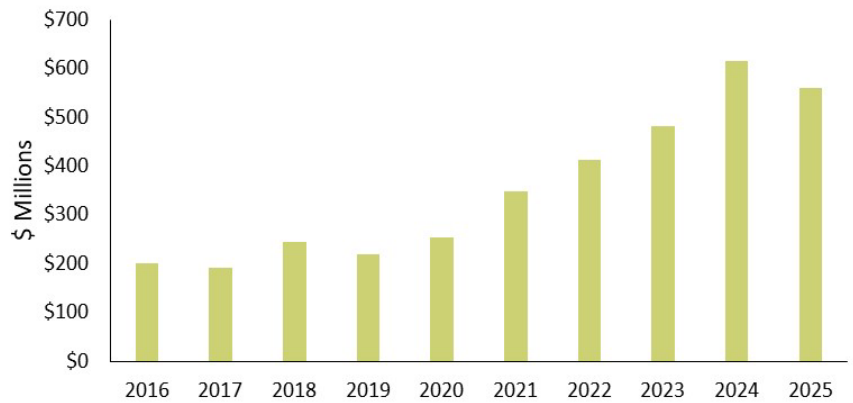
## Wage Growth

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 QCEW (Quarterly Census of Employment and Wages) wage data shows that in the second and third quarters of CY 2024 wage growth was 5.3% and 6.5% 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. Nine months through the fiscal year, these payments are strong, albeit below last year's levels as the figure above shows.

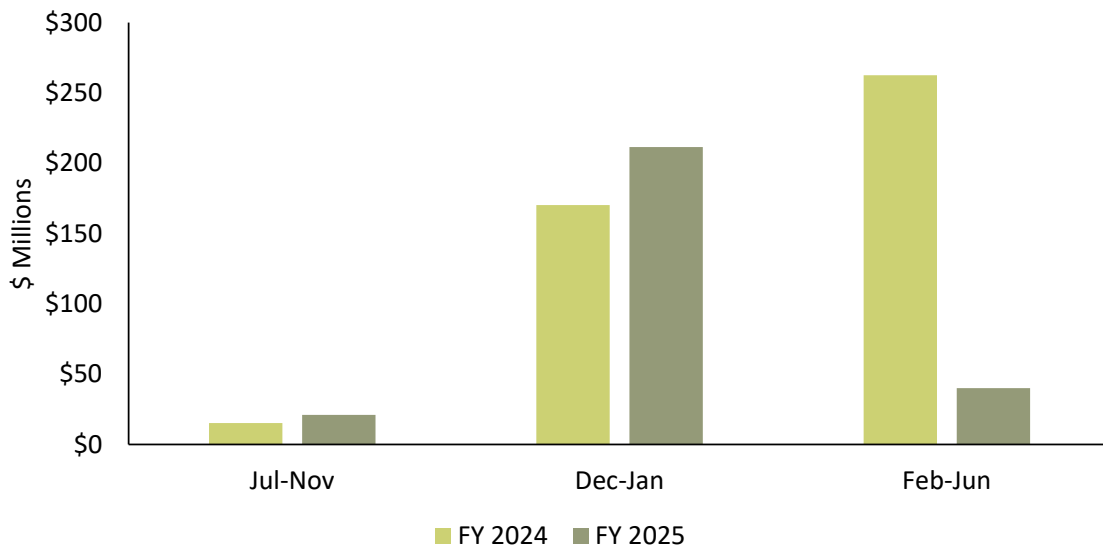
July-March Combined Quarterly Estimated and Partnership Payments



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

Property tax collections have grown 19.0% or \$43.6 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 March 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. As of now, only February and March collections are shown for FY 2025 in the February-June period.

State-Levied Property Tax Collections by Period



## Corporate Income Tax: Below HJ 2 Estimate

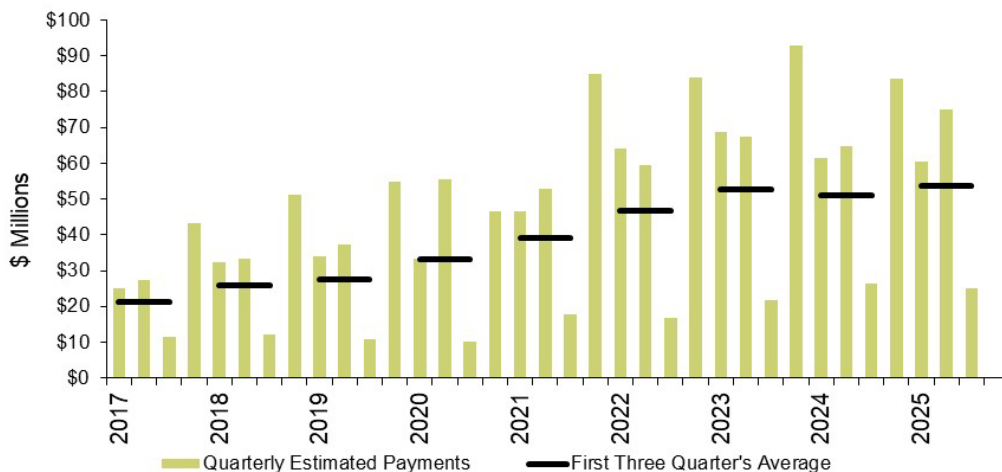
Corporate income tax collections through the end of March are 4.6% or \$8.4 million below this time in FY 2024. This is below the HJ 2 estimate which projected slight growth of 0.9%. The chart below shows the year-over-year corporate income tax growth by account. As the table shows, there has been growth 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	\$39.8	\$46.4	(\$6.6)	-14.3%
Estimated Payments	\$160.6	\$152.8	7.9	5.2%
Refunds	(34.3)	(25.8)	(8.5)	32.8%
Audit, P&I, Amended	9.0	10.2	(1.2)	-11.6%
<b>Total</b>	<b>175.2</b>	<b>\$183.6</b>	<b>(\$8.4)</b>	<b>-4.6%</b>

The adjacent figure shows that estimated payments in the first three quarters of FY 2025 have been strong and have outpaced the first three quarters of any other fiscal year. Estimated payments typically make up 80% of total corporate income tax collections, so they're generally the ultimate driver of where final collections end up. Note that large swings in audits and refunds can cause total collections to be lower than prior years, even if quarterly estimated payments are larger.

Corporate Estimated Payments by Fiscal Year Quarter



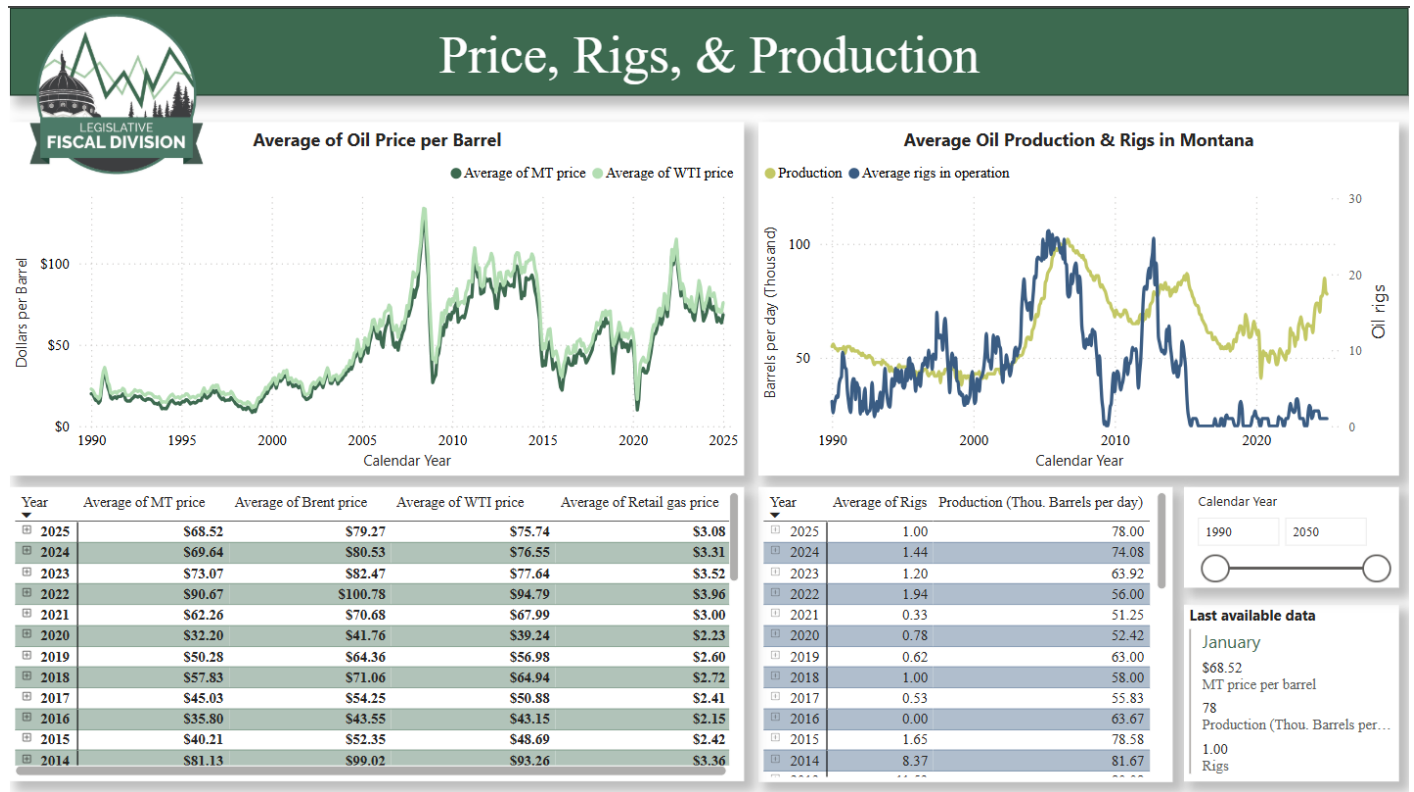
## Vehicle Fees & Taxes: Expected to be close to estimate

Vehicle taxes & fees are up 8.2% or \$6.7 million compared to 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 was posted in 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. The next payment is expected to be posted in April. Oil and natural gas collections are 6.9% or \$1.2 million below this time last year. In HJ 2 this source 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 had been on an upward trend since 2021 peaking at about 85 thousand barrels produced per day in November 2024. The last available productions numbers are 78 thousand barrels produced per day in January. 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](#).



### Insurance Tax: Above estimate

Current insurance tax collections through March are 12.7% or \$8.1 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 growth 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 1.4% 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 March are 16.6% or \$15.9 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.

### All Other Revenue: Above Estimate

Through March all other revenue collections are 30.4% or \$10.5 million above FY 2024 collections. Most of this increase is from abandoned property collections.